Management of occupational health and safety in local government

Cover photos courtesy of Darebin City Council.

AUDITOR GENERAL
VICTORIA

The Hon. Monica Gould MP
President
Legislative Council
Parliament House
Melbourne

The Hon. Judy Maddigan MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance audit report on *Management of occupational health and safety in local government.*

Yours faithfully

JW CAMERON
Auditor-General

20 April 2005

Foreword

There is a growing recognition of the importance of occupational health and safety (OHS) in the workplace. Underpinning this recognition – expressed in law, in increasingly viable strategies by WorkCover and in increased claims and litigation – lies the imperative of a safe and healthy working environment.

There is also an expectation that public sector agencies will be exemplary in their management of OHS in the workplace. Both state and federal governments are on the record and have set about implementing a number of state and national initiatives to improve workplace health and safety.

This audit examines OHS practices in local government. The work of local government exposes municipal councils to a wide range of risks, from managing heavy engineering work, to running sport and entertainment venues, to delivering services to householders.

This audit found that local government has managed OHS at a compliance level and focused on meeting legislative requirements, rather than striving for excellence. While, on balance, local government is a safe place to work, there is substantial room for improvement.

We found few examples of exemplary practice. Many recent OHS improvements appear to have been driven by WorkCover, or by changes to industrial relations agreements, rather than by a desire of local governments to improve performance. This is disappointing, given that the *Occupational Health and Safety Act 1985* has been in force for 20 years.

The challenge for councils in the next few years is to become exemplary performers in OHS management. Because of the far-reaching impacts that local government has on the community, councillors and senior managers need to demonstrate much greater commitment to improving their OHS performance, and much greater accountability for performance.

Serious physical and psychosocial injuries will only be systematically avoided in future if local government improves its OHS performance.

JW CAMERON
Auditor-General
20 April 2005

Contents

1. Executive summary

1.1   Local governments' management of OHS

In 2003-04, the local government sector experienced 2 deaths and lodged 870 standard[1] workers compensation claims. During this same time, local governments paid $42 million in Victorian WorkCover Authority insurance premiums, averaging over $500 000 each, and WorkCover paid out around $20 million in fully developed claims costs[2].

The audit examined whether or not local government was managing occupational health and safety (OHS) in an exemplary way. Both federal and state governments want public sector agencies to demonstrate exemplary OHS behaviour as their activities have large flow-on effects to the community.

WorkCover classifies local government as a medium-risk industry where achieving an exemplary level of OHS performance should be a realistic goal.

We found that OHS performance varied widely across local government, and ranged from those that were just beginning to understand the complexity of the subject, realising what still had to be done, to those that verged on the exemplary level for certain tasks.

Overall, the local government sector's management of OHS is rated as basic[3] and far from exemplary. This is disappointing, given the wide ranging impact a municipal council has on its community and its ability to influence the behaviour and performance of many private sector organisations.

The sector needs to increase its sophistication and diligence in managing OHS by:
- improving OHS governance and accountability at council and senior management levels, and not leaving OHS to middle managers and officers
- driving OHS at a strategic rather than an operational level
- improving hazard identification and adopting a risk management approach to address priority hazards
- monitoring OHS performance by using lead indicators

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[1] A standard claim is a claim where 10 days or more of work time was lost and/or at least $506 (from 1 July 2004) in medical and associated expenses. The figure for medical and associated expenses is indexed annually.

[2] Fully developed claims cost is the sum of payments made to date, plus an estimate of future costs.

[3] For definitions and explanations of the levels used in this report, see Appendix A of this report.

- improving data capture and analysis through better identification, recording and treatment of OHS hazards
- addressing the wellbeing of all staff whether permanent, casual, volunteer or contracted.

1.2   Were local government leaders committed to OHS?

To assess whether local government leaders were committed to OHS we examined whether councils demonstrated their organisation's commitment to OHS and whether executive management drove local government commitment to OHS.

Elected councillors and management commitment to OHS in local government is at a basic level. On the one hand, there are written policies, good intentions and communication opportunities. On the other hand, there is little evidence of high-level OHS strategy, of senior managers being accountable for OHS performance or being involved in OHS activity. OHS in practice appears to be left to certain individuals (such as OHS officers) rather than the result of leadership that is both strategic and formally accountable.

There is considerable scope to improve the accountability for OHS in local governments at 2 levels: chief executive officers to elected councils, and senior staff to chief executive officers. Chief executive officers and senior staff need to have performance targets included in their employment contracts, and be held accountable for OHS performance. The accountability of all managers for OHS needs to be explicit when their performance is assessed. At present, most senior managers would not readily be able to explain their actions should a major accident occur.

Senior managers need to do more than talk about safety. They should take a risk management approach to OHS and actively monitor how well risks are being controlled. Senior managers can show their commitment to OHS by being regularly involved in on-the-job OHS activities. This will also help them understand OHS problems, and so make informed decisions about OHS goals and strategies.

Recommendations

1. **That councils include specific OHS responsibilities in the contracts of chief executive officers.**

2. **That chief executive officers include specific OHS responsibilities in the contracts of managers.**

3. **That the performance of chief executive officers and managers in discharging their OHS responsibilities be regularly appraised against lead performance indicators.**

4. **That senior managers' meetings canvass OHS issues in more depth by systematically focusing on preventive actions and tracking how well key risks are being managed, rather than simply noting current incident statistics or claims experience.**

5. **That managers show their commitment to improving OHS performance by formal, planned and regular involvement in OHS activities, especially workplace and work activity inspections and audits, and meetings of their health and safety committee.**

1.3 Was OHS integrated into local government processes?

To assess whether OHS was integrated into local government processes, we examined whether OHS was integrated into strategic and operational plans such as the council plan and the annual plan, and whether local governments adopted a risk management approach to OHS and integrated OHS risks into general risk management.

About half the strategic resource and annual plans of local government did not have OHS objectives. Where these existed, they were often operational, not strategic, and hence too low level to be considered integral to organisational planning processes. OHS planning tended to focus on workplace details without first assessing the big picture by using a strategic risk management approach.

Strategic OHS objectives and targets should fall out of an OHS risk profile and be identified in council plans. In this way, CEOs will become involved in the identification of OHS priorities through the council plan process and appropriate resources can then be allocated for implementation. OHS operational plans varied widely in detail. In general, they were neither based on risk assessments nor clearly identified either improvement activities or activities essential to maintaining critical OHS controls.

Management of OHS risk by local government is at a basic level, and is not well integrated into overall business risk management. Most local governments have not yet identified their major OHS risks, particularly the high-impact/low-frequency risks such as driving and crushing by machinery or plant. This poor understanding of major OHS risks means that many councils and CEOs do not take a strategic, targeted or proactive approach to managing OHS, with the result that resources were misdirected to lower-priority OHS risks.

Recommendations

6. **That local governments include OHS objectives and targets in their strategic plans.**

7. **That local governments ensure that OHS is integrated into their general business risk management systems.**

8. **That local governments take a risk management approach to OHS by first assessing all workplace hazards and assigning a suitable risk rating.**

9. **That the workplace risk assessments be used to create an OHS risk register with associated risk controls.**

10. **That the risk register be used to create a risk profile that clearly prioritises the risks for action at both strategic and operational levels.**

11. **That the OHS risk profile be used to guide local governments in determining which OHS risks should be identified in council planning processes.**

12. **That OHS operational plans be approved and monitored by the senior management team. These should describe how objectives and targets will be achieved and address both improvement activities and the maintenance of critical controls identified in the risk profile.**

1.4   Were employees involved in OHS prevention activities?

To assess whether local government involved employees in OHS management, we examined whether consultative arrangements were adequate, whether all staff had the opportunity to participate in OHS and were formally recognised for their efforts, and whether there was 2-way communication between management and staff.

Health and safety committees were highly operational and suffered from a lack of consistent senior management involvement. Although consultative structures had been established, this inconsistency resulted in a reactive rather than strategic approach to OHS.

As only a few people are chosen to participate in OHS, managers should create more opportunities for staff to involve themselves in OHS activities. Supporting and formally recognising health and safety representatives could increase participation.

Communication of OHS issues is rated from basic to good. Local government rated most strongly in this area, although communication is predominantly one-way and greater employee involvement is needed. Although there is a considerable flow of information in local government, management needs to ensure that staff are aware of opportunities for hearing about, and providing feedback on, OHS activities.

Formal feedback mechanisms are not commonly used across local government to respond to hazard and incident reports. There appears to be a reliance on informal communication channels, particularly by involving staff who report hazards or incidents in the actual investigation and follow-up. Local government needs to improve feedback to staff reporting OHS incidents.

Recommendations

13. **That local governments ensure that health and safety representatives are elected, and health and safety committees constituted, in accordance with the legislation.**

14. **That local governments make the health and safety representative role a formal part of that employee's performance plan, thereby formally allocating time, training and other resources for the required duties.**

15. **That senior managers use a range of tools to communicate with staff about OHS issues, including successes and failures, and regularly check the effectiveness of these tools by assessing staff use of them.**

16. **That a formal feedback mechanism be developed to ensure that staff who report OHS hazards and incidents are aware of the progress and resolution of their report.**

1.5   Were employees trained and competent in OHS?

To assess whether staff were trained and competent in OHS we examined whether staff training needs were based on OHS risk assessments and training met OHS responsibilities and tasks.

On average, the training and competency development efforts of local government is basic. OHS management training is basic to minimal.

While all local governments provided some OHS-related training, this training was not based on a training needs assessment or an OHS risk profile. Because training programs were not based on formal risk assessments, there is a danger that training will not address the organisation's key OHS risks.

Local government managers are not generally adequately trained to fulfil their responsibilities. There is a need for specific management training that clearly identifies managers' responsibilities and teaches them how to be accountable for their OHS duties.

Senior and other managers, supervisors, health and safety representatives and committee members, need training in the development, implementation and review of OHS management to encourage a systematic and strategic approach.

Recommendations

17. **That local governments conduct formal OHS training needs analyses of their staff based on their risk profile, and the role and task requirements of staff.**

18. **That local governments develop an OHS training and development program for senior officers, focusing on how managers can fulfil their responsibilities under the Occupational Health and Safety Act.**

19. **That local governments establish a mentoring program to peer review OHS programs, and encourage ongoing improvement and development of competencies.**

1.6 Did local government monitor, evaluate and improve OHS performance?

To assess whether local government monitored, evaluated and improved OHS performance, we examined their hazard and incident reporting and investigation procedures, whether they used lead indicators to monitor OHS performance, and subsequently evaluated and improved their OHS system.

OHS incident management in local government is generally rated as basic or minimal. This operational rather than strategic approach to OHS means that although OHS activity has increased, major risks still may not have been addressed. This could be improved by thorough incident investigation procedures that identify the systemic causes of the OHS management failure, combined with the use of a range of lead indicators.

Recording more incidents enables better analysis so that situations can be improved by clearly identifying the root causes of all incidents, removing or treating the causes, and (after some time) evaluating the success or otherwise of the action.

Most councils are almost certainly under-reporting OHS incidents by recording only what they are required to by legislation rather than all minor incidents, near misses and hazards. This poor recording of incidents means that most local governments do not have adequate information to help them decide where OHS resources could best be used. If local government statistics on incidents and near misses were centrally recorded and analysed, systemic issues and improvements would be more likely to be identified.

Local governments' performance reporting, monitoring and evaluation are at a basic level. They report against lag, rather than lead, indicators. They do not report against an OHS risk profile, so do not know how well, or to what extent, their prevention activities are ameliorating high-priority risks.

Benchmarking is generally confused with networking. True OHS benchmarking has not occurred.

Several smaller councils indicated that they believed they did not have the funds or expertise to develop an OHS management system that could be accredited. A whole-sector, unified approach to developing OHS systems would benefit such organisations and improve consistency across the sector. Such an approach could include management training, a mentoring program, sector-wide benchmarking and sector-wide OHS system standards (covering matters such as reporting of hazards and incidents, analysing causes of hazards and incidents, providing feedback, and checking of follow-up actions).

Another way of sharing skills and improving consistency would be for officers from one or more local councils to investigate incidents at another council. These investigations would be independent of local personalities and politics, and would be practicable if cross-sector standards were developed.

Recommendations

20. That local governments:
- **establish a forum where they can take a unified approach to developing OHS systems and processes, including lead indicators, guidelines for investigations and risk assessment tools, and benchmark their performance**
- **establish sector-wide OHS system standards**
- **encourage cross-local government incident investigations**
- **encourage managers to participate in incident investigations.**

21. That elected councils require, and approve, OHS objectives, targets and lead indicators against which the chief executive officer is required to provide regular performance reports.

22. That all local governments achieve a basic level of accreditation of their OHS management system (for example, Safety MAP or AS4801) within 2 years.

1.7   How effective were OHS systems in creating a safe place to work?

A well-implemented, comprehensive OHS system will improve safety management within an organisation. It takes into account both minor and major OHS risks, identifies control strategies that deal with the root cause of an issue and then monitors the success or otherwise of any control options.

We tested the effectiveness of local governments' OHS systems by examining, how well contractor OHS and psychosocial issues were managed. In both instances, we examined the degree to which OHS had been integrated into the management of these areas; whether the OHS system was being applied consistently to contractors and employees; and whether psychosocial issues were managed in the same way as physical and chemical issues.

Local governments are not identifying OHS risks and managing them as they arise throughout the contract processes and, therefore, they are at risk of engaging contractors with a poor record of OHS performance. This potentially exposes local government to claims that they are failing in their duty of care for contractor health and safety. In line with the OHS legislation, local government needs to consider the safety of contractors in the same way as staff and take responsibility for workplace hazard assessments, controlling OHS risks, monitoring OHS performance and reporting contractor statistics alongside their own.

Local government needs to develop strategic programs to prevent psychosocial issues and consider these hazards in the development or redesign of services, facilities and contracts. Psychosocial hazard management could be improved by job redesign, by providing a degree of control to staff and by giving regular performance feedback. Managers and staff should be more aware of their responsibilities in managing these hazards and be made accountable for their actions. Local government needs to integrate psychosocial issues better into current rehabilitation and human resource management.

Local governments' OHS systems ranged from a basic to good level of operation for physical and chemical hazards, but need to be overhauled to manage contract and psychosocial risks better. The failure of their OHS systems to identify major risks and monitor and evaluate control strategies leaves council open to a major OHS disaster where serious injuries and death could result. The fact that deaths still occur in the local government sector means this is a real possibility.

OHS systems have an important place in helping monitor and manage OHS issues, but without senior management commitment and employee involvement the system will not be about preventing workplace injuries and loss of life. OHS systems must become dynamic, responsive and integrated across all aspects of the work of local government to ensure that employees can come to work and leave safely.

Recommendations

23. That local governments:
- **monitor and record contractor OHS incidents**
- **include contractor OHS performance in regular reports to senior managers and council**
- **ensure ongoing, planned surveillance of high-risk activities**
- **review contractor OHS performance and maintain systems to ensure past performance is considered when selecting contractors.**

24. That local governments improve their prevention and management of psychosocial hazards through:
- **systematic (focus on managing the hazards not the affected individual) and formal policies and procedures to address psychosocial hazards, consistent with processes used for other hazards**
- **raising awareness of all employees in the organisation, through training and education appropriate to their level of responsibility, about preventing and managing psychosocial hazards.**

1.8   Is local government a safe place to work?

To assess how safe local government workplaces were, we developed a safety index from the web survey and telephone survey results, which enabled us to rank all local governments and compare this ranking with the one we obtained through the field assessments of 10 of the local governments we visited.

We also assessed how safe staff felt about working in local government, comparing these perceptions with the web survey responses.

There was a general level of agreement between the views of local councils, their staff and what we found during our visits. On balance, local government is a safe place to work and staff feel safe, but there is substantial room for improvement.

Serious physical and psychosocial injuries will only be systematically avoided in the future if local government improves its OHS performance.

RESPONSE provided by Acting Chief Executive Officer, Victorian WorkCover Authority

WorkSafe supports all of the 24 recommendations, subject to an amendment of recommendation 20. As it currently stands, recommendation 20 does not make it clear whose responsibility it is to establish and lead a coordinated sector-wide approach to OHS. WorkSafe is of the view that Local Government Victoria, in the Department for Victorian Communities and the peak bodies (the Municipal Association of Victoria and LGPro) with the mandate for local government need to take carriage of this role. WorkSafe is keen to participate in this forum.

RESPONSE provided by Secretary, Department for Victorian Communities

DVC generally supports the thrust of the audit recommendations which are trying to improve performance in Local Governments' management of OHS.

DVC will support and encourage Local Governments to improve their practices through information and joint action with WorkSafe and the relevant peak bodies.

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2. Occupational health and safety management

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2.1   The OHS regulatory framework

2.1.1 Occupational Health and Safety Act 2004

During the 1970s and early 1980s, the approach to OHS in Victoria was based on highly prescriptive legislative measures that focused on compensation to injured or ill employees. The *Occupational Health and Safety Act 1985* heralded a change in OHS management to a more self-regulatory approach that focused first on prevention, and second on rehabilitation and compensation. This approach was based on general duties, process-based provisions, performance-based standards and documentation requirements to achieve broad OHS goals rather than prescriptive regulations. The Occupational Health and Safety Commission was established to administer the Act. The commission helped focus effort on workplace health, safety and welfare by producing information and advice.

After remaining relatively unchanged for almost 2 decades, in September 2003 the government commissioned Chris Maxwell QC to review and update the Act. Most of the review's 286 recommendations were incorporated in the *Occupational Health and Safety Act 2004.* The new Act strengthens and clarifies the original Act's provisions, and addresses the substantial workforce changes that have occurred over the past 2 decades, including increased casualisation of the workforce and more disparate workplaces and work practices. It also puts greater emphasis on employee involvement in health and safety matters, and brings penalties broadly into line with other jurisdictions.

