



GPO BOX 12  
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:

- 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, loopy circular flourish.

Peter Boulous CA  
Director Financial Audit Services

6 October 2011  
SYDNEY

**Certification of Parent/Consolidated Financial Statements  
Forensic Mental Health Network  
for the Period Ended 30 June 2011**

Pursuant to Section 45F of the *Public Finance and Audit Act, 1983*, I state that in my opinion:

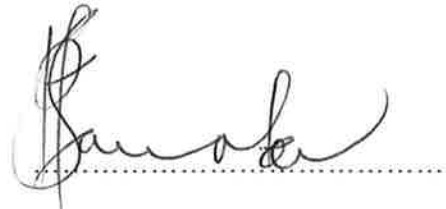
- a) The financial statements have been prepared in accordance with:
- Australian Accounting Standards (which include Australian Accounting Interpretations)
  - *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions.
- b) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Forensic Mental Health Network.
- c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

I further state the financial statements have been prepared in accordance with the NSW Department of Health's Accounts and Audit Determination for Public Health Organisations.



Julie Babineau  
Chief Executive

Date: 06 October 2011



The Hon. Patricia Staunton  
Chairperson

Date: 06 October 2011

# Forensic Mental Health Network

## Statement of Comprehensive Income for the period ended 30 June 2011

START OF AUDITED FINANCIAL STATEMENTS

<b>PARENT</b>		<b>Notes</b>	<b>CONSOLIDATION</b>
<b>Actual</b>			<b>Actual</b>
<b>2011</b>			<b>2011</b>
<b>\$000</b>			<b>\$000</b>
	<b>Expenses excluding losses</b>		
	Operating Expenses		
-----	Employee Related		-----
-----	Personnel Services		-----
-----	Visiting Medical Officers		-----
-----	Other Operating Expenses		-----
-----	Depreciation and Amortisation		-----
-----	Grants and Subsidies		-----
-----	Finance Costs		-----
-----	<b>Total Expenses excluding losses</b>		-----
	<b>Revenue</b>		
-----	Sale of Goods and Services		-----
-----	Investment Revenue		-----
-----	Grants and Contributions		-----
-----	Other Revenue		-----
-----	<b>Total Revenue</b>		-----
-----	Gain/(Loss) on Disposal PPE		-----
-----	Other Gains/(Losses)		-----
-----	<b>Net Cost of Services</b>		-----
	<b>Government Contributions</b>		
-----	NSW Department of Health Recurrent Allocations		-----
-----	NSW Department of Health Capital Allocations (Asset Sale Proceeds Transferred to the NSW Department of Health)		-----
---	Acceptance by the Crown Entity of Employee Benefits		-----
-----	<b>Total Government Contributions</b>		-----
-----	<b>RESULT FOR THE PERIOD</b>		-----
	<b>Other Comprehensive Income</b>		
-----	Asset Revaluation Reserve		-----
-----	<b>Other Comprehensive Income For The Period</b>		-----
-----	<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		-----

The accompanying notes form part of these financial statements.

**Forensic Mental Health Network  
Statement of Financial Position  
as at 30 June 2011**

<u>Parent</u> 2011 \$000	Notes	<u>Consolidated</u> 2011 \$000
<b>ASSETS</b>		
<b>Current Assets</b>		
-		-
-	2	-
-		-
-		-
<b>Total Current Assets</b>		
<b>Non-Current Assets</b>		
-		-
-	2	-
-		-
<b>Total Non-Current Assets</b>		
<b>Total Assets</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
-		-
-	3	-
-	4	-
-		-
<b>Total Current Liabilities</b>		
<b>Non-Current Liabilities</b>		
-		-
-	4	-
<b>Total Non-Current Liabilities</b>		
<b>Total Liabilities</b>		
<b>Net Assets</b>		
<b>EQUITY</b>		
-		-
<b>Total Equity</b>		

*The accompanying notes form part of these financial statements.*

**Forensic Mental Health Network  
Statement of Changes in Equity  
for the period ended 30 June 2011**

<u>Parent</u>		<u>Consolidated</u>
2011		2011
\$000		\$000
-	<b>Balance at 1 January 2011</b>	-
-	Result for the Period	-
-	Total Comprehensive Income for the Period	-
-	<b>Balance at 30 June 2011</b>	-

