



Australian Government

Comcare

# CLAIMS MANAGEMENT SYSTEM AUDIT TOOL

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## CONTACT US

Enquiries regarding the licence and any use of this document are welcome at:

Comcare Communications  
GPO Box 9905 Canberra ACT 2601

Ph: 1300 366 979

Email: [communications@comcare.gov.au](mailto:communications@comcare.gov.au)

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# INTRODUCTION

## PURPOSE

Claims management refers to the receipt, consideration, decision-making, ongoing monitoring and review (including supporting rehabilitation and return to work) and finalisation of workers' compensation claims in the Comcare scheme.

Claims management systems provide a framework of policies, planning activities, processes and procedures used to support an organisation to achieve its claims management objectives.

This audit tool sets out the key elements of a claims management system in the Comcare scheme. It is used by Comcare, self-insured licensees and claims management providers working in the scheme, to assess claims management systems in an organisation and to identify areas for improvement.

This tool draws on legislative compliance items set out in the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act) (and other legislation) and better practice elements determined through Comcare's research and cross-jurisdictional scanning.

The tool is published and updated by Comcare. The Safety, Rehabilitation and Compensation Commission use this tool in their monitoring role of self-insured licensees in the Comcare scheme.

## THE CLAIMS MANAGEMENT SYSTEM AUDIT TOOL

The tool is based on the following Australian/New Zealand standards:

- > AS/NZS 4801:2001 Occupational health and safety management systems—Specification with guidance for use
- > AS/NZS 4804:2001 Occupational health and safety management systems—General guidelines on principles, systems and supporting techniques.

The audit tool assesses claims management systems against five elements across 31 criteria:

1. Commitment and corporate governance (3 criteria)
2. Planning (5 criteria)
3. Implementation (17 criteria)
4. Measurement and evaluation (5 criteria)
5. Review and improvement (1 criterion)

## RELATED DOCUMENTATION

1. *Claims management systems audit tool workbook*
2. *Claims management audit report template*

# APPLYING THE AUDIT TOOL

## AUDIT SCOPE

Audit findings should be representative of the state of the relevant authority's<sup>1</sup> overall claims management system. The scope of any claims management system audit must be sufficient to produce reliable and robust findings regarding the state of the relevant authority's claims management system.

If a relevant authority does not manage claims centrally in one location, or electronically, then site selection will be at the discretion of the auditor. The auditor must ensure that the selection sufficiently represents the organisation and will produce reliable outcomes.

A claims management system audit may involve examining a certain number of claim files. The auditor can apply the population sampling technique in the following table if auditing the entire system and its implementation. The sample may be increased if multiple sites are being tested. It should be noted that the auditing timeframes are the minimum requirements. Where organisations are in the process of establishing their systems, auditors may provide for more audit days.

Claims with activity in 12 months prior to audit	Suggested number of claim files to be sampled	Allocated days per person for two person team (including preparation and report writing)
1–15	All	4
16–90	16	5
91–150	30	6
151–280	56	8
281–500	70	10
501 or more	100	12

Where an auditor uses discretion in relation to the sampling methodology outlined above, the auditor must provide an explanation for the alternate sampling methodology in the audit report.

The scope of the audit should be confined to an examination of the current claims management system to ensure that the audit findings are timely and relevant. The audit file sample should therefore be confined to a review of claims that have had some form of activity within 12 months before the audit date.

To adequately assess how well a relevant authority is exercising its powers and meeting its responsibilities under the SRC Act, the auditor must choose an appropriate sample from the claims file population. A breadth of claims decisions should be reviewed for example: initial decisions, permanent impairment claims, death claims and funeral expenses, incapacity determinations and suspensions.

It is also useful to cross reference the claim sample with files selected for rehabilitation management system audits. Cross referencing rehabilitation and claims management files will produce a more accurate representation of how well claims are being managed.

<sup>1</sup> **relevant authority** means:

- (a) in relation to an employee who is employed by a licensee—the licensee; and
- (b) in relation to any other employee—Comcare.

## COMPETENT AUDITORS

An audit should be undertaken by objective and impartial auditor(s) aided by technical expert(s), where selected from within the organisation, or from external sources. The collective competence of the audit team should be sufficient to meet the objectives and scope of the particular audit and provide confidence as to the degree of reliability that can be placed on the results. As a minimum, auditor independence is to be demonstrated by an auditor being free from responsibility for the activity being audited<sup>2</sup>.

Guidance on assessing the competence of an auditor can be obtained from the *International Standard ISO 19011—Guidelines for auditing management systems*, Chapter 7—Competence and evaluation of auditors.

