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Sydney NSW 2001
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Ms J Babineau
Chief Executive
Justice Health
PO Box 150
MATRIVILLE NSW 2036

6 October 2011

Dear Ms Babineau

STATUTORY AUDIT REPORT
For the Year Ended 30 June 2011
Justice Health and its Controlled Entity

I have audited the financial statements of Justice Health and its controlled entity as required by the *Public Finance and Audit Act 1983* (the Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2011, and details the significant matters found during the audit that are relevant to you in your role as one of those charged with the governance of Justice Health. The Act requires that I send this report to Justice Health, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on Justice Health's and its controlled entity financial statements. I have enclosed the Independent Auditor's Report, together with the Justice Health's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. My audit is not designed to identify all matters that may be of governance interest to you. Accordingly, there may be other matters of governance interest that did not come to my attention during my audit.

My audit is continuous and I may therefore identify new significant matters. If this occurs, I will write to you immediately.

Audit Result

I expressed an unmodified opinion on Justice Health's financial statements.

Misstatements in the Financial Statements

The financial statements contained misstatements which are listed in the attached appendix.

Compliance with Legislative Requirements

My audit procedures are targeted specifically towards forming an opinion on Justice Health's financial statements. This includes testing whether Justice Health has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any instances of non-compliance.

Auditor-General's Report to Parliament

Comment on Justice Health's activities, financial operations, performance and compliance will appear in the Auditor General's Report to Parliament. I will send a draft of this comment to Justice Health for review before the Report is tabled during December.

Acknowledgment

I thank Justice Health's staff for their courtesy and assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read "Peter Achterstraat". The signature is written in a cursive, flowing style.

Peter Achterstraat
Auditor-General

Monetary Misstatements and Disclosure Deficiencies in the Financial Statements

The following tables detail the effect of misstatements I found in the financial statements originally submitted to me. Significant misstatements are reported individually, however, trivial misstatements are reported in aggregate only.

Corrected Monetary Misstatements - Justice Health

Description of Error/ Account Balance	Assets	Liabilities	Retained Earnings	Other Equity	Statement of Comprehensive Income
	DR/(CR)	DR/(CR)	DR/(CR)	DR/(CR)	DR/(CR)
Misstatements identified and corrected in this period					
Sale of goods and services overstated.	--	--	--	--	688,315
Other revenue understated.	--	--	--	--	(688,315)
Reclassification of TMF hindsight adjustment.					
Sale of goods and services Overstated.	--	--	--	--	68,474
Other revenue understated.	--	--	--	--	(68,474)
Incorrect classification of general ledger account 420760.					
Receivables and payables overstated.					
GST was recorded on a gross rather than net basis (\$331,916) and inter entity debtors were incorrectly classified in payables \$190,562.	(141,354)	141,354	--	--	--
Total impact	(141,354)	141,354	--	--	--

Corrected Disclosure Deficiencies - Justice Health

AASB Reference	Disclosure Title	Description of Disclosure Deficiency
DOH Guidelines	Other operating expenses (note 5)	Reclassification of amounts from 'general expenses' to 'other operating expenses'.
DOH Guidelines	Property, plant and equipment (note 20)	In the reconciliation note the additions for works in progress were overstated and plant and equipment understated by \$2.033 million. Motor vehicles and minor capital works were incorrectly classified.
DOH Guidelines	Payables (note 21)	Intra Health liability of \$56,000 was reclassified from other payables.
DOH Guidelines	Provisions (note 22b)	Non-current provisions reported under 'Aggregate employee benefits and related on-costs' for both the parent and consolidated entity understated by 48,000.
DOH Guidelines	Commitments (note 24a)	The commitments for the PPP liability were revised to include GST as per accounting standard requirements.
DOH Guidelines	Other expenditure commitments (note 24 b)	The following were misstated in the parent entity: <ul style="list-style-type: none">▪ 'Not later than year' understated by 604,000▪ 'Later than one year and not later than five years' understated by 4.078m▪ 'Later than five years' overstated by 21.342m The error arose as the commitments reflected 2009 balances.
DOH Guidelines	Commitments (note 24)	Input tax credits recoverable from the ATO were overstated by 1.03 million.

