

SIRA

Claims management audit manual

August 2023

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1. Introduction

The State Insurance Regulatory Authority (SIRA) is the NSW government organisation responsible for regulating and administering the workers compensation system in NSW.

The SIRA *Claims management audit manual* (audit manual) describes the audit process and procedures to be used by:

- SIRA when conducting a claims management audit of an insurer, and
- insurers when conducting a claims management self-audit.

In this document, an 'insurer' refers to the Nominal Insurer, SiCorp and licensed self and specialised insurers within the NSW workers compensation system, as well as any agents acting on behalf of these insurers.

Insurers and their agents must participate in the requirements outlined in this audit manual.

SIRA will review this audit manual as required, but no later than every two years to ensure its currency and effectiveness.

This version of the audit manual replaces all previous and is effective from 1 August 2023.

2. Audits conducted by SIRA

2.1. When is an audit required?

SIRA may conduct an audit of the insurer at its discretion. These audits may include any components or criteria contained in this audit manual. SIRA may also audit additional criteria not contained within this manual, dependent upon the circumstances.

Where an audit identifies significant improvement is required, a further audit may be conducted.

Note: In accordance with section 202A of the *Workers Compensation Act 1987* SIRA may conduct an audit at any time. For the purposes of this type of audit, SIRA is not bound by the requirements set out in the manual but should be taken as a guide.

2.2. Audit objectives

The objective of an audit is to evaluate insurer performance by identifying areas of strength and potential improvement in the management of claims. Audits may be undertaken with a specific targeted focus or may be more general in nature depending on the circumstances leading to the audit.

2.3. Audit scope

An audit may assess legislative compliance, case management and/or data quality. Audits do not assess the merit of decisions made on a claim but may provide feedback on decisions made. SIRA will clearly define and document audit scope prior to the commencement of any audit.

2.4. Audit criteria

An audit's criteria will be dependent on the nature of the audit to be undertaken. SIRA will clearly define and document audit criteria prior to the commencement of any audit.

2.5. Who will undertake the audit?

2.5.1. Auditor qualifications

An audit must be conducted by a suitably qualified and experienced team or individual. The team completing the audit must include:

- a lead auditor who has successfully completed a formal lead auditor training course, and
- a team member who has a minimum five years recent claims management or other relevant experience within the workers compensation insurance industry.

Where an individual is completing the audit, they must:

- be a lead auditor who has successfully completed a formal lead auditor training course, and
- have a minimum of five years recent claims management experience or other relevant experience within the workers compensation industry.

Depending on the purpose of the audit SIRA may engage appropriately qualified and experienced internal or external auditors to undertake the audit with a specific skillset outside parameters above.

2.5.2. Roles and responsibilities

The lead auditor will:

- Select the audit team (where applicable)
- Prepare the audit plan and communicate the plan to the insurer or relevant insurer team members

- Ensure the audit is conducted in accordance with this manual
- Monitor, review and quality assure the work of the audit team
- Make final decisions in regard to the scoring of criteria, where differences of opinion exist within the audit team
- Ensure the audit teams working papers adequately support the findings
- Ensure the audit report is accurate, objective, clear and timely.

The audit team member will:

- Perform the audit, as per the audit plan, under the direction of the lead auditor
- Collect and analyse relevant information, determine and summarise findings for the audit conclusions
- Seek guidance from the lead auditor when required.

The insurer will:

- Allocate appropriate resources for the completion of the audit as outlined in this manual
- Provide the auditor or audit team with access to claim records and facilities in a timely manner
- Appoint a designated person to be assigned to the audit team who will:
 - Provide the audit team with an overview of the claim record and information management system
 - Be available during the audit to discuss all potential non-conformances and assist in the identification of further information or evidence for consideration
 - Provide additional support as required.

2.6. Audit planning and timeline

Adequate planning and communication must be undertaken for each audit. The below timeline will be utilised by SIRA as a guide to planning an audit. It will apply in the majority of cases but depending on the specifics of the audit timeframes may be reduced or expanded.

