



LGISWA

**2020
ANNUAL
REPORT**



YOUR MUTUAL INDEMNITY SCHEME

WA LOCAL GOVERNMENTS WORKING TOGETHER TO SECURE THEIR COMMUNITIES' FUTURE

LGISWA was created when the WA local government sector decided to work together in financing and managing their risks. WALGA (as the Trustee) created the scheme for the benefit of its members with JLT Risk Solutions appointed to manage the day-to-day operation of the scheme.

LGISWA is a not-for-profit mutual indemnity scheme, jointly owned by the participating local governments, and providing a superior long-term alternative to the traditional insurance market. WALGA is the Trustee of the LGISWA Scheme.

Our goal is to work with members to protect their assets, people and community. We identify potential risks and proactively provide solutions tailored to members' needs.

Our West Australian based team of specialists have a deep understanding of risk management, insurance and the WA local government sector.

RISK MANAGEMENT – THE KEY

Every member benefits when claims are reduced across the sector. That's why LGISWA membership includes a broad range of risk management programs and services.

We take an holistic and co-ordinated approach to risk, claims and injury management.

The benefits to members from working together as part of LGISWA include:

- Covers specifically designed for WA local government that accurately and adequately reflects risk exposures that cannot be replicated.
- Risk management services that are focused on driving down events / claims that force up the costs of cover.
- Balancing the cost of risk over time even in the face of adverse claims outcomes.
- Mitigating price volatility driven by cyclical hard or soft insurance market conditions across the globe.
- Investment earnings retained in the members' fund.
- Group covers that individual local governments can't always afford, such as pollution risks and journey cover.
- WA based local government experts provide members with a tailored, personalised service.
- Surplus funds returned to participating members, and not into the 'pockets' of insurance company shareholders.



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DIRECTORY

LGISWA
ABN 59 780 338 975

BOARD

Directors

The following persons were directors of LGISWA during the financial year and up to the date of this report:

Mr P (Peter) Forbes	Independent Director (Chairman from February 2020)
Mr N (Nick) Sloan	WALGA CEO
Mayor T (Tracey) Roberts	WALGA President / Local Government member representative
President Cr P (Paul) Omodei	Local Government member representative
Cr P (Paul) Kelly	Local Government member representative (from May 2020)
Mr J (John) Pearson	Local Government member representative
Mr A (Aaron) Cook	Local Government member representative
Ms M (Mary) Woodford	Independent Director
Mr A (Tony) Evans	Independent Director (from February 2020)
Mr H (Howard) King	Independent Director / Chairman (to December 2019)
Cr L (Lynne) Craigie	WALGA President (to December 2019)

Scheme Trustee

WALGA (ABN 28 126 945 127) is the Trustee for the LGISWA Scheme under the provisions of a Trust Deed made on 19 September 1996.

Scheme Management

LGIS is managed by JLT Risk Solutions Pty Ltd (ABN 69 009 098 864 AFS Licence 226827). JLT Risk Solutions is part of the Marsh & McLennan Companies (MMC) group of companies.

Auditors

Ernst & Young
Perth, Western Australia

Actuary

PwC Actuarial Pty Ltd
Perth, Western Australia

LGISWA Registered Office

Level 3, 170 Railway Parade
West Leederville WA 6007

Postal Address

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Telephone: (08) 9483 8888

CHAIRMAN'S OVERVIEW

On behalf of your Board of Directors I am pleased to present the LGISWA (the Scheme) Annual Report for 2020.

The WALGA discretionary mutual scheme which comprises Liability, Property, WorkCare and Bushfire Volunteers Personal Accident for the year ended 30 June 2020 is the basis for this report.

This has been my first as Chair and I've been cognisant, especially in this most challenging of years, of the trust placed in me and my fellow Board members.

The tail end of this financial year and the COVID-19 pandemic has had a profound impact on every single one of us.

Despite the upheaval the Scheme has remained financially strong closing out the year with net assets ahead of the Board's capital management plan.

It's been one of the hardest years on record for the global insurance market, and even harder in our pacific region. Insurers' risk appetite has reduced and they have been increasingly cautious in an uncertain environment.

Against this backdrop the achievements of your Scheme have been extraordinary - successfully insulating members against volatile market price hikes and taking the first steps to provide even more protection to the WA local government sector.

Our members have been at the very forefront of our mind, it's at the core of our mutual philosophy. In April the Board recognised the significant financial impact that COVID-19 was having on our members. As a result of our prudential financial management we were in a position to approve an extraordinary, one off \$7 M member support package to offset 2020/21 contributions.

In 2019/20 we've also done a significant amount of work to realise a vision that started in 2017, to broaden Scheme cover. Going forward, Scheme membership now includes cyber liability; management liability; motor vehicle; personal accident; and travel.

Broader cover provides members with confidence and sustainable protection to meet the needs of their organisations and communities now and into the future.

Pleasingly the value and benefits of the Scheme have been recognised by 100% of WALGA members, with all WALGA members having scheme membership for the reporting year.

In December 2019, independent Board chair, Howard King, announced his retirement after more than six years of service. He was the epitome of what we seek from our independent directors, bringing skills and experience to help the Board reach well-considered decisions. His insurance and corporate governance knowledge, his inquiring mind and chairmanship were invaluable. Cr Lynne Craigie also stepped down from her position on the Board, passing the baton to new WALGA President Cr Tracey Roberts.

We also welcomed two new Board members.

Tony Evans joined in February as an independent director. He brings with him a wealth of knowledge and experience including as the immediate past-president of RAC WA and council member of HBF Health Ltd.

Cr Paul Kelly from the Town of Claremont is the newest addition to the Board. He's previously served as a Board member and chair of the LGIS Board. His previous Scheme experience will be beneficial as we continue our plans to broaden our protection offerings to members.

Finally, I would like to thank the Scheme managers led by Jonathan Seth for their commitment and member first approach. The team have stepped up, particularly during the pandemic, working tirelessly to support members and their communities.

To my fellow Board members, thank you. At every meeting I'm reminded of how fortunate our members are to have people of such knowledge, expertise, commitment and passion at the table.

Going forward into 2020/21 I'm sure that we will continue to be tested and I appreciate the dedication that my fellow Board members will bring in advancing the best interests of members and the WA local government sector.



Peter Forbes
Chairman

Perth
8 October 2020

OUR PURPOSE STATEMENT

We help our members to build better communities by containing costs, providing the best cover and helping them manage risks, through a member-owned mutual insurance model

OUR MEMBER VALUE PROPOSITION

LGIS is WA local governments working together:

- We make sure that our members have the best cover and if disaster strikes we get the member, and their community, back on their feet as soon as possible
- We understand local government and we're here for the long term to share knowledge and tailor services to minimise the total cost of risk for our membership

CORE VALUES

- Member Collaboration - We are committed to local government and work closely with our members to achieve tailored risk solutions
- Teamwork - We are one team, working together to achieve results through mutual respect and trust
- Innovation - We are focused on continuous improvement to meet the changing needs of our members
- Reliability – We are inclusive, act with integrity and are consistent in everything we do

STATEMENT OF STRATEGIC INTENT

This statement articulates the Board's strategic priorities which are the foundation for LGISWA Scheme strategic plans:

- To protect WA local governments and their communities through working together
- To have 100% of eligible members choosing to participate in the Scheme funds
- To have market leading cover for our members, in keeping with the sector's uniqueness
- To have effective risk management services which have an evidence-based correlation to claims minimisation
- To have sustainable competitive contributions for our members
- To maintain optimal capital reserves, and ensure LGISWA is competitive within the wider sector through appropriate performance benchmarking
- To ensure member confidence in the LGISWA mutual scheme through demonstrating leading standards of corporate governance, embracing transparency and responsiveness, and fostering member understanding of the Scheme structure and benefits
- To maintain the agility to adapt to a changing external environment and changing member / local government sector needs



LGIS Members receiving their '3 Step to Safety' certificates at the Great Southern Risk Forum.

2019/20 IN REVIEW

THE MEMBERS

Key performance indicators



Achieve 100% participation of eligible members.

ON TRACK



Maintain member survey ratings above an average of 4/5 across each of the criteria of: corporate reputation, service quality, success achieved, trust, favourability, performance and loyalty.

ACHIEVED



Continue to increase elected member awareness of LGIS service and value to members.

ON TRACK



Achieve target levels of in-person engagement with key people from all members.

ON TRACK



Have integrated (risk financing and management) Service Plans for 90% of members in place by June 2022.

ON TRACK

100% of WALGA members participated in LGISWA for all of 2019/20.

Total membership included 138 cities, towns and shires across WA plus other related organisations such as WALGA and regional councils resulting in a total membership of 145 participating organisations.

Member value

The value of membership was clear to all in 2019/20 as the commercial insurance market continued to harden and premiums surged. The pattern of withdrawal and reluctance to provide cover continued quarter on quarter throughout the year.

Underwriters' risk appetite diminished and they were increasingly cautious in an uncertain market.

Against this backdrop the Scheme showed its value, providing members with appropriate, sustainable cover and working to broaden the range of future cover.

The City of Kalamunda and Shires of Wiluna and Coolgardie returned to full Scheme membership in 2019 after a brief departure. As of 30 June 2020 the City of Perth was approved to return to LGIS WorkCare, meaning that all WALGA members are full LGISWA Scheme members as of 30 June 2020.

The value of mutuality has also been apparent during the crisis of COVID-19 as the Scheme has put members' needs first.

In April of 2020, the Board of Directors, recognising the profound impact that COVID-19 had on the finances of members, approved an extraordinary support package of \$7 M to offset member contributions for 2020/21.

The Board was resolute in their decision to dip into Scheme reserves to provide members with extra support. They were able to make this decision, while maintaining the Scheme's strong financial position, due to prudential management and sound governance practices.

Beyond cover

The value of Scheme membership continues to extend far beyond the cost of cover – as demonstrated in this report and in our ongoing publications.

This year we worked with our members to keep their community, organisation and workforce safe. We completed more than 25 '3 Steps to Safety' audits and 29 aquatic assessments at public swimming pools right across the state. We provided advice on a wide range of sector issues from risk allocation clauses and liability; coastal hazard planning; glyphosate; and local emergency management.

In the second half of the financial year, COVID-19 significantly impacted the Scheme's ability to deliver scheduled events and deliver in person services. The nimbleness and agility of the Scheme structure allowed us to pivot service and advice delivery to online channels. Local Government Safety Advisory Group (LSAG) and Risk Management Advisory Group (RMAG) meetings, which are normally held bimonthly, became weekly video conferences allowing members to share information and receive good advice in a rapidly moving risk environment.

All of these services are provided as part of Scheme membership.

THE FINANCES

Key performance indicators



Financial position: net assets being maintained at 150% x independently assessed Minimum Capital Requirement

ACHIEVED



Financial performance: per adopted 3-year strategic financial plan.

ON TRACK



Achievement of investment returns of CPI+2½% over ten-year time horizons

ON TRACK

Scheme financial position

Your Scheme's financial position has once again been maintained at a level in excess of the target capital (of 150% x independently assessed minimum capital requirement) with excess funds returned to members.

This was achieved in spite of the negative impacts of the COVID-19 environment on the Scheme's Profit and Loss for 2019/20.

Surplus distributions to members

\$6 Million from a surplus allocation from the previous year was returned to members, with each given the choice to take their share as a credit off 2020/21 membership renewal contributions, as a dividend payment, or held in trust for funding risk management initiatives.

In addition the LGIS Board of Directors approved a \$7 M contribution support package for members. The LGIS Board decision was endorsed by WALGA State Council on 17 April 2020.

The package aimed to support members who were under significant pressure from the WA State Government and community to freeze all local government fees and charges in 2020/21. LGIS recognised that this would compound financial problems for many members who were also experiencing deteriorating revenue streams due to COVID-19.