Under the new Act, statutory regulations impose more precise obligations regarding specific hazards such as plant, confined spaces, asbestos, noise, hazardous substances and major hazards.

As well, the Minister for WorkCover can approve codes of practice, which provide detailed guidance about how to comply with the Act. There are over 20 codes of practice covering a wide range of topics from dangerous goods, storage and handling to first aid in the workplace. As well, alerts and guidance notes provide more specific information about particular hazards.

Figure 2A shows how Victoria's occupational health and safety and workers compensation systems have developed.

FIGURE 2A: HISTORY OF WORKCOVER AND ASSOCIATED LEGISLATION

Workers compensation

1914–1985

Fifty-two different workers compensation insurance underwriters. Loosely regulated through the Department of Labour.

Workers Compensation Act 1914
to
Workers Compensation Act 1958

Department of Labour (sometimes known as different name)

Ministerial responsibility

Workers' Compensation Board

1985

WorkerCare: One government scheme created to underwrite workers compensation across Victoria. The ministerial responsibility for workers compensation transferred to Department of Management and Budget.

Accident Compensation Act 1985

Department of Management and Budget

Ministerial responsibility

Accident Compensation Commission (compensation)

Victorian Accident and Rehabilitation Council (rehabilitation)

1992

WorkCover: The insurance scheme was renamed, the ACC and VARC aborbed into the Victorian WorkCover Authority. Responsibility for WorkCover transferred from the department to a nominated minister.

Accident Compensation Act 1985

Minister responsible for WorkCover

Victorian WorkCover Authority

1996

Victorian WorkCover Authority assumes responsibility for OHS as compensation and rehabilitation.

Accident Compensation Act 1985
Accident Compensation (WorkCover Insurance) Act 1993
Accident Compensation (Occupational Health and Safety) Act 1996
Occupational Health and Safety Act 2004
Road Transport (Dangerous Goods) Act 1995
Equipment (Public Safety) Act 1994

Victorian WorkCover Authority

WorkSafe Division

Rehabilitation and Compensation Division

Occupational Health and Safety

1914–1985

Various inspectorates, e.g. Factories and Shops Inspectorate, Lifts and Cranes Inspectorate looked after health and safety in their specific work forces. Safety legislation was highly prescriptive.

Factories and Shops Act 1885
to
Industrial Safety Health and Welfare Act 1981

1985

All inspectorates and associated acts abolished. OHS Act is promulgated. Victorian OHS Commission is created.

Occupational Health and Safety Act 1985
Dangerous Goods Act 1985

Department of Employment and Industrial Affairs

Victorian Occupational Health and Safety Commission (OHS policy)

1992

Occupational Health and Safety Act 1985
Dangerous Goods Act 1985

Department of Business and Employment, Health and Safety Division and Chemicals and Plant Safety Division combined to create Health and Safety Organisation (1992-95)

Source: Victorian Auditor-General's Office.

2.1.2 Accident Compensation Act 1985

The *Accident Compensation Act 1985* established WorkCare, a single government insurance scheme to underwrite workers compensation in Victoria, and the Accident Compensation Commission (ACC), to administer the Act. WorkCare replaced the previous scheme that was underwritten by 52 private insurers. WorkCare operated until 1992 when the Act was substantially modified and the Victorian WorkCover Authority was established to run the new WorkCover scheme.

The Act aims to reduce the social and economic costs to Victoria of accident compensation, and to improve the health and safety of workers. Its main objectives are to:

- reduce the incidence of accidents and diseases in the workplace
- provide for the effective occupational rehabilitation of injured workers and their early return to work
- compensate injured workers
- establish and maintain a fully-funded scheme.

2.1.3 The Victorian WorkCover Authority

In 1992, the Victorian WorkCover Authority (VWA) replaced the original Accident Compensation Commission. In July 1996, responsibility for administering the Occupational Health and Safety Act and the Dangerous Goods Act was transferred to the authority.

The authority has 2 divisions: WorkSafe Victoria, and the Rehabilitation and Compensation Division.

WorkSafe Victoria, the authority's occupational health and safety arm, administers the:

- *Occupational Health and Safety Act 2004* and the *Occupational Health and Safety Act 1985* that focus on OHS and welfare in the workplace
- *Dangerous Goods Act 1985* that looks at explosives and other dangerous goods
- *Road Transport (Dangerous Goods) Act 1995* and the Commonwealth's *Road Transport Reform (Dangerous Goods) Act 1995* that deal with the transport of dangerous goods by road
- *Equipment (Public Safety) Act 1994* that covers high-risk equipment used in public places and on private premises.

The Rehabilitation and Compensation Division is responsible for ensuring the provision of rehabilitation services to, and compensation of, injured workers, return-to-work programs and workplace insurance functions. It administers the:

- *Workers Compensation Act 1958*
- *Accident Compensation Act 1985*
- *Accident Compensation (WorkCover Insurance) Act 1993*
- *Accident Compensation (Occupational Health and Safety) Act 1996*.

WorkSafe Victoria employs more than 450 field officers, investigators, worksite technical experts and support staff. They are based in city, suburban and regional offices.

The work of the Rehabilitation and Compensation Division is mostly regulatory in nature. Most of its operational activities such as premium collection, return to work management and claims management, are carried out by 6 accredited insurance agents[1].

2.1.4 OHS systems and initiatives

There have been many decades of effort to manage workplace OHS. The former dominance of *safe person* approaches, which emphasise the individual as the primary cause of incidents leading to injury and illness, has reduced with the increasing acceptance of *safe place* approaches, which focus on identifying and dealing with workplace hazards to prevent illness and injury.

Safety management systems were initiated in the 1960s in response to major disasters in the process industries. In the 1990s, the Australian Standards for OHS Management Systems were developed, first as a guidance document and then as AS/NZS 4801:2001 *Occupational Health & Safety Management Systems*. Regulators, safety associations and private companies also developed audit standards and tools to test whether an organisation's OHS management system was well managed and operating effectively. These included the Victorian SafetyMAP (Safety Management Achievement Program) and the National Safety Council's 5-Star Health and Safety Management Program.

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[1] The 6 agents are Allianz Australia Workers Compensation (Victoria) Limited, Cambridge Integrated Services Victoria Pty Ltd, CGU Workers Compensation (Vic) Limited, JLT Workers Compensation Services Pty Ltd, QBE Workers Compensation (Vic) Limited and Wyatt Gallagher Bassett Workers Compensation Victoria Pty Ltd.

It is unclear how far OHS management systems have been fully adopted by large sections of industry, and how far they simply represent "tick-a-box" paper compliance exercises. There have also been some major failures of safety management systems, such as with the United Kingdom's Piper Alpha and Victoria's Longford explosions. These events have focused attention on how OHS management systems can operate more effectively, such as by companies developing a "safety culture" grounded in organisational systems and behaviours and not relying simply on the safety-conscious behaviour of individuals.

Evaluations of the effectiveness of OHS management systems have pointed to the necessary engagement of senior managers, and to the importance of employee involvement and communication[2]. Figure 2B shows the main features of successful OHS management systems, as identified by a recent review of international evidence about the role and operation of these systems[3].

FIGURE 2B: SUCCESSFUL FEATURES OF AN OHS MANAGEMENT SYSTEM

Element	Action
Integration	OHS management is integrated into the organisation's other management systems.
Management commitment	Senior management is committed to OHS management.
Planning and resourcing	Plans set out OHS objectives, strategies and programs.
	Financial and human resources for OHS are allocated.
Responsibility and accountability	Responsibilities are identified and allocated to individuals within the organisation.
	Accountability mechanisms are established.
OHS expertise	OHS expertise is established in-house, or engaged from external providers.
Policy and procedures	Policy and procedures are established, documented and implemented for key OHS processes, specific types of hazardous work, first aid, treatment and emergency response.
Risk management	Hazards are systematically identified, risks assessed and controlled, and effectiveness monitored.
Participation	Workers are involved in OHS.
OHS instruction and training	Managers, supervisors and workers receive OHS training.

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[2] National Occupational Health and Safety Commission 1997, *Health and Safety Management Systems: An Analysis of System Types and Effectiveness,* report prepared by C Gallagher, National Occupational Health and Safety Commission, Canberra.

[3] L Bluff, *Systematic Management of Occupational Health and Safety,* Working Paper 20, National Research Centre for Occupational Health and Safety Regulation, Australian National University, 2003.

FIGURE 2B: SUCCESSFUL FEATURES OF AN OHS MANAGEMENT SYSTEM - CONTINUED

Element	Action
Investigation and remediation	OHS problems and incidents are identified, reported and investigated and corrective action is taken.
Performance measures	Performance measures are established and there is ongoing monitoring of OHS management performance against these indicators.
Audit and review	OHS management arrangements are audited, reviewed and improved as necessary.
Documentation	Structures, planning activities, responsibilities, processes and procedures, resources and action taken to develop, implement, evaluate and review OHS management are documented.

Source: L Bluff, *Systematic Management of Occupational Health and Safety*, Working Paper 20, National Research Centre for Occupational Health and Safety Regulation, Australian National University, 2003, and National Occupational Health and Safety Commission 1997, *Health and Safety Management Systems: An Analysis of System Types and Effectiveness*, report prepared by C Gallagher, National Occupational Health and Safety Commission, Canberra.

2.2   Measuring OHS performance

2.2.1 Commonly-used OHS performance measures

The most commonly-used measures of OHS performance are the frequency, cost and severity of injury and claims. Figure 2C shows some commonly-used measures based on data about injury and claims.

FIGURE 2C: OHS PERFORMANCE MEASURES USING INJURY AND CLAIMS DATA

Measure	Type	Nature
Frequency	Claims	Number of claims made against insurer
	Claims frequency rate	Number of claims per $ million remuneration
	Lost time injury frequency rate (LTIFR)	Number of injuries per million hours worked which result in a worker being absent from work for one or more complete days or shifts
Cost/severity	Cost of claims	Actual payments made to date
	Fully developed cost of claims	Actual payments made to date, plus an estimate of future costs
	Claims cost rate	Cost of claims per $ million remuneration
	Lost time injury severity rate (LTISR)	Number of full days lost due to injury per million work hours

Source: Victorian Auditor-General's Office.

Another commonly-used measure of OHS performance is the amount of workplace injury insurance premiums paid by employers. An employer's premium depends on a number of industry and workplace variables and is calculated in 4 steps. These steps are set out in Figure 2D.

FIGURE 2D: CALCULATING PREMIUMS

Steps	Premium calculation
1	An employer is allocated to one of 518 workplace industry classifications, according to the nature of its activities. Each classification has a premium rate, expressed as a percentage of the rateable remuneration paid by the employer to all their workers[4].
	The premium rate for each workplace industry classification is based on that industry's claims experience in the past 5 years.
2	The rateable remuneration is multiplied by the employer's industry premium rate.
3	This calculated amount is then adjusted according to the actual and estimated cost of all claims made in the past 3 years (to a maximum of $250 000 per claim) by the employer.
4	Other adjustments might be made to the calculated premium (such as a cap to limit the maximum increase in the premium to 30 per cent, from one year to the next).

Source: Victorian Auditor-General's Office.

Because a sizing formula is used, the claims experience of large employers such as state and local governments has a far greater effect on their premiums than is the case for small organisations.

2.2.2 Limitations of the commonly-used measures

The commonly-used measures of OHS performance such as injury and claims-based data and premium payments are known as "lag indicators", which measure the results of past actions and do not measure the positive actions taken to improve performance. The appeal of measuring OHS performance using lag indicators is that the data to develop them (injury/claims data, and premium notices held by the employer's claims agent and the workers compensation regulator) is readily available. However, they do not accurately measure the actual incidence and severity of occupational trauma and illness, or its real cost to employers, workers and the community. Neither do they adequately measure an organisation's OHS performance in achieving a safe, healthy workplace.

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[4] Rateable remuneration is defined in the WorkCover legislation and includes most payments made by employers to or on behalf of their workers, including wages, salaries, bonuses, allowances and superannuation.

A number of factors lead to these measures, and their source data, underestimating the actual level and cost of injury and illness in the workplace. These include:

- limitations of the statutory definitions of injury and illness
- under-reporting of claims
- under-recognition of the real costs of injury and illness.

Statutory definitions

Defined injuries

The workers compensation legislation does not attempt to cover all forms of work, nor all injuries and illnesses that might somehow be connected with work. It covers only an injury (defined widely to include diseases and other conditions) to a worker "arising out of or in the course of" that worker's employment. Since 1992, employment has had to be a "significant contributing factor" to the injury.

Contractors

In the workers compensation legislation, the term "worker" equates to an employee. The legislation does not cover independent contractors. Thus, an employer who uses independent contractors does not pay for that contractor's insurance. Local government has increasingly outsourced services to private contractors in response to government policies about compulsory competitive tendering and, more recently, in response to the best value principles[5].

Local governments indicated that they spent, on average, about 25 per cent (or \$13.3 million) of their operating budgets on contracted services. Because injuries to employees of those contractors are not attributed to local government WorkCover statistics, the statistics consistently understate the injury situation of workers who provide local government services. Contracting-out of services has led also to a reduction in local government premiums.

In contrast, under the OHS legislation, an employer's duties of care **do** extend to independent contractors working on their sites and to others, such as customers, visitors and the general public.

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[5] Under the Best Value Victoria policy, the *Local Government Act 1989* was amended in December 1999 to replace compulsory competitive tendering for local government with the best value principles for ensuring that local governments obtained value-for-money in the delivery of services.

Entitlements

The law about workers compensation coverage and entitlements changes from time to time. For example, journey injuries were removed from workers compensation coverage in 1992, and the costs of these injuries are now borne by other systems, for example, the Transport Accident Act or a person's health insurance. As well, changes in benefits (such as in the benefits for permanent partial incapacity[6]) affect costs and this will be reflected in premiums. In this case, partial incapacity benefits are now only paid for up to 104 weeks, whereas previously this benefit could continue until retirement age. The lower liability has reduced premium costs.

Reporting of claims

Injury and illness reports

Staff do not always make a claim even though entitled to do so. A 2001 Australian Bureau of Statistics survey found that 54 per cent of injured personnel did not apply for workers compensation. Almost half of these (47 per cent) did not apply because they considered the injury or illness to be minor and they generally opted for sick leave. Others opted for income loss compensation and/or Medicare (35 per cent) for medical treatment payments.

However, about 9 per cent of injured personnel did not apply for workers compensation because they did not think that they were eligible. A further 4 per cent did not apply because they believed that to do so would have a negative impact on their current or future work prospects. Twice as many females as males did not apply for that reason.

One of the most widely used lag indicators is the Lost Time Injury Frequency Rate (LTIFR). Many employers give their employees financial incentives when their work force reaches a certain number of injury-free days. Research[7] shows that as this number is approached, peer pressure among employees not to lodge a claim increases.

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[6] The largest proportion of workers compensation costs relates to income replacement benefits, which means that legislative changes can have significant financial impacts. In Victoria, the system of weekly payments benefits was radically altered in 1992, significantly changed in 1997 and subjected to minor changes in 1998.

[7] A Hopkins, *Making Safety Work – Getting Management Commitment to Occupational Health and Safety*, Allen & Unwin, Sydney, 1995.

Similarly, Australian workers compensation systems are increasingly moving to more sharply defined, experience-rated premium systems, in which an employer's claims history becomes more important in determining the employer's premium. These systems put more pressure on employees to reduce claims. Claims can be reduced by making the workplace safer, discouraging the lodgement of claims[8], by opposing claims more vigorously if they are lodged, or by other strategies such as encouraging the use of sick pay for minor claims. Employers have indicated that their advisors have advocated using the latter strategies to reduce premium costs and then shared in a percentage of the savings made.

Public reports

Under workers compensation legislation, employers must personally meet the costs of the first 10 days off work, and the first $506[9] of medical and associated costs. The operation of the employer excess means that the published workers compensation claims data exclude a major proportion of total claims lodged. Only claims above these limits are reported (and are referred to as "standard claims") in the workers compensation statistics[10]. Consequently, only reporting standard claims significantly understates the real incidence of injury.

The employer's direct assumption of the cost of "under-excess" claims[11] further weakens the use of premiums as a measure of the cost of claims by understating the real cost of claims to the employer. Thus, premium costs do not represent total claims costs.

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[8] C James, "Social processes in reporting and non-reporting", in M Quinlan (ed) Work and Health, Macmillan, Melbourne, 1993; Linda Jolley, "Shortcomings in workers' compensation systems", in T J Larsson and A Clayton (eds) Insurance and Prevention, Swedish Work Environment Fund, Stockholm, 1994. In its response to the Productivity Commission's interim report, WorkCover Queensland acknowledged that experience-based premiums "can lead to claims suppression" but thought that appropriate legislation and education "can alleviate this difficulty", WorkCover Queensland, 2004, viewed 04 March 2005 <http://www.pc.gov.au/inquiry/workerscomp/subs/subir225.rtf>.

[9] Value was $495 until 30 June 2004. After annual indexing it has risen to $506 for the period 1 July 2004 to 30 June 2005.

[10] This is *statutory excess*, and employers can pay an additional premium to cover it, although few employers do. All claims are served upon the employer. A valid claim requires a claims form and a medical certificate. If the employer has not paid any additional premium to cover the statutory excess and accepts the claim, the employer covers the cost of the first 10 days of weekly payments (income support) and the first $506 of medical and associated costs. Claims that go beyond 10 days time off and more than $506 medical and associated costs are then the responsibility of the employer's WorkCover agent. These ongoing costs are covered by the employer's workplace injury insurance premium. If the employer does not accept liability for the claim, the claim is sent to the WorkCover agent for assessment. If the WorkCover agent determines that the employer is liable for the claim, the employer must cover the under-excess payments. Only claims that go beyond the excess period are classified as "standard claims" and appear in the official WorkCover statistics.

