



## INDEPENDENT AUDITOR'S REPORT

### Justice Health and Forensic Mental Health Network Special Purpose Service Entity

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Justice Health and Forensic Mental Health Network Special Purpose Service Entity (the Entity), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Entity as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Entity in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive must assess the Entity's ability to continue as a going concern unless the Entity's operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based of the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Entity carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Renee Meimaroglou  
Director Financial Audit Services

9 September 2016  
SYDNEY

Annual Financial Statements

of

Justice Health and Forensic Mental Health Network Special Purpose Service Entity

for the year ended 30 June 2016

**Justice Health and Forensic Mental Health Network Special Purpose Service Entity**  
**Certification of the Financial Statements**  
**for the year ended 30 June 2016**

I state, pursuant to Section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Justice Health and Forensic Mental Health Network Special Purpose Service Entity for the year ended 30 June 2016 have been prepared in accordance with:
  - a) Australian Accounting Standards (which include Australian Accounting Interpretations);
  - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2015* and the Treasurer's Directions;
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Justice Health and Forensic Mental Health Network Special Purpose Service Entity; and
- 3) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Gary Forrest  
**Chief Executive**  
6 September 2016



Christopher Puplick  
**Chair**  
6 September 2016

**Justice Health and Forensic Mental Health Network Special Purpose Service Entity**  
**Statement of Comprehensive Income for the year ended 30 June 2016**

	<b>Actual</b>	<b>Actual</b>
	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>Revenue</b>		
Personnel Services	146,728	138,047
Acceptance by the Crown Entity of Employee Benefits	7,056	6,642
<b>Total Revenue</b>	<b>153,784</b>	<b>144,689</b>
<b>Expenses</b>		
Salaries and Wages	133,292	124,980
Defined Benefit Superannuation	857	921
Defined Contribution Superannuation	11,427	10,845
Long Service Leave	6,569	6,074
Redundancies	215	112
Workers Compensation Insurance	1,405	1,717
Fringe Benefits Tax	19	40
Other Staff Related	-	-
<b>Total Expenses</b>	<b>153,784</b>	<b>144,689</b>
<b>Net Result</b>	<b>-</b>	<b>-</b>
<b>Other Comprehensive Income</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>

*The accompanying notes form part of these Financial Statements.*

**Justice Health and Forensic Mental Health Network Special Purpose Service Entity**  
**Statement of Financial Position as at 30 June 2016**

		Actual	Actual
	Notes	2016 \$000	2015 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Receivables	2	21,746	22,229
<b>Total Current Assets</b>		<b>21,746</b>	<b>22,229</b>
<b>Non-Current Assets</b>			
Receivables	2	228	198
<b>Total Non-Current Assets</b>		<b>228</b>	<b>198</b>
<b>Total Assets</b>		<b>21,974</b>	<b>22,427</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	3	2,873	4,067
Provisions	4	18,873	18,162
<b>Total Current Liabilities</b>		<b>21,746</b>	<b>22,229</b>
<b>Non-Current Liabilities</b>			
Provisions	4	228	198
<b>Total Non-Current Liabilities</b>		<b>228</b>	<b>198</b>
<b>Total Liabilities</b>		<b>21,974</b>	<b>22,427</b>
<b>Net Assets</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>			
Accumulated funds		-	-
<b>Total Equity</b>		<b>-</b>	<b>-</b>

*The accompanying notes form part of these Financial Statements*

**Justice Health and Forensic Mental Health Network Special Purpose Service Entity**  
**Statement of Changes in Equity for the year ended 30 June 2016**

	Actual	Actual
	2016	2015
	\$000	\$000
Balance at 1 July	-	-
Net Result for the year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June	<u>-</u>	<u>-</u>

*The accompanying notes form part of these Financial Statements*

**Justice Health and Forensic Mental Health Network Special Purpose Service Entity**  
**Statement of Cash Flows for the year ended 30 June 2016**

	Actual	Actual
	2016	2015
	\$000	\$000
Net Cash Flows from Operating Activities	-	-
Net Cash Flows from Investing Activities	-	-
Net Cash Flows from Financing Activities	-	-
Net Increase/(Decrease) in Cash	-	-
Opening Cash and Cash equivalents	-	-
Closing Cash and Cash Equivalents	-	-

*The Justice Health and Forensic Mental Health Network Special Purpose Service Entity does not hold any cash or cash equivalent assets and therefore there are nil cash flows.*

*The accompanying notes form part of these Financial Statements.*



**Justice Health and Forensic Mental Health Network Special Purpose Service Entity**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) The Justice Health and Forensic Mental Health Network Special Purpose Service Entity**

The Justice Health and Forensic Mental Health Network Special Purpose Service Entity (the Entity) is a Division of the NSW Health Service, established pursuant to section 116(4) of the Health Services Act 1997. It is a not-for-profit Entity as profit is not its principal objective.