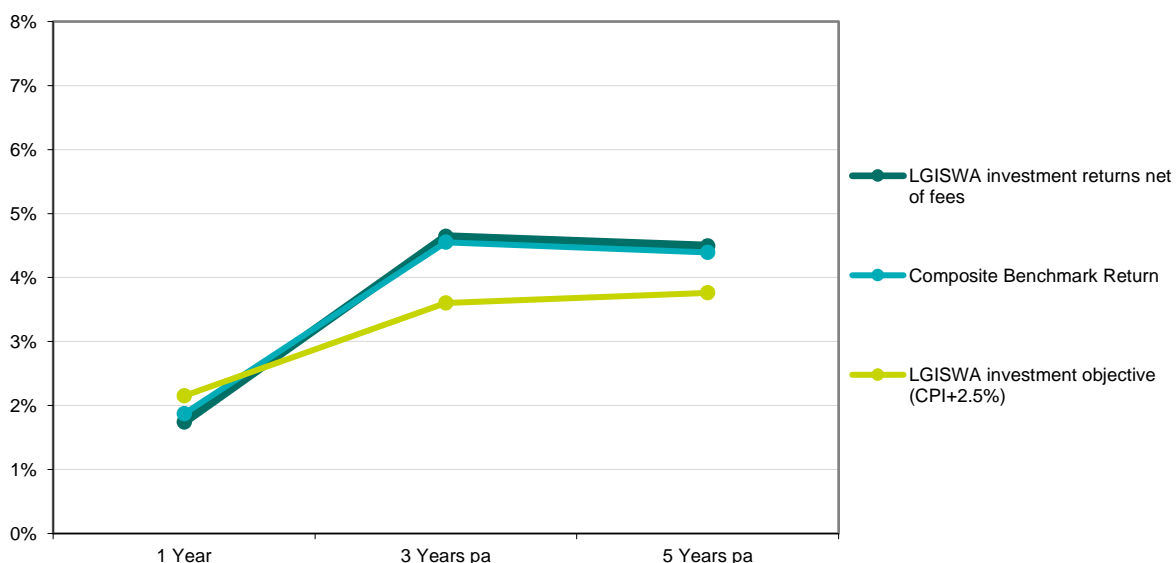
Designed to provide members with some relief towards their 2020/21 membership renewal, the support package was shared across the membership ensuring that local governments and their communities continue to be protected.

Investment performance

The LGISWA Board has selected a diversified investment fund composed of 65% defensive assets and 35% growth assets to provide an appropriate trade-off between return and risk.

Your Scheme's investment returns are depicted in Figure 1.

Figure 1: Investment portfolio returns versus benchmarks



THE COVER

Key performance indicators



Achievement of adopted net loss ratios for each Scheme portfolio

IN PROGRESS



Indemnity Cover (re/insurance) achieved in accordance with the Reinsurance Management Strategy and financial plan adopted by the Board

ACHIEVED



Nil claims where indemnity is denied to a member which would otherwise be available under standard market wording

ACHIEVED

The COVID-19 pandemic closed out 2019/20, a year which was already fraught and marked by political unrest, catastrophic bushfire and storms, and increased class actions.

In early 2020 governments across the globe, and here in Australia, used a variety of levers to minimise COVID-19 infection rates. These actions have had far reaching impact on economies, business and consumer confidence - increasing uncertainty around the world.

2019/20 Opened with a hardening commercial insurance market and the activities throughout the year has seen that hardening accelerate.

The year closed at historic highs for global and pacific insurance prices with average increases for the former coming in at 19% and the latter, including Australia, increasing by an average 31%.

Overall underwriters continued to increase prices due to the combined effects of low investment and return yields and a large number of losses, including from COVID-19. Insurers' risk appetite continued to reduce and they were increasingly cautious in an uncertain environment.

Against this backdrop the WA local government indemnity mutual scheme has performed exceptionally well, successfully insulating members against market trends.

In a year when the commercial market was reducing cover, LGIS also adopted a plan to transition non-scheme covers for WA local governments into the LGISWA Scheme.

Throughout the year a significant amount of work was done so that 2020/21 Scheme membership now includes cyber liability; management liability; motor vehicle; personal accident; and travel protection under the existing portfolios of Liability, Property and WorkCare. The addition of new classes of civic risk broadens the protection available to members.

THE BUSINESS

Key performance indicators



Risk management framework in place and kept under regular review

ACHIEVED



Indemnity cover (re/insurance) achieved in accordance with the Reinsurance Management Strategy and financial plan adopted by the Board

ACHIEVED



Board and Directors performance rated at or above 8/10 from Board's self-assessment of performance against key performance criteria

ACHIEVED



Scheme manager performance rated at or above 8/10 from Board's assessment of management performance against KPI's

ACHIEVED



Nil findings of any organisational practice, activity or decision which is unlawful or in violation of Board policies or management authorities, or of commonly accepted business and professional ethics

ACHIEVED



No operational risks assigned a residual risk rating of Extreme or High from external or internal audits after implementation of risk treatment actions.

ACHIEVED

COVID-19

The COVID-19 pandemic presented significant challenges for the delivery of services and connection with the members. All events were cancelled, one-on-one visits were scaled back, and members' information requirements pivoted quickly to COVID-19 – moving away from the usual LGIS topics such as trees and roads.

During March members' operating environment changed rapidly, often on a daily basis, causing high levels of uncertainty as the McGowan Government quickly shut down the State in an effort to control the spread of COVID-19. Members closed recreation centres, libraries, community centres and front line staff were redeployed or let-go.

Members were operating in a completely unknown environment and turned to LGIS for support and assistance.

From mid-March through to 18 May LGIS produced 18 specific COVID-19 resources including a Pandemic Risk Hub housed on the LGIS website. Eight new pandemic focused workshops were developed and delivered virtually over 180 attendees from 41 members through April and May.

Tailored support was also delivered to individual members including; advice on and reviewing business continuity plans; OSH advice and support; and guidance on mental wellness during the pandemic.

To assist members in reopening their services and returning staff to front line roles LGIS developed pre-filled COVIDSafety Plans for each function of local government; created a debrief program and delivered the winter edition of Risk Matters which focused on the 'new normal' and operating in a COVIDSafe way.

WA Local Government Association

WALGA is the Trustee of the LGISWA Scheme, responsible for establishing the Scheme and ensuring that it is well managed.

In their role as Trustee WALGA regularly engages independent experts to review the Scheme.

In 2019 the WALGA State Council approved a series of actions arising from a comprehensive review of LGIS governance and operations. A number of these were implemented during the reporting year including:

- An update to the LGISWA Trust Deed in October 2019;
- a re-write of the LGIS Corporate Governance Charter;
- schedule of delegations to the LGIS Board fully reviewed;
- modernised Scheme Management Agreement; and
- development of an enhanced Board of directors induction program.

In addition WALGA commissioned the service of former WA Auditor-General, Colin Murphy, to review LGIS following reviews by the Office of the Auditor General (OAG) in both South Australia and Victoria. At the crux of Mr Murphy's brief was to determine if the same issues applied to LGIS.

After completing a comprehensive, independent review, Mr Murphy commended WALGA for recent governance reviews and their commitment to executing the recommended actions. He indicated their execution would effectively address the themes identified in the OAG reports in other jurisdictions.

THE SERVICES

Key performance indicators

	Member uptake and demonstrated impact - of risk management service programs and allied health programs provided ON TRACK
	Claims incidence and cost, across each class/segment, kept below projections of Scheme actuary reports and financial plan ON TRACK (Some Exceptions)
	Average cost of WorkCare and Liability claims tracking below % changes to members total wages ACHIEVED
	Average cost of property claims tracking below % changes to members total declared value of insured property (Property portfolio) OFF TRACK *
	Nil increase in average duration of lost time injury claims from year to year ACHIEVED

NOTE

* 2019/20 Property claims costs were higher than normal patterns due to extraordinary claims associated with recycling facilities, and cyclones. Over the longer term, property claims costs are within forecasted range

Program performance

WorkCare

The LGIS WorkCare fund continues to see dividends from a sector wide, integrated risk management approach. Initiatives across injury management and prevention, HR risk management, occupational safety and health, and allied health services delivered over the past 12 months, including during the COVID-19

shutdown, contributed to savings by keeping claim costs in check.

Of the 143 LGIS WorkCare members, 36 chose to be performance-rated and 18 selected the blended pricing option, providing the Scheme with additional savings due to reduced claim costs.

The remaining members, including many smaller councils, on fixed rating with good experience were able to enjoy cost reductions. Members with adverse claims continued to experience notable increases to reflect their claims.

LGIS WorkCare is operating well with the total number of claims for the year the lowest in the life of the fund with total payments 14% lower than expected for 2019 and earlier fund years. Claims incurred have also continued their downward trend (Figure 2).

The fund's continued strong performance could not have been achieved without the ongoing positive results of our integrated proactive approach to risk and claims management. This includes tailored occupational safety and health, human resource risk services, health and wellbeing, injury prevention; and injury management programs provided as benefits of Scheme membership.

Liability

1,230 Liability claims were reported for the fund year.

The majority of claims were driven by damage and/or injury caused by trees and managed road networks which is unsurprising given the areas under local government supervision.

Claims due to aging infrastructure, poor maintenance and control have increased in frequency. It's an area of concern and highlights the importance of councils developing robust preventative maintenance regimes

and asset renewal programs.

Bushfire exposure is also an increasing area of concern. Compared to the eastern states WA enjoyed a lower than normal bushfire season however, reinsurers and LGIS are mindful of the sector's significant exposure due to its land management and preventative work responsibilities.

Preventable losses occurred this year due to inadequate contractor management, poorly constructed and enforced lease arrangements, swimming pools and labour hire agreements.

Liability is a long-tail class of protection, with final quantum of losses for a period being witnessed seven to 10 years after an occurrence; a number of significant claims remain within the 2017/18 and 2019 periods which could place pressure on future results.

The reinsurance market has continued to harden over the last eight quarters and the complex risk profile of local government has increasingly made it difficult to find insurers willing to provide adequate limits and manage price increases.

Property

More than 620 claims were received for 2019/20 fund year, significantly higher than the last five years and reflective of the increased storm activity in the latter half of the period.

Coupled with increased frequency, LGIS Property sustained a number of significant claims from the contingent supply losses caused by a fire at a major recycling facility, cyclone damage (multiple events occurring year-on-year), waste management fire losses and an increase in mid-tier facility losses.

Scheme led risk programs continue to identify the need for more pro-active management control of council

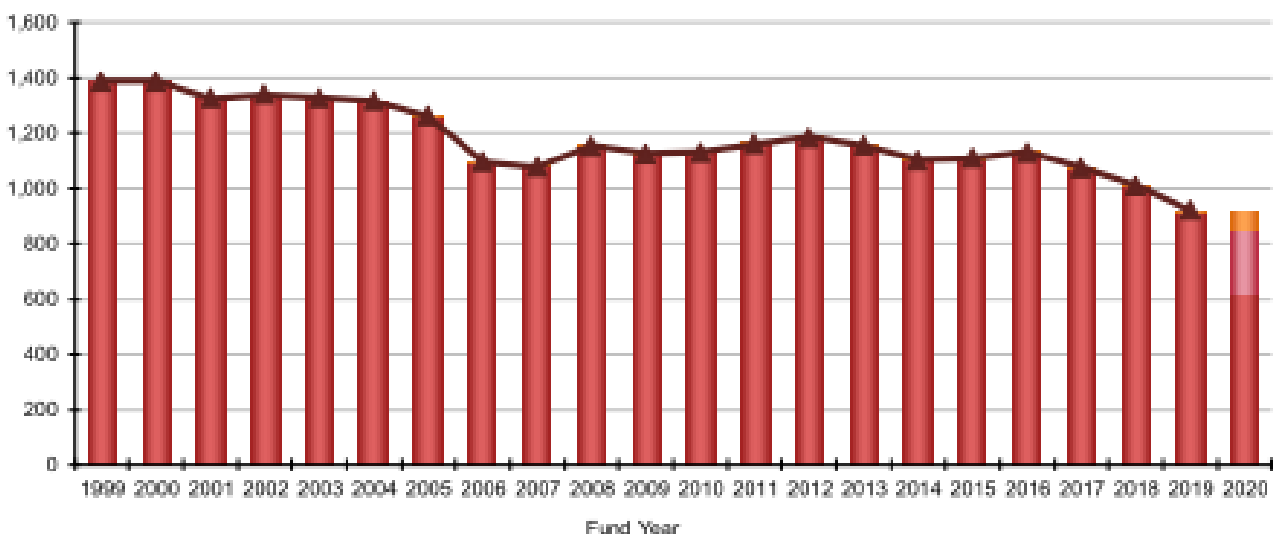


Figure 2: LGISWA WorkCare claims incurred

assets, simple steps in process such as maintenance of existing fire protection, thermographic assessment of switch boards, preventative management and better passive and active security at risk sites.