We also made a number of other recommendations to improve the presentation and disclosure of information in the financial statements. Management has accepted most of these recommendations and has amended the financial statements accordingly.

Uncorrected Monetary Misstatements - Justice Health

I identified and reported the following misstatements to management. Management determined these misstatements to be immaterial both individually and in aggregate to the financial statements taken as a whole. I agreed with management's determination and did not consider these uncorrected misstatements significant enough to modify the opinion in the Independent Auditor's Report.

I have received written representations from the Chief Executive on 6 October 2011 confirming management's belief that the effects of the uncorrected misstatements were immaterial, individually and in aggregate, to the financial statements as a whole.

Description of Error/ Account Balance	Assets DR/(CR)	Liabilities DR/(CR)	Retained Earnings DR/(CR)	Other Equity DR/(CR)	Statement of Comprehensive Income DR/(CR)
Uncorrected misstatements identified in previous periods					
Overstatement of long service leave provision arising from an additional one per cent on cost allowance.	--	143,791	--	--	(143,791)
Subtotal	--	143,791	--	--	(143,791)
Uncorrected misstatements identified in this period					
Cash is overstated	(108,163)	--	--	--	--
Receivables understated	108,163	--	--	--	--
An outstanding deposit in the bank reconciliation was receipted twice.					
Reserves overstated and other gains understated.					
Incorrect accounting of revaluation increments	--	--	--	216,138	(216,138)
Depreciation expenses and accumulated depreciation overstated	41,588	--	--	--	(41,588)
Subtotal	41,588	--	--	216,138	(256,726)
Total impact	41,588	143,791	--	216,138	(401,517)

Uncorrected Disclosure Deficiencies - Justice Health

Management determined the following disclosure deficiencies in the financial statements to be immaterial. From an audit perspective, I agreed with management's determination and did not believe these were significant enough to modify the opinion in the Independent Auditor's Report.

AASB Reference	Disclosure Title	Description of Disclosure Deficiency
AASB 119	Employee related expenses and personnel services expenses (note 3 and 4)	Superannuation defined benefit plans are understated and superannuation defined contribution plans overstated by \$25,384. Incorrect classification of account 140500.
NA	Operating expenses (note 5)	General expenses overstated by \$25,000, postal and telephone costs overstated by \$333,000 and travel related costs understated by \$358,000. Inconsistent mapping of general ledger accounts when compared to the prior year.
AASB 101	Provisions (note 22a)	Short term annual leave understated and long term annual leave overstated by \$177,000. Incorrect classification.
AASB 101	Rental lease commitments (note 24c)	The 'later than one year and not later than five year' category is understated by \$75,068. For one lease, commitments were only calculated up to June 2013. The lease however ends in December 2013.

Corrected Monetary Misstatements - Justice Health Special Purpose Service Entity

Description of Error/ Account Balance	Assets	Liabilities	Retained Earnings	Other Equity	Statement of Comprehensive Income
	DR/(CR)	DR/(CR)	DR/(CR)	DR/(CR)	DR/(CR)
Misstatements identified and corrected in this period					
Current provisions overstated	--	48,000	--	--	--
Non-current provisions understated	--	(48,000)	--	--	--
Current receivables overstated	(48,000)	--	--	--	--
Non-current receivables understated	48,000	--	--	--	--
The non current component of long service leave was incorrectly included as current.					
Total impact	--	--	--	--	--

Corrected Disclosure Deficiencies- Justice Health Special Purpose Service Entity

We made a number of recommendations to improve the presentation and disclosure of information in the financial statements. Management accepted most of these recommendations and amended the financial statements accordingly.

Uncorrected Disclosure Deficiencies- Justice Health Special Purpose Service Entity

Management determined the following disclosure deficiencies in the financial statements to be immaterial. From an audit perspective, I agreed with management's determination and did not believe these were significant enough to modify the opinion in the Independent Auditor's Report.

