

# Annual Report | 2017–2018



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In accordance with the *Financial Management Act 1994*,  
I am pleased to present Dairy Food Safety Victoria's  
Annual Report for the year ending 30 June 2018.



**Dr Anne Astin**  
Chairman

23 August 2018

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# About Dairy Food Safety Victoria

## Vision

Product safety and integrity locally and globally for Victoria's dairy industry.

## Mission

To independently regulate dairy food safety.

## Values

### Respect

We recognise, value and capitalise on diversity.

### Collaboration

We work actively and positively as a team and with stakeholders in the spirit of partnership and mutual regard.

### Service

We will exceed expectations by always providing high quality services.

### Excellence

We will consistently seek to improve what we do and how we do it.

### Integrity and fairness

We will be honest, open and transparent and act consistently and without favouritism.

## Charter and purpose

Dairy Food Safety Victoria (DFSV) is a statutory authority established by the Victorian Parliament under the *Dairy Act 2000*.

DFSV reports through its Board to the Victorian Minister for Agriculture. The Hon Jaala Pulford MP, Minister for Agriculture was the responsible minister during the period 1 July 2017 to 30 June 2018.

The objectives, functions and powers of DFSV are prescribed under Part 2, Sections 5–7 of the Dairy Act as follows:

## Objectives of the Authority

The objectives of the Authority are to –

- (a) ensure that standards which safeguard public health are maintained in the Victorian dairy industry
- (b) ensure that it performs its functions and exercises its powers efficiently and effectively.

## Functions of the Authority

The functions of the Authority are to –

- (a) establish, maintain and improve –
  - i. the food safety standards of dairy food
  - ii. the standards of construction and hygiene of plant and equipment in a dairy manufacturing premises
  - iii. the standards of maintenance, cleanliness and hygiene of dairy transport vehicles
- (b) monitor and review the standards specified in paragraph (a)
- (c) approve and monitor the implementation of food safety programs
- (d) administer the licensing system under Part 3 of the Act
- (e) ensure that appropriately qualified persons are appointed as authorised officers
- (f) fix and charge fees in respect of the carrying out of its functions or the exercise of its powers
- (g) in consultation with the Secretary to the Department of Health and Human Services or a municipal council, protect public health
- (h) advise the Minister on matters relating to the administration of this Act
- (i) carry out any other function that is conferred on the Authority by this or any other Act.

## Powers of the Authority

- (1) Subject to this Act, the Authority has all the powers necessary to enable it to perform its functions.
- (2) Without limiting its other powers, the Authority may –
  - a. enter into agreements or arrangements with third parties for the provision of services to the Authority or for the provision of services by the Authority
  - b. fix and change fees for carrying out its functions, and for the provision of its services including the services of its authorised officers
  - c. expend its funds in carrying out its functions and powers or in paying remuneration and allowances to its members.

## Chairman's foreword



As Chairman of the Board of DFSV I am proud to report the Authority's achievements for 2017–18. It is a privilege to continue my association with the dairy industry and DFSV, which I began as CEO in 2000. I look forward to building on the good reputation of DFSV and the Victorian dairy industry.

It has been a year of change for DFSV. Following my appointment in December, in April we welcomed Amanda Hill to the role of CEO. Amanda has extensive experience in food safety and the food regulation system and brings a strong stakeholder focus to the role. As Director, Food Safety and Response at Food Standards Australia New Zealand (FSANZ) Amanda established strong international and national networks and effective working relationships with key partners, including industry and state regulators.

For the dairy industry, change has also characterised 2017–18. Dry conditions and fires in the south west of Victoria have created hardship for many of our farmers on the back of challenging times in recent years – a volatile global economy and farmgate pricing step downs, variable climate conditions and significant movement in the commercial sector.

Change is also being driven by consumers who demand greater levels of transparency about the origin, integrity and safety of the food supply, and increasingly look to Australia for its high-quality, safe and well-regulated dairy products.

With change comes opportunity and the industry must be willing and able to innovate to respond to rapidly changing consumer preferences. DFSV must also be ready to respond to the business innovations that are likely to emerge.

The Ministerial Statement of Expectations of DFSV sends a strong message from the Victorian Government about the value of using digital technology and data-driven methods to achieve greater efficiencies in the administration and enforcement of regulation.

Our aim is to provide efficient and simple systems for businesses to provide and access compliance information and to improve our monitoring, analysis and reporting of data to reduce the regulatory burden for businesses.

We are already actively exploring opportunities in these areas and DFSV is committed to strengthening engagement with industry and other regulatory agencies to achieve a more streamlined, consistent approach to regulation that supports innovation, while protecting public health and meeting national food safety standards. We look forward to continuing this journey with industry.

From farm to end product – food safety is paramount. Industry has a responsibility to produce safe food and DFSV has a responsibility to ensure that happens. We will remain diligent as ever to protect public health, protect the Victorian dairy industry's reputation and in so doing grow our markets and the economic benefits that follow.

In closing, I would like to acknowledge the leadership of outgoing Chairman Mike Taylor AO, and thank our Board members for their support to both of us. My thanks also to Angela Brierley for capably filling the role of interim CEO until Amanda's appointment. This has been a hugely challenging year for DFSV and my thanks also extend to all staff for their dedication to the important work of the organisation.

**Dr Anne Astin**  
Chairman

# Chief Executive Officer's report



I'm pleased to present my first report as Chief Executive Officer of DFSV, and as the newly appointed CEO I would like to acknowledge the leadership of Jennifer McDonald over the past four years, including for the first six months of this reporting period.

Since joining DFSV I have taken the opportunity to meet with licensees and peak industry bodies to gain an understanding of their businesses and operating environments and to be clear about the issues that are important to them. I look forward to even greater engagement with our dairy industry.

In 2017–18 DFSV completed a review of its compliance and enforcement framework against Victorian and national regulatory policy. DFSV's new policy outlines a risk-based approach that focuses regulatory activities and resources on licensees and compliance areas where non-compliance or food safety risks are greatest.

The policy also encourages a strong culture of voluntary compliance within the industry. A key component is promoting understanding of compliance requirements and providing information to support licensees to meet them.

In response to stakeholder feedback, DFSV published a number of guidelines during the year, including the *Victorian dairy licence handbook*, *Hygienic design: guidelines for dairy food manufacturing premises*, and *Developing a food safety program: guidelines for dairy food manufacturers*. This was supplemented by seminars and workshops covering specific topics of interest to our manufacturer licensees. We will continue to consult with licensees when developing new resources and work with them to strengthen food safety culture.

During the year DFSV continued to build capacity for interrogating our data for reporting and intelligence purposes to improve our service provision and, in the long-term, to reduce the reliance on audits as the only means of demonstrating regulatory compliance.

We aim to encourage the dairy sector to embrace and use technology to help it become more globally competitive and sustainable. To that end we are engaging with the Department of Economic Development, Jobs, Transport and Resources' digital agriculture initiative, which is trialling mobile and internet connectivity in agricultural sectors, including dairy by providing farmers with access to real-time data to inform milking and management.