*The accompanying notes form part of these financial statements.*

**Forensic Mental Health Network  
Statement of Cash Flows  
for the period ended 30 June 2011**

<u>Parent</u>		<u>Consolidated</u>
2011		2011
\$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	-
<u>-</u>	<b>Closing Cash and Cash Equivalents</b>	<u>-</u>

*The accompanying notes form part of these financial statements.*

**Forensic Mental Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the period ended 30 June 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Forensic Mental Health Network**

The Forensic Mental Health Network ("the Network") is a specialty network governed statutory health corporation constituted under section 41 of the *Health Services Act 1997*. The Forensic Mental Health Network was created by the *Health Services Amendment (Local Health Networks) Act 2010*, the relevant sections of which commenced on 1 January 2011 having been assented to on 16 November 2010. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Department of Health and the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at 1300 Anzac Parade, Malabar, New South Wales.

The Network controls the Forensic Mental Health special Purpose Service Entity that was established as a Division of the Government Service on 1 January 2011 in accordance with the Public Sector Employment and Management Act 2002 and the Health Services Act 1997. The Division provides personnel services to enable the network to exercise its functions.

The principal reason for constituting statutory health corporations is to enable certain health services and health support services to be provided within the State other than on an area basis.

The Network did not trade at any time during the period, and as at the balance date or at any other time during the year did not own or control any asset or any liabilities.

The financial statements were authorised for issue by the Chair and Chief Executive on 06 October 2011.

**b) Basis of Preparation**

The Network's financial statements are general purpose financial statements which have been prepared in accordance with the requirements of Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Health Services Act 1997* and its regulations including observation of the Accounts and Audit Determination for Public Health Organisations, and the Public Finance and Audit Act 1983 and Regulation.

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 (i).

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

Management's 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 consolidated and parent entity's financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

**c) Comparative Information**

No comparative information is given as this is the Network's first reporting period.



**Forensic Mental Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the period ended 30 June 2011**

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

No new or revised accounting standards or interpretations are adopted earlier than their prescribed date of application. Set out below are changes to be effected, their date of application and the possible impact on the financial statements of the Forensic Mental Health Network.

**Accounting Standard/Interpretation**

AASB 2010-07, *Financial Instruments*, arising from the issuance of AASB 9, *Financial Instruments*, in December 2010, has mandatory application from 1 July 2013 and will not be early adopted by the Network.

AASB 124 and AASB2009-12, *Related Party Transactions*, have application from 1 July 2011 but are assessed as having no material impact on the Network.

AASB 2009-14, *Amendments to Australian Interpretation -Prepayment of a Minimum Funding Requirement*, has application from 1 July 2011 and principally addresses contributions relating to future service. It has no impact on the Network.

AASB 1053 and AASB 2010-2, *Application of Tiers of Australian Accounting Standards*, have application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the mandate of Treasury.

AASB 2010-04, *Annual Improvements*, has application from 1 July 2011 and is assessed as having no material impact on the Network.

AASB 2010-5, *Editorial Corrections*, applies from 1 July 2011 and principally addresses editorial amendments to a range of Australian Accounting Standards and Interpretations. It is assessed as having no impact on the Network.

AASB 2010-6, *Disclosures on Transfers of Financial Assets*, has mandatory application from 1 July 2011 and is assessed as having no impact on the Network.

AASB 2010-8, *Deferred Tax: Recovery of Underlying Assets*, has mandatory application from 1 July 2012 but will have no impact on the Network.

AASB 2010-9, *Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters*, has application from 1 July 2011 and is assessed as having no impact on the Network.

AASB 2010-10, *Removal of Fixed Dates for First Time Adopters*, has application from 1 July 2013 and is assessed as having no impact on the Network.

Other significant accounting policies used in the preparation of these financial statements are as follows:

**e) Income Recognition**

Income is measured at the fair value of the consideration received or receivable.

**Forensic Mental Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the period ended 30 June 2011**

**f) 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 statement of comprehensive income 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.

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

A financial asset is derecognised when the contractual rights to the cash flows from the financial 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 asset.

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

**h) 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.

A payable is recognised when a present obligation arises under a contract or otherwise. It is when the obligation expires or is discharged, cancelled or substituted.

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 with no stated interest rate are measured at the original invoice amount where the effect of is immaterial. Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Network.

**i) Employee Benefits**

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

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then classified as "Short Term" and "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next 12 months are reported as "Short Term". On-costs are applied to the value of leave payable at 30 June 2011, such on-costs being consistent with actuarial assessment.