[11] Employees make claims on the employer who is then responsible for the under-excess liability (subject to buyout) and their premium indemnifies them for the costs above this level.

Symptoms of some work-related illnesses and diseases take a long time to show. For example, with mesothelioma (a cancer) there is a long interval between the time of exposure to asbestos and the onset of the disease. Various studies have shown that these conditions are significantly underreported in workers compensation claims[12]. For example, a study by the Queensland occupational health and safety regulator found that workers compensation data in Queensland underestimated the incidence of work-related cancer by 97 per cent[13].

Recognition of the real cost of injury and illness

A 1995 Industry Commission study[14] estimated that only 25 per cent of the total cost of work-related injury was due to the direct costs of work-related incidents. The remaining 75 per cent was due to indirect costs such as lost productivity, loss of income and reduced quality of life. Other studies claim that the ratio of direct to indirect costs of injury and illness ranged from 1:1.6 to as high as 1:20, with a median of 1:4 [15].

Indirect costs to an *employer*, such as the costs of lost production and of recruiting and training replacement workers, cannot be claimed on workplace injury insurance.

In order to estimate their cost of lost production, we asked for information such as total remuneration and days lost due to OHS. Only 60 of the 79 councils provided complete data sets. Based on 2003-04 figures, local governments' productivity loss from OHS was about[16] $80 083 annually for each council, or $6.3 million for the whole sector[17]. This represented an average productivity loss, per local government, of 1.6 persons per year, or about 130 people across the sector in 2003-04.

Figure 2E shows the breakdown of local government's OHS costs, from data provided to our web survey[18]. It shows that WorkCover premiums comprised, on average, 40 per cent of their total OHS costs. The remaining costs were indirect costs to the employer of prevention, training and replacing workers.

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[12] C Kerr, S Morrell, G Salkeld, S Corbett, R Taylor, and F Webster, *Best Estimate of the Magnitude of Health Effects of Occupational Exposure to Hazardous Substances*, Australian Government Publishing Service, Canberra, 1996.

[13] Submission by Workplace Health and Safety (Qld) to the 1995 Industry Commission inquiry into occupational health and safety, Industry Commission, *Work, Health and Safety*, Report No. 47, vol. 2, Australian Government Publishing Service, Canberra, 1995, p. 544.

[14] Industry Commission, *Work, Health and Safety*, Report No. 47, vol. 1, Australian Government Publishing Service, Canberra, 1995, p. 17.

[15] D Andreoni, *The cost of occupational accidents and diseases*, Occupational Health and Safety Services, No.54, International Labour Organization, Geneva, 1986.

[16] Assumes that each full-time employee is available to work 220 days in any given year.

[17] Based on an average remuneration of $47 973 per full-time equivalent.

[18] The web survey used for this audit is explained in Part 2.6 of this report.

FIGURE 2E: COST BREAKDOWN BY LOCAL GOVERNMENT

	Inner metro	Outer metro	Regional city	Small shire	Large shire	Total
Number of councils (a)	19	12	11	20	16	78
2003-04 average operating budget ('000)	88 000	80 180	60 652	15 594	31 630	52 650
Total wages bill ($'000)	46 949	26 521	20 434	4 912	9 443	21 595
% operating budget	53.4	33.1	33.7	31.5	29.9	41.0
Contract services ($'000)	23 900	17 764	13 751	4 463	9 554	13 345
% operating budget	27.2	22.2	22.7	28.6	30.2	25.3
Total OHS costs ($'000)	2 121	2 091	1 422	422	897	1 309
% operating budget	2.4	2.6	2.3	2.7	2.8	2.5
Breakdown of OHS costs -						
WorkCover premium ($'000)	828	739	586	190	359	521
% total OHS costs	39.0	35.3	41.2	45.0	40.0	39.8
Other insurances e.g. public liability $'000)	797	840	474	126	376	484
% OHS costs	37.6	40.2	33.3	29.9	41.9	37.0
Prevention ($'000)	43	32	33	2	9	22
As % OHS costs	2.0	1.5	2.3	0.5	1.0	1.7
Training ($'000)	112	43	106	32	39	64
% OHS costs	5.3	2.1	7.5	7.6	4.3	4.9
WorkCover claims costs ($'000)	70	192	106	34	54	82
% OHS costs	3.3	9.2	7.5	8.1	6.0	6.3
Replacing workers ($'000)	42	50	14	9	4	17
% OHS costs	2.0	2.4	1.0	2.1	0.4	1.3
Employing OHS personnel ($'000)	149	123	82	17	45	80
% OHS costs	7.0	5.9	5.8	4.0	5.0	6.1
External consultants ($'000)	30	68	20	5	7	24
% OHS costs	1.4	3.3	1.4	1.2	0.8	1.8
Other ($'000)	50	4	1	7	4	15
% OHS costs	2.4	0.2	0.1	1.7	0.4	1.1

(a) One council's response received too late for inclusion.

Source: Victorian Auditor-General's Office.

The *Occupational Health and Safety Act 1985* requires that employers owe the same duty of care to independent contractors as they do to their own employees, when the employer has (or should have) control over the contractor's work and/or workplace. This duty of care applies to work outsourced by local government. When a contractor is engaged, responsibilities under the *Accident Compensation Act 1985* are effectively outsourced, however, local government cannot outsource its responsibility to ensure a safe workplace.

Our site visits found that information about contractors' OHS costs is generally not requested and these costs are not monitored or measured. The unknown cost of OHS is absorbed into the contract price, and not evaluated as part of the council's OHS costs. This means that councils cannot easily assess the efficiency or effectiveness of their OHS prevention programs, or of specific actions.

These findings support our conclusion that local government is not using a full range of relevant indicators to measure the impact of their OHS programs. Nor do they properly account for the OHS costs of contracted services. This became apparent to us when the web survey respondents indicated that it was difficult for them to provide the type of information we requested, as they did not record OHS information in this way.

2.2.3 Developing better measures of safe workplaces

The commonly used measures of OHS performance – "lag or outcome" indicators are measures of failures to control hazards and manage risks. These measures should be used primarily to see whether or not planned outcomes and targets have been achieved. For example, a useful lag indicator is the time taken to complete corrective actions (although it was not used by any of the local governments we visited).

In recent years, efforts have been made to develop and more widely use positive performance or "lead" indicators. These measure active OHS performance, rather than the legacy of failure that is indicated by injury claims and cost data. Examples of lead indicators are:

- the frequency of application and/or compliance with critical controls
- the quality and regularity of OHS inspections and audits conducted, their outcomes and how issues were resolved
- types of OHS training and inspections conducted for identified hazards (such as fire, hazardous substances and manual handling)
- the amount and level of OHS training provided to health and safety representatives and supervisors
- the degree of inclusion of OHS in tender and purchasing decisions
- coverage of OHS in staff induction.

Lead indicators supplement rather than replace lag indicators; performance measures should include both types of indicators.

Australian and North American OHS work has traditionally concentrated on reducing physical risks to workers through actions such as machine guarding. The emphasis in Europe is more on the work environment and on issues such as fatigue, work-life balance and psychosocial risks. Indicators reflect this emphasis. For example, the Danish *Work Environment Cohort Study*[19] is a detailed and comprehensive measure of the work environment that looks at physical, chemical, thermal, ergonomic and psychosocial exposures. Every 5 years, a questionnaire is sent to a large sample of workers across the country. The data collected establishes a health and safety trend over time. This type of measure is widely used across Europe as a barometer of the state of work health and safety. The European Foundation for the Improvement of Living and Working Conditions[20] also carries out a Europe-wide study to assess workplace health and safety.

2.3   Recent government action to improve OHS

2.3.1 Commonwealth

In May 2002, the Workplace Relations Ministers' Council endorsed the *National OHS Strategy 2002-2012.* The strategy's 2 targets are:

- to reduce the incidence of work-related fatalities by at least 20 per cent by 30 June 2012, with a reduction of at least 10 per cent by 30 June 2007
- to reduce the incidence of workplace injury by at least 40 per cent by 30 June 2012, with a reduction of at least 20 per cent by 30 June 2007.

Later that year, the Council endorsed several national priority action plans for 2002-2005. National Priority Action Plan 5 aims to improve the health and safety performance of government, and to make government a leader in OHS practice. The plan identified 4 key improvement strategies:

- government as employer and exemplar of OHS practice
- policy-making and regulation
- adoption of a whole-of-government procurement model
- awareness and action on OHS issues by non-OHS agencies.

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[19] <http://www.eurofound.eu.int/ewco/surveys/DK0312SR01/DK0312SR01_5.htm> and H Burr (2001) The Danish Work Environment Cohort Study. Purpose, design, variables analyses and plans, National Institute of Occupational Health, Copenhagen.
[20] P Paoli and D Merllie (2001) Third European survey on working conditions 2000, European Foundation for the Improvement of Living and Working Conditions, Dublin.

The expected outcomes of the plan are:

- continual improvement in governments' OHS performance as employers, OHS policy makers and regulators
- considering and accounting for the OHS implications of all government work
- where practicable, improving the OHS performance of governments, project managers and contractors throughout the supply chain
- providing public sector agencies with practical guidance about measuring and reporting OHS outcomes.

2.3.2 Victoria

The Victorian Government has developed a number of initiatives to meet the targets set in the National OHS Strategy 2002-2012.

Fairness and safety at work

The government's 2000 *Fairness and Safety at Work* policy aimed to address OHS issues in contracting and tendering, the family-work-life balance, the need to update OHS legislation and the need for consultation to develop positive, productive and safe workplaces. As explained previously, the government established a review of the *Occupational Health and Safety Act 1985* in September 2003, which resulted in a new Act in 2004.

That (Maxwell) review also found that: "… government (as employer, duty holder and policy-maker) can and should be an exemplar of OHS best practice. By taking the lead in the systematic management of OHS, government can influence the behaviour of individuals and firms upon whom duties are imposed by the OHS legislation"[21].

The government subsequently endorsed the review's recommendations at the state level. Our audit investigated local government's OHS performance in light of these recommendations.

Local Government Victoria resides within the Department for Victorian Communities (DVC) that will support and encourage local governments to be exemplars in OHS.

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[21] C Maxwell, *Occupational Health and Safety Act Review,* State of Victoria, March 2004, p. 227.

Department of Treasury and Finance OHS improvement strategy

In 2001, the Department of Treasury and Finance (DTF), in consultation with WorkSafe, initiated a 3-year OHS improvement strategy for the public sector based on the targets set in the *National OHS Strategy 2002-2012.* The improvement strategy aimed to reduce the incidence of public sector workplace injuries, and therefore claims and ultimately the public sector's WorkCover premiums.

DTF benchmarked departments' OHS activity and required that each department produce an OHS action plan against which it would be assessed. DTF also required all departments to include specific measures to address OHS deficiencies in their regular budget submissions to the State Cabinet's Expenditure Review Committee. After 3 years, most state departments have improved their OHS management, but there are some laggards. DTF's involvement, coupled with the budget imperative, has been a significant driver of change in these departments. There is no program in the local government sector with the same level of influence.

Senior OHS Round Table

In mid-2003, the Minister for WorkCover established the Senior OHS Round Table to improve public sector OHS performance. It comprises the heads of the Justice Department, Victoria Police, Department of Human Services and Department of Education. These agencies have the highest numbers of claims and OHS costs in the Victorian public sector. Also at the table are the relevant unions, the Department of Treasury and Finance and the Department of Premier and Cabinet.

The Round Table identified 6 focus areas for attention, with the first 2 being workplace stress and governance issues. It expects that improving governance across the public sector will help improve program coordination that will benefit the whole public sector. It also expects that workplace stress will be reduced if public sector responses are improved and better coordinated. Workplace stress is a significant cause (and in some agencies, a major cost) of workers compensation claims. The Round Table has raised the profile of OHS, has helped departments tackle OHS issues in a strategic and timely way, and is overseeing an initiative to identify ways to prevent workplace stress.

Strategy 2000

The Victorian WorkCover Authority described its 3-year corporate strategy, *Strategy 2000,* as an attempt "to rethink WorkCover from the outside and the inside"[22]. The 3-year strategy aimed to refocus WorkCover on decreasing workplace deaths, injuries and accidents by increasing its emphasis on prevention, developing a more effective claims management model and revitalising the WorkCover organisation. The *Strategy 2000* document identified WorkCover's 4 worst-performing[23] industries, one of which was the public and community sector.

Focus 100

In 2001 the Victorian WorkCover Authority launched the Focus 100 program. The program targeted the 100 worst-performing organisations across the WorkCover scheme. These organisations all had payrolls above $5 million and claims frequency rates 20 per cent higher than the all-industries average. Included in the 100 were 2 large state government departments and 10 local governments.

The Focus 100 program involved face-to-face meetings with the chief executive of the organisation and either the WorkCover chief executive officer, a WorkCover board member, or the head of WorkSafe. At these meetings, the organisation's performance was compared with that of 5 of its competitors or peers, and the potential savings from moving to the industry average or best quartile were presented (as were practical guidance information and tool kits). Focus 100 ended in June 2004 and its local government component was incorporated into the new Local Government Project.

Local Government Project

WorkSafe began its Local Government Project in 2003-04. It involves working with local government (as an employer and contractor for services) to reduce workplace incidents, encourage good OHS systems and build OHS knowledge and a safety culture. The project has involved the Municipal Association of Victoria and the Australian Services Union. The project will continue into 2005-06 and will then be evaluated.

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[22] Victorian WorkCover Authority, *Strategy 2000*, Victoria, 2000, viewed 17 January 2005, <http://www.workcover.vic.gov.au/dir090/vwa/home.nsf/pages/Strategy+2000>.

[23] The 4 industries (manufacturing, transport and storage, construction, and public sector and community services) accounted for around 51 per cent of the payroll but 69 per cent of claim payments in 2000.

Reform of waste collection practices

Between July 1999 and June 2004 there were 826 injury claims in the waste recycling industry. Over this period WorkCover premiums totalled $39.8 million for the industry and the average cost per claim was in the order of $46 600. After extensive consultation with the industry and local government through the Municipal Association of Victoria, WorkSafe introduced new guidance material outlining good practice for garbage collection. Stakeholders agreed to use mechanical collection methods and banned garbage collectors from riding on the outside of trucks, signalling a change to a safer practice.

2.4   OHS in local government

Local government is an integral part of civic organisation in Victoria. Often referred to as the third tier of government and the tier closest to the people, it is responsible for delivering a wide range of economic, human, recreational and property services, and for developing and maintaining essential community infrastructure.

There are 79 local governments – cities, rural cities, shires and a borough. They range from 8.6 square kilometres to around 22 000 square kilometres in size, with populations from about 3 000 to 185 000 people. At 30 June 2004, they employed about 38 000 (or 26 755 equivalent full-time)[24] people.

Like all Victorian employers, local government must have workplace injury insurance with WorkCover. WorkCover covers the costs of any benefits paid to a local government employee who is injured at work, or who becomes ill because of work.

Local Government Victoria (LGV), a division of the Department for Victorian Communities, administers the *Local Government Act 1989*.

2.4.1 WorkCover premiums

In 2003-04, local government paid $42 million in WorkCover insurance premiums. This was a little over 2 per cent of the $1.95 billion paid in premiums by Victorian employers in that year.

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[24] Based on figures from Victorian Grants Commission, June 2004.

WorkCover assigns a risk weighting to industries based on the potential risk to staff health and safety. For example, the petrochemical industry is classified as high-risk while office or administrative industries are low-risk. Victoria's local government sector is classified as a medium-risk industry, and its premiums are higher than the average premium for similar medium-risk industries. In 2003-04, the local government premium rate[25] was 2.97 per cent of employee remuneration, compared with an average premium rate of 2.34 per cent for both the budget sector[26] and all employers in Victoria (see Figure 2F). Figure 2F compares the premium rates for Victorian local government, the budget sector and all WorkCover employers for the past 6 years.

FIGURE 2F: 6-YEAR PREMIUM RATES FOR LOCAL GOVERNMENT, VICTORIAN BUDGET SECTOR AND ALL WORKCOVER EMPLOYERS (PER CENT)

Premium rates	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Local government	2.88	2.97	3.33	3.20	3.11	2.97
Budget sector	1.74	1.83	1.94	2.16	2.27	2.34
All WorkCover	1.93	1.94	2.28	2.32	2.34	2.34

Source: Victorian WorkCover Authority, Report No. 1759, provided to our Office, November 2004.

2.4.2 Illness and injury claims

In 2003-04, local government personnel lodged 870 standard claims[27]. During 2003-04, WorkCover paid out about $20 million in fully developed claims costs[28]. Of these claims, 2 were deaths, one as the result of a car accident and the other from crushing by plant. Details are set out in Figure 2G.

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[25] The premium rate is the amount paid as premium expressed as a percentage of remuneration. Remuneration for this purpose is wages, salaries and certain benefits (such as superannuation) paid to workers.

[26] The budget (general government) sector comprises over 2 900 agencies, including all government departments, agencies that provide goods and services free of charge or well below cost, and administrative units, e.g. Office of the Chief Commissioner of Police. It does not include public financial and non-financial corporations.

[27] A standard claims is a claim where 10 days or more of work time was lost and/or at least $506 (from 1 July 2004) in medical and associated expenses. The figure for medical and associated expenses is indexed annually.

[28] Fully developed claims cost is the sum of payments made to date, plus an estimate of future costs. Estimates of outstanding liability are discounted for investment earnings.