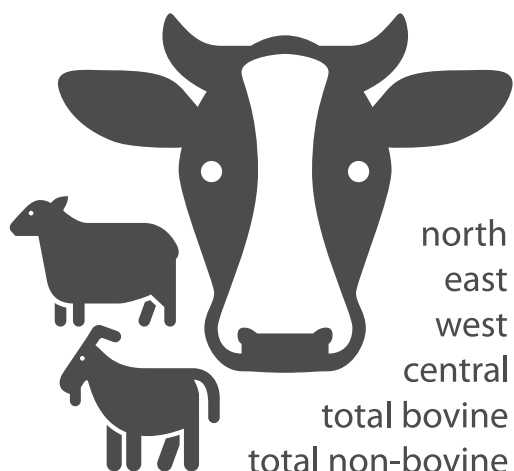
Looking ahead, we will start the new reporting year by undertaking a comprehensive strategic review to inform development of a corporate plan for the next five years. We have energy and enthusiasm for change and look forward to working with industry to help guide our approach and activities for the future.

I am proud to lead DFSV, which is widely acknowledged as an efficient and effective regulator. This is, in no small part, due to the skill and professionalism of its staff. I would like to thank staff for welcoming me to the team, and the Board of DFSV for their support and guidance.

A handwritten signature in dark ink, reading "A. S. Hill".

**Amanda Hill**  
Chief Executive Officer

# State of the industry

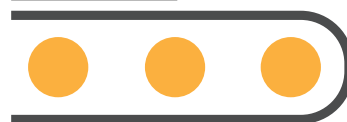


## Number of **farms** by **region**

north	<b>1292</b>
east	<b>1328</b>
west	<b>1284</b>
central	<b>6</b>
total bovine	<b>3881</b>
total non-bovine	<b>29</b>



## Number of **manufacturers** by **region**



north	<b>27</b>
east	<b>28</b>
west	<b>22</b>
central	<b>134</b>
total bovine	<b>205</b>
total non-bovine	<b>6</b>



## Dairy products

by volume (largest 5 only)

milk	<b>1.3b Litres</b>
cream	<b>173m Litres</b>
cheese	<b>383K Tonnes</b>
milk powder	<b>455k Tonnes</b>
fermented milk products	<b>217k Tonnes</b>



# 31,100

Number of people employed by the Victorian dairy industry

Data supplied by ABS



Annual milk volume change in 2017-18

# 64%

Percentage of Australian milk produced in Victoria



# 75%

Victorian contribution to Australia's total dairy exports

Data supplied by Dairy Australia

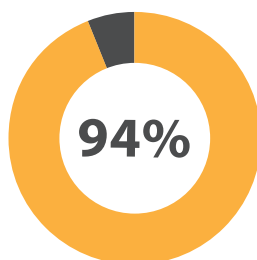




# DFSV performance – at a glance

Number of **new licensees** to the industry by type

farm	18
manufacturer	15
other	21



Licensee satisfaction with DFSV  
Excludes farmers



**407**

Number of **manufacturer audits** conducted at 211 manufacturing sites



**122**

Number of **technical requests** responded to



**17,896**

visitors to the DFSV website

**↑42%** from 2016–17

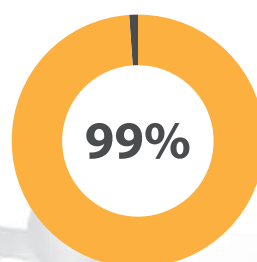


**0**

Number of foodborne illnesses attributed to dairy products in Victoria

Data supplied by Department of Health and Human Services – Victoria

**Product surveillance program**



Compliance

**3,540**

Samples taken



**516**

followers on Twitter



**1,238**

followers on LinkedIn

**83**

members on the Dairy Industry Technical Support Group



# Performance report

In 2017–18 DFSV implemented year three of its *2015–20 Strategic Plan*. DFSV's strategic direction reflects the expectations of the Victorian Government, as articulated in DFSV's Ministerial Statement of Expectations, to ensure minimum effective regulation to protect the health and safety of consumers of dairy products produced in Victoria.

The five-year plan identifies eight key objectives for DFSV and establishes key performance indicators to measure progress against them. This report describes activities undertaken during the year towards achieving each of these objectives and provides comparative data over the three years to date, against the performance indicators.

## 1. Regulation objective

*To maintain industry compliance with DFSV regulatory requirements*

DFSV is responsible for ensuring that standards which safeguard public health are maintained in the Victorian dairy industry. Industry compliance with regulatory requirements is key to achieving this objective and is enabled by efficient and effective administration of its licensing system, monitoring compliance with regulatory requirements and taking appropriate enforcement actions in the event of non-compliance.

### Regulatory framework

In line with Victorian Government policy to streamline and reduce regulatory burden, in May 2017 the DFSV Board sought approval from the Minister for Agriculture to revoke the 2002 *Code of Practice for Dairy Food Safety*, which was found to duplicate other primary legislation and the *Australia New Zealand Food Standards Code* (the Code). The proposal was approved by the Hon. Jaala Pulford MP in October and took effect on 28 December 2017.

This served to remove unnecessary duplication of regulatory requirements and reduce regulatory complexity for dairy businesses. While there was no regulatory change for dairy manufacturers, carriers and farmers, or to DFSV compliance and enforcement arrangements, the action resulted in a small reduction in the regulatory burden on dairy distributors. New DFSV guidance material that aligns with current dairy and food regulation was developed in 2017–18, including the new *Victorian dairy licence handbook*. The handbook explains the regulatory framework, what is required to obtain and operate under a DFSV dairy licence and where to find additional resources to support licensees to meet those requirements.

Following a review of the compliance and enforcement framework, in 2017–18 DFSV developed a new compliance and enforcement strategy and a revised supporting policy. These documents outline DFSV's risk-based approach to regulating the Victorian industry and describe DFSV's decision-making framework and the range of actions DFSV may take in response to a non-compliance or a risk to food safety.

### Licensing

The Dairy Act requires all dairy businesses operating in Victoria to be licensed with DFSV. Dairy farmer, carrier, manufacturer and distributor licences are issued only when DFSV is satisfied that the food safety program (where applicable) and premises or vehicles are appropriate for operating the business, and the business has the requisite skills and knowledge to produce safe food.

In 2017–18 DFSV received 54 new licence applications. Overall, the number of licences declined slightly, mainly due to a reduction in farmer licences. However, total manufacturing numbers continue to gradually increase year on year, up from 185 in 2013–14 to 211 in 2017–18. Over this period there has been an increase of 28 small manufacturers.

