



## 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 2017, the statement of comprehensive income, statement of changes in equity and 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 2017, and of its financial performance and 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 the standards are 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 requirements of the:

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

I have also fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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
- precluding the Auditor-General from providing non-audit services.

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

## **The Chief Executive's Responsibility for the Financial Statements**

The Chief Executive is responsible for the preparation and fair presentation of the financial statements 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 and fair presentation of the financial statements that 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 except where the Entity will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of 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
- 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 on the financial statements.

A 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/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). 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 security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.




Renee Meimaroglou  
Director, Financial Audit Services

7 September 2017  
SYDNEY


Justice Health and Forensic Mental Health Network Special Purpose Service Entity  
Certification of the Financial Statements  
for the period ended 30 June 2017

We 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 period ended 30 June 2017 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 Regulation 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) We are 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 2017



Christopher Puplick  
**Chair**  
6 September 2017

**Justice Health and Forensic Mental Health Network Special Purpose Service Entity**  
**Statement of Comprehensive Income for the period ended 30 June 2017**

	<b>Actual</b>	<b>Actual</b>
	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Revenue</b>		
Personnel Services	155,129	146,728
Acceptance by the Crown Entity of Employee Benefits	3,885	7,056
<b>Total Revenue</b>	<b>159,014</b>	<b>153,784</b>
<b>Expenses</b>		
Salaries and Wages	141,154	133,292
Defined Benefit Superannuation	868	857
Defined Contribution Superannuation	12,135	11,427
Long Service Leave	3,094	6,569
Redundancies	-	215
Workers Compensation Insurance	1,746	1,405
Fringe Benefits Tax	17	19
<b>Total Expenses</b>	<b>159,014</b>	<b>153,784</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 2017**

		Actual	Actual
	Notes	2017 \$000	2016 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Receivables	2	22,518	21,746
<b>Total Current Assets</b>		<u>22,518</u>	<u>21,746</u>
<b>Non-Current Assets</b>			
Receivables	2	234	228
<b>Total Non-Current Assets</b>		<u>234</u>	<u>228</u>
<b>Total Assets</b>		<b>22,752</b>	<b>21,974</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	3	1,982	2,873
Provisions	4	20,536	18,873
<b>Total Current Liabilities</b>		<u>22,518</u>	<u>21,746</u>
<b>Non-Current Liabilities</b>			
Provisions	4	234	228
<b>Total Non-Current Liabilities</b>		<u>234</u>	<u>228</u>
<b>Total Liabilities</b>		<b>22,752</b>	<b>21,974</b>
<b>Net Assets</b>		<u><u>-</u></u>	<u><u>-</u></u>
<b>EQUITY</b>			
Accumulated funds		-	-
<b>Total Equity</b>		<u><u>-</u></u>	<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 Changes in Equity for the period ended 30 June 2017**

	<b>Actual</b>	<b>Actual</b>
	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Balance at 1 July 2016	-	-
Net Result for the period	-	-
Total comprehensive income for the period	-	-
Balance at 30 June 2017	<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 period ended 30 June 2017**

	Actual	Actual
	2017	2016
	\$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 and Cash Equivalents	-	-
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 period ended 30 June 2017**

**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, which is the immediate parent. The Entity is also controlled by NSW Ministry of Health (the senior parent) and the State of New South Wales (the ultimate parent).

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 and Chair of the Board on 6 September 2017.

**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)(h).

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.

**c) Statement of Compliance**

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

**d) 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.

**e) 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 period 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.

**f) 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 Entity transfers the financial asset:

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

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

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

**g) 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 period ended 30 June 2017**

**h) 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, a controlled entity of the ultimate parent, 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 17.2% are applied to the value of leave payable at 30 June 2017 (comparable on-costs for 30 June 2016 were 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, which is an entity controlled by the ultimate parent. 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 period 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.

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

**(i) Effective for the first time in 2016-17**

The accounting policies applied in 2016-17 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* extends the scope of AASB 124 *Related Party Disclosures* to include application by not-for-profit public sector entities. The application of this standard has resulted in increased disclosures in the financial statements relating to related party transactions and Key Management Personnel compensation.

AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* is applicable to reporting periods beginning on or after 1 July 2016. The Entity early adopted this standard in the financial year ended 30 June 2016, which allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

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

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. There have been no new Australian Accounting Standards issued which will impact the Entity.

**Justice Health and Forensic Mental Health Network Special Purpose Service Entity**  
**Notes to and forming part of the Financial Statements for the period ended 30 June 2017**

	Actual	Actual
	2017	2016
	\$000	\$000
<b>2. RECEIVABLES</b>		
<b>Current</b>		
Accrued Income - Personnel Services Provided	22,518	21,746
<b>Non-Current</b>		
Accrued Income - Personnel Services Provided	234	228
<b>Total Receivables</b>	22,752	21,974

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

**3. PAYABLES**

**Current**

Accrued Salaries, Wages and On Costs	1,743	1,320
Taxation and Payroll Deductions	239	1,553
<b>Total Payables</b>	1,982	2,873

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 period ended 30 June 2017**

	Actual	Actual
	2017	2016
	\$000	\$000
<b>4. PROVISIONS</b>		
<b>Current Employee Benefits and Related On Costs</b>		
Annual Leave - Short Term Benefit	14,267	13,792
Annual Leave - Long Term Benefit	3,281	2,459
Long Service Leave - Consequential On Costs	2,693	2,622
Other	295	-
<b>Total Current Provisions</b>	<b>20,536</b>	<b>18,873</b>
<b>Non-Current Employee Benefits and Related On Costs</b>		
Long Service Leave - Consequential On costs	234	228
Other	-	-
<b>Total Non-Current Provisions</b>	<b>234</b>	<b>228</b>
<b>Aggregate Employee Benefits and Related On Costs</b>		
Provisions - Current	20,536	18,873
Provisions - Non-Current	234	228
Accrued Salaries, Wages and On Costs	1,982	2,873
<b>Total</b>	<b>22,752</b>	<b>21,974</b>

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

**Notes to and forming part of the Financial Statements for the  
period ended 30 June 2017**

**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 to monitor risks. Compliance with policies is reviewed by the Entity on a continuous basis."

**a) Financial Instruments Categories**

		Actual	Actual
		2017	2016
		\$000	\$000
<b>Financial Assets Class:</b>	<b>Category</b>		
Receivables (note 2) <sup>1</sup>	Receivables measured at amortised cost	22,752	21,974
		<u>22,752</u>	<u>21,974</u>
<b>Financial Liabilities Class:</b>	<b>Category</b>		
Payables (note 3) <sup>2</sup>	Financial liabilities measured at amortised cost	1,743	1,320
		<u>1,743</u>	<u>1,320</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  
period ended 30 June 2017**

**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 Party Transactions**

All transactions and outstanding balances in these financial statements relate to the Entity's function as the provider of personnel services to the immediate parent. The Entity's total income is sourced from the immediate parent, and cash receipts and payments are affected by the immediate parent on the Entity's behalf.

Key management personnel compensation are borne by the immediate parent and the senior parent. There were no transactions with the ultimate parent during the financial year.

**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**