More than six weeks prior to the audit	<p>SIRA will make initial contact in writing with the insurer's primary contact to:</p> <ul style="list-style-type: none"> • Confirm SIRA will conduct an audit • Provide information on the objectives, scope, criteria and audit period • Propose date, time and duration of audit • Request relevant documents and the timeframe for submission (SIRA will not request documents that are already in its possession) • Request the contact details of the insurer-designated person to be assigned to the audit.
Four weeks prior to the audit	<p>The insurer must submit the documents and information requested by SIRA in the initial contact.</p> <p>In preparation for the audit, the audit team may review documents including but not limited to:</p> <ul style="list-style-type: none"> • Injury management program • Return to work program • Quality assurance procedures • Risk management procedures • Claims estimation manual • Claims guide • Claims data

	<ul style="list-style-type: none"> • Organisational chart • Previous audit reports.
Two weeks prior to the audit	<p>SIRA will provide the insurer with an audit plan confirming:</p> <ul style="list-style-type: none"> • The scope, dates and location of audit • Anticipated schedule for the audit activities (e.g. start and finish times, opening and closing meetings) • Resource requirements • Audit team members including the insurer-designated audit team member • The specific claim records required for the audit (audit sample).

2.7. Audit period

The audit period will be determined based on the audit objectives and scope. For a general case management audit, it is likely the audit period will be based on the preceding 12 months of available data. However, if the audit has a specific focus or scope the audit period will be adjusted to fit objectives.

Note that while an audit outcome will be limited to findings during the audit period, SIRA is not constrained in taking action on regulatory breaches uncovered during an audit, whether in the audit period or not.

2.8. Audit sample size and selection

The number of claim records to be audited will be determined by SIRA and will be proportional to the audit objectives and scope, assessed level of risk of insurer to circumstances leading to the audit.

These considerations will also be applied to the selection of claims for the audit. When an audit has a specific objective, sample selection is likely to be a random stratified sample.

3. Insurer self-audits

3.1. When is an audit required?

Where applicable, insurers are required to conduct a self-audit in accordance with this manual at least once every financial year. To confirm this has been undertaken and to provide SIRA with necessary information, an insurer is required within six weeks of the last day of the audit to submit via the Insurer Accountability Portal:

- a copy of the audit report
- a completed SIRA Audit tool, and
- if required, a remediation plan.

An insurer self-audit may not be required in the same financial year as a SIRA-initiated audit. If this applies, SIRA will advise the insurer accordingly.

Where SIRA may hold concerns regarding the findings of a self-audit or to substantiate improvement following completion of a remediation plan a further self-audit may be required to be undertaken within the same 12-month period.

3.2. Audit objectives

The objective of an insurer self-audit is to evaluate insurer performance by identifying areas of strength and potential improvement in the management of claims.

3.3. Audit scope

An insurer self-audit assesses legislative compliance, case management and data quality. It does not assess the merit of decisions made on a claim.

3.4. Audit criteria

An insurer self-audit is measured across three components:

1. Compliance: This measures insurer activity in relation to the obligations and timeframes placed upon them by the workers compensation legislation and the *Workers Compensation Guidelines*.
2. Case management practice: This measures insurer practice in line with its Injury Management Program, and SIRA's expectations of case management in accordance with customer service conduct principles, the *SIRA Standards of practice* and any other guidance materials issued or endorsed by SIRA.
3. Data quality: This measures the accuracy of data submitted by the insurer to SIRA against information held in the claim file.

3.5. Who will undertake the audit?

3.5.1. Auditor qualifications

An audit must be conducted by a suitably qualified and experienced team or individual. The team completing the audit should include:

- a lead auditor who has successfully completed a formal lead auditor training course, and
- a team member who has a minimum five years recent claims management experience within the workers compensation insurance industry.

Where an individual is completing the audit, they must:

- be a lead auditor who has successfully completed a formal lead auditor training course, and
- have a minimum of five years recent claims management experience within the workers compensation industry.

If the above criteria cannot be met by the insurer, then an appropriately qualified external auditor must be engaged.

3.5.2. Roles and responsibilities

Any member of the audit team must not audit any claim record in which they have been involved in any aspects of the management of the claim.

The lead audit will:

- Select the audit team (where applicable)
- Prepare the audit plan and communicate the plan to the insurer or relevant insurer team members
- Ensure the audit is conducted in accordance with this manual
- Monitor, review and quality assure the work of the audit team
- Make final decisions in regard to the scoring of criteria, where differences of opinion exist within the audit team
- Ensure the audit teams working papers adequately support the findings
- Ensure the audit report is accurate, objective, clear and timely.