**Table 1:** Total licences by type at 30 June 2018

Licence	2016	2017	2018
Manufacturer (bovine)	190	199	205
Manufacturer (sheep, goat & buffalo)	8	7	6
Farmer (bovine)	4,141	3,889	3,881
Farmer (sheep, goat & buffalo)	33	31	29
Milk broker	2	3	3
Distributor	109	111	116
Carrier	45	44	40
Vendor	2	2	0
<b>Total</b>	<b>4,530</b>	<b>4,286</b>	<b>4,280</b>



### Compliance monitoring

DFSV undertakes regular activities to monitor compliance with the Code and other regulatory requirements. This primarily takes the form of regular audits of farm and manufacturing premises and operations to assess a licensee's compliance with requirements in their approved food safety program and if the program is still appropriate for achieving food safety.

DFSV food safety managers conduct all DFSV's food safety compliance audits of manufacturing licensees – the first within 30 days of the commencement of operations and thereafter at a minimum of every six months. DFSV approved auditors conduct audits of dairy farmer licensees within three to six months of the commencement of operations and then at a minimum of once every two years. During the reporting period 1944 farms and 407 manufacturer audits were completed.

### Export certification

DFSV supports streamlined export certification by undertaking audits of export registered businesses on behalf of the Commonwealth Department of Agriculture and Water Resources. The department's annual review of DFSV's export audit and compliance management system resulted in continued accreditation to deliver export assurance services.

DFSV continued to coordinate the Australian Milk Residue Analysis (AMRA) survey on behalf of the Commonwealth Department of Agriculture and Water Resources. The survey verifies the effectiveness of residue control in the milk supply by monitoring raw milk for the potential presence of agricultural, veterinary and environmental chemical residues.

DFSV also provided substantial assistance to the department and industry during importing country reviews, participating in a review carried out by Chile and in follow-up activities associated with a review by China last year.

### Product testing

Data from the DFSV Product Surveillance Program continues to demonstrate high levels of industry compliance with microbiological limits in the Code. For the 2017–18 period, 3,541 dairy product samples were tested as part of the program. Of the products tested, six batches of cheese were found to be positive for *E. coli* at a level greater than the limits in the Code. No salmonella or *Listeria monocytogenes* were detected in any sample.



It is also important that consumers of dairy food are provided with clear and accurate information about the content of dairy food so that they can make informed choices about its consumption. As part of an ongoing focus on allergen management, DFSV also undertook a pilot testing program to examine the presence of undeclared allergens in ice cream and dips manufactured by DFSV licensees. The aim was to verify the allergen control programs of dairy manufacturers and assess the extent to which undeclared allergens may be present in Victorian dairy products. Fifty-seven batches were tested as part of this program. The outcomes of the program are published on the DFSV website.

### Enforcement

If non-compliance with a requirement of the food safety program, the Code or other relevant regulations is identified, DFSV will take enforcement action proportionate to the seriousness of the legislative non-compliance and the food safety risk.

In 2017–18, there were 23 visits to manufacturers outside of the regular audit program, either as enforcement audits or to close out corrective action requests. All enforcement actions are detailed in the following table.

# Performance report

## Key performance indicators

Success	Indicators	2015–16	2016–2017	2017–2018
No foodborne illness outbreaks attributed to Victorian dairy products	Number of foodborne illness outbreaks	0 (zero)	0 (zero)	0 (zero)
<b>Licensees subject to compliance enforcement actions (Number/%)</b>				
Industry compliance with regulatory requirements (Number of licensees with a dairy product with non-compliant contaminant reported by category: pathogen, chemical, physical, allergen (undeclared))	Corrective action request (critical) – presents an imminent risk to food safety	2 (0.05%) F 7 (3.5%) M	1 (0.03%) F 7 (3.5%) M	1 (0.3%) F 8 (3.8%) M
	Increased audit frequency (enforcement audit)	2 (1%) M	4 (2%) M	4* (1.9%) M
	Orders issued under the Dairy Act or Food Act	1 (0.03%) F 1 (0.5%) M	2 (unlicensed manufacturers)	3 (1.4%) M
	Food safety program suspended or withdrawn	0 (0.0%)	0 (0.0%)	0 (0.0%)
	Dairy licence suspended or cancelled	0 (0.0%)	0 (0.0%)	0 (0.0%)
	Prosecution under the Dairy Act or Food Act	0 (0.0%)	0 (0.0%)	0 (0.0%)
<b>Licensee dairy products found with a non-compliant contaminant (Number/%)</b>				
	Pathogen (organisms that can cause illness)	19 (11%)	11 (5.5%)	17 (8.1%)**
	Chemical	0 (0.0%)	0 (0.0%)	0 (0.0%)
	Allergens (undeclared)	1 (0.5%)	3 (1.5%)	2 (1.0%)***
	Physical	8 (4%)	8 (4%)	6 (2.8%)

\* (3 carry over programs from 2016–17)

M = manufacturer F = farmer

\*\* All pathogen incidents identified were handled at the factory level or within the supply chain, with no risk to public health. One instance of *Cronobacter sakazakii* in milk powder was detected in the market and was investigated at the site.

\*\*\* Two allergen incidents are the result of allergenic contamination of non-dairy products.

## 2. Management of food safety incidents objective

*To protect public health through rapid and appropriate management of food safety incidents*

All those involved in the production of dairy food need to ensure that food is produced, manufactured and handled in a safe manner to prevent products becoming unsafe or unsuitable for consumption. Despite everyone's best efforts, incidents can sometimes occur. It is therefore essential that DFSV has the technical expertise, systems and resources to quickly respond to any food safety incident that poses a risk to public health, and has a response plan in place that can be rapidly executed if required.

### Pathogen investigations

The presence of pathogens in dairy products or dairy processing environments requires rapid and effective action to control and manage affected products, minimise the risks to consumers and correct identified problems to prevent recurrence.

During the 2017–18 reporting period 24 pathogen detections at 17 manufacturing sites were appropriately managed by manufacturers with oversight of DFSV, with no resulting risk to public health. Most were managed within approved company food safety programs, with only one requiring a trade recall to retrieve all impacted stock.

### Consumer complaints

DFSV takes all complaints seriously and investigates complaints relating to food safety issues or non-compliance with standards at a DFSV licensed business as a priority. A total of 44 complaints were received during the year relating to products or practices of DFSV licensees. Seven extraneous matter complaints and three complaints about manufacturing premises were investigated and appropriate action taken; six complaints about labelling were assessed against the requirements of the Code and 23 complaints relating to quality were referred to the respective manufacturers for follow up. Five complaints relating to allergens resulted in two product recalls and three instances where the allergen could not be found in the sample provided by the consumer. The two recalls related to non-dairy products produced by DFSV licensees.

### Food safety risk assessments

DFSV undertakes farm-based risk assessments addressing incidents such as inadvertent exposure of cows to herbicides and pesticides following access to sprayed and treated pastures. In 2017–2018, a total of 13 assessments were undertaken to identify the likelihood of maximum residue limits for agricultural chemicals in milk being exceeded. The assessments enable the manufacturer to make objective decisions regarding the collection or rejection of milk on farm.