FIGURE 2G: LOCAL GOVERNMENT CLAIMS, 2003-04

	No. of employees (a)	Deaths 2003-04 (b) (c)	Standard claims count 2003-04 (b)	No. claims paid 2003-04 (b) (d)	Fully developed claims cost (b) (e) ($m)
Local government	38 000	2	870	3 235	20
Budget sector	31 330	4	4 315	13 933	144
All WorkCover	2 550 000	81	32 040	105 496	582

(a) Victorian Auditor General's Office, 2004, *Meeting our future Victorian Public Service workforce needs*, Victorian Government Printer, Melbourne.

(b) Victorian WorkCover Authority, Report No. 1759 provided to our Office, November 2004.

(c) This figure includes all deaths for which claims have been lodged.

(d) This is the total payout in 2003-04 for all current claims, and includes medical costs, legal costs, lump sums and weekly compensation.

(e) See footnote 25. Amount paid out for claims in 2003-04, plus ongoing claims from previous years.

Source: Victorian WorkCover Authority, Report No. 1759 provided to our Office, November 2004.

In 2003-04, the greatest numbers of claims by local governments were:

- some form of musculoskeletal disorder (583 claims, or 67 per cent of the total)
- occupational stress (109 claims, or 12.5 per cent of the total)
- occupational deafness (13 claims, or 1.5 per cent of the total).

Figure 2H compares local government claims with total WorkCover claims for the most common forms of injury and illness. It shows that local governments had a higher percentage of musculoskeletal and stress claims.

FIGURE 2H: LOCAL GOVERNMENT COMPARED TO ALL WORKCOVER CLAIMS, 2003-04

	Total injuries and illnesses (no)	Musculoskeletal disorders (%)	Stress (%)	Deafness (%)
Local governments	870	67.01	12.53	1.49
All WorkCover	32 040	57.95	9.08	2.12

Source: Victorian WorkCover Authority Report No. 1759 provided to our Office, November 2004.

2.4.3 Local government OHS cost comparisons

Our web survey indicated that inner metropolitan councils paid a higher percentage (36 per cent) of their operating budget in wages compared with other local governments as shown in Figure 2E. Although the rural councils spent less of their operating budget on wages, a relatively higher proportion of their operating budget went to OHS costs. WorkCover costs were a higher proportion of the operating budgets of local governments outside Melbourne. One reason for this may be that the larger geographic size of rural councils means that operating costs for services such as waste collection are higher than for city areas, and these services tended to be outsourced.

Figure 2I shows the headcount (actual number of people employed) and staff turnover by type of local government in 2003-04. It shows that both headcount and staff turnover were greatest in inner metropolitan councils and large shires. Small shires had the highest proportion of staff leaving because of OHS-related injury or illness, and the lowest proportion of staff assigned to alternative duties. It may also be that there are fewer opportunities for alternative employment in rural areas and that injured or ill staff tend to leave their organisations rather than be reassigned. In 2003-04, regional cities with 3 times the total headcount of small shires lost the greatest number of workdays through injury or illness – nearly 4 times as many days as small shires.

FIGURE 2I: HEADCOUNT AND STAFF TURNOVER BY TYPE OF LOCAL GOVERNMENT IN 2003-04

	Inner metro	Outer metro (a)	Regional city	Small shire	Large shire	Total
Number of councils	19	11	11	20	16	77
Total headcount	1 046	929	891	292	348	592
Council area -						
Home and Community Care	422	346	423	133	121	277
Waste management	41	28	19	5	14	20
Office and administration	231	186	112	39	65	122
Parks and gardens	68	39	45	14	23	35
Planning and infrastructure	84	84	114	38	62	70
Other	199	246	178	63	63	139
Employment type -						
Full-time	398	339	293	74	133	237
Part-time	440	424	351	83	140	271
Contract	80	56	52	6	50	41
Volunteers	128	109	195	129	25	115
Staff turnover -						
Total left employment – all reasons (no.)	134	111	105	29	43	77
% total headcount	13	12	12	10	12	13
Total left employment – through OHS (no.)	1	1	0	5	0	2
% total left employment	1	1	0	16	1	2
Total staff placed on alternative duties (no)	17	9	17	2	3	9
% total left employment	13	8	16	6	7	12
Total absent through OHS (no.)	18	10	17	6	3	11
% total left employment	13	9	16	22	6	14
Number or days lost due to OHS	513	584	650	161	200	378

(a) One local government excluded due to incomplete data.

Source: Victorian Auditor-General's Office.

In 2003-04, the average WorkCover premium paid by local government was about $521 000 although premiums ranged from $58 000 to $2 million with metropolitan councils paying the highest premiums. However, on average, large shires paid the most per head, followed by regional cities and then metropolitan cities with small shires paying the least. Inner metropolitan and regional city councils spent the highest proportion of their total OHS budget on WorkCover premiums. They also spent the highest proportion on preventative measures, suggesting that they acknowledge that expenditure on prevention might lead to reduced OHS costs.

2.5   Purpose

The audit examined how local governments managed OHS in 2003-04. Specifically, the audit objective was to review selected public sector agencies and their management of OHS and its impact on the agency's productive capacity to deliver goods and services. The local government sector was selected for audit because it was not directly affected by major state government OHS initiatives, such as the Senior OHS Round Table and Department of Treasury and Finance improvement strategy. The audit complied with Australian Auditing Standards for performance audits, and included the necessary tests and procedures.

The audit examined whether or not local government was managing OHS in an exemplary way.

Our 2 major criteria were:
- whether local government was systematically and comprehensively managing OHS risks
- whether or not their OHS systems were effective in making the workplace safe and preventing work-related injury and illness.

2.6   Method

To assess whether local governments were using comprehensive OHS systems, we asked:
- Were local government leaders committed to OHS?
- Was OHS integrated into all local government activities?
- Were employees involved in OHS prevention activities?
- Were employees trained and competent in OHS?
- Did local government monitor, evaluate and improve OHS performance?

To assess how effective OHS systems were in making local government workplaces safe, we asked:
- How well were OHS issues managed in contracts?
- How well were psychosocial issues managed?

Finally we answered the question, "Was local government a safe place to work?"

The audit was conducted using a web based survey, a telephone survey and site visits.

The web survey was sent to all local governments for completion during October and November 2004. The chief executive officer of each nominated the person who completed the web survey, usually the human resources or OHS manager. Although all local governments completed and returned these web survey forms, one response was too late to be included.

The web survey was followed-up with a telephone survey of about 400 local government employees across all councils and job types, such as managers and other staff, indoor and outdoor, administration and service delivery.

Finally, we visited 10 councils and assessed their performance using a 5-point scale ranging from poor to exemplary. Details of this scale are contained in Appendix A of this Report.

During the audit we came across examples of both good and poor OHS practice. From a review of the literature and observations made during the audit, we developed summaries of effective OHS practices as guides:

- Figure 3A: Good practice in OHS commitment
- Figure 3D: Good practice in integrating OHS
- Figure 3F: Good practice for involving employees in OHS management
- Figure 3H: Good practice in OHS training
- Figure 3K: Good practice in monitoring, evaluating and improving OHS performance.

2.7   Assistance to the audit

Specialist assistance was provided to the audit team by:

- Bracton Consulting, which assisted in the analysis of the WorkCover data and the use of various OHS indicators
- Ibis Business Solutions, which managed the field visits in conjunction with our Office
- Wallis Consulting Group, which managed the conduct and analysis of the web and telephone questionnaires.

Denis Else (OHS consultant and academic) and Samantha Woodward-Harvey, Zeal Consulting (OHS consultants) provided ongoing advice and participated in the Audit Steering Committee.

We thank the Victorian WorkCover Authority for its assistance in this audit along with the Office of Public Employment, the Department for Victorian Communities and the Municipal Association of Victoria.

We also thank the 79 local governments for their participation in the audit.

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3. Did local government use comprehensive OHS systems?

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3.1 Audit criteria

As set out in Part 2.5 and 2.6 of this report we investigated whether local government was systematically and comprehensively managing their occupational health and safety (OHS) risks by assessing the following:

- Were local government leaders committed to OHS?
- Was OHS integrated into all local government activities?
- Were employees involved in OHS prevention activities?
- Were employees trained and competent in OHS?
- Did local government monitor, evaluate and improve OHS performance?

Throughout this audit we used a scale of 1–5, where 1 was poor and 5 was exemplary. Appendix A gives details of these ratings.

3.2 Were local government leaders committed to OHS?

To assess whether local government leaders were committed to OHS, we examined whether:

- councils demonstrated their organisation's commitment to OHS
- executive management drove local government commitment to OHS.

3.2.1 Did councils demonstrate their commitment to OHS?

All of the 10 local governments visited expressed a commitment to OHS, but this commitment was not always visible or active. All 10 had OHS policies that were signed by the current chief executive officer. The policies clearly stated the importance of OHS, set OHS objectives and listed the main responsibilities of the employer. The web survey results indicated that 58 local governments had OHS policies and management systems in place, 17 did not and 3 did not know. The Victorian WorkCover Authority (VWA) indicated that only 5 local governments were SafetyMAP[1] (Safety Management Achievement Program) accredited in Victoria.

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[1] An audit tool that guides an organisation in reviewing its health and safety management system.

Generally, councillors of the 10 local governments we visited were not actively seeking and monitoring information about OHS performance. Six provided councillors with OHS performance-related information, but this was mostly at the initiative of the Chief Executive Officer (CEO). Few councillors asked for the information provided to them.

Most senior managers we interviewed were aware of their OHS legal responsibilities but no local government we visited had processes that could prove that they fully met their OHS responsibilities under the legislation. Senior managers lacked an understanding of their responsibilities in OHS and how these were best met.

3.2.2 Did executive managers drive local government's commitment to OHS?

Managers drive OHS commitment through their actions, the systems they authorise and implement, and the work environment they create. A manager's leadership in OHS, together with the resources they mobilise for OHS improvements, demonstrates their level of commitment.

OHS resourcing

Of Victoria's 79 councils, 69 said that they had a specific budget allocated to OHS (although 25 per cent of small shires did not). Of the 69, 90 per cent also said that they could readily fund large and unforeseen OHS-related costs. In comparison, only 40 per cent of those without a specific OHS budget said that they would be able to fund large and unforeseen OHS costs.

It was interesting to note that of those with a specific OHS budget, 38 per cent thought this budget was inadequate, yet all said they could still fund an unforeseen OHS expense. This reinforced the finding that managers were committed to OHS but lacked a strategic approach to planning and resourcing for prevention programs.

Accountability for OHS performance

OHS performance was generally on the agenda at senior managers' meetings. They were given information on incidents, preventive actions being taken and incident trends. However, this information included "near misses" (incidents that did not result in injury or illness) in only half of the councils surveyed. Regional cities were more likely than other local governments to use a range of OHS information to manage OHS risk.

A review of senior managers' meeting minutes revealed that discussions were often limited to the actions taken to address the most recent incidents, and did not look at the wider OHS implications or canvass strategies to improve OHS performance.

Our web survey indicated that CEOs of metropolitan councils were more likely to have OHS key performance indicators in their contracts than CEOs in rural areas. The majority of managerial position descriptions at the 10 local governments visited included general OHS responsibilities. None of the CEOs in the 10 had specific and measurable OHS objectives and targets for which they were accountable in their contracts or performance plans. We did not find any examples of remuneration being directly linked to OHS performance.

Participation in OHS activities

OHS and/or risk management officers, in conjunction with health and safety representatives, carried out the majority of OHS activities. Senior and middle managers were rarely actively involved in OHS risk assessments, workplace inspections and audits, or incident investigations. Further, line managers were not always involved in these activities. Where we found examples of involvement by senior managers, these were generally ad hoc and not usually part of a planned program.

3.2.3 Conclusion

Elected councillors and management commitment to OHS in local government is at a basic level[2].

On the one hand, there are written policies, good intentions and communication opportunities. On the other hand, there is little evidence of high-level OHS strategy, of senior managers being accountable for OHS performance or being involved in OHS activity. OHS in practice appears to be left to certain individuals (such as OHS officers) rather than the result of leadership that is both strategic and formally accountable.

There is considerable scope to improve the accountability for OHS in local government at 2 levels: CEOs to elected councils, and senior staff to CEOs. CEOs and senior staff need to have performance targets included in their employment contracts, and be held accountable for OHS performance. The accountability of all managers for OHS needs to be explicit when their performance is assessed. At present, most senior managers would not readily be able to explain their actions should a major accident occur.

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[2] For definitions and explanations of the levels used in this report, see Appendix A of this report.

Senior managers need to do more than talk about safety. They should take a risk management approach to OHS and actively monitor how well risks are being controlled. Senior managers can show their commitment to OHS by being regularly involved in on-the-job OHS activities. This will also help them understand OHS problems, and so make informed decisions about OHS goals and strategies.

FIGURE 3A: GOOD PRACTICE IN OHS COMMITMENT

Councils lead the organisation's commitment to OHS

- Council requires the CEO to take a strategic and planned approach to managing OHS.

- Senior managers are aware of their OHS responsibilities under the legislation and establish accountability systems to demonstrate their compliance.

- There is a current, documented OHS policy signed by the mayor and CEO.

Senior managers drive local government's commitment to OHS

- The contracts and performance plans of all senior managers have specific OHS responsibilities. Performance appraisals place equal importance on achieving OHS goals as on others, such as financial, quality and productivity goals.

- Senior managers allocate adequate resources for expert OHS advice, the work of health and safety representatives and committees, communication, training, risk management activities, prevention programs and OHS management system improvements.

- Senior managers visibly support the OHS officer, health and safety representatives and the health and safety committee, but do not expect them to drive the organisation's OHS management system.

- Senior managers participate in OHS activities such as health and safety committee meetings, risk assessments, workplace inspections and audits and incident investigations.

Recommendations

1. **That councils include specific OHS responsibilities in the contracts of chief executive officers.**

2. **That chief executive officers include specific OHS responsibilities in the contracts of managers.**

3. **That the performance of chief executive officers and managers in discharging their OHS responsibilities be regularly appraised against lead performance indicators.**

4. **That senior managers' meetings canvass OHS issues in more depth by systematically focusing on preventive actions and tracking how well key risks are being managed, rather than simply noting current incident statistics or claims experience.**

5. **That managers show their commitment to improving OHS performance by formal, planned and regular involvement in OHS activities, especially workplace and work activity inspections and audits, and meetings of their health and safety committee.**

3.3 Was OHS integrated into local government processes?

To assess whether OHS was integrated into local government processes, we examined whether:

- OHS was integrated into strategic and operational plans such as the council plan and the annual plan
- local governments adopted a risk management approach to OHS and integrated OHS risks into general risk management.

3.3.1 Was OHS integrated into local government planning?

The *Local Government (Democratic Reform) Act 2004* amended the *Local Government Act 1989* and requires all councils to prepare a council plan (or corporate plan). The plan must include strategies and resources (financial and non-financial) for achieving council objectives, for at least the next 4 years. The council plans are the local government equivalent of a corporate plan and are submitted to the Minister for Local Government.

About 50 per cent of all councils have OHS objectives and targets in their 2003-04 council and annual plans. The annual plan is similar to a business plan and includes budgets. Most of those with objectives in their council plans also have them in their annual plans.

The setting of OHS objectives and targets was mostly left to the operational level, e.g. the health and safety committee or OHS officer[3]. As a result, these objectives became operational rather than strategic and were rarely found in council plans or annual plans.

Of the 10 local governments visited, 8 included OHS objectives and targets in their annual report, but these were poorly defined. A review of other local government annual reports found that about half included OHS objectives and targets. Six reported on OHS performance and 2 included reports on OHS activities such as training or system improvements.

It is interesting to note that where CEOs have OHS key performance indicators in their contracts, local government is more likely to have OHS performance objectives in its plans.

3.3.2 Did local government use a risk management approach for OHS?

Of the 10 local governments visited, 5 recognised OHS broadly as a risk and included it as a single entry in their business risk register. Only 2 expanded this one-line entry to identify specific OHS risks that were included and prioritised against other corporate strategies in council plans and annual plans.

Of the 10 local governments visited, 9 had conducted hazard-specific workplace risk assessments, particularly for manual handling, plant and hazardous substances. They had also conducted general workplace assessments, such as job safety analyses, i.e. an assessment of the OHS risks of a task.

The OHS officer, health and safety representative, and other front-line staff most often make these assessments. This operational approach means that low-impact/high-frequency risks are often identified over high-impact/low-frequency risks, despite the fact that the latter can have consequences of greater magnitude, including loss of life.

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[3] The level, role and responsibilities of this officer ranged from being an operational manager to advisor at different local governments.