The ability of the Scheme to positively and accurately profile the sector has become increasingly important, to ensure we continue to enjoy the benefits of a well-managed retention and reinsurance program.

Whilst 2020 was not a positive claims year, the Scheme's ongoing programs of management such as the valuation incentive, targeted risk assessments and improved data quality provide a degree of confidence to reinsurers, and we continue to be an attractive risk, which was evident in our ability to provide sustainable protection to members.

This year the Board commissioned a natural catastrophe modelling project through leading global reinsurance advisers Guy Carpenter. This proved instructional to reviewing the scope of the LGIS Property cover, as well as assisting in the refinement of the member contributions model to provide fair allocation taking account of claims, large loss and natural catastrophe loss.

Bushfire volunteers personal accident

This year bushfire volunteer claims were significantly higher with a single presumptive cancer claim resulting in the funds aggregate being exceeded.

The results were impacted by two recent changes; firstly the Supreme Court's decision in March 2019 which set a precedent for insurance liability in the event of the death of a bushfire volunteer and, secondly legislative amendments which increased death benefit entitlements and extended liability to prescribed cancers.

The potential impact of a single claim makes protecting bushfire volunteers challenging.

The volatility of claims is demonstrated by contrasting this year's result to the previous period (2018/19) which were finalised for significantly less and below the aggregate.

We continue to look for ways to manage bushfire volunteers' unique risks.

LGIS has had significant success with a proactive risk management approach integrating injury management and prevention services. In the first six months of 2020, aiming to replicate the success experienced by the LGIS WorkCare program, the Scheme Risk Program provided injury management services to injured bushfire volunteers. LGISWA is continuing to look for opportunities to reduce the cost of claims.

Regional Risk Coordination Program

For the Regional Risk Coordinator (RRC) program, 2019/20 saw continued support for the remote and regional participating members. They continue to operate within the Regional Risk Plans developed in 2018/19. These plans will be reviewed and renewed as needed for the remainder of 2020 and continue to be an integral part of the direction of the program.

During COVID-19, RRCs provided real-time updates on the situation, including recommendations surrounding all aspects of the safety and health of local governments and their broader communities.

As members established COVIDSafe ways of operating, RRCs continued to provide crucial on the ground support, advice, and systems reviews.

For participating members this is a highly valued partnership program with RRCs performing tasks which are designed to, and achieve, a reduced risk exposure to the members and the Scheme's preventable claims costs.

The program is a vital support service to regional local governments whose resources are continuing to be challenged by emerging risks, legislative changes and ever increasing regulatory requirements.

Scheme Risk Program

The risk program continued to protect the Scheme, members and their communities throughout 2019/20 delivering over 9,900 (55% regional and 45% metropolitan) service hours across the state.

The services focused on the following risk profiles:

- Professional risk
- Organisational risk management
- Business continuity risk management
- Aquatic risk management
- Natural hazards
- Liability and property risk exposures
- Event risk management
- Occupational safety and health
- Human resources risk management

February 2020 saw the adoption by the LGIS Board of a new three year Risk Management Services Plan that aligns with the strategic objective of driving down events/claims that force up the costs of cover.

A significant amount of work has been done this year to develop new resources for Scheme members. They target key risk issues for the sector and include workshops and manuals for handling of chemicals,

incident investigation, tree damage and liability, and hazard assessments.

Previous sections of this report have already detailed the significant work that the Scheme Risk Program delivered to members from the outset of the COVID-19 pandemic. From mid-March until May when the State started reopening LGIS Risk Consultants provided practical support and resources to members desperate for information.

Allied Health Services

The LGIS Allied Health Services Plan runs on a three year cycle and has proven effective in containing workers' compensation claims. Based on the program's success, and a membership participation of rate of 80%, the Board endorsed its continuance, renewing the plan for another three years in early 2020.

The LGIS allied health services program has three key components – injury prevention, injury management, and health and wellbeing program.

The injury prevention and management program continued to successfully contain claims. In the reporting year 76 members accessed Scheme injury prevention services and received over 1,300 hours of support.

Over 12,750 local government staff accesses the Scheme health and wellbeing service, proving the programs continued popularity with members and workers alike.

We continue to innovate the program and in late 2019 the City of Subiaco participated in a trial of the PERforM initiative (Participative Ergonomics for Manual Tasks) with excellent results.

Due to the success of the City of Subiaco trial the program was endorsed by the Board to be rolled out to all members in 2020/21.

RE-INSURANCE MANAGEMENT STRATEGY

The re-insurance management strategy for LGISWA has the key objectives of:

- minimising risk of withdrawal of coverage for members;
- ensuring adequacy of re/insurance program to cover key functions of members;
- ensuring that the Scheme is financially sustainable; and
- sustainable insurer/ reinsurer participation.

LGIS MEMBER SERVICE CHARTER

The LGIS Member Service Charter includes key elements which all members are encouraged to be familiar with, such as:

- LGIS Financial Services Guide
- LGIS Collection Statement
- LGIS Privacy Policy

LGIS SCHEME RISK MANAGEMENT FRAMEWORK

A contemporary Risk Management Framework for the LGISWA business has been adopted by the Board and kept under regular review. The risk framework documentation comprises:

- LGISWA Risk management framework overview
- Risk management policy
- Risk management process
- Risk appetite and tolerance statements
- Risk improvement plan
- Risk dashboard and detailed risk profiles for all key identified risks

The top 10 risks identified by the Board that may confront LGISWA in the achievement of its strategic objectives, for which a range of controls have been developed, are:

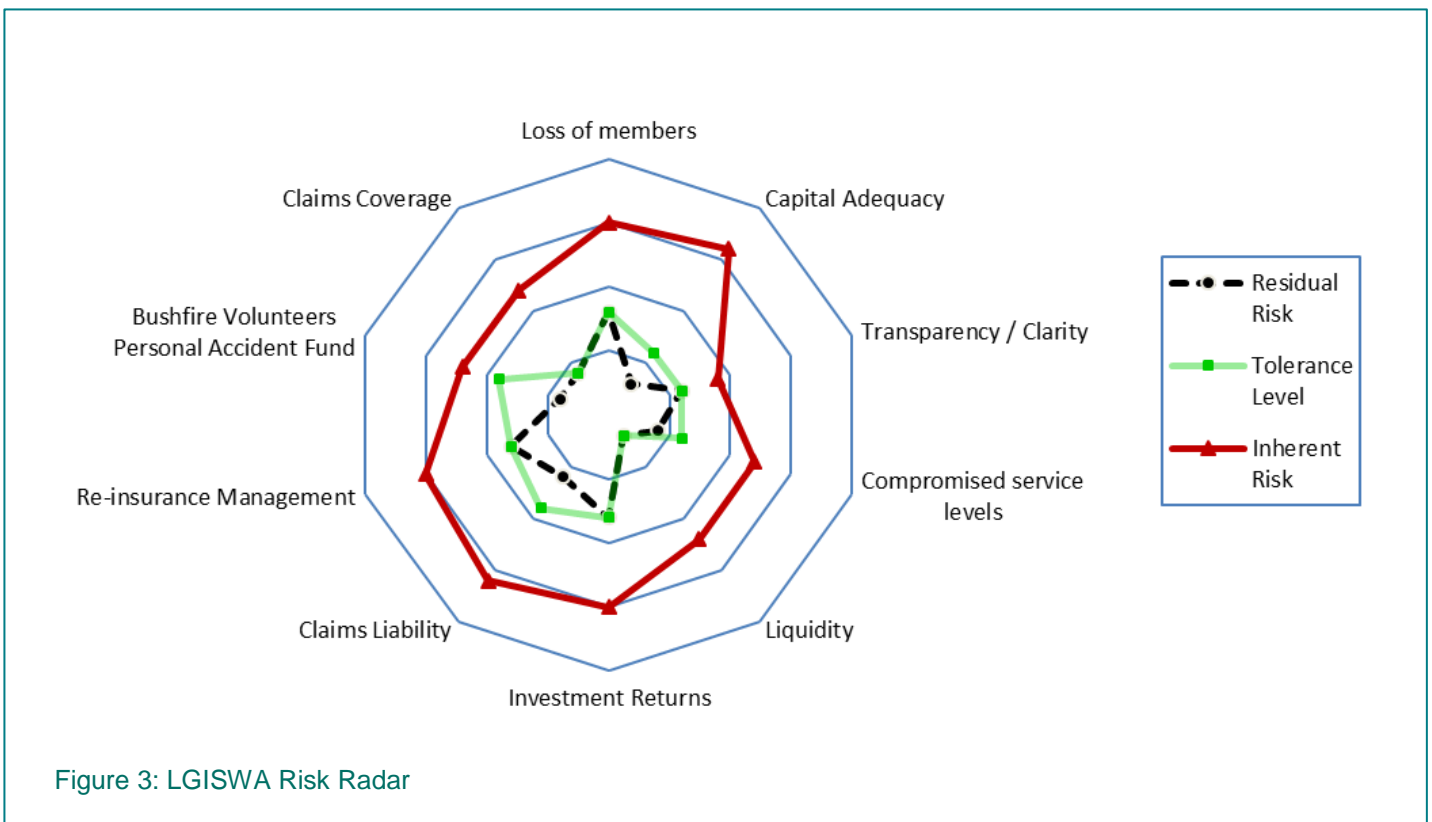
- Loss of a significant part of the membership base.
- The Scheme's net assets falling outside capital adequacy tolerance thresholds.

- Underperformance of investment portfolio against targets causing deterioration in capital adequacy.
- Major overage or shortfall in claims liability that is out of step with historical or expected patterns.
- Service levels falling short of member expectations.
- Inability to maintain appropriate indemnity cover for Scheme members.
- Uninsured losses from a catastrophic event or as a result of inadequate advice.
- Lack of transparency / clarity over LGISWA Scheme.
- Unforeseen cashflow shortage.
- Continuation of bushfire volunteers personal accident cover as part of the LGISWA Scheme becoming unsustainable.

To the best of the Board's knowledge (after appropriate enquiry), in all material respects:

- risk management systems and processes are appropriate for the Scheme, having regard to its size, business mix and complexity;
- risk management and internal controls are operating effectively and are adequate for their purpose;
- the organisation has an appropriate risk management strategy and controls are complied with; and
- the Board is satisfied with the efficacy of the processes and systems surrounding the production of financial information.

The radar chart (Figure 3) depicts for these ten risk areas, the assessed inherent risk (without any controls), the Board's risk appetite, and the assessed residual risk from the risk controls in place



LOOKING AHEAD

Global and domestic levels of uncertainty are predicted to continue for the majority of 2020/21 as the world races to discover a COVID-19 vaccine.