Deterministic microbiological assessments of finished products are also undertaken. This occurs when microbiological test results exceed levels in manufacturers' food safety programs, and there is a need to assess the potential risk to consumers. During 2017–2018, three assessments were completed.

### Emergency preparedness

DFSV has maintained its Critical Incident Response Plan which outlines the organisation's approach to preparedness and management of food safety incidents and emergencies beyond 'business as usual'.

The overarching plan is supported by specific incident plans (foodborne illness response, non-compliant product response, business continuity and IT disaster recovery plans) and a generic communications plan. No incidents of a food safety nature resulted in activation of the Critical Incident Response Plan during the reporting period.

To maintain preparedness for an emergency situation, the business continuity plan was put to the test during the year with a 'disruption to business' simulation exercise. DFSV also participated in a FSANZ-led National joint government/industry food incident exercise to review current incident response processes in a changing environment with new people, new risks and new intelligence sources.

In March a number of dairy farmers and businesses in the south west of the state were impacted by fires which destroyed farm buildings, fences, crops and stock. While there were no serious risks to food safety, DFSV provided input into the joint response planning coordinated by Dairy Australia, Agriculture Victoria and the Victorian Farmers Federation.

# Performance report

## Key performance indicators

Success	Performance indicators	2015–16	2016–17	2017–18
	Qualitative evaluation using licensee feedback*			
Timely and proportionate response to food safety incidents	DFSV response was timely given the level of risk involved	85%	N/A*	N/A*
	The actions needed to address the incident were proportionate to the risks	81%	N/A*	N/A*
	How strongly do you agree or disagree that DFSV manages food safety incidents well? **	N/A	82% agreement	87% agreement
	Qualitative evaluation using results of internal post-incident debrief			
			No incidents triggered implementation of the CIRP	No incidents triggered implementation of the CIRP

\* These questions were not asked in the 2016 and 2017 DFSV licensee surveys

\*\* Question from 2015–16 amalgamated in to a single question



### 3. Reputation objective

*To be seen as a fair and effective regulator by all stakeholders*

To maintain industry and consumer confidence in DFSV as an effective regulator, we must ensure we undertake our responsibilities at the highest standard possible. We must also be aware of, and be responsive to changes in local and global regulatory and dairy operating environments, and understand the challenges and opportunities these present to our licensees. Engagement with industry is crucial to this understanding, and stakeholder feedback on our services helps inform continuous improvement.

#### Auditor verification

DFSV ensures that regulatory food safety auditors maintain their standards of practice by undertaking verification of both DFSV food safety managers (high-risk food safety auditors) and approved farm auditors (low-risk food safety auditors). This takes the form of witnessed audits with feedback provided to the participants.

#### Monitoring change

Attendance and participation at a range of international and local conferences, seminars and events help DFSV staff to keep abreast of advances in both food safety science and regulatory practice as well as providing insights into the drivers of change in the industry. Events attended in 2017–18 are listed below.

DFSV also actively contributes to these fora. In 2017–18, the Chief Scientist presented *The case for coliforms* (Global dairy indicators: Coliform Vs Enterobacteriaceae – their regulation and effect on global trade symposium, IAFP) and *Foodborne illness incidents and recalls: are we losing focus?* (Food Technology Association of Australia, AGM).

DFSV regularly presents on the Victorian dairy regulatory system to Dairy Australia scholarship groups from Japan, China, and South-East Asia and delivers lectures to GoTafe Diploma of Food Science students on *Food safety regulations for dairy manufacturers*.

**Table 2:** Attendance at industry and regulatory events

State		
Gardiner Foundation Annual Dairy Leader's lunch – Melbourne	January 2018	Chairman, CEO
Dairy Industry Association of Australia (DIAA) Victorian State Conference – Melbourne	May 2018	Science and Industry Support and Compliance and Enforcement staff
United Dairyfarmers of Victoria – Conference – Melbourne	May 2018	Chairman, CEO, Chief Scientist
Gardiner Foundation – Monash Industry Team Initiative Program – Melbourne	May 2018	Chairman, CEO
National		
Environmental Health Professionals Australia – Symposium – Melbourne	September 2017	Compliance and Enforcement staff
Australian Dairy Industry Council – Annual Leader's Breakfast - Melbourne	November 2017	Chairman, CEO and Executive
Tasmanian Institute of Agriculture, Centre of Food Safety & Innovation – Annual Forum – Melbourne	January 2018	Science and Industry Support team
Environmental Health Professionals Australia – Food safety forum – Melbourne	February 2018	Compliance and Enforcement staff
Dairy Australia – Situation and outlook briefing – Melbourne	June 2018	Chairman, CEO, Executives and Communications Manager
International		
International Association for Food Protection (IAFP) – Annual Meeting – US	July 2017	Chief Scientist
International Dairy Federation – World Dairy Summit – Ireland	October 2017	CEO
Global Food Safety Initiative – Conference – Japan	March 2018	GM Compliance and Enforcement

# Performance report

## Stakeholder engagement

DFSV has maintained its framework for engagement and communication with its stakeholders – licensees and their peak bodies, government agencies, contract auditors, researchers and service providers – through a variety of channels. This includes participation in joint industry and government projects, attendance at industry forums, conferences and other events and individual one-on-one meetings. During 2017–18 DFSV consulted with licensees on key regulatory proposals including the revocation of DFSV's *Code of Practice for Dairy Food Safety* and proposed fees and charges for 2018–2019.

The DFSV-facilitated Farm Auditor Working Group is an important means of maintaining oversight of on-farm compliance and provides a forum for discussion about farm food safety audit findings, trends and audit-related issues. A change in format during the year from biannual Melbourne-based meetings to regional meetings in Tatura, Warragul and Warrnambool enabled more milk company quality/milk supply staff, field officers and regional dairy programs to participate as well as DFSV approved auditors.

DFSV continues to engage regularly with licensees and stakeholders through our website, social media, and quarterly newsletter as well as ongoing delivery of industry seminars and learning network forums.

DFSV conducted its third annual licensee engagement survey in April 2018. Participation was invited from the 304 licensees comprising the manufacturing, distribution and carrier licensee groups. From either a telephone interview or on-line survey, a total 87 responses were received, representing 29 per cent of these licensees.

Similar to the results from previous surveys, 2017–18 licensee survey results demonstrate a high degree of confidence in DFSV as a regulator. This includes DFSV's ability to safeguard public health, support licensees with high quality communications and have appropriately skilled and empowered staff.