This problem is exacerbated when low-impact/high-frequency risks are considered urgent and get priority over the more important risks. Too often little or no time is allocated to controlling important risks. A simple way to look at the relationship between timeliness and high-impact/low-frequency risks is outlined in Figure 3B.
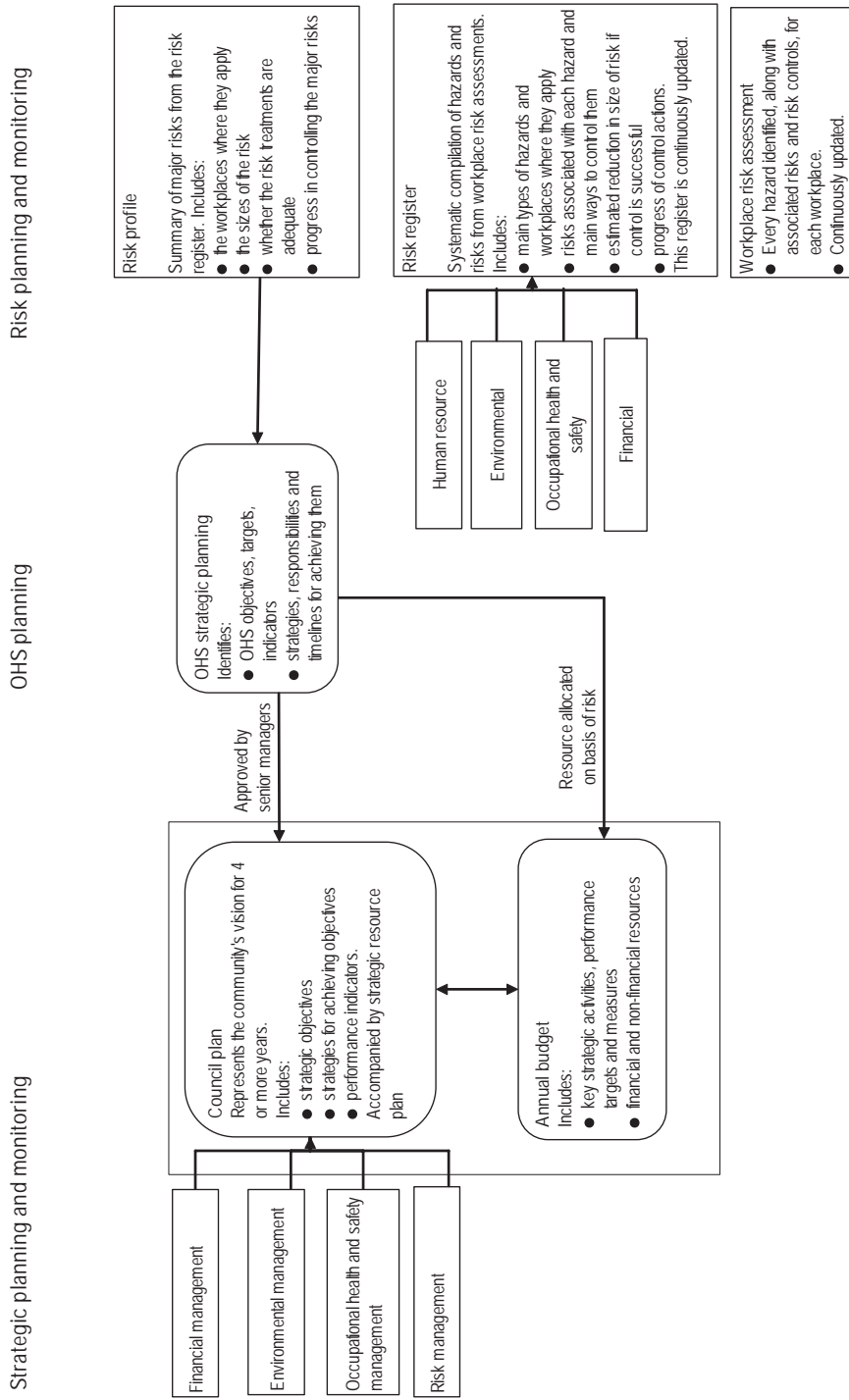
FIGURE 3B: RISK MATRIX
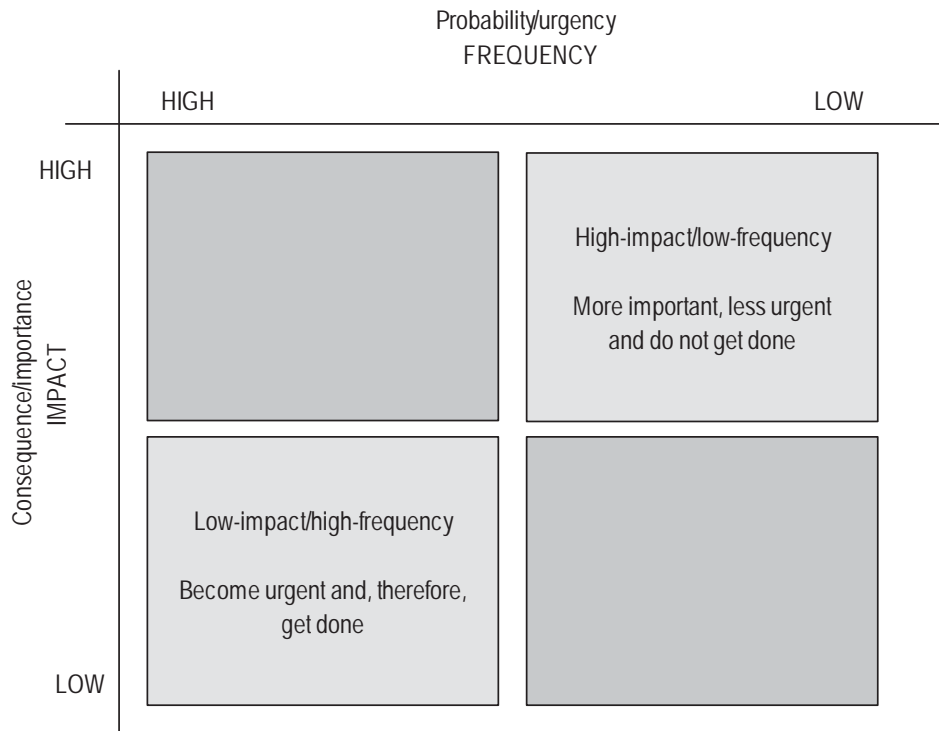
Source: Victorian Auditor-General's Office.

Figure 3C shows how OHS planning integrates with general business planning. Ideally, the OHS operational plan should be focused around a risk profile and the actions and controls identified in a risk register. None of the local governments visited used internal strategic processes such as a risk profile to guide their planning or resource allocation for OHS. Instead, their OHS activities were determined using their incident history (a lag indicator), experience, the opinions of managers and external pressures.

Of the 10 we visited, 7 had an operational OHS plan. These plans varied widely in their content, focus, quality and extent of implementation – from hazard-specific risk treatment plans for each directorate to a monthly list of OHS activities. None were based on an OHS risk profile.

These plans rarely extended beyond a financial year and concentrated on day-to-day issues, such as tripping hazards, rather than systemic, more strategic risk management approaches to OHS such as injury analysis (injury analysis determines the root cause of an injury and indicates where an organisation should be focusing its efforts).

FIGURE 3C: HOW OHS PLANNING IS INTEGRATED WITH RISK MANAGEMENT AND GENERAL COUNCIL PLANNING[4]

Strategic planning and monitoring

OHS planning

Risk planning and monitoring

Financial management

Environmental management

Occupational health and safety management

Risk management

Council plan
Represents the community's vision for 4 or more years.
Includes:
- strategic objectives
- strategies for achieving objectives
- performance indicators.
Accompanied by strategic resource plan

Approved by senior managers

OHS strategic planning
Identifies:
- OHS objectives, targets, indicators
- strategies, responsibilities and timelines for achieving them

Risk profile
Summary of major risks from the risk register. Includes:
- the workplaces where they apply
- the sizes of the risk
- whether the risk treatments are adequate
- progress in controlling the major risks

Annual budget
Includes:
- key strategic activities, performance targets and measures
- financial and non-financial resources

Resource allocated on basis of risk

Human resource

Environmental

Occupational health and safety

Financial

Risk register
Systematic compilation of hazards and risks from workplace risk assessments.
Includes:
- main types of hazards and workplaces where they apply
- risks associated with each hazard and main ways to control them
- estimated reduction in size of risk if control is successful
- progress of control actions.
This register is continuously updated.

Workplace risk assessment
- Every hazard identified, along with associated risks and risk controls, for each workplace.
- Continuously updated.

Source: Victorian Auditor-General's Office

Only one local government had a comprehensive risk register that was analysed and summarised to draw out the key OHS risks to the organisation as priorities. While the CEOs of those councils with an operational OHS plan identified a variety of major OHS risks faced by their organisations, their management, operational staff and OHS specialists all had a different opinion as to what they thought were their organisation's highest OHS priority risks.

Only 2 local governments identified high-impact/low-frequency risks (such as serious injuries to road workers and machinery operators) as their highest-priority risks. Most saw low-impact/high-frequency risks (such as musculoskeletal injury from manual handling and stress) as their highest priorities.

Of the 10 visited, 3 CEOs could not clearly identify their key OHS risks.
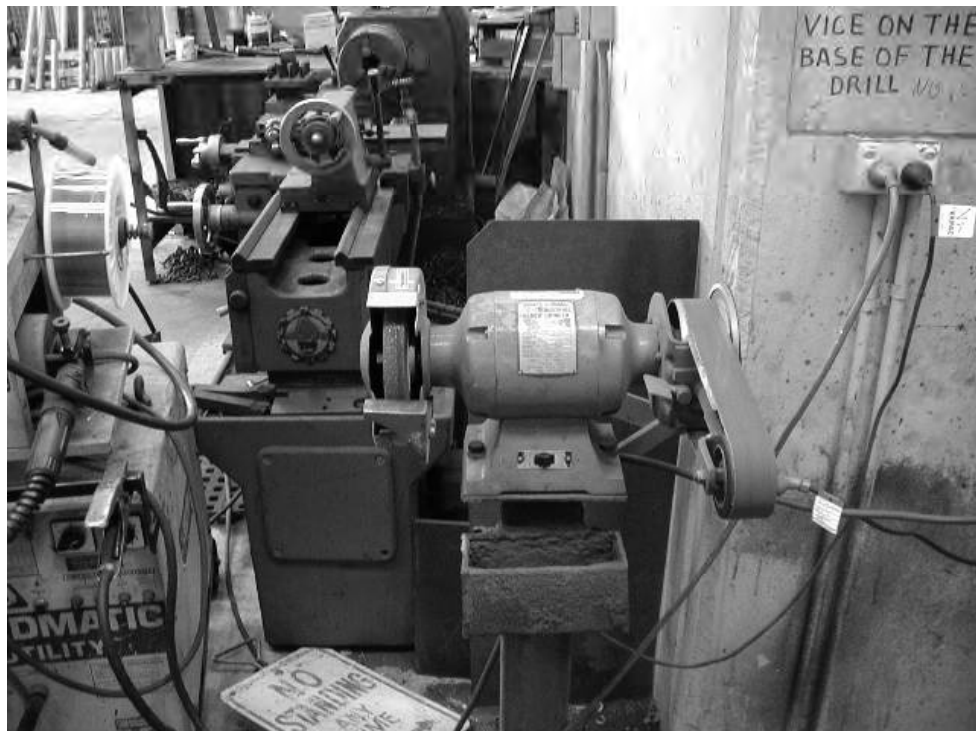
Hazard identification – machinery without guard.

Web survey responses

When asked for the 3 biggest OHS issues they faced, web survey respondents gave a wide range of responses. The responses were a mixture of issues, risks and controls reflecting that OHS priorities were not identified using consistent risk analysis procedures.

The top 5 were:

- developing a systematic approach to OHS
- manual handling issues
- resourcing and money
- contractor management
- training or education.

Some local governments identified an ageing work force and cultural change as key OHS issues[5].

Although they were aware that more needed to be done to manage psychosocial issues such as stress, less than 5 per cent of respondents mentioned it first. Overall, 10 (about 12.5 per cent) mentioned it, with several referring to potential violence and physical threats inflicted on staff members by the public.

Of the other issues cited, few related to preventing one-off traumatic events, with the exception of manual handling. Only one local government (a shire) mentioned long-distance driving in its top 3 issues, behind stress from dissatisfied members of the public and long working hours.

3.3.3 Conclusion

About half the strategic resource and annual plans of local government did not have OHS objectives. Where these existed, they were often operational, not strategic, and hence too low level to be considered integral to organisational planning processes. OHS planning tended to focus on workplace details without first assessing the big picture by using a strategic risk management approach.

Strategic OHS objectives and targets should fall out of an OHS risk profile and be identified in council plans. In this way, CEOs will become involved in the identification of OHS priorities through the council plan process and appropriate resources can then be allocated for implementation. OHS operational plans varied widely in detail. In general, they were neither based on risk assessments nor clearly identified either improvement activities or activities essential to maintaining critical OHS controls.

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5 Cultural change is often interpreted as requiring a change in individuals' mindsets. However, in the case of safety, organisational culture equally is influenced by the structures and systems in place. Senior management drives the changes that create an organisation's culture.

Management of OHS risk by local government is at a basic level[6], and is not well integrated into overall business risk management. Most local governments have not yet identified their major OHS risks, particularly the high-impact/low-frequency risks such as driving and crushing by machinery or plant. This poor understanding of major OHS risks means that many councils and CEOs do not take a strategic, targeted or proactive approach to managing OHS, with the result that resources were misdirected to lower-priority OHS risks.

FIGURE 3D: GOOD PRACTICE IN INTEGRATING OHS

Integrating OHS into local government strategic and operational plans

- *Council plans* include strategic objectives, strategies and performance indicators for OHS.

- *Annual plans and budgets* include the tasks and resources (financial and non-financial) needed for a 12-month period to achieve the strategic OHS objectives of the council plan.

- Various plans, such as training, purchasing and unit plans, include specific OHS actions.

Local government takes a risk management approach to OHS

- Local government conducts *workplace risk assessments* on all OHS hazards.

- A *risk register* groups the similar hazards from across the organisation using information from the individual workplace risk assessments. The register is continuously updated as situations alter.

- A *risk profile* is created from the risk register and summarises the major hazards and where they occur, the size of the associated risk and whether the controls are reducing the risks. It is a snapshot of how the organisation is managing its major OHS risks.

- The highest OHS risks, determined through the risk management approach, are incorporated into general risk management activities.

- The CEO is closely involved in developing the objectives, strategies and indicators for OHS that are identified in the council plan.

- There is an *OHS operational plan* that specifies actions to treat risks (including staff, time and financial resources) and maintenance actions (such as monitoring, inspecting and auditing).

Source: Victorian Auditor-General's Office.

Recommendations

6. **That local governments include OHS objectives and targets in their strategic plans.**

7. **That local governments ensure that OHS is integrated into their general business risk management systems.**

8. **That local governments take a risk management approach to OHS by first assessing all workplace hazards and assigning a suitable risk rating.**

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[6] For information about the ratings used for local government OHS performance, see Appendix A of this report.

9. **That the workplace risk assessments be used to create an OHS risk register with associated risk controls.**

10. **That the risk register be used to create a risk profile that clearly prioritises the risks for action at both strategic and operational levels.**

11. **That the OHS risk profile be used to guide local governments in determining which OHS risks should be identified in council planning processes.**

12. **That OHS operational plans be approved and monitored by the senior management team. These should describe how objectives and targets will be achieved and address both improvement activities and the maintenance of critical controls identified in the risk profile.**

3.4 Were employees involved in OHS prevention activities?

To assess whether local government involved employees in OHS management, we examined whether:

- consultative arrangements were adequate
- all staff had the opportunity to participate in OHS and were formally recognised for their efforts
- there was 2-way communication between management and staff.

3.4.1 Consultative arrangements

The *Occupational Health and Safety Act 2004* requires health and safety representatives to be elected by members of a designated work group or be the sole nominee for the position from that work group.

All local governments visited had health and safety representatives. Web survey results indicated that in 69 per cent of local councils, staff volunteered for the position. In 18 per cent, however, representatives were nominated and appointed by managers. Legislation requires that if an employee requests the establishment of a designated work group, the health and safety representative must be elected, not appointed by management.

Of 10 local governments visited, 9 had a health and safety committee. In all cases, management representatives attended committee meetings but these representatives often changed. Only 2 had senior managers permanently appointed.

The absence of permanent management representatives on the health and safety committees indicated that the committee did not have the delegated authority to make decisions and commit resources to OHS on behalf of the organisation (despite 6 in 10 of web survey respondents saying that their OHS budget was adequate). Nor did senior managers discuss strategic OHS issues at their meetings.

In most local governments visited, the health and safety committee set the direction for OHS, made decisions about it and oversaw implementation activities.

3.4.2 Staff participation in OHS prevention activities

Figure 3E shows the results of our telephone survey, which indicated that managers, supervisors and health and safety representatives were more likely to have participated in prevention activities than other employees. However, most staff had either participated in OHS prevention activities or felt they could be involved if they wished.

**FIGURE 3E: PARTICIPATION AND INVOLVEMENT IN A RANGE OF OHS MATTERS**
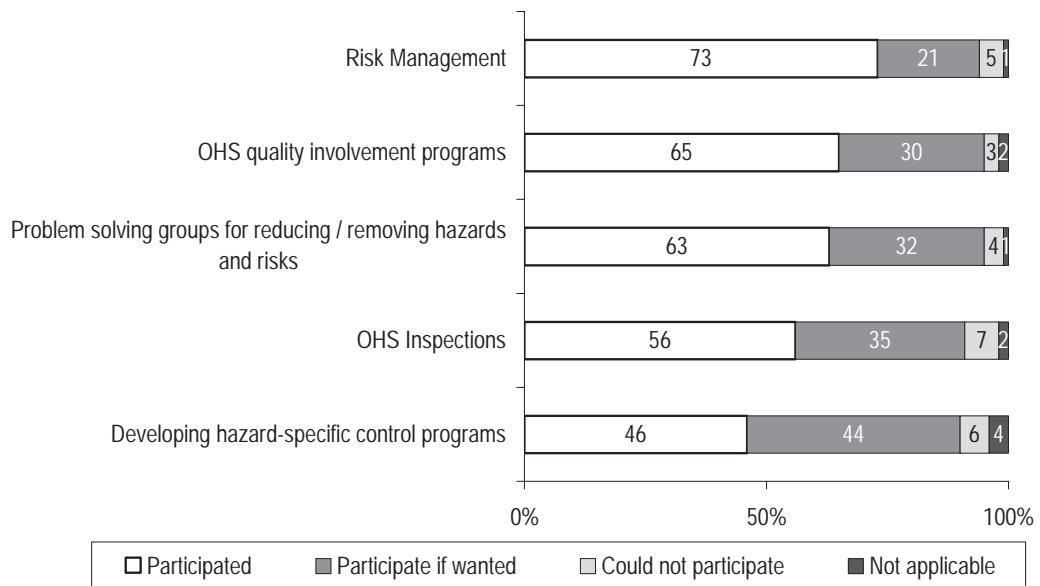
Source: Victorian Auditor-General's Office.