Compounding the many issues caused by the pandemic it's foreseeable that high levels of political unrest will continue and that catastrophic climate events such as bushfires and cyclones will become more prevalent. Class actions will increase and governance, along with directors and officers responsibilities, will remain a focus.

Within a local government context the new WA Local Government Act continues to create uncertainty. Accompanied by further Auditor General investigations and ongoing local government inquiries, the issues of governance, elected member and CEO responsibilities, contracts and procurement will remain high risk areas for the sector.

Against this backdrop the commercial insurance market will harden further as insurers continue to de-risk, withdrawing from cover categories and premiums climbing.

SCHEME COVER

In stark contrast to the commercial market the Scheme with forge ahead on our plans to broaden the cover available to members.

2020/21 Scheme membership now includes cyber liability; management liability; motor vehicle; personal accident; and travel protection under the existing portfolios of Liability, Property and WorkCare.

This will enhance member experience for previously brokered policies, and has been executed to supplement protection programs provided to the sector such as pollution legal liability, crime and casual hirers.

The addition of new classes of civic risk broadens the protection available to members.

In the next year, work will continue to progress pooled Scheme cover for members.

SCHEME RISK MANAGEMENT SERVICES

The Board adopted the three (2020-23) year Scheme Risk Management program in February of 2020. The plan focuses on four key areas:

- 1) Targeted projects against existing and emerging claim trends including upper limb injury in parks and garden workers, tree damage and psychological injury in corporate services.
- 2) Continue to communicate new and emerging risks as they affect the Scheme and the sector to enhance member knowledge.
- 3) Provide reviews and assurance testing of plans, systems and processes to make sure that member risk practices are effective in achieving their stated outcomes.
- 4) Ensuring members have access to risk management specialists for the provision of timely support as and when needed.

The program encapsulates targeted local government risk profiles across professional, liability, aquatic, property, emergency, people and event risks.

A significant amount of work has been done this year to develop new resources for Scheme members. They are designed to target key risk issues for the sector. These resources include training and manuals for handling of chemicals, incident investigation, tree damage and liability, and hazard assessments.

ALLIED HEALTH SERVICES

This program continues to be a highly valued part of the LGIS offering. Time and again members have appreciated the positive outcomes of this program which aims to foster human factors risk awareness and create cultural change.

The endorsed three year (2020-23) plan will continue delivery of injury management, injury prevention and health services while including new initiatives such as the PERforM Program, job dictionaries, a study of upper limb injuries in parks and garden workers and investigation into the growing number of psychological claims from within corporate services.

PERforM, as trialled by the City of Subiaco, is a manual task risk management program that empowers staff to identify ergonomic and manual task issues.

The job dictionary project will provide a valuable resource to all members. They're a useful tool for organisations as they provide a detailed understanding of the specific job tasks and inherent risks and requirements of a role. They can be used in pre-employment interviews and are a vital tool in supporting early return to work.

CORPORATE GOVERNANCE

Underpinning the service methodology is a corporate governance framework and business management strategies that ensure the success and longevity of the LGISWA Scheme.

These include legal instruments, policies, plans and procedures to ensure LGISWA delivers on its member value proposition; supported by good corporate governance, informed decision making and accountability.

The key elements are outlined below:

LGISWA BOARD

Pursuant to the Trust Deed, the Board is responsible to WALGA to achieve and implement the objects and purpose of the Scheme.

A Finance, Audit and Risk Committee is also in place to assist the Board in fulfilling its responsibilities by monitoring and providing recommendations on LGISWA's financial reporting process, audit, and management of operational risks.

2019/20 Board Meetings Attendance

Member	No. Eligible	No. Attended
Peter Forbes	9	8
Tracey Roberts	9	9
Paul Omodei	9	7
Aaron Cook	9	9
Mary Woodford	9	9
John Pearson	9	8
Nick Sloan	9	9
Tony Evans	4	4
Howard King	4	4
Lynne Craigie	5	5
Paul Kelly	2	2

2019/20 Finance, Audit and Risk Committee Meetings Attendance

Member	No. Eligible	No. Attended
Mary Woodford	5	5
Peter Forbes	5	5
Aaron Cook	5	4
John Pearson	5	5
Howard King	3	2
Tony Evans	2	1

CORPORATE GOVERNANCE FRAMEWORK

Local Government Act 1995

Establishes WALGA as an Association of Local Government, with provisions that include a power to arrange contracts of insurance on behalf of all or any of its members (S 9.58).

Provides for WALGA to establish and manage for its members a mutual Workers' Compensation arrangement (S 5.49).

Trust Deed

Key legal instrument under which the mutual scheme is established, by WALGA. Sets out the core purposes of the Scheme along with provisions relating to governance of the Scheme, membership, financial and other administrative arrangements.

Scheme Rules

Provides more detailed terms on rights and obligations of Scheme members including rules for Scheme membership, fund years, membership contributions, protection, and claim procedures.

Workers' Compensation and Injury Management Act 1981

Regulatory framework under which the LGIS WorkCare Scheme operates (S 164-5).

Corporate Governance Charter

Sets out in detail the roles, responsibilities and authorities of the Board in corporate governance and setting the strategic direction of LGISWA.

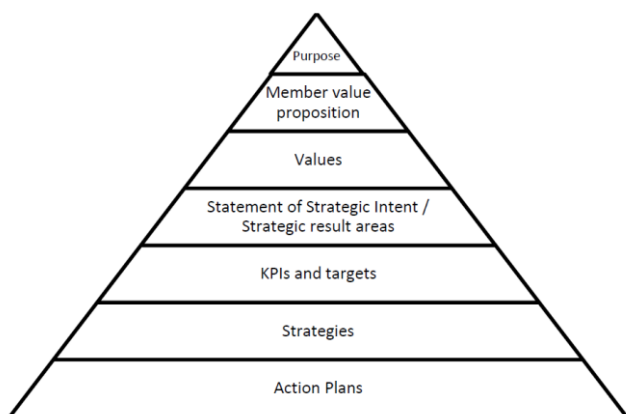
A comprehensive update of the Corporate Governance Charter was completed in May 2020.

Code of Conduct

A code of conduct has been adopted to promote the highest ethical and professional standards by directors of the LGISWA Board.

Strategic Plan

The LGISWA Board's Strategic Plan, based on the following model, sets out the Board's visions for the Scheme



Longer Term Financial Plan

A three-year financial plan for the LGISWA Scheme forms part of the Board's strategic planning framework, together with documented financial policies and strategies underpinning the financial plan.

Risk Management Framework

A document, kept under regular review, which sets out the Scheme's policy, strategy and approach to the identification, assessment, management, reporting and monitoring of risks.

Capital Management Plan

A risk management document specifically focused on maintaining target capital levels, monitoring available capital against the adopted targets, and remedial actions to be taken where required, which is broadly consistent with APRA Prudential Standard GPS 110 (Capital Adequacy) for general insurers.

Reinsurance Management Strategy

Policies for the governance of the reinsurance arrangements of LGISWA, which is broadly consistent with APRA Prudential Standard GPS 230 (Reinsurance Management) for general insurers.

Investment Policy and Strategy Statement

Articulates the Board's investment risk appetite and establishes policy guidelines for investment strategy and the management and monitoring of the LGISWA investment portfolio.

Management Agreement

Stipulates the arrangements under which WALGA and JLT Risk Services have partnered to manage the core operations of the Scheme and continuously enhance LGISWA to evolve with members' changing needs.

Statement of Scheme Manager Authorities and Delegations

Identifies the Scheme Manager's contractual and delegated authorities and associated control assurance, including limitations and accountability, performance and reporting requirements.

External audit

Annual audit by Ernst & Young of the financial report of LGISWA.

Internal audit

A program aimed at fostering continuous improvement through the engagement of independent consultants (Crowe) to review operational risks, controls and processes across all key operational areas for LGISWA.

Claims Management Process Audit

An annual process audit, by an independent consultant, of a random sample of LGISWA claims files, assists the Board in satisfying itself that LGISWA claims are being managed professionally, and in the best interests of the Scheme and participating local governments

BUSINESS MANAGEMENT STRATEGIES

Claims estimation

PwC Actuarial are engaged to provide independent consulting actuarial services to determine claims provisions ensuring adequacy of capital to meet claims liability.

Protection policies

Provides members with guidelines underlying the supporting (discretionary mutual) insurance program for each class of civic risk covered by the LGISWA Scheme.

Risk Management Services Plan

Three-year plan which defines the program of risk management services for provision to members to drive down events / claims that force up the costs of cover.

Allied Health Services Plan

Three-year plan of injury prevention, health and wellbeing and injury management services for provision to members to minimise claims costs and drive down workers compensation claims frequency, cost and duration.

Marketing and Communications Plan

Strategy plan for addressing the key objective of effective engagement with members.

Records Management Framework

Framework for the capture, retrieval, use, maintenance and disposition of records. This includes record keeping systems, disposal arrangements, policies, practices and processes.

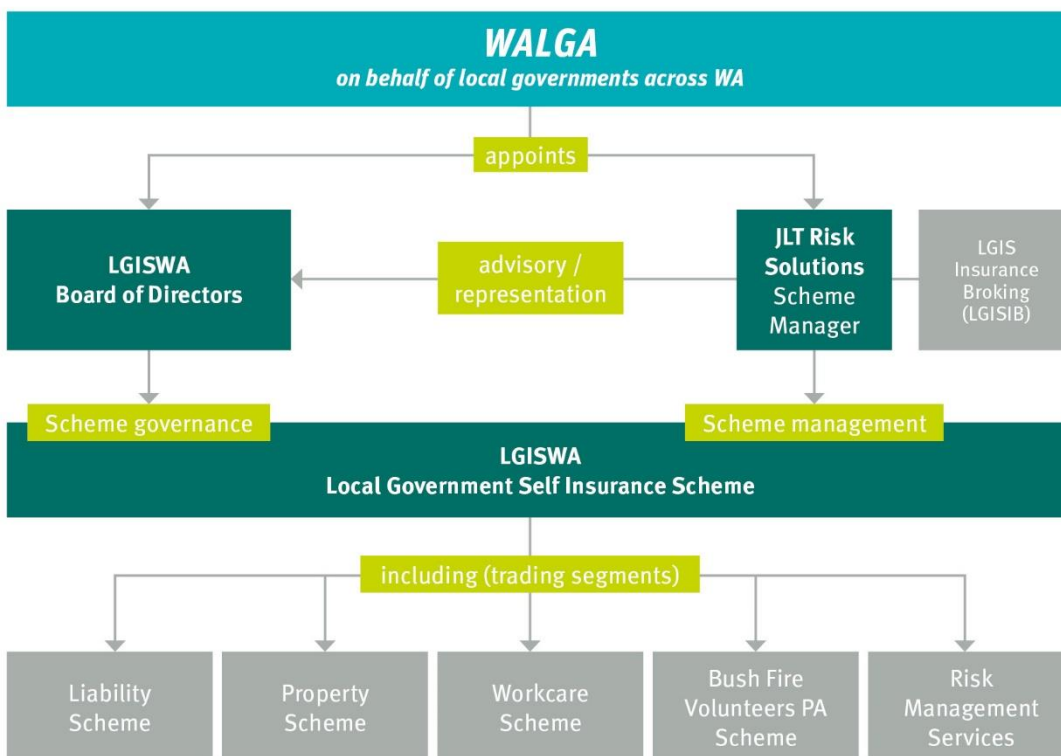
LGISWA STRUCTURE AND ROLES AT A GLANCE

The diagram below illustrates that WALGA has appointed JLT Risk Solutions (part of the Marsh group of companies) as the scheme manager and has also appointed a Board of Directors, the majority of whom are local government representatives, to oversee the corporate governance of the Scheme known as LGISWA.