## Key performance indicators

Success	Performance indicators	2015–16	2016–17	2017–18
High stakeholder confidence in DFSV's ability to deliver on its regulatory obligations % and number of surveyed licensees with high level of confidence in DFSV's ability to deliver on its regulatory obligations	Qualitative evaluation using stakeholder feedback			
	Confidence in DFSV as a regulator	88%	90%	94%
	Confidence that DFSV activities adequately safeguard public health	92%	89%	92%
	DFSV conducts audits frequently enough to ensure dairy safety laws are adhered to	97%	97%	97%
	DFSV acts to address any identified non-compliance with dairy food safety laws	97%	97%	100%
High proportion of external recipients of communications satisfied with the quality of communications that they received	Level of satisfaction with the quality of communications they received	95%	96%	98%



## 4. Advice and support objectives

*To provide existing licensees and new market entrants with useful, credible advice, supporting them to meet dairy food regulatory requirements. To increase the knowledge base of DFSV to support our regulatory decision making.*

DFSV encourages voluntary compliance with food regulation by promoting understanding of compliance requirements, providing information to support licensees to comply, and providing technical and scientific advice to enhance the capability and competence of personnel in the dairy manufacturing sector.

### Industry support – information and guidelines

Prominent activities in 2017–18 included development of the *Victorian dairy licence handbook* to support licensees post revocation of the DFSV *Code of Practice for Dairy Food Safety*. The handbook provides an overview of the regulatory framework and assists licensees with understanding their obligations as a licence holder.

Three key guideline documents were published on hygienic design of manufacturing premises, developing a food safety program, and managing allergens in food production. These documents fill a critical gap in guidance for dairy manufacturers and are designed to help build the technical knowledge necessary to produce safe dairy food.

During 2017–2018, DFSV commenced active engagement with new manufacturing licensees. This is in the form of an induction through informal face-to-face meetings, where new entrants to the industry are welcomed, provided with guidance materials, informed about where to find additional support and encouraged to subscribe to the DFSV website, attend learning networks, join the online Dairy Industry Technical Support Group, and access the advice line and other support activities.

### Industry support – events

DFSV hosted two major industry support events during the year - a microbiological testing seminar, and a workshop on good hygienic practice for ice cream and dairy dessert manufacturers. These events attracted good attendance from across the manufacturing sector and were well received by attendees. This continues our active program in identifying critical knowledge and information gaps and delivering content to a broad cross-section of industry. Content from these events is recorded on video and made available on the DFSV website.

The long-standing presentation of Learning Network forums in five regions of Victoria continued during the year. More than 100 industry personnel attended the biannual sessions, representing more than 40 per cent of manufacturing licensees. Topics covered included allergens, product recalls, milk cooling, country of origin labelling, regulatory updates, and summary reports on DFSV industry performance and the Product Surveillance Program.

DFSV also supports industry through sponsorship of events. This included hosting a trade display at the DIAA Victoria State Conference promoting our industry support activities and sponsoring the DIAA Victorian dairy product competition awards luncheon. Other sponsorship included Food Allergy week, and the Australian Institute of Food Science Technology convention.



# Performance report

**Table 3: Industry support**

Publications – guidelines		Published date
Victorian dairy licence handbook		December 2017
Hygienic design: guidelines for dairy food manufacturing premises		October 2017
Developing a food safety program: guidelines for dairy food manufacturers		February 2018
DFSV allergen guidelines		June 2018
Technical information notes		
Calibration of monitoring equipment		March 2018
Cheese in oil – the risk of botulism		March 2018
Maintenance programs		December 2017
Indicator organisms in the dairy industry		November 2017
Seminars/workshops		Attendance
Good hygienic practice (GHP) for ice cream and dairy dessert manufacturers		25
Microbiological testing		130+
Learning Network forums	Attendees	Licensees represented
October 2017	59	45
March 2018	55	43

## Technical support

DFSV continues to provide high-level technical and scientific advice to licensees, and also to DFSV staff to support compliance operations. This includes providing guidance and interpretation of food standards, undertaking risk assessments, validating dairy processing operations, and trouble shooting at manufacturing premises where food safety managers have identified issues and recommend the need for assistance.

In 2017–18 the technical hotline responded to 122 enquiries, 91 per cent within two days, on a range of topics most commonly related to labelling (25%), regulations/standards (11%), validations (10%) and microbiology/pathogens (10%).

## Environmental monitoring

DFSV monitors all forms of media and tracks local and global scientific literature for new and emerging issues in food safety, and trends in food safety management and regulation, such as the introduction of food safety culture, food fraud, and antimicrobial resistance. This information is disseminated across DFSV, including a regularly updated environmental scan for the DFSV Board.

## Research and development

DFSV funded the *Improved understanding of the risk of Bacillus cereus in Australian dairy products* project undertaken by the University of Tasmania. The study established the prevalence of *B. cereus* in retail pasteurised milk and ricotta cheese, and examined the prevalence of diarrhoeal toxins (NHE and HBL) and cereulide genes (produces the emetic toxin) in *B. cereus* isolates. The results demonstrated that *B. cereus* may contaminate selected dairy products, but some form of temperature abuse is needed for numbers to reach levels that are of concern to public health. The results will further inform the development of a growth model for use in validation trials.

## 5. Participation objective

*To participate in the food regulatory system to ensure the interests of Victoria and the Victorian dairy industry are represented*

DFSV provides input to the broader food regulatory framework across Australia and keeps abreast of developments in other jurisdictions to support consistent implementation. DFSV also regularly engages with other Victorian food regulators to achieve a consistent regulatory approach to all Victorian businesses.

### Food standards

DFSV's CEO participates at a national level as a member of the Implementation Subcommittee for Food Regulation and DFSV monitors the development of food standards and provides input where new standards or amendments to standards related to dairy food are being considered.

Staff continued to have direct involvement in the review and revision of (microbiological standards), including input into FSANZ drafting of the *Compendium of Microbiological Criteria for Food*. A working group to review microbiological criteria for dairy products continues to meet to progress this work. Importantly it will see process hygiene criteria removed from the Code and incorporated in the Compendium. DFSV has played an active role in scoping the review and providing technical input into the preparation of content, including information and advice on hazards, risk factors, and their control.

### Collaboration

The Memorandum of Understanding between the Department of Agriculture and Water Resources and state regulatory authorities on export certification has undergone extensive review. This will result in implementation of a closer working relationship with the department, with more frequent face-to-face exchange of information at the operational level, and implementation of joint audits between the Department of Agriculture and Water Resources and DFSV.

During the year DFSV participated in a joint presentation with the Department of Agriculture and Water Resources and Dairy Australia to a Food and Drug Administration delegation from Guangzhou province in China, and presented with Austrade to an official delegation of the Ministry of Commerce of China.

DFSV participates in the Food Export Regulators Steering Committee and the Dairy Export Industry Consultative Committee and is contributing, along with other state regulatory authorities and Dairy Australia, to the Department of Agriculture and Water Resources' Package Assisting Small Exporters (PASE) project.

The CEO is a member of the Victorian Food Regulators Forum and during the reporting year participated in the Commissioner for Better Regulation, Regulators Community of Practice. DFSV is an active member of the Environmental Health Food Special Interest Group providing an important touch point between DFSV and local Government councils in the area of food safety and participates in the Victorian Livestock Industry Consultative Committee.