Most employees surveyed (89 per cent) thought that staff who spoke out about OHS matters would be recognised or rewarded for doing so. Fewer than 5 per cent thought their local government would have a negative attitude, or would ignore the issue.

Staff participation was also evident at some of the local governments visited. Staff were involved in new equipment trials, in assessing equipment before it was purchased, and raising OHS matters at toolbox meetings (where operational crews are briefed on the day's work ahead of them).

Of the 10 we visited, 2 provided tangible rewards for good OHS performance, such as barbeques and gift vouchers to recognise long periods without injuries resulting in lost time. We found little evidence of health and safety representatives being recognised or rewarded for their additional work, either through being given extra time to complete their OHS duties or having this role formally recognised in their duty statements. One local government allocated extra time for training and another provided vouchers to K-Mart as incentives. Most representatives interviewed thought managers were generally supportive.

Health and safety representatives were often expected to conduct inspections, attend meetings and deal with other OHS matters, but generally these were not formally recognised duties, and little time was allocated for them. Mostly representatives were expected to fit these duties in around their "normal job".
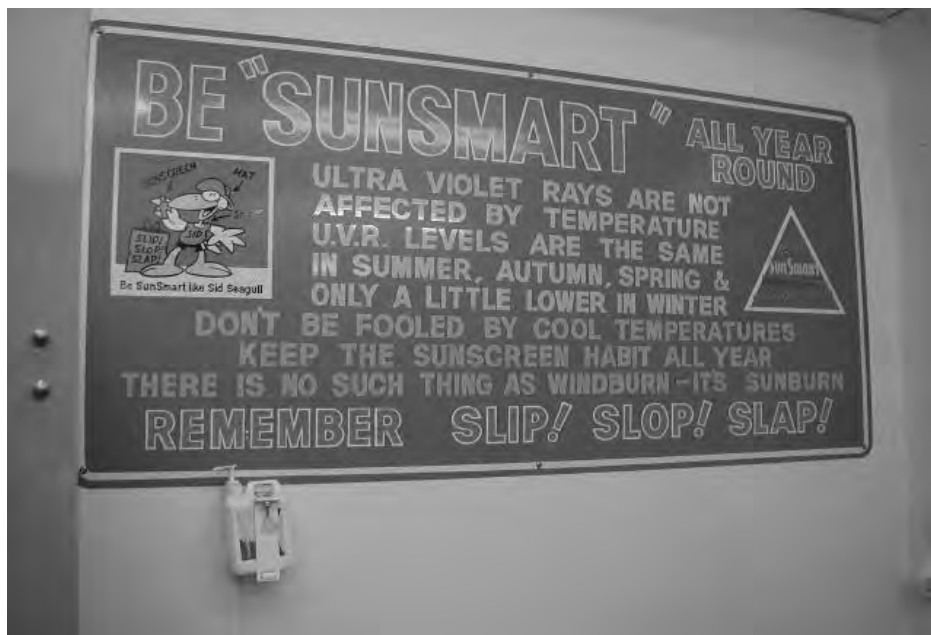
Getting the message across – awareness and control strategy for avoiding skin cancer.

3.4.3 Communication between management and staff

Local governments used a variety of mechanisms to inform staff about OHS issues. The mechanisms most commonly mentioned in the web survey were general newsletters, health and safety committee meetings, staff and team meetings, personal contacts and specific communication about OHS and the intranet.

However, opinions differed markedly on the subject of communications. While over 90 per cent of web survey responses said that they inform staff of OHS successes at health and safety committee meetings and at staff and team meetings, less than a quarter of staff surveyed agreed. This suggests that local government is not making good use of the mechanisms they provide, that staff do not know about or use the opportunities provided, or that OHS messages are not getting through to staff.

The web survey results also showed that fewer mechanisms were used to advise staff of OHS failures than of successes. For example, three-quarters of all councils notified staff about successes through noticeboards, but just over one-third of them communicated failures in that way.

Web survey respondents listed a range of mechanisms that staff could use to bring OHS matters to managers' attention (such as the above mechanisms, email, formalised risk assessment processes, and job performance and contract reviews), but staff awareness of every one of these opportunities was very low.

Regular staff climate surveys are a common form of obtaining staff feedback in organisations, but only 53 per cent surveyed their staff about OHS issues.

When staff did report OHS hazards or incidents, less than half the local governments provided formal feedback. In the places we visited, staff received feedback on OHS issues they raised mainly through the distribution of health and safety committee minutes, communications with health and safety representatives, or informal channels such as personal contacts.

On the positive side, 95 per cent of staff surveyed said they felt that their report was handled satisfactorily. Similarly, only 5 per cent (all from small shires) felt that their management had a blame culture, and 80 per cent felt that collaboration and teamwork were encouraged to improve safety in the workplace.

3.4.4 Conclusion

Health and safety committees were highly operational and suffered from a lack of consistent senior management involvement. Although consultative structures had been established, this inconsistency resulted in a reactive rather than strategic approach to OHS.

As only a few people are chosen to participate in OHS, managers should create more opportunities for staff to involve themselves in OHS activities. Supporting and formally recognising health and safety representatives could increase participation.

Communication of OHS issues is rated from basic to good. Local government rated most strongly in this area, although communication is predominantly one-way and greater employee involvement is needed. Although there is a considerable flow of information in local government, management needs to ensure that staff are aware of opportunities for hearing about, and providing feedback on, OHS activities.

Formal feedback mechanisms are not commonly used across local government to respond to hazard and incident reports. There appears to be a reliance on informal communication channels, particularly by involving staff who report hazards or incidents in the actual investigation and follow-up. Local government needs to improve feedback to staff reporting OHS incidents.

FIGURE 3F: GOOD PRACTICE FOR INVOLVING EMPLOYEES IN OHS MANAGEMENT

Consultative arrangements are adequate

- Consultative arrangements are regularly reviewed and improved.
- Senior management representation in health and safety committees assists in information flow between staff and management, and effective decision-making occurs.
- Managers readily and regularly consult with workers about OHS matters.
- The health and safety committee focuses on higher-level strategic, policy and planning issues and delegates lower-level, smaller and operational issues to the shop floor for resolution. It has a planned program to achieve identified goals and targets, and has strong links to the executive.
- Health and safety representatives work collaboratively with managers. The representatives have a broad role that includes contributing to strategic OHS planning.

All staff have an opportunity to be involved and those with specific duties are recognised and rewarded

- All workers from all areas (and not just health and safety representatives) are involved in prevention activities (such as developing OHS procedures, problem-solving groups to identify hazards and treat risks), and in workplace inspections.
- Good OHS performance is recognised through tangible rewards and poor performance is addressed.

There is 2-way communication and feedback between staff and senior managers

- There are functioning, timely and effective systems to provide feedback and positive reinforcement to staff about their OHS performance and any hazard or incident reports.
- There is a clear, accurate and uniform understanding of the main OHS risks by people at all levels of the organisation.
- Managers and health and safety representatives consult with staff about measures to treat risks and monitor the effectiveness of these measures.

Recommendations

13. **That local governments ensure that health and safety representatives are elected, and health and safety committees constituted, in accordance with the legislation.**

14. **That local governments make the health and safety representative role a formal part of that employee's performance plan, thereby formally allocating time, training and other resources for the required duties.**

15. **That senior managers use a range of tools to communicate with staff about OHS issues, including successes and failures, and regularly check the effectiveness of these tools by assessing staff use of them.**

16. **That a formal feedback mechanism be developed to ensure that staff who report OHS hazards and incidents are aware of the progress and resolution of their report.**

3.5   Were employees trained and competent in OHS?

To assess whether staff were trained and competent in OHS, we examined whether:

- staff training needs were based on OHS risk assessments
- training met OHS responsibilities and tasks.

3.5.1 Were training needs based on OHS risk assessments?

Of the 10 local governments visited, 7 did not base OHS training on an understanding of risk. Of the 3 local governments who did, 2 based theirs on compliance with legislative requirements and one on the recommendations of their health and safety committee.

Local government, in general, has not yet adopted a risk-based approach to OHS. Only one council had relevant risk registers in place or based employees' training needs on an OHS risk assessment. The following picture shows how well one local government organised staff information. Information was based at the depot where supervisors and staff had ready access to it.

Each operations staff member has a folder containing all the information about their training, qualifications and procedures relevant to their daily work. This provides a ready summary of the job requirements should the staff member leave.

3.5.2 Did training meet OHS responsibilities and tasks?

The web survey results show that most local governments trained all their staff to identify and report hazards (73 per cent) and incidents (88 per cent). Over half (55 per cent) had trained staff to remove and prevent hazards. Staff surveyed generally felt that they were well-equipped to manage hazards and incidents.

Figure 3G shows the web survey results of training provided by local government.

FIGURE 3G: OHS TRAINING PROVIDED BY LOCAL GOVERNMENT
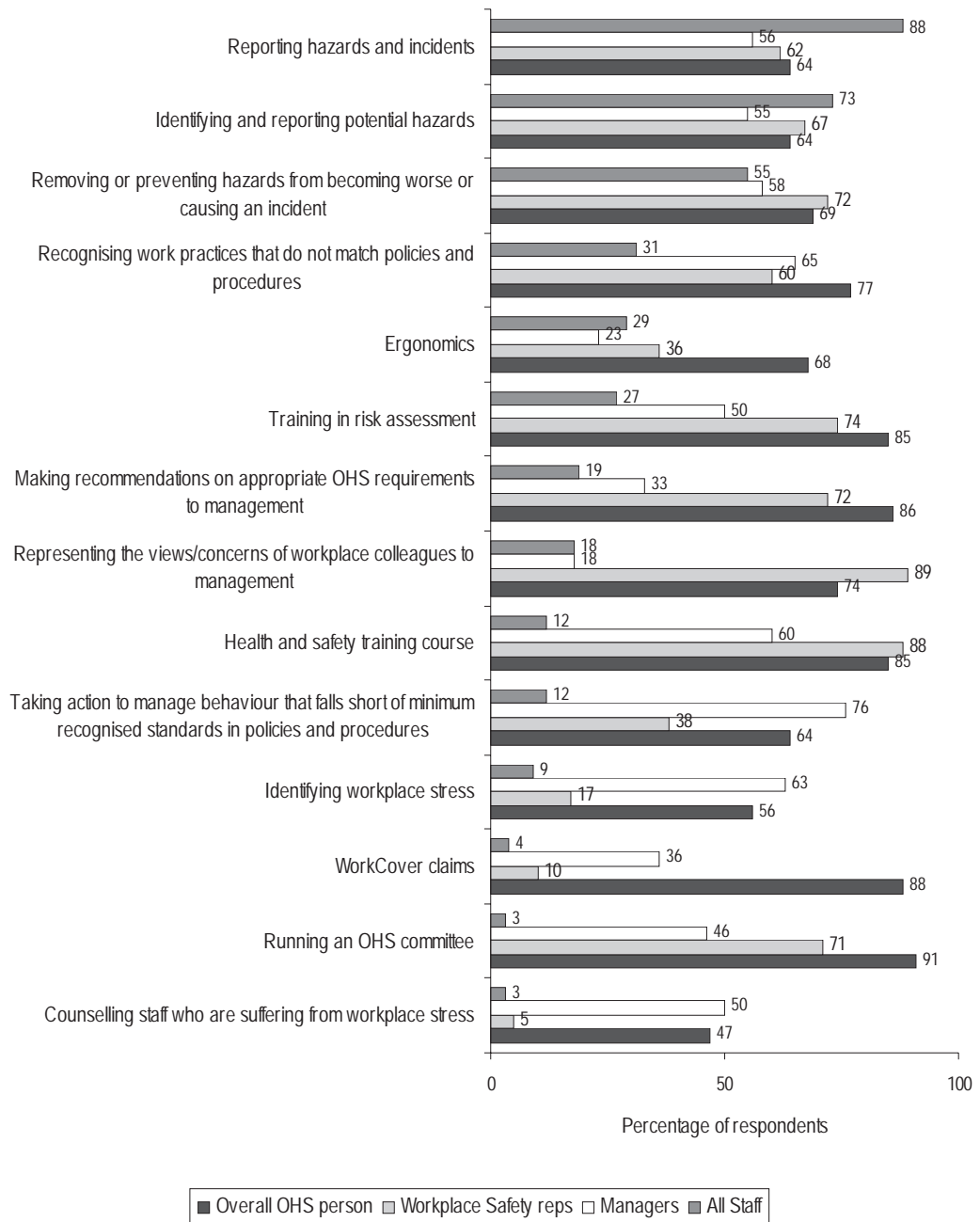
Source: Victorian Auditor-General's Office.

These results contrast with the findings from our visits where we found that hazard reporting was not widely used and that the number of incident reports seemed to be low for the number of staff and the types of jobs. Also, the quality of investigations and sign-off on corrective actions was not consistently performed in a way that met the standard AS- 4801:2001 *Occupational health and safety management systems — Specification with guidance for use.*

Assessment of OHS training needs

Of the 10 local governments visited, 8 conducted some type of OHS training needs analysis, although formats and quality varied widely. The majority determined training needs through the annual performance review process that focused on the individual's needs rather than those of the organisation. Managers, either department heads or the human resources managers, usually conducted training needs assessments when they were done.

Where collective training needs were determined, the typical outcome was an annual training calendar rather than a set of minimum training requirements established for each role. Two local governments did not assess training needs, but provided training in response to external influences such as legislative changes.

OHS training

All local governments visited conducted induction programs for new employees (although 2 were just starting these programs). All provided some form of general safety training and OHS management training, although the quality and type of training varied significantly and not all managers had been trained. There was no one set of OHS competencies for managers used by all.

At most local governments visited, health and safety representatives had attended the 5-day health and safety representatives' training course approved by WorkCover. Although this course is intended as an introduction for health and safety representatives and does not adequately cover managerial responsibilities, managers commonly attended it. Few local governments provided other manager-focused OHS training, although 2 of those visited had run a "mock court" to help managers understand their legal obligations. There was no indication that training courses for managers had led to a more strategic approach to OHS, as they had not resulted in the introduction of risk-based assessments.

All local governments stated that they conducted specific and operational OHS training such as for manual handling and plant operators' tickets. Most of those we visited had also conducted one-off courses on topics of relevance such as stress, equal opportunity employment and bullying.

Of staff surveyed, 43 per cent had specific OHS requirements for their work. About 22 per cent of them said that new OHS requirements had resulted in changed work practices, particularly for working in confined spaces, manual handling and operating machinery.

Specialist OHS advice

Apart from 3 small shires, all councils had a staff member who provided specialist OHS advice and services, and almost all staff knew that person. However, this person held a managerial position in only 36 per cent of councils, suggesting that the OHS specialist worked at the operational, rather than the strategic, level.

This finding was supported by the visits where we found that most local governments relied on external legal advice about legislative changes and had standing arrangements to keep themselves informed about legislative changes. All local governments relied on WorkCover for this service. CEOs with OHS key performance indicators in their contracts and performance plans were twice as likely to rely on external consultants to tell them about legislative changes, and half as likely to rely on WorkCover.

3.5.3 Conclusion

On average, the training and competency development efforts of local government is basic. OHS management training is basic to minimal.

While all local governments provided some OHS-related training, this training was not based on a training needs assessment or an OHS risk profile. Because training programs were not based on formal risk assessments, there is a danger that training will not address the organisation's key OHS risks.

Local government managers are not generally adequately trained to fulfil their responsibilities. There is a need for specific management training that clearly identifies managers' responsibilities and teaches them how to be accountable for their OHS duties.

Senior and other managers, supervisors, health and safety representatives and committee members, need training in the development, implementation and review of OHS management to encourage a systematic and strategic approach.

FIGURE 3H: GOOD PRACTICE IN OHS TRAINING

Staff training needs are based on the OHS risk profile

- Local councils use their OHS risk register to guide the priority for staff training and influence the type of training required. Staff are well trained to manage high OHS risk activities.

Training meets OHS responsibilities and tasks

- The job descriptions of all staff state their OHS responsibilities.

- OHS competencies are identified for all jobs and then staff competencies assessed and OHS training needs identified to fill competency gaps.

- Managers are trained in safety leadership, OHS risk management and technical skills such as inspection, auditing and incident management.

- Local government keeps up-to-date with OHS information, particularly legislative changes, and provide required training.

Recommendations

17. That local governments conduct formal OHS training needs analyses of their staff based on their risk profile, and the role and task requirements of staff.

18. That local governments develop an OHS training and development program for senior officers, as well as operational managers, focusing on how managers can fulfil their responsibilities under the Occupational Health and Safety Act.

19. That local governments establish a mentoring program to peer review OHS programs, and encourage ongoing improvement and development of competencies.

3.6 Did local government monitor, evaluate and improve OHS performance?

To assess whether local government monitored, evaluated and improved OHS performance, we examined whether:

- workplace hazards and incidents were reported and investigated
- lead indicators were used to monitor OHS performance
- management evaluated and improved their OHS system.

3.6.1 Hazard and incident reporting and investigation

A review of WorkCover data over the last 6 years shows that, on average, there was one fatality each year in the local government workplace (see Figure 3I).

FIGURE 3I: FATALITIES IN LOCAL GOVERNMENT

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
No. deaths	4	0	0	1	0	2

Source: Victorian WorkCover Authority, Report No. 1759, provided to our Office November 2004.