The Entity is controlled by the Justice Health and Forensic Mental Health Network and it is also consolidated as part of the financial statements prepared for both the Ministry of Health and the NSW Total State Sector Accounts.

The Entity's objective is to provide personnel services to the Justice Health and Forensic Mental Health Network.

The financial statements were authorised for issue by the Chief Executive on 6 September 2016.

**b) Basis of Preparation**

The Entity's financial statements are general purpose financial statements and have been prepared on an accrual basis, in accordance with applicable Australian Accounting Standards which include Australian Accounting Interpretations. The statements have been prepared in accordance with the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2015 and Treasurer's Directions.

Generally, the historical cost basis of accounting has been adopted and the financial statements do not take into account changing money values or current valuations. However, certain provisions are measured at fair value. See Note (1)(g).

Judgments, key assumptions and estimates are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

**Statement of Compliance**

The Entity's financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

**c) Income**

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

**d) Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the net result for the year when impaired, derecognised or through the amortisation process.

Short term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**e) De-recognition of Financial Assets and Financial Liabilities**

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Network transfers the financial asset:

- \* where substantially all the risks and rewards have been transferred; or
- \* where the Network has not transferred substantially all the risks and rewards, if the Network has not retained control.

Where the Network has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Network's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

**f) Payables**

Payables include accrued wages, salaries and related on costs (such as payroll deduction liability, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

**Justice Health and Forensic Mental Health Network Special Purpose Service Entity**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2016**

**g) Employee Benefits**

**i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs**

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.7% are applied to the value of leave payable at 30 June 2016 (comparable on-costs for 30 June 2015 were also 16.7%). The Entity has assessed the actuarial advice based on the Entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

**ii) Long Service Leave and Superannuation**

The Entity's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity. The Entity accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the entity as shown in Note 4.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the year is determined by using the formulae specified in the NSW Health Ministry Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and Superannuation Guarantee Charge) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

**iii) Consequential On-Costs**

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

**h) New Australian Accounting Standards Issued But Not Effective**

**(i) Effective for the first time in 2015-16**

The accounting policies applied in 2015-16 are consistent with those of the previous financial year.

**(ii) Issued but not yet effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to NSW Health, have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

AASB 2015-6, Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049], has application from 1 July 2016. Based on preliminary evaluation, this standard is likely to increase disclosures to the financial statements relating to related party transactions, outstanding balances and Key Management Personnel remuneration.

AASB 2014-7, Amendments to various Australian Accounting Standards as a result of the changes from AASB 9 (December 2014) and will have application from 1 January 2018 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. The new AASB 9 includes revised guidance on the classification and measurement of financial assets and supersedes AASB 9 (December 2009) and AASB 9 (December 2010). The change is not expected to materially impact the financial statements.

**Justice Health and Forensic Mental Health Network Special Purpose Service Entity**  
**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

	Actual	Actual
	2016	2015
	\$000	\$000
<b>2. RECEIVABLES</b>		
<b>Current</b>		
Accrued Income - Personnel Services Provided	21,746	22,229
<b>Non-Current</b>		
Accrued Income - Personnel Services Provided	228	198
<b>Total Receivables</b>	21,974	22,427

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.

**3. PAYABLES**

**Current**

Accrued Salaries, Wages and On Costs	1,320	5,029
Taxation and Payroll Deductions	1,553	(962)
<b>Total Payables</b>	2,873	4,067

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.