As an insurance broker, JLT Risk Solutions trades as LGIS Insurance Broking (LGISIB), which is the trading name of the joint venture in place between JLT and WALGA under which JLT Risk Solutions is the appointed broker for WALGA local government members.

Where we use the term 'LGIS', we are referring to JLT's roles collectively (i.e as either Scheme manager or insurance broker).

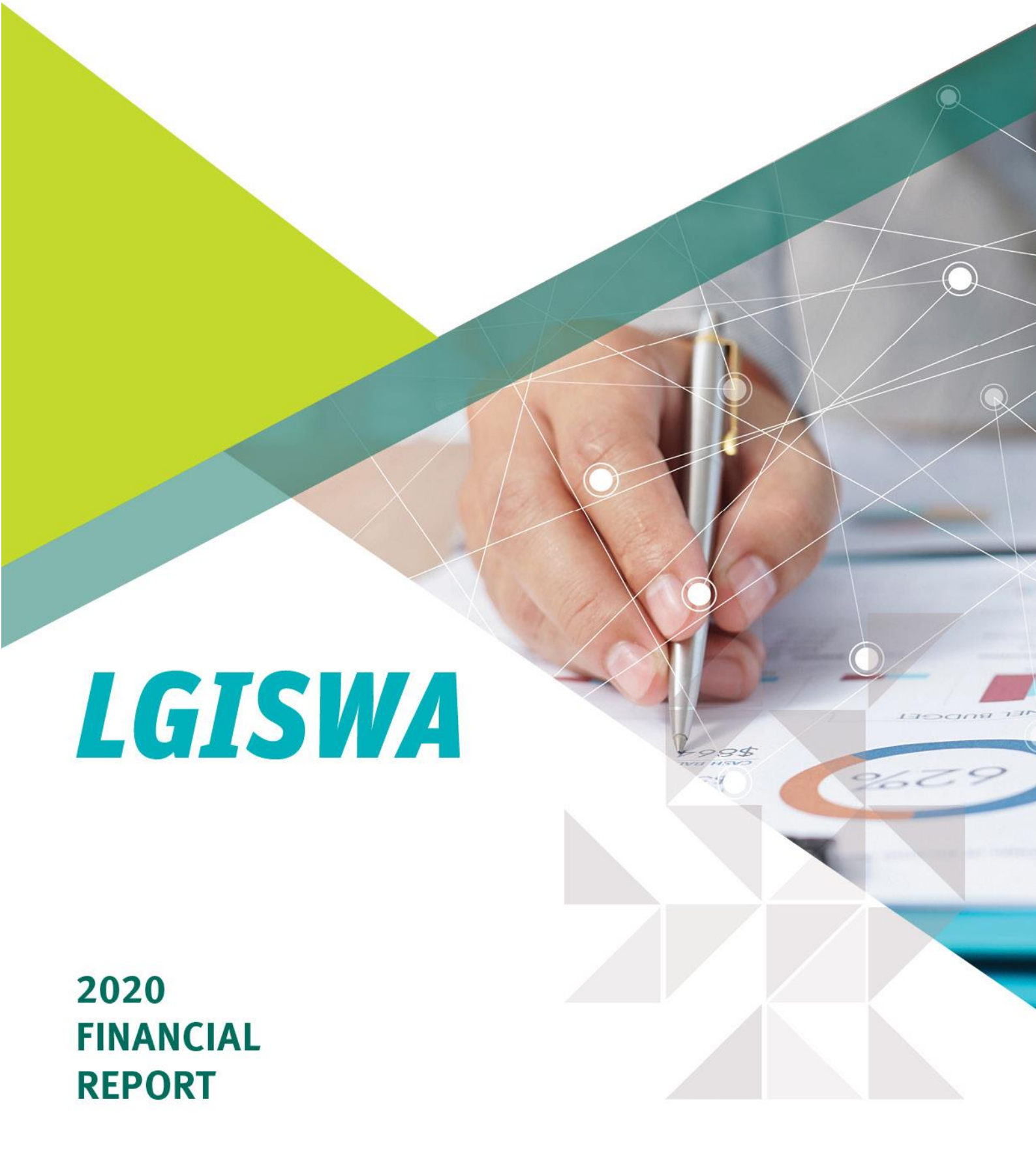
The chart below illustrates the relationship between WALGA, JLT and LGIS.





LGISWA

2020 FINANCIAL REPORT



BOARD'S ANNUAL FINANCIAL REPORT

PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of LGISWA consisted of managing a pooled fund and indemnity mutual scheme ("the Scheme") to manage various risks that members may have in connection with the exercise by the members of their powers, duties or functions.

No significant changes in the nature of the activities of the Scheme occurred during the year.

PRESENTATION OF ANNUAL FINANCIAL REPORT

LGISWA is not a reporting entity because in the opinion of the Board, there are unlikely to be users of the financial report who are dependent on a General Purpose Financial Report being produced by LGISWA to satisfy their information needs. Accordingly, this special purpose financial report has been prepared to satisfy the requirements of the Trust Deed dated 19 September 1996, and complies with the recognition, measurement and classification requirements of Australian Accounting Standards that are effective for annual reporting periods beginning on 1 July 2019.

FINANCIAL OPERATING RESULTS

The Scheme's financial operating result is an aggregated result. Each Fund Year's individual operating result may be either surplus or deficit, depending on each Fund Year's claims performance.

The financial operating result of the Scheme for the year ended 30 June 2020 was a deficit of \$1,330,849. (2019: surplus of \$8,764,320).

CAPITAL ADEQUACY

The Board has adopted a policy on Capital Adequacy for the Scheme, drawing on independent consulting actuarial advice, which is reflected in the Statement of Financial Position by way of capital reserves being maintained at a level equivalent to 150% of the Scheme's assessed Minimum Capital Requirement.

USE OF SCHEME INFORMATION

No notices requesting the use of Scheme information, that would not have been otherwise available to them, were received by the Board from Board members in their capacity as members.

BOARD MEMBER INTERESTS

There have been instances throughout the year where members of the Board have declared a conflict of interest in a claim, or potential claim, and as a result, the relevant member has not participated in any Board discussion, or any decision, in relation to that claim.

During the Financial Year, no member of the Board has declared any financial interest, as may be interpreted under Commercial Law, to any financial transaction, whether actual or proposed, that was received or is receivable from the Scheme, which is not otherwise disclosed in this financial report.

REMUNERATION AND OTHER BENEFITS

No Scheme Board member has received or become entitled to receive any benefit other than Board sitting fees and its related superannuation, or a benefit which may be perceived by way of transactions with a related party.

RELATED PARTIES

The Western Australian Local Government Association (WALGA) is a body corporate established under the Local Government Act 1995. WALGA is the Trustee for the LGISWA Scheme under the provisions of a Trust Deed made on 19 September, 1996.

The Scheme trades with its members in the normal course of business and on an arm's length basis.

Total remuneration fees of \$2,103,000 (2019: \$2,042,000) were payable to WALGA by LGISWA being payment in consideration of WALGA's responsibility for the establishment and management of the Scheme and its provision of human resource services such as supervisory, administrative, industrial, publicity and other advisory services to the Scheme Manager and Members.

WALGA is also party to a Broking Agreement with JLT Risk Solutions Pty Ltd (JLT), under which WALGA receives an agreed share of JLT insurance broking income for services to WALGA and its members. This includes insurance broking income for placement of indemnity covers for LGISWA.

EVENTS SUBSEQUENT TO BALANCE DATE

There are no matters or circumstances having arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Scheme, the results of those operations or, the state of affairs of the Scheme in subsequent financial years.

This report is made in accordance with a Board resolution.



Peter Forbes
Chairman



Mary Woodford
Finance and Audit Committee Chair

Perth
8 October 2020

BOARD'S DECLARATION

The Board declares that:

In the Board's opinion:

- a) LGISWA is not a reporting entity as defined in the Australia Accounting Standards
- b) the accompanying financial report of LGISWA comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, trading report and accompanying notes as set out on pages 28 to 38:
 - (i) present fairly the financial position of the scheme as at 30 June 2020 and its performance for the year ended on the date:
 - (ii) are prepared in accordance with the provisions of the amended Trust Deed dated 19 September 1996; and
 - (iii) comply with Australian Accounting Standards to the extent described in Note 1 to the financial statements:
- c) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.



Peter Forbes
Chairman



Mary Woodford
Finance and Audit Committee Chair

Perth
8 October 2020

STATEMENT OF COMPREHENSIVE INCOME

	Note	\$ 2020	\$ 2019
Underwriting Result (i)		5,009,533	11,072,500
Other Income			
Interest Income		119,514	171,899
Realised Investment Gains/(Losses) in both years		(107,473)	(134,273)
Investment Rebates & Distributions		4,129,107	2,659,436
Unrealised Gains/(Losses) on Investments		(2,957,423)	2,661,396
Total Other Income		1,183,725	5,358,458
Other Expenses			
Operating		1,376,976	1,341,744
Additional Services	11	6,147,131	6,324,894
Total Other Expenses		7,524,107	7,666,638
Operating Result Before Income Tax		(1,330,849)	8,764,320
Income Tax Expense	1j	-	-
Total Comprehensive Income/(loss)		(1,330,849)	8,764,320

(i) The underwriting result per fund is contained in the Trading Report section of this Report.

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial report set out on pages 28 to 38.

STATEMENT OF FINANCIAL POSITION

	Note	\$ 2020	\$ 2019
Assets			
Current Assets			
Cash and Cash Equivalents	8	2,753,151	12,674,897
Deferred Contributions		4,361,361	3,700,456
Investments	9	48,057,551	47,751,042
Prepayments		7	104,615
Outstanding Claims Recoveries		7,958,882	4,773,599
Trade and Other Receivables		4,901,211	1,396,651
Total Current Assets		68,032,163	70,401,260
Non Current Assets			
Investments	9	23,244,454	25,486,753
Deferred Contributions		4,212,162	3,785,651
Outstanding Claims Recoveries		16,439,772	14,403,317
Total Non Current Assets		43,896,388	43,675,721
Total Assets		111,928,551	114,076,981
Liabilities			
Current Liabilities			
Trade and Other Payables		85,947	468,976
Outstanding Claims Liability	5	32,281,538	25,396,254
Surplus Distribution Provision	1n	13,395,692	22,334,307
Total Current Liabilities		45,700,177	48,199,537
Non Current Liabilities			
Outstanding Claims Liability	5	35,759,949	34,078,170
Total Non Current Liabilities		35,759,949	34,078,170
Total Liabilities		81,460,126	82,277,707
Net Assets		30,468,425	31,799,274
Represented by Reserves Attributable to Members of the Fund			
Accumulated Operating Surplus		4,089,176	5,553,225
Reserve, Minimum Capital Requirement		17,586,166	17,497,366
Reserve, Prudential Margin		8,793,083	8,748,683
Total Reserves		30,468,425	31,799,274

The Statement of Financial Position is to be read in conjunction with the notes to the financial report set out on pages 28 to 38.

STATEMENT OF CHANGES IN MEMBERS FUNDS

	\$ 2020	\$ 2019
Accumulated Operating Surplus		
Surplus / Deficit at Beginning of Year	5,553,225	153,266
Net Surplus / Deficit for the Year	(1,330,849)	8,764,320
	4,222,376	8,917,587
Transfer from/ (to) minimum capital requirement reserve	(88,800)	1,757,092
Transfer from/ (to) prudential margin reserve	(44,400)	878,546
Surplus distribution, Provided for	-	(6,000,000)
Accumulated Operating Surplus at Year End	4,089,176	5,553,225
Reserve, Minimum Capital Requirement		
Reserve at the beginning of the financial year	17,497,366	19,254,458
Transfer (to)/ from Accumulated Operating Surplus	88,800	(1,757,092)
Transfer to Reserve, Prudential Margin	-	-
Reserve at end of the financial year	17,586,166	17,497,366
Reserve, Prudential Margin		
Reserve at the beginning of the financial year	8,748,683	9,627,229
Transfer (to)/ from Reserve from Accumulated Operating Surplus	44,400	(878,546)
Transfer from Reserve, Minimum Capital Requirement	-	-
Reserve at end of the financial year	8,793,083	8,748,683
Total Equity Attributable to Members of the Fund	30,468,425	31,799,274

The Statement of Changes in Members Funds is to be read in conjunction with the notes to the financial report set out on pages 28 to 38.