# Performance report

## 6. Finance objective

*To be financially stable and responsible*

As a Victorian public-sector agency, DFSV operates within the Victorian Financial Management Compliance Framework, ensuring compliance with the Standing Directions of the Minister for Finance 2016 to provide effective, efficient and responsible financial management of public resources.

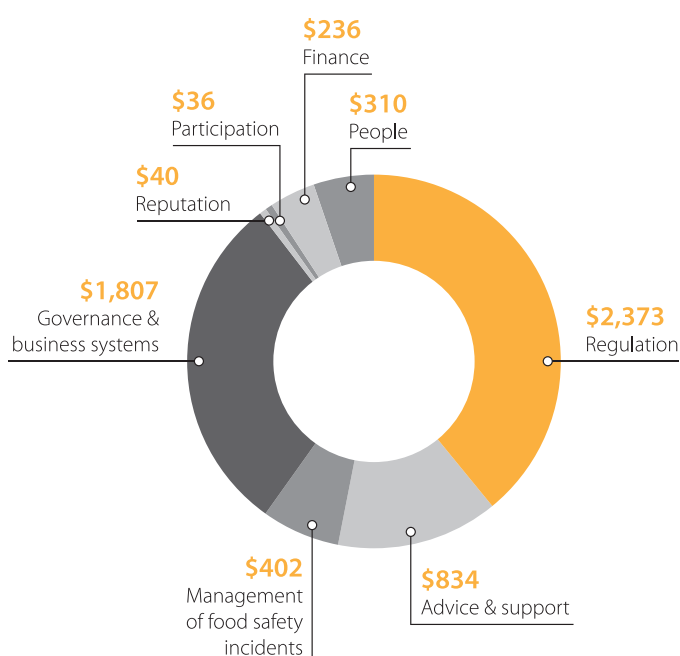
DFSV maintains appropriate systems and regularly reviews its accounting policies and procedures to ensure ongoing compliance with the framework.

## Financial management

DFSV has maintained a financially stable position keeping expenditure for the year within budget. The DFSV Board has established a total equity (net assets) policy position at a minimum of 90 per cent of annual expenditure, and this position has been maintained.

The allocation of budgetary resources across DFSV's strategic activities is shown in the chart below. Consistent with the previous year, DFSV allocated the largest component of its budget to activities under the Regulation objective to maintain compliance with food safety requirements.

**Figure 1:** Budget allocation against portfolio areas (\$ thousands)



**Table 4:** Five-year financial summary

	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Total income from transactions	6,122,965	5,974,788	5,848,805	5,789,923	5,373,608
Total expenses from transactions	(5,889,584)	(5,709,571)	(5,718,274)	(4,950,281)	(4,791,584)
Net result from transactions	233,381	265,217	130,531	839,642	582,024
Other economic flows	5,135	15,427	(121,693)	(20,181)	–
Net result for period	238,516	280,644	8,838	819,461	582,024
Net cashflow from operating activities	662,368	323,219	577,834	1,193,616	558,437
Total assets	7,681,959	7,157,153	7,203,464	6,842,473	5,885,182
Total liabilities	1,136,371	850,081	1,177,036	824,883	687,053

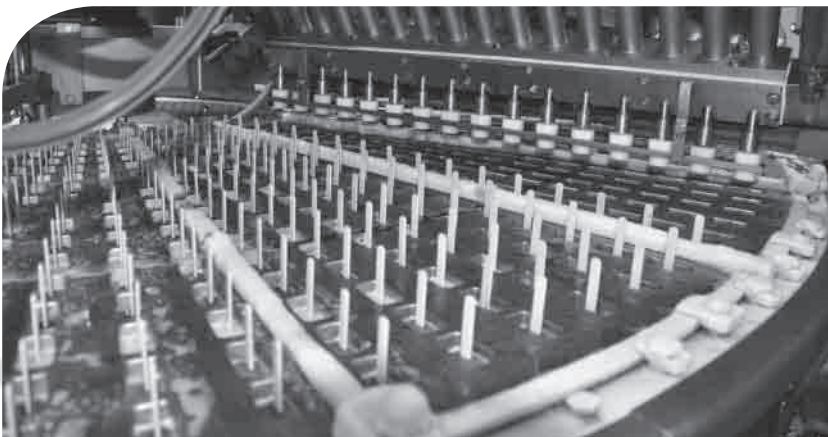
DFSV's net result from transactions reflects responsible financial management related to what is directly within DFSV's control. The effects of revaluations (holding gains or losses) arising from changes in market prices and other changes in the volume of assets shown under 'other economic flows' on the comprehensive operating statement, are outside the control of DFSV.

The net result from transactions for 2018 reflects a consistent result compared with 2017 as a result of total income and expenditure activity levels showing similar increases over 2017. The increase in total assets is mostly attributable to positive cash flows achieved from operating activities and the increase in liabilities is attributable to the revaluation of employee benefits and recognition of payables as at 30 June 2018.

Despite applying minimal increases in fees and charges in recent years, including no increase for farmers in 2016–17 and a less than CPI increase across the industry in 2017–18, DFSV has maintained costs within budget and achieved a favourable net result from transactions. This was achieved whilst continuing to deliver regulatory service delivery requirements, including comprehensive product testing to monitor industry compliance, on-going stakeholder engagement, communication and science-related support.

#### Key performance indicators

Success	Performance indicators	2015–16	2016–17	2017–18
DFSV operates within budget	% and dollar value of actual expenditure compared with budget	Total expenditure \$5,718K (92% of budget)	Total expenditure \$5,709K (92% of budget)	Total expenditure \$5,889K (97% of budget)
	% and dollar value of actual revenue compared with revenue forecast	Total revenue \$5,849K (98% of forecast)	Total revenue \$5,975K (99% of forecast)	Total revenue \$6,123K (99% of forecast)





# Performance report

## 7. Governance and business systems objective

*To maintain effective and efficient governance and business systems*

### Risk management framework

DFSV has a risk management framework in place that is consistent with the Victorian Government Risk Management Framework and the Australian/New Zealand Standard – Risk Management Principles and Guidelines AS/NZS ISO 31000:2009. DFSV has procedures in place for the identification, analysis and management of organisational risk and regular review of its framework and process.

### Internal audit program

DFSV's internal audit program contributes to evaluating and improving the effectiveness of risk management, internal controls, governance process, operational efficiency, and compliance with applicable laws and regulations, and government and DFSV policies and procedures.

RSM Australia Pty Ltd is DFSV's appointed internal audit provider, and during 2017–18, reviews were undertaken of DFSV controls and processes around payroll, compliance and enforcement framework, fraud risk management and end-to-end procurement and supplier management.

### Complaints management

DFSV is committed to responding to and addressing any complaints received about a DFSV service or decision within 20 business days. During 2017–18, DFSV received one complaint which was investigated, responded to and closed out within that timeframe.