Justice Health and Forensic Mental Health Network Special Purpose Service Entity  
Notes to and forming part of the Financial Statements for the year ended 30 June 2016

	Actual	Actual
	2016	2015
	\$000	\$000
<b>4. PROVISIONS</b>		
<b>Current Employee Benefits and Related On Costs</b>		
Annual Leave - Short Term Benefit	13,792	12,621
Annual Leave - Long Term Benefit	2,459	3,259
Long Service Leave - Consequential On costs	2,622	2,282
<b>Total Current Provisions</b>	<b>18,873</b>	<b>18,162</b>
<b>Non-Current Employee Benefits and Related On Costs</b>		
Long Service Leave - Consequential On costs	228	198
<b>Total Non-Current Provisions</b>	<b>228</b>	<b>198</b>
<b>Aggregate Employee Benefits and Related On Costs</b>		
Provisions - Current	18,873	18,162
Provisions - Non-Current	228	198
Accrued Salaries, Wages and On Costs	2,873	4,067
<b>Total</b>	<b>21,974</b>	<b>22,427</b>

Notes to and forming part of the Financial Statements for the  
year ended 30 June 2016**5. Financial Instruments**

The Entity's principal financial instruments are outlined below. The Entity's financial instruments arise directly from the Entity's operations or are required to finance the entity's operations.

The Entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Entity's main risks arising from financial instruments are outlined below, together with the Entity's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. The Entity carries minimal risks within its operation as it carries only the value of employee provisions and accrued salaries and wages offset in full by accounts receivable from the Parent Entity. Risk management policies are established by the Parent Entity to identify and analyse the risk faced by the Entity, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee/ Internal auditors of the Parent Entity on a regular basis.

**a) Financial Instruments Categories**

		Actual	Actual
		2016	2015
		\$000	\$000
<b>Financial Assets Class:</b>	<b>Category</b>		
Receivables (note 2) <sup>1</sup>	Receivables measured at amortised cost	21,974	22,427
		<u>21,974</u>	<u>22,427</u>
<b>Financial Liabilities Class:</b>	<b>Category</b>		
Payables (note 3) <sup>2</sup>	Financial liabilities measured at amortised cost	1,320	5,029
		<u>1,320</u>	<u>5,029</u>

1 Excludes statutory receivables and prepayments (i.e. not within the scope of AASB 7).

2 Excludes statutory payables and unearned revenue (i.e. not within the scope of AASB 7).

**b) Credit Risk**

Credit risk arises when there is the possibility of the Entity's debtors defaulting on their contractual obligations, resulting in a financial loss to the Entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from financial assets of the Entity i.e. receivables. No collateral is held by the Entity nor has it granted any financial guarantees.

*Receivables - trade debtors*

Receivables are restricted to accrued income for personnel services provided and employee leave provisions and are recognised as amounts receivable at balance date. The parent entity of the Justice Health and Forensic Mental Health Network Special Purpose Service Entity is the sole debtor of the Entity and it is assessed that there is no risk of default. No accounts receivables are classified as past due but not impaired or 'Considered Impaired'.

**c) Liquidity Risk**

Liquidity risk is the risk that the Entity will be unable to meet its payment obligations when they fall due. No such risk exists with the Entity not having any cash flows. All movements that occur in Payables are fully offset by an increase in Receivables from the Justice Health and Forensic Mental Health Network

**d) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Entity's exposures to market risk are considered to be minimal and the Entity has no exposure to foreign currency risk and does not enter into commodity contracts.

*Interest rate risk*

Exposure to interest rate risk arises primarily through interest bearing liabilities.

However the Entity has no such liabilities and the interest rate is assessed as Nil. Similarly it is considered that the Entity is not exposed to other price risks.

Justice Health and Forensic Mental Health Network Special Purpose Service Entity

Notes to and forming part of the Financial Statements for the  
year ended 30 June 2016

**5. Financial Instruments**

**e) Fair Value**

Financial instruments are generally recognised at cost.

The amortised cost of financial instruments recognised in the statement of financial position approximates fair value because of the short term nature of the financial instruments.

**6. Related Parties**

The Justice Health and Forensic Mental Health Network is deemed to control the Justice Health and Forensic Mental Health Network Special Purpose Service Entity in accordance with Australian Accounting Standards. The controlling entity is incorporated under the Health Services Act 1997.

Transactions and balances in these financial statements relate only to the Entity's function as provider of personnel services to the controlling entity. The Entity's total income is sourced from the Justice Health and Forensic Mental Health Network.

Cash receipts and payments are effected by the Justice Health and Forensic Mental Health Network on the entity's behalf.

**7. Events after the Reporting Period**

No matters have arisen subsequent to reporting date that would require these financial statements to be amended.

**END OF AUDITED FINANCIAL STATEMENTS**