STATEMENT OF CASH FLOWS

	\$ 2020	\$ 2019
Cash Flows from Operating Activities		
Receipts:		
Receipts from Members	61,081,831	56,760,710
Claims Related Recoveries	5,844,110	8,397,255
Interest Income	119,514	171,899
Investment Income	107,473	134,272
Reinsurance Premium Rebate	-	2,375,878
Total Receipts	67,152,928	67,840,014
Payments:		
Claimants and Advisors	(29,886,137)	(33,403,693)
Reinsurance Expense	(21,917,240)	(19,509,600)
Claims Management Expenses	(11,048,795)	(10,453,040)
Suppliers and Services	(8,248,563)	(8,080,147)
Work Cover Compliance Expense	(449,409)	(499,802)
Total Payments	(71,550,144)	(71,946,282)
Net Cash (used in)/ from Operating Activities	(4,397,216)	(4,106,268)
Cash Flows from Financing Activities		
Reserve Fund Distributions	(4,417,058)	(734,332)
Net Cash used in Financing Activities	(4,417,058)	(734,332)
Cash Flows from Investing Activities		
Purchase of Investments	(10,000,000)	(3,000,000)
Proceeds from Sale of Investments	8,892,528	18,000,000
Movement from investment cash	-	-
Net Cash from / (used in) Investing Activities	(1,107,472)	15,000,000
Net Increase / (Decrease) in Cash and Cash Equivalents	(9,921,746)	10,159,400
Cash and Cash Equivalents at Beginning of the Financial Year	12,674,897	2,515,497
Cash and Cash Equivalents at Financial Year End	2,753,151	12,674,897

The Statement of Cash Flows is to be read in conjunction with the notes to the financial report set out on pages 28 to 38.

TRADING REPORT

Note	\$ 2020	\$ 2019	\$ 2020	\$ 2019	\$ 2020	\$ 2019	\$ 2020	\$ 2019	\$ 2020	\$ 2019
	Liability	Liability	Property	Property	WorkCare	WorkCare	Bushfire	Bushfire	Total	Total
Revenue										
Underwriting Income										
Member Contributions	16,848,127	16,148,345	22,813,615	21,434,335	24,335,887	23,461,090	1,397,230	1,229,925	65,394,859	62,273,695
Claims Related Recoveries Received	4,604,593	7,066,182	88,142	815,488	1,075,291	802,718	76,084	897,185	5,844,110	9,581,573
Reinsurance Premium Rebates	-	2,161,007	-	-	-	-	-	-	-	2,161,007
Total Underwriting Revenues	21,452,720	25,375,534	22,901,757	22,249,823	25,411,178	24,263,808	1,473,314	2,127,110	71,238,969	74,016,275
Underwriting Expenditure										
Reinsurance Expense	10,528,694	10,411,251	10,313,016	9,410,525	680,197	563,529	395,330	308,610	21,917,237	20,693,915
Net Claims Expense	6	5,024,383	7,334,769	8,355,163	7,882,883	18,655,067	14,460,552	522,882	970,865	32,557,495
Management Expenses	7	3,361,480	3,263,440	2,769,834	2,689,788	4,730,480	4,592,400	187,000	181,000	11,048,794
Work Cover Levies and Bank Guarantee	10	-	-	-	-	705,910	874,163	-	-	705,910
Total Underwriting Expenditures	18,914,557	21,009,460	21,438,013	19,983,196	24,771,654	20,490,644	1,105,212	1,460,475	66,229,436	62,943,775
Underwriting Result	2,538,163	4,366,074	1,463,744	2,266,627	639,524	3,773,164	368,102	666,635	5,009,533	11,072,500

The Trading Report is to be read in conjunction with the notes to the financial report set out on pages 28 to 38.

NOTES TO THE FINANCIAL REPORT

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this financial report are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

a) Basis of preparation

The principal accounting policies adopted by LGISWA in respect of the Scheme are stated to assist in a general understanding of the financial report and have been consistently applied during the year. The scheme is not a reporting entity, because in the opinion of the Board, there are unlikely to be users of the financial report who are dependent on a General Purpose Financial Report being produced by LGISWA to satisfy their information needs. Accordingly, this special purpose financial report has been prepared to satisfy the requirements of the Trust Deed dated 19 September 1996, and complies with the recognition, measurement and classification requirements of Australian Accounting Standards that are effective for annual reporting periods beginning on 1 July 2019.

The scheme adopted AASB 15 *Revenue from Contracts with Customers* ("AASB 15") from became effective for LGISWA on 1 July 2019. The Scheme adopted AASB 16 *Leases* and AASB 1058 *Income of Not-for-profit entities* from 1 July 2019. The adoption of these standards did not have any financial impact on the financial position of the Scheme. The Scheme does not have any revenue from Contracts with customers during the year as all of its revenue is accounted for either under AASB 9 *Financial Instruments* ("AASB 9") or AASB 1023 *General Insurance Contracts* ("AASB 1023"). As such, the adoption of AASB 15 has not had any financial impact on the financial position or results of the Scheme.

A new Insurance Accounting Standard, referred to as AASB 17 *Insurance Contracts* ("AASB 17") was issued on 18 May 2017. Whereas the Standard will not be applied until annual reporting periods starting on or after 1 January 2023, stakeholders are advised that LGISWA will be preparing for the interpretation, implementation and application of the new Standard, to the extent that it is expected to apply to LGISWA. The impact of adoption of this standard is yet to be determined.

Historical cost convention

This financial report has been prepared under the historical cost convention and, except in the case of investments which are fair valued through profit or loss as disclosed in the accounting policies below.

The financial report is presented in Australian dollars, which is also LGISWA's functional currency.

b) Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Scheme prior to the end of the financial year which are unpaid. These amounts are initially measured at fair value of the consideration to be paid on goods and services received and then subsequently carried at amortised cost. These amounts are unsecured and are normally settled within 30 days of the due date.

c) Assets backing insurance liabilities

Management has determined that all financial assets are held to support insurance liabilities and their accounting treatment is described below. Financial assets backing insurance liabilities are designated at fair value through profit or loss. Initial recognition is at cost and subsequent measurement is at fair value in the Statement of Financial Position with any resultant unrealised profits and losses recognised in the Statement of Comprehensive Income.

d) Financial assets

Cash and cash equivalents

Cash and cash equivalents are carried at face value of the amounts deposited or drawn which approximate their fair value.

For the purpose of the Statement of Cash flows, cash includes cash at bank, deposits held at call with banks, and other short term deposits.

Trade and other receivables

Amounts due from members are initially recognised at fair value, being the actual amounts due. Subsequent measurements are measured at amortised cost and are reduced for impairment. Under AASB 139, an estimate of doubtful debts was made when there was objective evidence that the Scheme will not be able to collect the debts. Bad debts were written-off as incurred. Under AASB 9, the Scheme recognises an allowance for expected credit loss ("ECL") for receivables using a general approach. The Scheme applies AASB 9's simplified approach to measure ECLs which uses a lifetime expected loss allowance for all trade receivables.

Financial assets at fair value through profit or loss

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are initially recognised at fair value (net of transaction costs) in the Statement of Financial Position and subsequently measured at fair value with any resultant realised or unrealised gains or losses recognised in the Statement of Comprehensive Income.

e) Outstanding claims liability

For Liability and WorkCare claims, the liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Scheme, with an additional prudential margin (net of reinsurance and other recoveries) to reflect the inherent uncertainty in the central estimate of the outstanding claims liability.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling expenses.

The expected future payments are discounted to present value using the risk free rate that relates to the term of the obligation. The risk free rates are based on the observed yields on Commonwealth Government securities at the balance date.

The gross claims expense or income in the Statement of Comprehensive Income comprises claims paid and the change in the liability for outstanding claims, both reported and unreported, including the prudential margin and claims handling expenses.

Claims handling expenses include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be directly associated with individual claims, such as claims administration costs.

For Property and Bushfire Volunteers Personal Injury, the liability for outstanding claims is measured as the central estimate of outstanding claims plus a prudential margin.

Independent consulting actuarial services are engaged for the assessment of outstanding claims for Liability and WorkCare claims, whilst outstanding liability for Property claims and Bushfire Volunteers Personal Injury claims are internally assessed, using a model developed with the assistance of the Scheme Actuary.

f) Excesses and recoveries

When claim payments made by the Scheme include excesses (or part thereof) recoverable from a third party, excesses due at balance date are brought to account as recoveries outstanding.

g) Reinsurance recoveries – liability claims

Central estimates for liability claims are calculated gross of any reinsurance and non-reinsurance recoveries. A separate estimate is made of the amounts recoverable from reinsurers and other parties. The nature of the liability claims for which LGISWA provides cover is such that they can take many years to settle with related “Excess Layer” reinsurance recoveries not falling due for payment until the primary claim has been finalised.

h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense or for receivables and payables which are recognised inclusive of GST.

Receivables and payables are stated inclusive of the amount of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

i) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured.

I. Member contribution revenue

Member contributions include amounts charged for policy cover including levies and other amounts collected on behalf of third parties less rebates, GST and other similar allowances.

Member contributions are recognised in the Statement of Comprehensive Income when they have been earned (net of GST), that is, from the attachment date over the period of the financial year of indemnity. The pattern of recognition over the policy is based on time, which is considered to closely approximate the pattern or risks undertaken.

The proportion of Member contributions received or receivable not earned in the Statement of Comprehensive Income at the reporting date is recognised in the Statement of Financial Position as an unearned contributions liability.

II. Interest revenue

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method when the Scheme has control of the right to receive the interest payment.

III. Rebate and distribution income

Rebate and Distribution income on investments is recognised in the Statement of Comprehensive Income when the Scheme has control of the right to receive the distribution income.

j) Income Tax

The Scheme operates as a trust in accordance with existing Australian tax law and qualifies for exemption from tax as a State/Territory Body. Accordingly, all of its income is exempt from income tax and no provision has been made.

k) Outwards reinsurance expense

Premiums ceded to reinsurers under reinsurance contracts held by the Scheme are recorded as an outwards reinsurance expense and are recognised in the Statement of Comprehensive Income from the attachment date over the period of indemnity of the reinsurance contract in accordance with the pattern of the incidence of the risk ceded. Accordingly, a proportion of outwards reinsurance premium may be treated as prepaid and disclosed as deferred reinsurance expense in the Statement of Financial Position.

l) Impairment of assets

Gains and losses arising from changes in assets at Fair Value Through Profit or Loss are recognised directly in the Statement of Comprehensive Income.

At each reporting date, Management reviews the ECL on financial assets at amortised cost. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The ECL is recognised directly in the Statement of Comprehensive Income for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income immediately.

m) Reinsurance premium rebates

From 2004 the Scheme has participated in a national liability reinsurance programme which covers LGISWA and similar schemes in other states. Under the reinsurance treaty, the member schemes become entitled to rebates after maturity of the claims provision if premiums paid to reinsurers exceed the ultimate claims paid by the schemes in the relevant underwriting year.