AASB Reference	Disclosure Title	Description of Disclosure Deficiency
AASB 119	Statement of comprehensive income	Superannuation defined benefit plans are understated and superannuation defined contribution plans overstated by \$25,384. Incorrect classification of account 140500
AASB 101	Provisions (note 4)	Short term annual leave is understated and long term annual leave overstated by \$177,000. Incorrect classification.



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INDEPENDENT AUDITOR'S REPORT

Justice Health Special Purpose Service Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Justice Health Special Purpose Service Entity (the Entity), which comprise the statement of financial position as at 30 June 2011, 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.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Entity as at 30 June 2011, and its financial performance 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Entity
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- 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.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Boulous
Director Financial Audit Services

6 October 2011
SYDNEY



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Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Forensic Mental Health Network Special Purpose Service Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Forensic Mental Health Network Special Purpose Service Entity (the Entity), which comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Entity as at 30 June 2011, and its financial performance for the period then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Entity
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- 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.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

A handwritten signature in black ink, appearing to read 'Peter Boulous', enclosed within a large, stylized circular flourish.

Peter Boulous CA
Director Financial Audit Services

6 October 2011
SYDNEY



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9275 7247
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Ms J Babineau
Chief Executive
Justice Health
PO Box 150
MATRAVILLE NSW 2036

6 October 2011

Dear Ms Babineau

STATUTORY AUDIT REPORT

For the Period Ended 30 June 2011

Forensic Mental Health Network and its Controlled Entity

I have audited the financial statements of the Forensic Mental Health Network and its controlled entity (the Network) as required by the *Public Finance and Audit Act 1983* (the Act). This Statutory Audit Report outlines the results of my audit for the period ended 30 June 2011, and details the significant matters found during the audit that are relevant to you in your role as one of those charged with the governance of the Network. The Act requires that I send this report to the Network, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on the Network's financial statements. I have enclosed the Independent Auditor's Report, together with the Network's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. My audit is not designed to identify all matters that may be of governance interest to you. Accordingly, there may be other matters of governance interest that did not come to my attention during my audit.

My audit is continuous and I may therefore identify new significant matters. If this occurs, I will write to you immediately.

Audit Result

I expressed an unmodified opinion on the Network's financial statements.

The Forensic Mental Health Network and the Forensic Mental Health Network Special Purpose Service Entity were established on 1 January 2011. They did not trade at any time during the reporting period ended 30 June 2011.

Misstatements in the Financial Statements

The financial statements did not contain misstatements.

Compliance with Legislative Requirements

My audit procedures are targeted specifically towards forming an opinion on the Network's financial statements. This includes testing whether the Network has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any instances of non-compliance.

Auditor-General's Report to Parliament

As I have not identified any significant matters, commentary on the Network's financial operations will not appear in the Auditor-General's Report to Parliament. Appendix 1 to that Report will advise the audit result for the Network.

Acknowledgment

I thank Justice Health's staff for their courtesy and assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read "Peter Boulous", written over a horizontal line.

Peter Boulous
Director Financial Audit Services



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Justice Health

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Justice Health, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of Justice Health and the consolidated entity. The consolidated entity comprises Justice Health and the entities it controlled at the period's end or from time to time during the period.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of Justice Health and the consolidated entity, as at 30 June 2011, and of the financial performance 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, statement of financial position and statement of cashflows.

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

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of 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 are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of Justice Health or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- 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.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat
Auditor-General

6 October 2011
SYDNEY



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Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Forensic Mental Health Network

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Forensic Mental Health Network (the Network), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Network and the consolidated entity. The consolidated entity comprises the Network and the entities it controlled at the period's end or from time to time during the period.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Network and the consolidated entity, as at 30 June 2011, and of the financial performance for the period then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of 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 are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

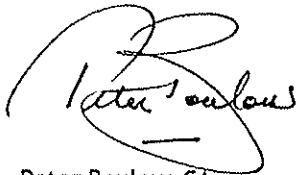
My opinion does *not* provide assurance:

- about the future viability of the Network or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- 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.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

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- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

A handwritten signature in black ink, appearing to read 'Peter Boulous', enclosed within a large, stylized circular flourish.

Peter Boulous CA
Director Financial Audit Services

6 October 2011
SYDNEY