## DOCUMENTATION REVIEW

Examples of the types of evidence that may be reviewed include:

- > policies and procedures
- > minutes or outcomes of meetings
- > training records
- > internal audit reports
- > internal performance reports
- > staff bulletins.

The *Claims management systems audit workbook* will assist relevant authorities to identify and prepare relevant documentation for the auditor.

The privacy and confidentiality of all information collected for the purposes of the audit is subject to the *Privacy Act 1988* (the Privacy Act).

## FILE REVIEW

After considering the documentation provided, the auditor will review selected claims files.

## INTERVIEWS

The relevant authority may need to arrange a time for the auditor to meet with and interview a selection of employees. Groups of employees who might be interviewed include:

- > senior management
- > workplace managers
- > claims managers
- > reconsideration officers
- > injured employees
- > employees of contracted external case managers (where applicable).

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<sup>2</sup> Extract from *AS/NZS 4804:2001 Occupational health and safety management systems—General guidelines on principles, systems and supporting techniques Section 4.4.3*

The *Claims management system audit workbook* identifies questions that the auditor may ask the groups of employees during the audit process to assess the extent to which policies and procedures are being followed in practice.

Any information collected through interviews is protected under the *Privacy Act 1988* and respondent confidentiality will be respected. Individual responses will not be made available to the relevant authority.

## **LATE SUBMISSION OF EVIDENCE**

As a general rule, evidence submitted after the close of the audit and prior to the draft report being issued cannot be used to change a rating for a criterion. However, it will be considered, and if satisfactory, the auditor may note in the commentary that the matter was closed-out after the audit.

# AUDIT CRITERIA

## ELEMENT 1: COMMITMENT AND CORPORATE GOVERNANCE

The relevant authority will document its commitment to claims management. This documentation will benchmark the organisation's objectives, be used to formulate strategic direction and be reviewed to ensure it remains relevant. The documentation will also demonstrate that the organisation strives for continuous improvement. It will be endorsed and supported at the executive level and be relevant to the organisation's overall values, vision and business objectives.

Corporate governance is the process by which organisations are directed, controlled and held to account. The term encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation. It includes the transparency of corporate structures and operations, the implementation of effective risk management and internal control systems and the accountability of management to stakeholders. The relevant authority's executive will provide stewardship for its claims management system and commit adequate resources to ensure continuous improvement.

### Documented commitment

A statement by the employer of its commitment, intentions and principles in relation to its overall claims management system performance including its commitment to minimising the human and financial cost of injury and providing for fair compensation when an injury occurs. It provides a framework for action and setting claims management system objectives and targets. It could take the form of a policy, management arrangements or an employer/worker agreement.

- 1.1. The relevant authority sets the direction for its claims management system through a documented commitment by senior executive.

### Corporate governance

- 1.2. The relevant authority's claims management system provides for internal and external accountability.
- 1.3. The relevant authority identifies, assesses and controls risks to the claims management system.

## ELEMENT 2: PLANNING

The successful implementation and operation of a claims management system requires an effective planning process with well-defined and measurable outcomes. Planning is essential for both the initial implementation of an overall management system and for specific elements that make up that system. This should be done in consultation with relevant stakeholders.

### Administrative arrangements

- 2.1. The relevant authority identifies the administrative and financial limitations for each level of claims manager.
- 2.2. The relevant authority has documented procedures for paying compensation to injured employees, dependants of deceased employees, providers of medical treatment and other recipients.

### Claims management planning

- 2.3. The relevant authority recognises legislative obligations and plans for legislative compliance and other legal requirements, having regard to any policy advice that Comcare or the Commission may issue.
- 2.4. The relevant authority sets objectives and targets and identifies key performance measures for its claims management system.



- 2.5 The relevant authority establishes plans to:
- (i) achieve its objectives and targets
  - (ii) promote continuous improvement
  - (iii) provide for effective claims management arrangements.

## ELEMENT 3: IMPLEMENTATION

A relevant authority achieves its claims management system objectives identified in its claims management system plans, by involving its people as well as focusing and aligning its systems, strategies, resources and structure.

### Resources

- 3.1 The relevant authority allocates adequate resources to support its claims management system.

### Communication and awareness

- 3.2 The relevant authority defines and communicates responsibilities to relevant stakeholders.
- 3.3 The relevant authority communicates relevant information regarding the claims management process including:
- (i) ensuring that employees are aware of their legislative rights and obligations in relation to workers' compensation
  - (ii) ensuring that employees are informed of the status of their claims
  - (iii) ensuring consultation<sup>3</sup> or the provision of information to relevant parties in regards to the claims management process.