The entitlement to rebates is sensitive to future claims expenses, the cumulative national claims experience and the interest rate movements over the next 10 years. As such, the estimated rebates accrued will be reassessed on an annual basis.

n) Surplus distribution

Provision included in the Statement of Financial Position comprises:

- \$10,483,153 allocation for distributions payable to Scheme members in future years (2019: \$19,746,555)
- \$354,021 special projects provision for development of a new property valuations program for members (\$175,000), expansion of scheme covers (\$80,000), pilot elected member support program (\$44,621), telehealth early prevention program (\$34,400), catastrophe modelling project (\$10,000), and climate resilience project (\$10,000); (2019: \$500,000) and
- \$2,558,518, undrawn members dividend entitlements from prior years (2019: \$2,831,139).

The distributions are approved by the Board in view of net surplus in excess of target capital.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Management makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

a) The ultimate liability arising from claims made under insurance contracts

Provision is made at financial year end for the estimated cost of claims incurred but not settled at Balance Sheet date, including the cost of claims incurred but not yet reported (IBNR) to the Scheme.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. Management takes all reasonable steps to ensure that it has appropriate information regarding the Scheme's claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR claims is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims that have been already notified to the Scheme and more information about the claim event is generally available. IBNR claims may often not be apparent to the insured until many years after the events that give rise to the claims. For instance, the Product Liability class of insurance claims would typically display greater variation between

initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. In contrast, the Property class of insurance claims would typically be reported soon after the claim event, and hence today would tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims, Management utilises actuarial estimates based upon statistical analyses of historical experience and assumes the development pattern of current claims will be consistent with past experience. Allowances are made, however, for changes or uncertainties which may create distortions in the underlying statistics or which may cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

Such allowances include:

- changes in Scheme processes which might accelerate or slow down the development and or recording of paid or incurred claims, compared with statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- the impact of large losses, and
- medical and technological developments.

A component of the estimation techniques used is usually the estimation of the cost of the notified but not paid claims. In estimating the cost of those claims, Management has regard to the reported claim circumstance, information available from loss adjusters and legal counsel and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant insurance class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of the claims.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from re-insurers based upon the gross provisions.

b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Scheme may not receive amounts due to it and the amounts can be reliably measured.

c) Impact from COVID-19

The financial and social impacts of COVID-19 continue to emerge and will further develop over the coming year. The extent and duration are difficult to forecast and remain dependent on many factors. These include the extent to which the virus persists, the efficacy of government and central bank responses (both locally and globally) and the impact prolonged uncertainty has on consumer and business sentiment.

The immediate impacts on the Scheme have been from market volatility creating lower investment returns (and consequential impact on capital management activities), increases in insurance liabilities, the acute effect on the practices of some of our Members, and the adoption of altered working practises amongst our Members, employees and suppliers. As the impacts of the virus and associated responses evolve, so too will the associated risks and the Scheme is committed to appropriately managing those risks at all levels through its existing comprehensive risk management framework.

In preparing the current year financial statements, the Scheme has considered the impact of COVID-19 and other market volatility in key judgements and estimates in relevant disclosure notes, including the valuation of insurance liabilities and reinsurance recoveries, fair value measurement of investment portfolio and expected credit losses of insurance and non-insurance assets.

NOTE 3. INSURANCE CONTRACTS, RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operation of the Scheme are affected by a number of key risks. Notes on the Scheme's policies and procedures in respect of managing these risks are set out in this note.

a) Terms and conditions of insurance and outwards reinsurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Scheme. The majority of direct insurance contracts written are entered into using a standard form basis. All outwards reinsurance contracts are subject to substantially the same terms and conditions. There are no special terms and conditions in any non standard contracts that have a material impact on the financial report.

b) Concentration of insurance risk

The Scheme's exposure to concentrations of insurance risk is mitigated by acquisition of catastrophe reinsurance cover to limit exposure from any single event and the provision of preventative risk management programmes.

Risk:	Personal injuries, Professional negligence, Natural catastrophes and property damage
Source of Concentration:	Properties concentrated in regions that are subject to earthquake, bushfires, cyclones and hail storms
Risk Management Measures:	Management has implemented ISO 31000 standards and purchased catastrophe reinsurance cover to limit exposure from any single event

NOTE 4. ESTIMATE OF OUTSTANDING CLAIMS

	Liability \$ 2020	Liability \$ 2019	Property \$ 2020	Property \$ 2019	WorkCare \$ 2020	WorkCare \$ 2019	Bushfire \$ 2020	Bushfire \$ 2019	Total \$ 2020	Total \$ 2019
Outstanding Claims, Gross of Reinsurance and Other Recoveries										
Reported Claims Outstanding	9,312,672	11,850,666	7,684,733	3,593,279	18,982,990	15,766,513	1,070,250	677,619	37,050,645	31,888,077
Development Claims Provision	11,910,494	8,687,157	1,058,750	706,762	12,210,563	13,663,930	1,455,062	479,813	26,634,869	23,537,662
Central Estimate of Outstanding Claims, Gross of Reinsurance Recoveries	21,223,166	20,537,823	8,743,483	4,300,041	31,193,553	29,430,443	2,525,312	1,157,432	63,685,514	55,425,739
Prudential Margin	417,723	419,810	652,382	452,089	3,087,237	3,055,256	135,631	121,530	4,292,973	4,048,685
	21,640,889	20,957,633	9,395,865	4,752,131	34,280,790	32,485,699	2,660,943	1,278,962	67,978,487	59,474,424
Less:										
Provision for Reinsurance Recoveries	18,239,652	17,662,624	2,908,641	54,861	626,856	332,769	1,649,045	231,350	23,424,194	18,281,604
Net Central Estimate of Outstanding Claims	3,401,237	3,295,009	6,487,224	4,697,269	33,653,934	32,152,930	1,011,898	1,047,612	44,554,293	41,192,820
Less:										
Provisions for Outstanding Reinsurance:										
Paid Claims Reinsurance Recovery Outstanding	974,460	895,312	-	-	-	-	-	-	974,460	895,312
Total Provisions for Outstanding Reinsurance and	974,460	895,312	-	-	-	-	-	-	974,460	895,312
Net Claims Outstanding	2,426,777	2,399,697	6,487,224	4,697,269	33,653,934	32,152,930	1,011,931	1,047,612	43,579,833	40,297,508

Claims Development Assumptions

The following assumptions have been made in determining gross outstanding claims provisions:

	Liability		Property		WorkCare		Bushfire	
	2020	2019	2020	2019	2020	2019	2020	2019
Future Development * *****	8.53%	6.16%	12.1%	16.4%	2.8%	3.82%	-	-
Claims Handling expenses **	15%	15.0%	5.66%	4.77%	9.78%	7.90%	9%	8%
Future Interest *** *****	-1.71%	-3.67%	N/a	N/a	-0.82%	-2.14%	-	-
Prudential margins ****	1.97%	2.04%	10.1%	10.5%	9.9%	10.38%	15.6%	10.5%

* Expected future development in case estimates, including IBNR and IBNER.

** Claims handling cost which relates to the future claim payments in the outstanding claim provision.

*** Future Interest represents wage inflation assumptions and discount rates to allow for the time value of money. Discount rates are derived as the one-year forward rates implied by the Commonwealth Government bond yield curve.

**** Prudential margins are applied as a percentage of the present value of net future claim payments, excluding claims administration expenses (assuming lognormal distribution with 15% coefficient of variation for WorkCare and 30% for Liability)

***** Standalone data for 2020 and 2019 Bushfire future development and future interest provisioning not separately available, however the provision is captured within the reported Development Claims Provision.

NOTE 5. OUTSTANDING CLAIMS LIABILITY

	Liability \$ 2020	Liability \$ 2019	Property \$ 2020	Property \$ 2019	WorkCare \$ 2020	WorkCare \$ 2019	Bushfire \$ 2020	Bushfire \$ 2019	Total \$ 2020	Total \$ 2019
Current	4,500,164	4,191,527	8,926,072	4,514,524	17,438,677	16,058,000	1,353,625	632,203	32,218,538	25,396,254
Non Current	17,140,725	16,766,106	469,793	237,607	16,842,113	16,427,699	1,307,318	646,758	35,759,949	34,078,170
Total Outstanding Claims Liability	21,640,889	20,957,633	9,395,865	4,752,131	34,280,790	32,485,699	2,660,943	1,278,961	67,978,487	59,474,424

NOTE 6. NET CLAIMS EXPENSE

	Liability \$ 2020	Liability \$ 2019	Property \$ 2020	Property \$ 2019	WorkCare \$ 2020	WorkCare \$ 2019	Bushfire \$ 2020	Bushfire \$ 2019	Total \$ 2020	Total \$ 2019
Opening Outstanding Claims	(2,399,697)	(1,759,898)	(4,697,269)	(4,634,332)	(32,152,930)	(35,494,756)	(1,047,612)	(1,018,502)	(40,297,508)	(42,907,488)
Gross Claims Paid	5,071,649	6,828,827	6,565,207	7,819,946	17,154,062	17,802,378	558,595	941,755	29,349,513	33,392,906
Claims Excess Received	(74,343)	(133,857)	-	-	-	-	-	-	(74,343)	(133,857)
Net Claims Paid	4,997,306	6,694,970	6,565,207	7,819,946	17,154,062	17,802,378	558,595	941,755	29,275,170	33,259,049
Net Claims Outstanding	2,426,775	2,399,697	6,487,223	4,697,269	33,653,934	32,152,930	1,011,931	1,047,612	43,579,833	40,297,508
Net Claims Expense	5,024,384	7,334,769	8,355,161	7,882,883	18,655,066	14,460,552	522,914	970,865	32,557,495	30,649,069

NOTE 7. MANAGEMENT EXPENSES

WALGA and JLT Scheme management expenses including claims management, financial management, member relations, corporate governance and administration

	\$ 2020	\$ 2019
WALGA	2,103,000	2,042,000
JLT	8,945,794	8,684,628
Total Management Expenses	11,048,794	10,726,628

NOTE 8. CASH AND CASH EQUIVALENTS

	\$ 2020	\$ 2019
Cash at Bank	2,753,151	12,674,897
Cash Investments	-	-
Total Cash and Cash Equivalents	2,753,151	12,674,897

NOTE 9. FINANCIAL ASSETS – INVESTMENTS

	\$ 2020	\$ 2019
Current		
Managed Investment Funds	48,057,551	47,751,042
Total Current Investment Assets	48,057,551	47,751,042
Non Current		
Diversified Balanced Funds	23,244,454	25,486,753
Total Non Current Investment Assets	23,244,454	25,486,753

Investment classifications

Investments held in units in managed investment funds are based upon tailored benchmark allocations for the Scheme. They are initially recognised at cost and the subsequent fair value is taken as the quoted price of the instrument at balance date.

The Scheme's investments are invested in a multi-manager unit trust fund comprising underlying investments in domestic and international equities, property and infrastructure, fixed interest, cash and alternative assets.

The property and infrastructure assets, Australian and Global equities and alternative growth assets portion of the funds under investment are classified as non-current investments, with the remainder classified as current investments.

Investment policy

Scheme funds in excess of working capital requirements are invested in accordance with an Investment Policy Statement adopted by the Board.

The investment guidelines are based upon an investment horizon of greater than ten years. The Fund intends to maintain the portfolio assets in perpetuity. Therefore, interim fluctuations over shorter time horizons should be viewed with due regard to interest volatilities in market values.

The portfolio's strategic asset allocation is as follows:

	Strategic Asset Allocation (%)	Range Limits (%)	
		From	To
Alternative Assets – Defensive	2	0	10
Property and Infrastructure - Defensive	3	0	10
Higher Yielding Fixed Interest Defensive	3	0	10
Diversified Fixed Interest	40	30	60
Cash	17	5	40
Total Defensive	65		
Australian Equities	12	0	25
Global Equities – Unhedged	10	0	19
Hedged	2	0	6
Property and Infrastructure - Growth	7	0	20
Higher Yielding Fixed Interest - Growth	2	0	10
Alternative Assets - Growth	2	0	10
Total Growth	35		
Defensive Assets	65	50	80
Growth Assets	35	20	50
Total Portfolio	100		

The Board's investment policy is targeted at a return of CPI plus 2.5% p.a. on average over 10 years.