The audit team member will:

- Perform the audit, as per the audit plan, under the direction of the lead auditor
- Collect and analyse relevant information, and determine and summarise findings for the audit conclusions
- Seek guidance from the lead auditor when required.

The insurer will:

- Allocate appropriate resources for the completion of the audit as outlined in this manual
- Provide the auditor or audit team with access to claim records and facilities in a timely manner
- Appoint a designated person to be assigned to the audit team who will:
 - Provide the audit team with an overview of the claim record and information management system
 - Be available during the audit to discuss all potential non-conformances and assist in the identification of further information or evidence for consideration
 - Provide additional support as required.

3.6. Audit planning and timeline

Adequate planning and communication must be undertaken for each audit. The insurer must have an overall strategic audit plan in place to ensure all audits are conducted within set timeframes to satisfy licensing requirements and meet the requirements outlined in this manual.

Where the below timeline cannot be followed, the insurer must advise SIRA prior to commencement.

At least four week prior to audit	Insurer to advise Supervision Manager the date of scheduled audit.
Two weeks prior to audit	<p>SIRA will provide the insurer with the specific claim records to be audited (audit sample). The audit sample will be selected by SIRA based on insurer data and using random sampling techniques, where possible.</p> <p>The audit sample will confirm the date range the sample has been selected from as well as the audit period for activity to be reviewed.</p>

Six weeks following last day of audit	Insurer to submit to SIRA via Insurer Accountability Portal: <ul style="list-style-type: none"> • A copy of the audit report, • A completed SIRA audit tool, and • if required due to audit findings, a remediation plan.
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3.7. Audit period

Insurers are required to conduct a self-audit in accordance with this manual at least once every financial year. The audit period should be the 12 months between the conclusion of the previous audit and the current scheduled audit, accounting for the data available at the time of arranging the audit sample (two weeks prior to audit).

Where a remediation plan was required based on the previous audits findings the audit period should be, where possible, 3 months after the conclusion of the previous audit. This will allow sufficient time for most improvement activities to be embedded by the insurer and allow an auditor to provide some assessment of the impact.

At SIRA's discretion this may be increased to 6 months after if the remediation undertaken is significant and the insurers portfolio of claims has sufficient volume to allow a meaningful audit to be undertaken.

SIRA will advise the audit period when providing the audit sample selection.

3.8. Audit sample size and selection

The number of claim records to be audited is determined by SIRA for each insurer according to the number of claims with claims management activity (excluding notification of injury, where a reasonable excuse of "no requirement for weekly payments" has been applied) in the preceding 12 months of data available at the time of arranging the audit sample (two weeks prior to audit). Note this is not a count of significant injury claims lodged in the 12 months prior but the number of claims with claims management activity in the timeframe.

If this is less than 10 claims, SIRA will look at claims with claims management activity in the 18 months prior, which may extend the audit period.

The minimum number of claim records for an audit is determined as per below:

Claims range (number of claims with activity in preceding 12 months)	Minimum sample size
Less than 45	10
46-100	15
101-250	20
251-500	30
500+	45

Once the sample size is determined, claim records will be selected from the pool of claims with claims management activity (excluding notification of injury, where a reasonable excuse of "no requirement for weekly payments" has been applied) in the audit period. This selection is random with the aim to be reflective of the different types of claims managed by the insurer. SIRA will validate the sample, and if appropriate may amend to ensure it is reflective of the different types of claims managed by the insurer.

3.9. SIRA self-audit resources

To be considered compliant with the requirements to undertake an annual self-audit, the audit must have the results recorded in the *SIRA self-audit tool* (Appendix A). Where a non-conformance has been identified, the auditor must provide comment on how the criterion has not been met and include any relevant supporting information or evidence. This can be recorded by:

- Inserting a comment in the cell of the tool, where the non-conformance has been recorded, or
- Recording in the report, or
- Including it as an appendix to the report.

The tool will calculate and provide an interpretation of the results of the audit. Audit results will be expressed as a percentage of the number of conformances relative to the number of applicable criteria for each component of the audit.

Audit criteria and case management principles for consideration are reflected in the *SIRA insurer claims management self-audit guide* (Appendix B), an information resource to be used by auditors to help guide the audit. Note that the information contained in the guide is not to be considered an exhaustive list of requirements to be applied in all scenarios, an auditor should apply their own knowledge and expertise to determine whether there is sufficient evidence to indicate compliance with the legislation, guidelines and *Standards of practice*. Further, if there is any conflict between the guide and the relevant legislation, the legislation takes precedence.