WorkCover's injury data are difficult to assess, as they are not sufficiently broken down into serious and minor injury categories. Our review of local government incident data during the visits showed a similar lack of detail and absence of analysis. Although injury levels overall are gradually declining, it is unclear whether the level of serious injury has altered much at all.

The web survey reported that all local governments had incident reporting processes, but our visits revealed that only 7 of the 10 local governments had incident investigation procedures and their quality varied considerably.

Of the 10 visited, 5 relied on the health and safety representatives course to provide incident investigation training. Although 3 of the 10 had systematically analysed the root causes of some incidents, we found very few examples of high-quality investigations that had resulted in better control of OHS risks.

Weaknesses in incident management included:
- no analysis of the root causes of incidents
- no formal reporting of hazards and near misses
- no check on the effectiveness of follow-up actions
- no direct involvement by managers in investigations.

In general, local government recorded relatively low numbers of incidents. This makes analysis difficult and somewhat futile.

Web survey results showed that regional cities had the highest number of incident reports, near misses and injuries and a greater per capita number of days lost during 2003-04. Regional cities also reported the highest number of incidents and injuries that had to be notified to WorkCover. Despite this, they were less likely to believe programs were needed to eliminate the risk or hazard.

Male staff with more than 7 years employment and with specific OHS job requirements were more likely than other staff to have completed an incident form. The (staff) survey indicated that, of the number of people who had completed incident forms, 55 per cent were supervisors, 47 per cent were managers and 30 per cent were other staff. Staff who had completed an incident form generally found it easy to complete, but younger staff sometimes had problems understanding it.

Web survey results indicated that 25 per cent of local councils had taken action to eliminate hazards, treat risks and prevent near misses. This varied from 13 per cent in regional cities to 54 per cent in outer metropolitan councils.

The 10 local governments visited all recorded simple details of incidents, but few reported hazards. Staff at these workplaces relied much more on discussion to resolve issues than on recording incidents for subsequent analysis and investigation of their root cause. For all local government, a low number of hazards and near misses were reported, compared with the number of incidents reported.

At those visited, we found only one case where the effectiveness of actions was evaluated. We found also that senior managers were not always directly involved in incident investigations.

Several respected studies indicate that, in the case of low-impact/high-frequency events, for every major accident or serious injury, there are tens of minor injuries and hundreds of non-injury OHS incidents, but web survey responses indicated that the number of major accidents or serious injuries was (on average) double that of minor injuries and non-injury incidents. It should be noted, however, that in the case of high-impact/low-frequency events such as electrocution, there may not be any near miss or minor injury before a major event occurs.

3.6.2 Were lead indicators used to monitoring OHS performance?

Web survey responses indicated that local government OHS performance monitoring was limited in most cases to monitoring data about injuries and premiums (lost time to injury, lost days, number of injuries and claims), and descriptive reports on any preventive actions, rather than on the preventive actions taken to control a priority risk.

As explained in Part 2 of this report, such data are called "lag" indicators because they quantify failures to adequately manage risks in the past, rather than "lead" performance indicators, which track how successfully their OHS risks are managed.

Of the 10 local governments visited, 7 did not use any lead indicators. Of the 3 others, 2 were developing lead indicators, although one of these had no evidence that senior managers were using them to monitor OHS. Only one was using lead indicators effectively.

Workplace inspections and audits

Of the 10 local governments visited, 8 had a workplace inspection program, and the other 2 were developing them. These programs covered local government premises such as offices and depots as well as other places where staff worked, e.g. clients' homes for home and community care.

All 10 conducted workplace inspections, but only 3 had an internal audit program for their OHS activities[7]. These 3 were either accredited, or seeking accreditation under the Australian Standard AS- 4801 and external auditors assessed their OHS performance. Another had engaged external specialists to conduct hazard-specific audits, such as an audit of waste collection contractors.

OHS benchmarking

Interviews at the 10 local governments visited indicated that most saw "benchmarking" as networking with other local governments and as participation in groups such as:

- forums hosted by insurance agents
- local government safety groups (such as the Melbourne-based inter-council safety group)
- regional forums (such as the Municipal Association of Victoria's North East Forum)
- regional safety groups (such as the Goulbourn Valley Safety Group)
- seminars and workshops run by the Victorian Employers' Chamber of Commerce and Industry and WorkCover
- local government groups (such as the Super 11, a benchmarking group)
- groups as part of WorkSafe initiatives (such as Focus 100 and the Local Government Project).

Only one of those visited closely tracked its claims performance against other local governments, although others compared their claims performance through general discussions with WorkSafe officers. There was no evidence that benchmarking was undertaken using lead indicators.

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[7] Australian Standard, AS/NZS 4804:2001 *Occupational health and safety management systems – General guidelines on principles, systems and supporting techniques*, Standards Australia, Sydney, 2001 defines an audit as "A systematic examination against defined criteria to determine whether activities and related results conform to planned arrangements and whether these arrangements are implemented effectively and are suitable to achieve the organisation's (OHS) policy and objectives". Inspections only examine physical conditions.

There was no single OHS forum used by all of local government that would enable all councils to benchmark. Although Focus 100 and the Local Government Project came the closest, not all local councils were involved in these initiatives.

Staff from rural councils preferred local events (most often run by insurance agents) as these were nearby and informative. When they were required to spend up to 10 hours travelling, staff found it difficult to justify attending the 2 to 4-hour meetings put on by the Victorian Employers' Chamber of Commerce and Industry, the Municipal Association of Victoria and the Victorian WorkCover Authority.

3.6.3 Management review and improvement processes

In most local governments visited, senior managers were given information (such as safety bulletins with news about OHS outside the organisation, legislative changes and training conducted) each month or each quarter. This information usually concerned issues arising or events conducted during the period and did not provide consistent and reliable assurance that key OHS risks were being managed.

Web survey results showed that basic data about injuries was reported internally, e.g. to health and safety committees and, in some cases, on noticeboards, in newsletters and through the intranet. We confirmed this finding during our visits. Most reports to senior managers were based on this basic injury data, to which was sometimes added health and safety committee minutes, analysis of injury trends or reports on OHS activities such as training.

The local governments visited followed-up on inspections, investigations and audits to varying degrees but only 2 documented the follow-up actions they took to address issues raised in audits. Actual sign-off on incident investigations and workplace inspections was inconsistent within and across local government.

The health and safety committee or safety department monitored improvement actions at 4 of the local governments visited.

Progress in some operational areas of OHS also has come as a consequence of pressure from 2 main organisations: WorkSafe and Trades Hall Council. WorkSafe has driven the implementation of manual handling initiatives and Trades Hall Council, through enterprise bargaining processes, has negotiated clearer job descriptions for employees, the latter being a means by which OHS requirements of jobs can be easily agreed.

3.6.4 Conclusion

OHS incident management in local government is generally rated as basic or minimal. This operational rather than strategic approach to OHS means that although OHS activity has increased, major risks still may not have been addressed. This could be improved by thorough incident investigation procedures that identify the systemic causes of the OHS management failure, combined with the use of a range of lead indicators.

Recording more incidents enables better analysis so that situations can be improved by clearly identifying the root causes of all incidents, removing or treating the causes, and (after some time) evaluating the success or otherwise of the action.

Most councils are almost certainly under-reporting OHS incidents by recording only what they are required to by legislation rather than all minor incidents, near misses and hazards. This poor recording of incidents means that most local governments do not have adequate information to help them decide where OHS resources could best be used. If local government statistics on incidents and near misses were centrally recorded and analysed, systemic issues and improvements would be more likely to be identified. An example of how such data can be used to improve OHS performance is given in Figure 3J.

FIGURE 3J: VALUE OF CENTRALLY RECORDING DATA

> In South Australia, local government has a single insurer for both workers compensation and public liability. The insurer collects statistics from all councils. Analysis of the statistics identified a number of cases of people injured by stones kicked up by ride-on mowers. Councils came together, decided on a specific ride-on mower design that did not throw out stones and used their collective buying power to order these machines at a reasonable cost. A strategic solution was found to a systemic problem and resulted in fewer injuries and fewer claims.

Local governments' performance reporting, monitoring and evaluation are at a basic level. They report against lag, rather than lead, indicators. They do not report against an OHS risk profile, so do not know how well, or to what extent, their prevention activities are ameliorating high-priority risks.

Benchmarking is generally confused with networking. True OHS benchmarking has not occurred.

Several smaller councils indicated that they believed they did not have the funds or expertise to develop an OHS management system that could be accredited. A whole-sector, unified approach to developing OHS systems would benefit such organisations and improve consistency across the sector. Such an approach could include management training, a mentoring program, sector-wide benchmarking and sector-wide OHS system standards (covering matters such as reporting of hazards and incidents, analysing causes of hazards and incidents, providing feedback, and checking of follow-up actions).

Another way of sharing skills and improving consistency would be for officers from one or more local councils to investigate incidents at another council. These investigations would be independent of local personalities and politics, and would be practicable if cross-sector standards were developed.

FIGURE 3K: GOOD PRACTICE IN MONITORING, EVALUATING AND IMPROVING OHS PERFORMANCE

Hazard and incident reporting and investigation

- Hazard and incident investigations identify the root causes of OHS management failures and lead to systemic solutions.

- Hazard and incident reporting are encouraged to build a comprehensive picture of risk across the organisation.

- Investigations determine the root cause of OHS issues so systemic solutions can be identified.

- Corrective actions are implemented, signed-off by management, and monitored for effectiveness.

Monitoring OHS performance using lead indicators

- To monitor OHS actions, senior managers draw on data from lead indicators:

    - inspections and audits that are both planned and occur in response to incidents, and which are conducted by staff or external personnel

    - organisational benchmarks and benchmarks of other local governments.

- Trained managers and health and safety representatives conduct planned and regular workplace inspections as part of the ongoing process of identifying hazards and managing risks.

- All near misses, injuries and illnesses are reported and followed-up by the responsible manager, who provides feedback to relevant staff about how to treat the risk in future.

Evaluation and improvement of OHS actions

- Local governments receive OHS performance reports that track their progress in managing OHS risks.

- Senior managers formally review their goals and actions and continually improve OHS performance.

- Managers use the results of performance reviews to update the OHS risk profile and improve OHS management.

Recommendations

20. That local governments:

- **establish a forum where they can take a consistent approach to developing OHS systems and processes, including lead indicators, guidelines for investigations and risk assessment tools, and benchmark their performance**
- **establish sector-wide OHS system standards**
- **encourage cross-local government incident investigations**
- **encourage managers to participate in incident investigations.**

21. That elected councils require, and approve, OHS objectives, targets and lead indicators against which the chief executive officer is required to provide regular performance reports.

22. That all local governments achieve a basic level of accreditation of their OHS management system (for example, Safety MAP or AS- 4801) within 2 years.

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4. Were OHS systems effective?

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4.1 How effective were OHS systems in creating a safe place to work?

A well-implemented, comprehensive occupational health and safety (OHS) system will improve safety management within an organisation. It takes into account both minor and major OHS risks, identifies control strategies that deal with the root cause of an issue and then monitors the success or otherwise of any control options.

We tested the effectiveness of local governments' OHS systems by examining how well:

- OHS was managed in contracts
- psychosocial issues were managed.

In both instances, we examined the degree to which OHS had been integrated into the management of these areas; whether the OHS system was being applied consistently to contractors and employees; and whether psychosocial issues were managed in the same way as physical and chemical issues.

Then we answered the question, "Was local government a safe place to work?"

4.1.1 How well was OHS managed in contracts?

In assessing how well local governments managed contractors' OHS, we expected that:

- local governments would require contractors to demonstrate good OHS performance as part of the tender process, and then throughout the life of the contract
- all contractors workplace risk assessments and procedures would be OHS compliant.

The *Occupational Health and Safety Act 1985* requires that employers owe the same duty of care to independent contractors as they do to their own employees, when the employer has control over that work and/or workplace. The local governments visited did not manage contractors like employees for OHS matters, but mostly left OHS management entirely to the contractor.

The services most commonly contracted-out were garbage collection and road and construction work. All 10 local governments visited had systems to engage and manage contractors although the comprehensiveness of these systems varied, as did the degree of understanding among contract managers of their legal obligations towards contractors. Only one local government out of Victoria's 79 does not contract-out any of its major services.

The majority of local governments visited had contractor management procedures modelled on WorkSafe's November 1996 *Managing Contractor Health & Safety Risks – Guidelines for Local Government.* These guidelines suggest that local governments:

- specify health and safety requirements to contractors tendering for works
- verify tenderers' compliance with health and safety requirements when evaluating tenders
- monitor and supervise contractor health and safety performance throughout the contract.

Local governments assessed contractor OHS performance during the tender process, although it was not a key determinant in the final selection of the contractor.

Tendering and purchasing

Web survey results show that 71 per cent of councils always included OHS standards in their requests for tender and purchase orders, with 81 per cent saying that tenders' OHS performance was always considered in the tender selection process.

However, few of the 10 local governments visited could demonstrate that past OHS performance was a key consideration in selecting contractors. Only one could show that a tender had been rejected for inadequate OHS information. Five had included OHS requirements in their purchasing procedures.

Contract monitoring and performance assessment

Three councils visited had a comprehensive approach to managing contractors. The other 7 did not:

- monitor performance regularly
- record and report contractors' OHS incidents
- regularly report on contractors' OHS performance to senior managers
- keep a record of contractor performance to inform the future selection of contractors that was easily accessible to appropriate staff.

While 54 per cent of web survey respondents said that they recorded contractor performance, none of the local governments we visited could easily demonstrate where this information was kept and whether it was used. Further, none could show us where they recorded contractor incidents in their OHS performance information even though 44 per cent of web survey respondents said that they did.

Most of the web survey respondents who said their contracts included OHS performance standards also said they audited contractor performance against those standards. However, only 4 local governments visited formally audited contractor performance after a contract was awarded, and the quality of this auditing varied. This suggested that local government consider auditing to be an end-of-contract function, rather than an important part of ongoing performance monitoring.

Only a few web survey respondents indicated that their local government would immediately terminate a contract if OHS standards were not met. They were most likely to do so with contracts for hard waste collection, an activity with a high risk of physical injury. In most cases, respondents indicated that a warning, and then an ultimatum, would be issued to the contractor, and a contract would only be terminated if OHS standards were still not met. No council had terminated a contract for poor OHS performance.

In the local governments we visited, we observed that OHS was better managed on larger construction jobs such as constructing a community indoor recreational facility. One explanation given was that because larger worksites were unionised, OHS was regularly monitored and strict protocols were followed. The same level of attention to OHS did not occur on small, short-term jobs such as a 6-week road maintenance job.

4.1.2 How well were psychosocial issues managed?

In assessing how well local government managed psychosocial issues, we examined what methods were used to identify, assess, control, monitor and report such OHS risks.

In the past 6 years, the number of psychosocial claims, such as those for stress and bullying, has been increasing in the local government sector. This trend has occurred across the whole government sector. Despite this, just 68 per cent of web survey respondents had programs for stress and 71 per cent had programs for occupational violence, with small shires less likely to have such programs. By comparison, 97 per cent said that they had programs for dealing with manual handling (see Figure 4A).

FIGURE 4A: INCIDENCE OF PROGRAMS TO DEAL WITH OHS ISSUES

Source: Victorian Auditor-General's Office.

Most of the 10 local governments we visited used incident reports, sickness and absence data, WorkCover claims and employee assistance program data[8] to identify psychosocial hazards. Three of those also had used incident analysis or formal staff surveys. All of those visited were aware of the psychosocial hazards of emotionally taxing work and of working alone.

Three had formal risk assessments of some psychosocial hazards and 4 had written policies and procedures in place for managing aspects of psychosocial health. The better performing local governments we visited addressed psychosocial hazards through organisation-wide programs such as flexible working hours and well-being and work-life balance programs.

All had developed staff job descriptions that ranged in content and OHS requirements. The better local governments had clear job descriptions that outlined training and OHS expectations.

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[8] Employee assistance programs provide staff with access to confidential short-term counselling and assessment to help them deal with issues such as psychosocial and workplace conflict, stress-related problems and family problems.

Our visits to local governments showed that psychosocial issues were not managed systematically but as isolated incidents focusing on individuals instead of taking an organisation-wide approach. Controls were implemented following incidents rather than in response to hazard identification and risk assessments. Psychosocial hazards were most often regarded as an "accepted part of the job" rather than reflective of any systemic issues.

There was no evidence that local government considers psychosocial risks or implemented high-level controls when developing or redesigning services, facilities and contracts. We found one local government took a systemic approach to occupational violence when it improved the information given to home and community care clients about the scope of its services. This helped to manage client expectations better and reduce incidents of violence against staff.

Psychosocial issues, in the 10 local governments we visited, were more commonly reported informally to line managers or human resources staff rather than through the formal OHS incident reporting system. Most organisations relied on line managers – sometimes with support from human resources staff, OHS officers and consultant specialists – to deal with afflicted employees although managers and supervisors in only 4 local governments were trained to recognise and address psychosocial hazards. However, several had trained general staff to identify and address specific psychosocial hazards such as occupational violence.

4.1.3 Conclusion

Local governments are not identifying OHS risks and managing them as they arise throughout the contract processes and, therefore, they are at risk of engaging contractors with a poor record of OHS performance. This potentially exposes local government to claims that they are failing in their duty of care for contractor health and safety. In line with the OHS legislation, local government needs to consider the safety of contractors in the same way as staff and take responsibility for workplace hazard assessments, controlling OHS risks, monitoring OHS performance and reporting contractor statistics alongside their own.

Local government needs to develop strategic programs to prevent psychosocial issues and consider psychosocial hazards in the development or redesign of services, facilities and contracts. Psychosocial hazard management could be improved by improving job design, providing a degree of control to staff and giving them regular performance feedback. Managers and staff should be more aware of their responsibilities in managing psychosocial hazards and made accountable for their actions. Local government needs to better integrate psychosocial issues into current rehabilitation and human resource management.