The long term investment risk objective is to achieve a negative return no more frequently than one year in every five.

NOTE 10. GUARANTEE FACILITY

The Scheme has in place a guarantee facility of \$43.7 million (2019: \$48.2 million) with ANZ Bank, pursuant to a statutory requirement by WorkCover WA to hold a bank guarantee determined at 150% of the central estimate of outstanding claims liability. The facility is undrawn.

NOTE 11. ADDITIONAL SERVICES EXPENSES

	\$ 2020	\$ 2019
Health Services	1,502,831	1,647,390
Property Valuation	11,687	46,840
Injury Management	754,004	738,876
Regional Risk Management Fees	1,089,890	1,068,521
Risk Management Projects	2,788,719	2,823,267
Total Additional Services Expenses	6,147,131	6,324,894

Additional services expenditures are predominantly for programs designed to assist Scheme members in the effective management of risk exposures and thereby minimise the impact on Scheme funds of claims incidence and severity.

NOTE 12. REMUNERATION OF AUDITORS

	\$ 2020	\$ 2019
Remuneration of Auditors (Ernst & Young)	81,870	81,000
Total Remuneration of Auditors	81,870	81,000

NOTE 13. DIRECTORS REMUNERATION

	\$ 2020	\$ 2019
Amounts received by members of the Board of Directors for attendance at Board Meetings	351,898	291,099

Board members receive Directors fees, which are paid quarterly in arrears. Board members are also entitled to Superannuation Guarantee payments and reimbursement of the costs of travel expenses associated with attending Board or Committee meetings. No loans were made or are payable to Board members. There were no other material transactions with Board members.

NOTE 14. EVENTS OCCURRING AFTER BALANCE DATE

There are no matters or circumstances having arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Scheme, the results of those operations or, the state of affairs of the Scheme in subsequent financial years.

NOTE 15. RESERVE, MINIMUM CAPITAL REQUIREMENT

The Reserve was established to retain a capital base reserve which reflects the Directors view of the requirements to maintain the Schemes operations.



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Independent auditor's report to the members of LGISWA

Opinion

We have audited the financial report, being a special purpose financial report of LGISWA, which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in members funds, statement of cash flows and the trading report for the year then ended, a summary of significant accounting policies, other explanatory notes excluding the membership listing, and the director's declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of LGISWA as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 of the report.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of LGISWA in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - basis of accounting and restriction on distribution

We draw attention to Note 1 to the financial report which describes the basis of accounting. The financial report is prepared to assist LGISWA to meet the requirements of the Trust Deed dated 19 September 1996 (as amended). As a result, the financial report may not be suitable for another purpose. Our report is intended solely for LGISWA and members of LGISWA and should not be distributed to parties other than LGISWA and its members. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of LGISWA are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Trust Deed dated 19 September 1996 (as amended) and is appropriate to meet the needs of the members. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.



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In preparing the financial report, the Directors are responsible for assessing LGISWA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate LGISWA or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LGISWA's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on LGISWA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause LGISWA to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young
Perth
8 October 2020

MEMBERSHIP LIST

LGISWA SCHEME MEMBERSHIP 2019/20

Program	Code
Liability Program	LI
WorkCare Program	WC
Property Program	PR
Bushfire Volunteers PA program	BF

	LI	WC	PR	BF
Albany, City of	✓	✓	✓	✓
Armadale, City of	✓	✓	✓	✓
Ashburton, Shire of	✓	✓	✓	✓
Augusta-Margaret River, Shire of	✓	✓	✓	✓
Bassendean, Town of	✓	✓	✓	✓
Bayswater, City of	✓	✓	✓	✓
Belmont, City of	✓	✓	✓	✓
Beverley, Shire of	✓	✓	✓	✓
Boddington, Shire of	✓	✓	✓	✓
Boyup Brook, Shire of	✓	✓	✓	✓
Bridgetown-Greenbushes, Shire of	✓	✓	✓	✓
Brookton, Shire of	✓	✓	✓	✓
Broome, Shire of	✓	✓	✓	✓
Broomehill-Tambellup, Shire of	✓	✓	✓	✓
Bruce Rock, Shire of	✓	✓	✓	✓
Bunbury, City of	✓	✓	✓	✓
Bunbury-Harvey Regional Council	✓	✓	✓	✓
Busselton, City of	✓	✓	✓	✓
Cambridge, Town of	✓	✓	✓	✓
Canning, City of	✓	✓	✓	✓
Capel, Shire of	✓	✓	✓	✓
Carnamah, Shire of	✓	✓	✓	✓
Carnarvon, Shire of	✓	✓	✓	✓
Chapman Valley, Shire of	✓	✓	✓	✓
Chittering, Shire of	✓	✓	✓	✓
Christmas Island, Shire of *	✓	✓	✓	✓
Claremont, Town of	✓	✓	✓	✓
Cockburn, City of	✓	✓	✓	✓
Cocos (Keeling) Islands, Shire of *	✓	✓	✓	✓
Collie, Shire of	✓	✓	✓	✓
Coolgardie, Shire of	✓	✓	✓	✓
Coorow, Shire of	✓	✓	✓	✓
Corrigin, Shire of	✓	✓	✓	✓
Cottesloe, Town of	✓	✓	✓	✓
Cranbrook, Shire of	✓	✓	✓	✓
Cuballing, Shire of	✓	✓	✓	✓
Cue, Shire of	✓	✓	✓	✓
Cunderdin, Shire of	✓	✓	✓	✓
Dalwallinu, Shire of	✓	✓	✓	✓
Dandaragan, Shire of	✓	✓	✓	✓
Dardanup, Shire of	✓	✓	✓	✓
Denmark, Shire of	✓	✓	✓	✓
Derby-West Kimberley, Shire of	✓	✓	✓	✓
Donnybrook-Balingup, Shire of	✓	✓	✓	✓
Dowerin, Shire of	✓	✓	✓	✓
Dumbleyung, Shire of	✓	✓	✓	✓
Dundas, Shire of	✓	✓	✓	✓
East Fremantle, Town of	✓	✓	✓	✓
East Pilbara, Shire of	✓	✓	✓	✓
Eastern Metropolitan Regional Council	✓	✓	✓	✓
Esperance, Shire of	✓	✓	✓	✓
Exmouth, Shire of	✓	✓	✓	✓
Fremantle, City of	✓	✓	✓	✓

	LI	WC	PR	BF
Gingin, Shire of	✓	✓	✓	✓
Gnowangerup, Shire of	✓	✓	✓	✓
Goomalling, Shire of	✓	✓	✓	✓
Gosnells, City of	✓	✓	✓	✓
Greater Geraldton, City of	✓	✓	✓	✓
Hall's Creek, Shire of	✓	✓	✓	✓
Harvey, Shire of	✓	✓	✓	✓
Irwin, Shire of	✓	✓	✓	✓
Jerramungup, Shire of	✓	✓	✓	✓
Joondalup, City of	✓	✓	✓	✓
Kalamunda, City of	✓	✓	✓	✓
Kalgoorlie-Boulder, City of	✓	✓	✓	✓
Karratha, City of	✓	✓	✓	✓
Katanning, Shire of	✓	✓	✓	✓
Kellerberrin, Shire of	✓	✓	✓	✓
Kent, Shire of	✓	✓	✓	✓
Kojonup, Shire of	✓	✓	✓	✓
Kondinin, Shire of	✓	✓	✓	✓
Koorda, Shire of	✓	✓	✓	✓
Kulin, Shire of	✓	✓	✓	✓
Kwinana, City of	✓	✓	✓	✓
Lake Grace, Shire of	✓	✓	✓	✓
Laverton, Shire of	✓	✓	✓	✓
Leonora, Shire of	✓	✓	✓	✓
Local Government House Trust	✓	✓	✓	✓
Mandurah, City of	✓	✓	✓	✓
Manjimup, Shire of	✓	✓	✓	✓
Meekatharra, Shire of	✓	✓	✓	✓
Melville, City of	✓	✓	✓	✓
Menzies, Shire of	✓	✓	✓	✓
Merredin, Shire of	✓	✓	✓	✓
Mindarie Regional Council	✓	✓	✓	✓
Mingenew, Shire of	✓	✓	✓	✓
Moora, Shire of	✓	✓	✓	✓
Morawa, Shire of	✓	✓	✓	✓
Mosman Park, Town of	✓	✓	✓	✓
Mt Magnet, Shire of	✓	✓	✓	✓
Mt Marshall, Shire of	✓	✓	✓	✓
Mukinbudin, Shire of	✓	✓	✓	✓
Mundaring, Shire of	✓	✓	✓	✓
Murchison, Shire of	✓	✓	✓	✓
Murray, Shire of	✓	✓	✓	✓
Nannup, Shire of	✓	✓	✓	✓
Narembeen, Shire of	✓	✓	✓	✓
Narrogin, Shire of	✓	✓	✓	✓
Ngaanyatjarraku, Shire of	✓	✓	✓	✓
Northam, Shire of	✓	✓	✓	✓
Northampton, Shire of	✓	✓	✓	✓
Nungarin, Shire of	✓	✓	✓	✓
Perenjori, Shire of	✓	✓	✓	✓
Peppermint Grove, Shire of	✓	✓	✓	✓
Perth, City of	✓	✓	✓	✓
Pingelly, Shire of	✓	✓	✓	✓

	LI	WC	PR	BF
Plantagenet, Shire of	✓	✓	✓	✓
Port Hedland, Town of	✓	✓	✓	✓
Quairading, Shire of	✓	✓	✓	✓
Ravensthorpe, Shire of	✓	✓	✓	✓
Rivers Regional Council	✓	✓	✓	
Rockingham, City of	✓	✓	✓	✓
Sandstone, Shire of	✓	✓	✓	✓
Serpentine-Jarrahdale, Shire of	✓	✓	✓	✓
Shark Bay, Shire of	✓	✓	✓	✓
South Perth, City of	✓	✓	✓	
Southern Metropolitan Regional Council	✓	✓	✓	
Stirling, City of	✓	✓	✓	
Subiaco, City of	✓	✓	✓	
Swan, City of	✓	✓	✓	✓
Tamala Park Regional Council	✓	✓	✓	
Tammin, Shire of	✓	✓	✓	
Three Springs, Shire of	✓	✓	✓	✓
Toodyay, Shire of	✓	✓	✓	✓
Trayning, Shire of	✓	✓	✓	✓
Upper Gascoyne, Shire of	✓	✓	✓	✓
Victoria Park, Town of	✓	✓	✓	
Victoria Plains, Shire of	✓	✓	✓	✓
Vincent, City of	✓	✓	✓	
WALGA	✓	✓	✓	
WALGA & Qube Railway Parade Pty Ltd*	✓	✓	✓	
Wagin, Shire of	✓	✓	✓	✓
Wandering, Shire of	✓	✓	✓	✓
Wanneroo, City of	✓	✓	✓	✓
Waroona, Shire of	✓	✓	✓	✓
West Arthur, Shire of	✓	✓	✓	✓
Western Metro. Regional Council	✓	✓	✓	
Westonia, Shire of	✓	✓	✓	✓
Wickepin, Shire of	✓	✓	✓	✓
Williams, Shire of	✓	✓	✓	✓
Wiluna, Shire of	✓	✓	✓	✓
Wongan-Ballidu, Shire of	✓	✓	✓	✓
Woodanilling, Shire of	✓	✓	✓	✓
Wyalkatchem, Shire of	✓	✓	✓	✓
Wyndham-East Kimberley, Shire of	✓	✓	✓	✓
Yalgoo, Shire of	✓	✓	✓	✓
Yilgarn, Shire of	✓	✓	✓	✓
York, Shire of	✓	✓	✓	✓



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