For specific guidance on self-audit issues auditors and insurers should direct queries to selfspecialisedinsurers@sira.nsw.gov.au. To help clarify expectations and encourage consistency more generally SIRA will also hold self-audit forums advertised via SIRA Bulletins.

It is not a requirement to submit the audit report utilising the *SIRA insurer claims management self-audit report* (Appendix C) however, the audit report submitted must contain the same sections at least. The final audit report (along with completed self-audit tool) is to be submitted via the Insurer Accountability Portal within six weeks of the last day of the audit.

3.10. Remediation plans

Where a self-audit finds one or more audit components to not meet the minimum low risk results an insurer is required to develop and submit a remediation plan to SIRA. SIRA provides *Self-audit remediation plan* (Appendix D) as a template however an insurer may develop its own.

As per *Insurer Guidance – Remediation Plans* (Appendix E) it is expected that the remediation plan includes:

- A root cause analysis
- Details of the actions the insurer is undertaking to achieve and maintain compliance, conduct and/or performance
- The timeframes for completion of those actions
- How the insurer will monitor the effectiveness of actions and remediation plan
- The expected outcome of the remediation plan
- Timeframe to achieve the outcome.

On receipt of the remediation plan, SIRA will review and confirm whether it accepts the plan or consider further regulatory action. SIRA will consider closing a remediation plan once the insurer demonstrates that the outcome of the remediation plan has been achieved. A remediation plan remains open until SIRA provides formal communication that the remediation plan is closed.

SIRA will proactively publish details of regulatory activity and the performance of regulated entities in line with its Regulatory Publishing Policy (<https://www.sira.nsw.gov.au/fraud-and-regulation/regulatory-publishing-policy>).

3.11. Access to data held by SIRA

The auditor must access data held by SIRA in order to undertake the data quality component. The auditor must register with data exchange to access the data while undertaking the audit. The auditor may self-register by following instructions on the website below (see step 1). For more information or if having difficulty please email data.information@sira.nsw.gov.au.

To access the data held by SIRA once registered for use, the following steps are to be followed:

1. Log in to <https://cdrdataexchange.sira.nsw.gov.au>
2. Select 'enquiry'
3. Select 'claims search'
4. Enter the claim number and search
5. Select the claim to view the details.

All information required for the data quality component can be viewed on screen by navigating the claimant details tabs. There is no need to download reports from data exchange in order to complete the audit.

The date of the last data submission to SIRA is displayed in the top line of the claimant details, this date should align with the audit period date.

3.12. Scoring self-audit criteria

When conducting a self-audit the auditor will be required to make judgements as to whether the criteria have been met. The judgement is informed by evidence which verifies the appropriate application of claims management.

The auditor must audit claim record activities for the advised audit period based on the legislation, guidelines and *Standards of practice* that were in effect at the time the activity was conducted. Guidance material for consideration is included at Appendix B. Note that the information contained in the guide is not to be considered an exhaustive list of requirements to be applied in all scenarios, an auditor should apply their own knowledge and expertise to determine whether there is sufficient evidence to indicate compliance with the legislation, guidelines and *Standards of practice*.

The scoring options of each audit criterion are:

- Conformance, or
- Non-conformance, or
- Not applicable.

Conformance will provide a score of 1, while non-conformance will be scored as 0. Not applicable criteria will not be factored into the results of the audit.

Where an audit criterion contains multiple components, the findings must be compliant with all components to receive a conformance score. If the auditor identifies the non-conformant component is minor in relation to the purpose of the criteria this may receive a non-conformance score with a notation of auditor providing rationale for assessment.

Where the auditor considers a criterion to be non-conformant, this must be communicated to the insurer-designated audit team member and opportunity given for further information or evidence to be provided to demonstrate a finding of conformance.

Where evidence of conformance is not available, the auditor and the insurer-designated audit team member should agree that the criterion has not been met and non-conformance recorded. Where the insurer and the auditor do not agree on whether the criterion has been met the lead auditor should make a final decision on the scoring of the criterion.