### DFSV strategic and operational plans

DFSV continues to monitor and report its performance using a range of quantitative and qualitative key performance indicators and trend results show that DFSV continues to successfully discharge its regulatory remit to protect public health.

To maintain performance and ensure that the plan also reflects the Victorian Government's objective of growing agriculture and food industries, the DFSV Board held a strategic review workshop in November 2017 in which it considered changes in the operating environment that may impact on future directions and explored key drivers that influence DFSV's regulatory environment. The revised Ministerial Statement of Expectations received in June 2018 will also inform planning for the 2018–20 period.

The planning cycle to support the operational business plan for the 2018–2019 year commenced in January 2018 with two facilitated whole-of-organisation workshops.

Participation in this way supports buy-in and engagement with the planning process and allows staff to connect their own workplans and performance with the DFSV's broader strategic direction.

### Records management

DFSV has continued its digital record transition program following the establishment in 2016 of an electronic document and records management system compliant with the requirements of the Public Records Office of Victoria. To support the ongoing strategy for digital records, DFSV developed a digital signature policy to introduce authorisations by cryptographic signatures and improved workflow functionality.

### Information systems

Building on the establishment of the business intelligence infrastructure in 2014, DFSV has continued to refine and extend the suite of reports generated from the reporting environment to facilitate trend analysis and reporting of organisational and industry performance. Using source data from licencing and regulatory operations, a particular focus has been on supporting the performance reporting framework for the revised compliance and enforcement framework in anticipation of reporting against DFSV's revised Ministerial Statement of Expectations.

DFSV has continued to utilise cloud-based services for hosting business applications where a business case and risk assessment supports such development. During the year, this framework was used to support the implementation of a cloud-hosted staff performance and development system to replace the previous paper-based system.

Other initiatives implemented during the year to improve the effectiveness and efficiency of DFSV's business systems include the progressive roll out of an electronic auditing system to replace the paper-based recording of field audits and replacement of the digital landline phone system with a Voice Over Internet Protocol (VOIP) system.

### Victorian Protective Data Security Framework

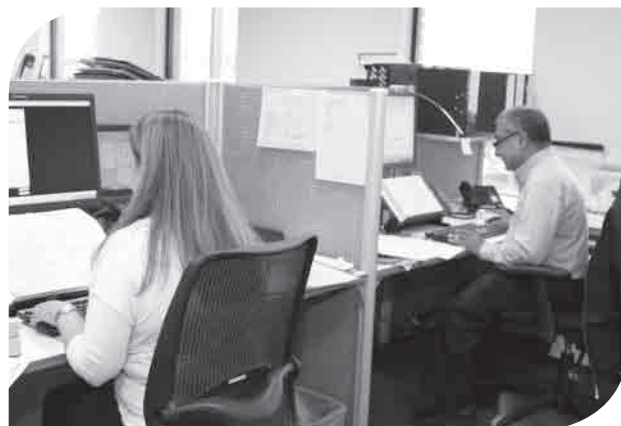
As a public-sector agency, DFSV has reviewed its information security environment as required under the newly established Victorian Protective Data Security Framework. Using this framework DFSV has identified and valued its information assets, assessed the effectiveness of existing information security controls and, where opportunities to strengthen controls have been identified, developed a protective data security plan to address them. DFSV will be providing its security plan to the Office of the Victorian Information Commissioner and attestation that it meets its obligations under the framework by the required date of the end of August 2018.



### Business continuity preparedness

An exercise conducted in December 2017 tested DFSV's Business Continuity Plan and specifically, DFSV's working from home procedures. The assessment of DFSV's preparedness for, and response to the simulated crisis (inability to access DFSV offices) showed that DFSV is well placed to continue to provide essential services in the event of a disruption to business as usual operations.

DFSV has maintained emergency management protocols for its information systems by undertaking programmed recovery testing of its operating system and business applications and enhanced the IT Disaster Recovery Plan to support improved recovery times in the event the plan is activated.



### Key performance indicators

Success	Indicators	2015–16		2016–17		2017–18	
	Recommendations from review and audits implemented within agreed timeframes						
Best practice corporate governance		Agreed	Implemented within timeframe	Agreed	Implemented within timeframe	Agreed	Implemented within timeframe
	Internal reviews or audits	39	69%	22	64%	23	73%
	External audit (Victorian Auditor General's Office)	1	100%	1	100%	1	N/A
	Full compliance with the Victorian public-sector governance framework						
	DFSV complied with its reporting obligations to the Victorian Government in 2014–15, 2015–16 and 2016–17 with the exception of partial compliance in 2015–16 with Financial Management Compliance Framework Standing Direction 17– IT Disaster Recovery and in 2016–17 with Standing Instruction 3.4–11 Gifts, Benefits and Hospitality website register.						

# Performance report

## 8. People objective

*To have staff with an appropriate level of technical and interpersonal skills who are empowered to undertake their role, and exercise their authority with confidence*

DFSV's employees are its most important asset and fundamental to its success. DFSV actively encourages staff to identify and undertake training and development activities to ensure they have up-to-date skills and knowledge commensurate with their duties and responsibilities.

### Staff engagement

DFSV recognises that staff engagement and organisational culture critically underpins the ability of DFSV to successfully achieve its strategic objectives. DFSV conducted its annual staff engagement survey in April which measured the level of staff engagement using 16 indicators across a broad range of factors relating to employee engagement, long-term direction, leadership, organisational cohesion, collaboration, communication effectiveness, investment in people and business systems.

The survey identified a number of DFSV's strengths including internal communication, business systems and investment in people and also identified a number of areas where improvement may be considered, including long-term direction, problem solving between teams and consistent use of performance management systems. A newly created staff forum with representation across the business has ownership of developing and implementing an action plan to respond to the findings throughout 2018–2019.

### Competency framework

In 2016–17, DFSV developed a competency framework which articulates a range of core capabilities and behavioural indicators considered appropriate to the skills, knowledge and attributes required for DFSV staff positions, including management of people. The framework assists DFSV to recruit, develop and retain staff with the right level of competencies in those qualities, skills and knowledge to deliver on its objectives.

Using the framework, a competency analysis process was undertaken during the year across the organisation. Managers worked with their staff to map their current capabilities against required role competency levels and where skill gaps or development needs were identified, established plans to address them.

### Professional development

As well as ongoing 'on the job' professional development, staff attend relevant industry and regulatory events, participate in field visits to farming and manufacturing licensees, and webinars and online training programs. Formal training undertaken during the year included a 'Custodians of Culture' management program for all people and program managers, courses for formal qualifications in records management and human resources management and courses related to technical portfolios such as finance and IT.

Staff in the Science and Industry support team attended a wide range of courses including UHT validation, allergen management and risk assessment training, communication leadership, time management, stakeholder engagement for regulators, VITAL®2 training, and management excellence workshops.