Local governments' OHS systems ranged from a basic to good level of operation for physical and chemical hazards, but need to be overhauled to better manage contract and psychosocial risks. The failure of their OHS systems to identify major risks and monitor and evaluate control strategies leaves council open to a major OHS disaster where serious injuries and death could result. The fact that deaths still occur in the local government sector means this is a real possibility.

OHS systems have an important place in helping monitor and manage OHS issues, but without senior management commitment and employee involvement the system will not be about preventing workplace injuries and loss of life. OHS systems must become dynamic, responsive and integrated across all aspects of the work of local government to ensure that employees can come to work and leave safely.

Recommendations

23. **That local governments:**
- **monitor and record contractor OHS incidents**
- **include contractor OHS performance in regular reports to senior managers and council**
- **ensure ongoing, planned surveillance of high-risk activities**
- **review contractor OHS performance and maintain systems to ensure past performance is considered when selecting contractors.**

24. That local governments improve their prevention and management of psychosocial hazards through:

- **systematic (focus on managing the hazards, not the affected individual) and formal policies and procedures to address psychosocial hazards, consistent with processes used for other hazards**
- **raising awareness of all employees in the organisation, through training and education appropriate to their level of responsibility, about preventing and managing psychosocial hazards.**

4.2 Is local government a safe place to work?

4.2.1 Local government safety index

To assess how safe local government workplaces were, we developed a safety index from the web survey and telephone survey results, which enabled us to rank all local governments and compare this ranking with the one we obtained through the field assessments of 10 of the local governments we visited.

This index was built from weighted questions in the web survey and telephone survey that reflected the 6 components of a good occupational health and safety system:

- management commitment
- risk management
- integration into local government work
- communication and involvement
- training and competency
- performance reporting.

A maximum score of 5 meant that local government was operating at an exemplary level.

There was a high degree of correlation between the web survey and telephone survey results of all local governments and the results of our 10 field visits. From our field visits, we concluded that no local government was operating at an exemplary level and that the majority were operating at a basic level of adherence to the legislation.

Application of the safety index gave similar results, with no local government achieving a score of 5, judged to be exemplary. Most were operating at a basic to good level.

4.2.2 Did staff feel safe?

Another measure of how well OHS systems are working is how safe staff feel working in local government. We assessed staff perceptions about safety, comparing them with the web survey responses.

Safe workplace

We asked managers and staff to rate the safety of their workplace on a 10-point scale where 10 was extremely safe and one was extremely unsafe. Figure 4B shows the average scores achieved when comparing different councils.

FIGURE 4B: COMPARISON OF SAFETY PERCEPTIONS
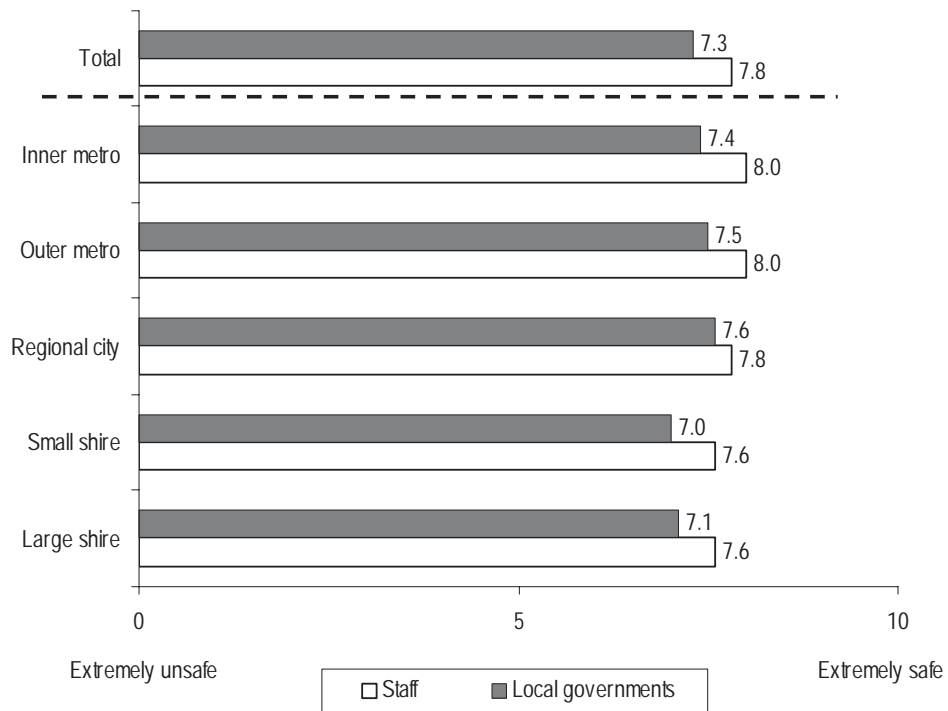
Source: Victorian Auditor-General's Office.

Ninety per cent of staff surveyed believed that managers were interested in staff well-being and that managers usually took action when unsafe conditions were brought to their attention. Further, almost 80 per cent disagreed with the statement that managers ignored unsafe work practices even if it meant getting the job done on time and on budget.
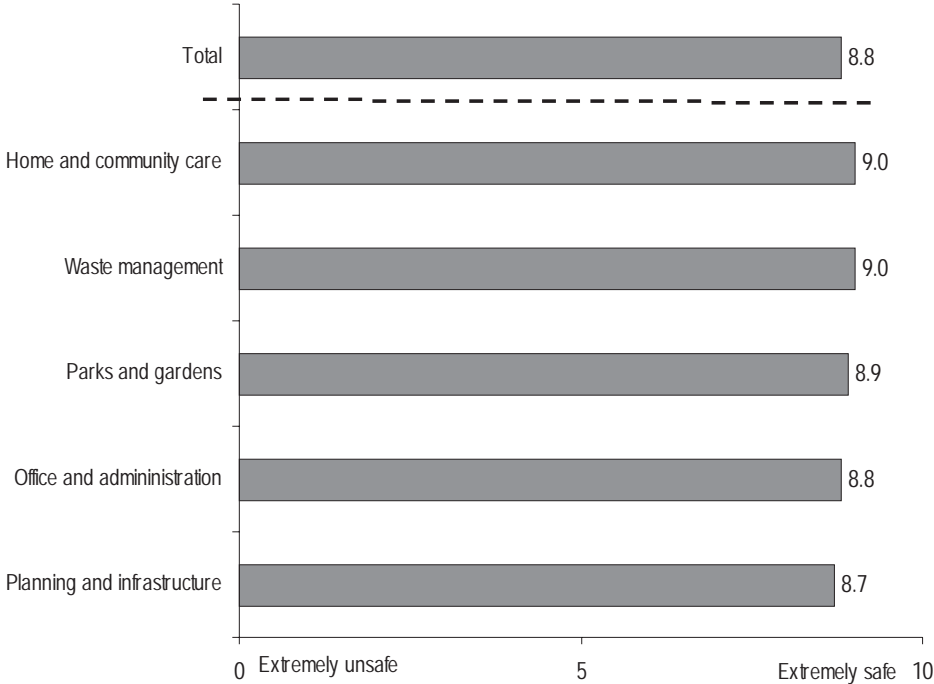
In all cases, staff rated their workplaces as safer than did the OHS personnel (or equivalents) who replied on behalf of their councils. One explanation for this is that the web survey respondents, who were either OHS or human resource professionals, were more aware of potential dangers. The gap in perception was narrowest for regional cities.

Overall, local government employees felt safe in their own workplace and safe at work generally, and local councils believed they were providing a safe work environment.

Personal safety

Staff were also asked to rate their personal safety at work. Figure 4C shows that staff felt that their own environment was safe and that this was generally safer than their workplace in general.

FIGURE 4C: PERSONAL SAFETY AT WORK

Category	Value
Total	8.8
Home and community care	9.0
Waste management	9.0
Parks and gardens	8.9
Office and admininistration	8.8
Planning and infrastructure	8.7

Source: Victorian Auditor-General's Office.

There was little variability in responses from managers, supervisors and on-ground staff with management awarding 8.9, supervisory staff 8.8 and staff members 8.7 for their personal safety at work.

An unexpected finding was that personnel working in "high risk" areas of home and community care, waste management, and parks and gardens felt as safe (indeed slightly safer) than office staff.

People working in recreation and arts rated their personal safety lowest. Although only 30 respondents worked mainly outdoors, their rating at 8.3 was the lowest of all.

Overall, OHS representatives responded that more was being done for workplace safety than did staff (the result expected given their interest in the area).

4.2.3 Conclusion

According to WorkCover, local government is a medium-risk industry where achieving a high level of OHS performance should be a realistic goal.

There was a general level of agreement between the views of local councils, their staff and what we found during our visits. On balance, local government is a safe place to work and staff feel safe, but there is substantial room for improvement.

Overall, the local government sector's management of OHS is rated as basic and far from exemplary. This is disappointing given the wide ranging impact council has on its community and its ability to influence the behaviour and performance of many private sector organisations.

As we concluded in Part 3 of this report, where we examined whether comprehensive OHS systems were in use in local government, the sector needs to increase its sophistication and diligence in managing OHS by:

- improving OHS governance and accountability at council and senior management levels and not leaving OHS to middle managers and OHS officers
- driving OHS at a strategic, rather than an operational, level
- improving hazard identification and adopting a risk management approach to address priority hazards
- monitoring OHS performance by using lead indicators
- improving data capture and analysis through better identification, recording and treatment of OHS hazards
- addressing the wellbeing of all staff whether permanent, casual, volunteer or contracted.

Serious physical and psychosocial injuries will only be systematically avoided in the future if local government improves its OHS performance.

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Appendix A. Rating system used in local government visits

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The following table outlines the descriptors used to assess the OHS performance of local government during the site visits.

Item	Poor (1)	Minimal (2)	Basic (3)	Good (4)	Exemplary (5)
General description	Program or equivalent process not in place.	Element/ program identified as a need. In development or many major gaps in a system that means that it does not get close to achieving intended function.	Program/element in place. Possibly enough to achieve basic accreditation (e.g. SafetyMAP or AS4801). Program lacking in some areas or not always recognised or followed. Brand new and cannot show history of implementation.	Program/element in place. Has a history of implementation. Covers most requirements and is largely achieving intended purpose. Has not been reviewed. Minor gaps. Would readily meet accreditation requirements. Would be a positive marginal benefit from improvement.	Element/program includes all relevant/ appropriate aspects. Sustained history of review and improvement after period of implementation (at least 12 months). Minimal or no identifiable gaps. Appropriate practice and fully meets intended purpose.
Management commitment	No evidence of management involvement in OHS issues or definition of responsibilities.	Management responsibilities defined but not yet included in performance management system. Management regularly abrogate responsibility to support personnel.	Responsibilities formally defined and beginning to be include in performance management system. Isolated examples of management involvement but system not driving involvement (e.g. no planned management inspections).	Managers have accepted responsibility for OHS. Formal definition of OHS responsibilities for managers and most are held accountable. Possibly minor gaps in performance management system or other system elements. System requires managers to get involved in various OHS activities.	Demonstrated history of management involvement in OHS issues, including planned inspections and audits, regular communications, and incident investigations. Responsibilities clearly articulated and demonstrated through actions. History of OHS built into performance management system. Managers held accountable for safety performance at all levels.

Item	Poor (1)	Minimal (2)	Basic (3)	Good (4)	Exemplary (5)
Integration	No evidence of OHS responsibility definition in role descriptions. OHS totally separate function (if even recognised) and not considered a business concern.	Basic OHS responsibilities in role descriptions. Contractor OHS performance noted but not closely monitored. Contractor management system being developed. OHS separate function in the organisation. Business risk and OHS risk separately considered.	Specific OHS responsibilities are defined in procedures. Contractor management beginning to consider OHS issues but major gaps (e.g. no history of taking OHS performance into account in tender submissions). Concept of OHS and business risk being linked is just emerging.	OHS considered in business-wide risk profile. OHS linked to business risk management effort and can demonstrate system in place to drive further integration. OHS considered in purchasing procedures but some minor examples of oversights or gaps. OHS aspects of contractor management considered but possibly minor gaps (e.g. gaps in monitoring).	Demonstrated history of implementation of business risk management that includes OHS risk. OHS plans included in business plans. Contractors' OHS performance used as key determinant of preferred supplier status. Contractor OHS performance included in organisation stats. OHS considered in all key purchasing decisions.
Risk management	No planning for prevention. Totally reactive focus based on incidents. No documented system.	System need identified and evidence of development. Mostly reactive focus based on incident history. Sporadic history of program development based on incident history.	Systematic program development but largely focused on high- frequency/low-impact incidents. System documented but key controls not readily identified. Working largely at low end of risk control hierarchy. OHS plans beginning to be used to drive improvement effort. Workplace risk assessment processes done in isolation.	Recognition of high-impact/low-frequency risks. Balanced approach to addressing high-frequency/low- impact risks. Resources assigned based on risk. Plans include maintaining activities as well as improvement activities and show resource allocation on the basis of risk. Coordinated approach to workplace risk assessment. Many examples of focused controls/ programs that demonstrate use of risk control hierarchy.	As per good plus a sustained history of review and improvement of this approach. Clear, accurate and uniform understanding of key OHS risks at all levels in the organisation that drives prevention effort.

Item	Poor (1)	Minimal (2)	Basic (3)	Good (4)	Exemplary (5)
Communication and involvement	No examples of employee involvement. Totally autocratic style of management.	OHS committee exists but representatives not formally appointed. Consultative structure defined but not functioning as intended. Managers continue to deal with major issues without consultation.	OHS representatives formally appointed. For each designated work group. Committees deal with "low level issues". Issues that should be resolved on the shop floor are discussed at committees. There is a procedure for resolving OHS issues. Feedback sporadic and little positive reinforcement.	Representatives consulted and involved in significant OHS matters. Committees well run and focus on high-level issues pushing small and local issues back to the shop floor for resolution. Committee has strong links to senior management team. Evidence of emerging involvement of wider population in OHS matters – not just representatives. Feedback and reinforcement systems in place and functioning.	As for good, plus evidence of sustained history of review and improvement of consultative structures. Management readily involve wider population in OHS matters. Representatives almost become irrelevant because management routinely consults the workforce on OHS (and probably other) matters.
Performance reporting	No monitoring and reporting of OHS performance at any level. OHS objectives, targets and indicators not developed.	Injury statistics kept. No regular reporting to senior management.	Objectives, targets and indicators defined but focused only on incidents (e.g. lost time injury (LTI). Senior management gets reports of LTIs but not high-risk near misses. Inspection system in place. Some internal audits possibly done but not reported and acted on at senior levels.	Positive performance indicators defined and reported to all levels. Reporting structure established. Management review system in place, but cannot show history. Board receives OHS reports. Informal benchmarking conducted. Internal and external audits conducted and beginning to be reported to senior levels.	As for good, plus sustained history of improvement. Positive performance indicators defined that clearly indicate the condition of critical controls for high risk. Management reviews and acts on a wide variety of data, including external audits. History of improvement as the result of planned and responsive reviews. Board receives detailed OHS reports about the health of controls for high risk. History of planned benchmarking.

Item	Poor (1)	Minimal (2)	Basic (3)	Good (4)	Exemplary (5)
Training and competency	No management OHS training.	Training need for managers has been identified (ad hoc) and some basic training delivered but no formal program. No formal structure for identifying legislative requirements – ad hoc monitoring of requirements.	Formal responsibility assigned for monitoring legislative requirements. Management training needs formally identified. Training delivered in legal responsibilities.	Broader management OHS competency needs identified. Formal training program exists. Evidence of training delivery. Training addresses a wide range of management OHS competencies (e.g. "leadership", risk management, as well as technical skills to aid their involvement such as incident investigation). Established system for tracking and implementing legislative requirements.	As per good plus sustained history of review and improvement of a management OHS training program. Management OHS training is linked to performance management system. OHS training links directly to broader business management training program.

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Appendix B. Glossary

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Hazard

A source of potential harm.

Headcount

Number of staff, full-time plus part-time.

Managers

All staff in managerial positions, including senior managers.

OHS

Occupational health and safety

Psychosocial

'Psychosocial hazard' or 'psychosocial risk factor' are widely used terms, often used interchangeably. These are factors that are not 'physical' in nature. Specifically, they are, "those aspects of work design, the organisation and management of work and their social and organisational contexts, which have the potential to cause psychological or physical harm".

Although by definition these factors are non physical, they may result in or exacerbate physical as well as psychological harm.

Questionnaire respondents

The response received from the individual local government that responded to the web survey.

Risk

The chance of something happening that will impact on objectives.

Risk profile

A risk profile is determined from the risk register, and summarises the major risks faced by the organisation. The profile includes an estimate of the size of each major risk risk, the main ways the risk can be treated, and an estimate of the expected reduction in the size of the risk if the risk control is successful.

Risk register

A risk register is compiled from the risk assessments of workplace hazards. Here generic risks are amalgamated and identified across the organisation and risk controls are determined.

Senior managers

The senior management team, including the chief executive officer (CEO), directors and other senior managers.

Site visits

One-day visits to 10 councils to examine how they were managing OHS. Involved interviews with a range of staff, including the CEO, and observations of workplaces.

Staff

All council workers, including managers.

Staff survey

A confidential telephone-based survey on the attitudes of local government staff towards health and safety. The survey was administered to a random selection of 400 staff across all 79 local governments, covering a wide range of positions (from managers to frontline staff) and job types.

Web survey

A web based questionnaire that asked each local government about the systems and approaches they use to manage OHS.

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