### Training

- 3.4 The relevant authority identifies training requirements, develops and implements training plans and ensures personnel are competent.

### Compliance with the legislation

- 3.5 The relevant authority complies with the provisions of the SRC Act when making decisions on claims, including:
- (i) determining claims accurately and quickly
  - (ii) determining claims in writing with adequate terms and reasons
- 3.6 The relevant authority complies with the provisions of the SRC Act when using its powers or meeting statutory obligations under that Act.
- 3.7 The relevant authority complies with the provisions of the SRC Act when determining initial liability.
- 3.8 The relevant authority complies with the provisions of the SRC Act when determining liability for incapacity.
- 3.9 The relevant authority complies with the provisions of the SRC Act when determining liability for benefits, including medical expenses.

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<sup>3</sup> Consultation means to appropriately inform employees, inviting and considering their response prior to a decision being made. Employees opinions should not be assumed. Sufficient action must be taken to secure employees' responses and give their views proper attention. Consultation requires more than a mere exchange of information. Employees must be able to contribute to the decision-making process, not only in appearance but in fact

- 3.10 The relevant authority complies with the provisions of the SRC Act when determining liability for permanent impairment.
- 3.11 The relevant authority must comply with Part X of the SRC Act, the transitional provisions, particularly in relation to determining permanent impairment and incapacity benefits.
- 3.12 The relevant authority complies with the provisions of the SRC Act, and any specific licence conditions (if applicable), when managing reconsiderations.

## Claims reviews

- 3.13 The relevant authority provides employees with a reasonable opportunity to provide information or comment when claims for on-going liability are being assessed or reviewed.
- 3.14 Claim reviews are timely, made accurately and guided by equity, good conscience and the substantial merits of each case without regards to technicalities.

## Surveillance

- 3.15 The relevant authority has a policy on the use of covert surveillance and complies with its requirements. The policy must include:
  - (i) on whose authority approval may be granted
  - (ii) detailed instruction on the manner in which covert surveillance is to be conducted
  - (iii) a requirement that any operative undertaking covert surveillance on behalf of the relevant authority has been issued with, and has agreed to, written instructions on the policy.

## Confidentiality

- 3.16 The relevant authority maintains the confidentiality of information and applies legislative requirements.

## Document and file management

- 3.17 The relevant authority maintains the relevant level of reporting, records and/or documentation to support its claims management programs and legislative compliance.

# ELEMENT 4: MEASUREMENT AND EVALUATION

A relevant authority measures, monitors and evaluates its claims management system performance and takes corrective action where required. Measuring, monitoring and evaluating are key activities which ensure that the relevant authority is performing in accordance with its commitment to claims management, objectives and targets as well as initial and on-going planning. The results should be analysed and used to determine areas of success and to identify activities requiring corrective action and improvement.

A relevant authority establishes, implements and maintains documented procedures to monitor and measure, on a regular basis, the key characteristics of its claims management system operations and activities. Periodic audits of the claims management system may be necessary to determine whether the system has been properly implemented and maintained and whether the relevant authority has met its performance objectives.

## Monitoring

- 4.1. The relevant authority monitors planned objectives and performance measures for claims management activities.

## Auditing and reporting

- 4.2. The relevant authority conducts an audit program—performed by competent personnel<sup>4</sup>, and in accordance with this audit tool to measure performance of its claims management system.
- 4.3. Audit outcomes are appropriately documented, and actioned. The relevant authority reports to senior executive on its claims management system performance, including audit outcomes.
- 4.4. The relevant authority communicates the outcomes and results of claims management system audits to its employees.
- 4.5. The relevant authority provides the Commission or Comcare with reports or documents as requested. This includes informing Comcare as soon as practicable of any proceedings brought by them, or against them, in relation to a matter arising in respect of a claim managed by them under the SRC Act.

## ELEMENT 5: REVIEW AND IMPROVEMENT

A relevant authority regularly reviews and aims to continually improve its claims management system with the objective of improving its overall claims management performance.

### Continuous Improvement

- 5.1. The relevant authority analyses claims management system performance outcomes against documented objectives to determine areas requiring improvement and promotes and implements continuous improvement strategies.

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<sup>4</sup> For the purposes of auditing claims management systems, competent personnel are defined as people with knowledge of the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act) and relevant experience. Relevant experience in this case would include audit training and experience.