**Forensic Mental Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the period ended 30 June 2011**

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.

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

*ii) Long Service Leave and Superannuation*

As is the case with other Budget Sector agencies both the Defined Benefit Superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) and Long Service Leave liabilities are assumed by the Crown. The Network accounts for the liability as having been extinguished resulting in the amount shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 3 "Payables".

Long Service Leave is measured at present value in accordance with AASB119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 11/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The superannuation expense for the financial period is determined by using the formulae specified by the NSW Department of Health. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) 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.

**Forensic Mental Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the period ended 30 June 2011**

<u>Parent</u> 2011 \$000		<u>Consolidated</u> 2011 \$000
	<b>2. RECEIVABLES</b>	
	<b>Current</b>	
-	Sale of goods and services	-
	<b>Non-Current</b>	
-	Sale of goods and services	-
-	<b>Total Receivables</b>	-
	Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.	
	<b>3. PAYABLES</b>	
	<b>Current</b>	
-	Accrued Salaries, Wages and On-Costs	-
-	<b>Total Payables</b>	-
	Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.	
	<b>4. PROVISIONS</b>	
	<b>Current Employee Benefits and Related On-Costs</b>	
-	Annual Leave - Short Term Benefit	-
-	Annual Leave - Long Term Benefit	-
-	Long Service Leave On-Costs	-
-	Other	-
-	<b>Total Current Provisions</b>	-
	<b>Non-Current Employee Benefits and Related On-Costs</b>	
-	Long Service Leave On-Costs	-
-	<b>Total Non-Current Provisions</b>	-
	<b>Aggregate Employee Benefits and Related On-Costs</b>	
-	Provisions - Current	-
-	Provisions - Non-Current	-
-	Accrued Salaries, Wages and On-Costs	-
-	<b>Total</b>	-

**Forensic Mental Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Period Ended 30 June 2011**

**5. Financial Instruments**

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

The Network's main risks arising from financial instruments are outlined below, together with the Network'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. Risk management policies are established to identify and analyse the risk faced by the Network, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit Committee/internal auditors of the Parent Network on a continuous basis.

**a) Financial Instruments Categories**

Total carrying amounts as per  
the Statement of Financial Position  
**2011**

		Parent	Consolidated
		\$000	\$000
<b>Financial Assets</b>			
<b>Class:</b>	<b>Category</b>		
Receivables (note 2) <sup>1</sup>	Receivables measured at amortised cost	-	-
Total Financial Assets		-	-
<b>Financial Liabilities</b>			
<b>Class:</b>	<b>Category</b>		
Payables (note 3) <sub>2</sub>	Financial liabilities measured at amortised cost	-	-
Total Financial Liabilities		-	-

<sup>1</sup> Excludes statutory receivables and prepayments, (i.e. not within the scope of AASB 7)

<sub>2</sub> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7)

**b) Credit Risk**

Credit risk arises when there is the possibility of the Network's debtors defaulting on their contractual obligations, resulting in a financial loss to the Network. 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 Network i.e. receivables. No collateral is held by the Network nor has it granted any financial guarantees.

**Forensic Mental Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Period Ended 30 June 2011**

*Receivables - trade debtors*

All trade debtors are recognised as amounts receivable at balance date. 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 Network will be unable to meet its payment obligations when they fall due. No such risk exists with the Network not having any cash flows.

**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 Network's exposures to market risk are considered to be minimal and the Network 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 Network has no such liabilities and the interest rate is assessed as Nil. Similarly it is considered that the Network is not exposed to other price risks.

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

**7. Post Balance Date Events**

There are no known post balance date events that have occurred between the financial reporting date and the date of this report that require adjustment to, or disclosure in the 2010/11 financial statements.

The Forensic Mental Health Network was created by the Health Services Amendment (Local Health Networks) Act 2010. The new network will consolidate currently existing resources to be transferred from other NSW Health entities, including Justice Health.

Assets and related liabilities to be transferred from entities such as Justice Health will include those in relation to the Forensic Hospital, Malabar, and community based forensic mental health services currently in operation and the Bunya, Bloomfield and Kestrel medium secure mental health rehabilitation units. Corresponding adjustments will be made by the NSW Department of Health to the recurrent and capital budget allocations to Justice Health and other entities to reflect any transfer in service delivery responsibilities.

END OF AUDITED FINANCIAL STATEMENTS