3.13. Scoring components and overall self-audit outcome

The following table outlines the audit level that the insurer can achieve based on the audit components result and actions that may be required. All applicable components of the undertaken audit must achieve the minimum results in order to achieve that level. The overall risk rating for the audit is the highest risk rating of the audit components.

Risk	Audit component	Audit result	Minimum action required
Low	Compliance Case management Data quality	≥95% ≥80% ≥90%	No action required unless directed by SIRA, however the insurer should initiate actions to improve performance in any areas of identified non-conformance.
Medium	Compliance Case management Data quality	90-94% 60-79% 80-89%	The insurer must (unless SIRA agrees otherwise) develop a remediation plan to be submitted to SIRA with the audit report. The insurer must implement the remediation plan and report on an agreed frequency to SIRA on the plans progress.
High	Compliance Case management Data quality	<90% <60% <80%	The insurer must (unless SIRA agrees otherwise) develop a remediation plan to be submitted to SIRA with the audit report. The insurer must implement the remediation plan and report on an agreed frequency to SIRA on the plans progress. SIRA may require a follow up audit to ensure the remediation plan implemented has led to improved outcomes.

SIRA considers audit outcomes when determining an insurers licence condition, licence term and required regulatory oversight. SIRA may undertake a verification audit or request a further audit be undertaken to confirm results. For further clarification on any potential impact, please refer to your Supervision Manager.

4. Further help and information

4.1. SIRA contacts

For any clarification on the contents of the SIRA Claims management audit manual please refer to your Supervision Manager.

For specific guidance on self-audit issues auditors and insurers should direct queries to selfspecialisedinsurers@sira.nsw.gov.au. To help clarify expectations and encourage consistency more generally SIRA will also regularly hold self-audit forums discussing key issues advertised via SIRA Bulletins.

4.2. Relevant legislation

Workers Compensation Act 1987 - <https://legislation.nsw.gov.au/view/html/inforce/current/act-1987-070>

Workplace Injury Management and Workers Compensation Act 1998 - <https://legislation.nsw.gov.au/view/whole/html/inforce/current/act-1998-086>

Workers Compensation Regulation 2016 - <https://legislation.nsw.gov.au/view/whole/html/inforce/current/sl-2016-0559>

Workers Compensation Amendment Regulation 2018 - <https://legislation.nsw.gov.au/view/pdf/asmade/sl-2018-729>

Interpretation Act 1987 - <https://legislation.nsw.gov.au/view/html/inforce/current/act-1987-015>

Health Records and Information Privacy Act 2002 - <https://legislation.nsw.gov.au/view/html/inforce/current/act-2002-071>

Privacy and Personal Information Protection Act 1998 - <https://legislation.nsw.gov.au/view/html/inforce/current/act-1998-133>

Privacy Act 1988 (Commonwealth act) - <https://www.legislation.gov.au/Details/C2020C00025>

4.3. SIRA guidelines

Workers compensation guidelines - <https://www.sira.nsw.gov.au/workers-compensation-claims-guide/legislation-and-regulatory-instruments/guidelines/workers-compensation-guidelines>

Standards of practice - <https://www.sira.nsw.gov.au/workers-compensation-claims-guide/legislation-and-regulatory-instruments/other-instruments/standards-of-practice>

Workers compensation insurer data reporting requirements - <https://www.sira.nsw.gov.au/resources-library/workers-compensation-resources/publications/workers-compensation-policies/workers-compensation-insurer-data-reporting-requirements>

Workers compensation benefits guide -

https://www.sira.nsw.gov.au/__data/assets/pdf_file/0006/530862/workers-compensation-benefits-guide.pdf

NSW workers compensation guidelines for the evaluation of permanent impairment -

<https://www.sira.nsw.gov.au/resources-library/workers-compensation-resources/publications/health-professionals-for-workers-compensation/workers-compensation-guidelines-for-the-evaluation-of-permanent-impairment>

5. Appendix A – SIRA self-audit tool
6. Appendix B – SIRA self-audit guide
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9. Appendix E – Insurer guidance – Remediation plans

Disclaimer

This publication may contain information that relates to the regulation of workers compensation insurance, motor accident compulsory third party (CTP) insurance and home building compensation in NSW. This publication does not represent a comprehensive statement of the law as it applies to particular problems or to individuals, or as a substitute for legal advice.

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Website www.sira.nsw.gov.au

Catalogue no. SIRA08729

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