All DFSV food safety managers completed refresher training and assessment in export legislation – requirements and application to industry. Other training by food safety managers included completion of a Certificate IV in Government [Investigations], UHT processes and aseptic packaging and a Diploma of Food Science and Technology (Dairy).

## Key performance indicators

Success	Performance indicators	2015–2016	2016–2017	2017–2018
Positive, engaged organisational culture	Qualitative evaluation using stakeholder feedback and staff survey	% positive response		
	Employee engagement (net score)	87%	65%	70%
	Qualitative evaluation using feedback from manufacturers	% positive response		
	Staff have the right level of technical expertise to do their job	98%	99%	90%
	Staff communicate clearly and effectively	98%	99%	100%
	Staff are empowered to enforce the regulations	97%	93%	97%
	Staff exercise their authority with confidence	95%	99%	95%

# Governance and organisational structure

## The DFSV Board

The DFSV Board consists of seven members, appointed to ensure a balance of the required skills and expertise. The Minister for Agriculture appoints the Chair and may also appoint one member nominated by the Secretary of the Department of Economic Development, Jobs, Transport and Resources. The minister appoints the remaining five members acting upon the recommendations of an industry selection committee.

Board members are appointed with regard to their expertise in one or more of the following areas:

- on-farm milk production
- dairy food manufacturing
- public health
- food technology and safety
- business management
- consumer issues
- any other area the minister considers relevant to the Authority's functions or powers.

Each member holds office for a term not exceeding three years and is eligible for re-appointment. The current Board term commenced in October 2015.

The DFSV Board is empowered to set the strategic direction and oversee the management and performance of the organisation within the framework set by the Dairy Act and is accountable to the Victorian Parliament through the Minister for Agriculture.

**Table 5:** Membership of DFSV Committees during 2018

Risk Management & Audit (RMA)	Assists the Board to fulfil its corporate governance and statutory responsibilities in relation to financial reporting, internal control, risk management systems and internal and external audit functions.	Peter Moloney, Committee Chair (independent non-executive) Josephine Davey (independent non-executive) Helen Dornom (independent non-executive)
Human Resources (HR)	Assists the Board in fulfilling its statutory responsibilities. The committee also assists the Board in the formulation of human resource management policies and procedures.	Peter Bailey Committee Chair Michael Blake Julie Simons
Fees & Charges Consultative* (FCC)	Consultation with the dairy industry on DFSV's proposed fees and charges for the next financial year.	Peter Moloney Committee Chair Michael Blake

\*In 2018, comments and feedback were invited from industry participants on DFSV's proposed fees and charges for 2018–19.

Nine Board and six committee meetings were held during the year.

**Table 6:** Attendance at Board and Board Committee meetings during the year ended 30 June 2018

	Board	RMA	HR
Total number of meetings	9	4	2
Board member	No. of meetings attended/ No. of meetings eligible to attend		
Anne Astin**	4/4	N/A	N/A
Michael Taylor*	5/5	N/A	N/A
Peter Bailey	8/9	N/A	2/2
Michael Blake	9/9	N/A	2/2
Josephine Davey+	4/5	2/2	N/A
Helen Dornom	9/9	4/4	N/A
Peter Moloney	9/9	4/4	N/A
Julie Simons	9/9	N/A	1/2

+ resigned effective 15 December 2017

\* resigned effective 21 December 2017

\*\* appointed effective 22 December 2017



DFSV Board members on a dairy factory tour

## Governance and organisational structure

### DFSV Board at 30 June 2018



#### Dr Anne Astin – Chair

B.Sc Chemistry, B.Sc (Hons) Biochemistry, PhD (Biochemistry),  
GradDip Public Sector Management, PSM, FAIFST, MAICD

Anne was appointed Chairman in December 2017. She was inaugural CEO of Dairy Food Safety Victoria until 2010 and previous to that held senior executive positions in the Victorian public sector for 30 years in food policy and regulation, public health, agriculture, minerals and petroleum, natural resources and environment, land administration and forensic science.

Anne is currently Chair of the Board of the Food Agility Co-operative Research Centre, Sir William Angliss Institute of TAFE, SafeFish Partnership, Australian Industry Skills Council's Food, Beverage and Pharmaceutical Industry Reference Committee and the Grains and Legumes Nutrition Council's Code of Practice Complaints Committee.

She is a Director of the Australian Packaging Covenant and a member of Australia's Health Star Rating Advisory Committee, and independent member of EnergySafe Victoria's Audit and Risk Committee. In 2016, she was appointed as a Trustee of Kildare Ministries, elected to the Council of Catholic Social Services Victoria and appointed to New Zealand's Food Safety Science and Research Centre's National Science Advisory Panel.



#### Peter Bailey

M Agr Sc, B Agr Sc

Peter was appointed to the Board in October 2012. He has extensive experience working in animal biosecurity, animal welfare and food safety. Until retiring in 2009, Peter was Victoria's Executive Director of Biosecurity at the Victorian Department of Primary Industries. Peter has held several board positions including Deputy Chair of the Victorian Meat Authority from 1993 to 2003. He recently retired as a member of the Board of the Game Management Authority. Over the last eight years, Peter has been involved, on a part-time basis, on a range of projects relating to animal and plant biosecurity, invasive species control, food safety, animal welfare and game management.



#### Michael Blake

BSc, PhD, MBA, GAICD

Michael was appointed to the Board in October 2015. He is a highly-qualified senior manager with many years' experience in food, food packaging and agriculture organisations. He is the current Director, Biosecurity Centre of Excellence at Box Hill Institute and has previously served on the Food Safety Council of Victoria. He has a strong knowledge of commercial innovation and research development, and professional working knowledge of the dairy supply chain, having completed his PhD in dairy processing at Utah State University and previously led research and development at Bonlac Foods, and Dairy Australia's pre-farmgate research and development portfolio for animal performance.





### **Helen Dornom**

B Agr Sc (Hons), GAICD

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Helen was appointed to the Board in October 2015. She is a senior executive with extensive experience in the dairy industry, including export reform, industry deregulation and restructure, issues management, industry reputation and quality assurance. In her current role with Dairy Australia, Helen focuses on sustainability, food safety and integrity. She has worked with CSIRO Dairy Research, the Australian Dairy Industry Council and the Australian Dairy Products Federation, and is currently Vice-president of the Sustainable Agriculture Initiative. Helen has served on a number of International Dairy Federation and FSANZ committees related to residues, animal health and welfare, farm management and food standards.



### **Peter Moloney**

BEC, GAICD, Chartered Accountant

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Peter was appointed to the Board in October 2012. He is an experienced risk and audit practitioner, working for over 35 years with a broad range of organisations across the public and private sectors. As a past partner of Ernst & Young and William Buck, Peter was responsible for managing substantial risk practices in both organisations. Peter has held a number of board roles including William Buck and Friends of the Zoos; and is also an audit committee member for Department of Justice, Victorian Independent Broad-based Anti-Corruption Commission (IBAC), and VicHealth.



### **Julie Simons**

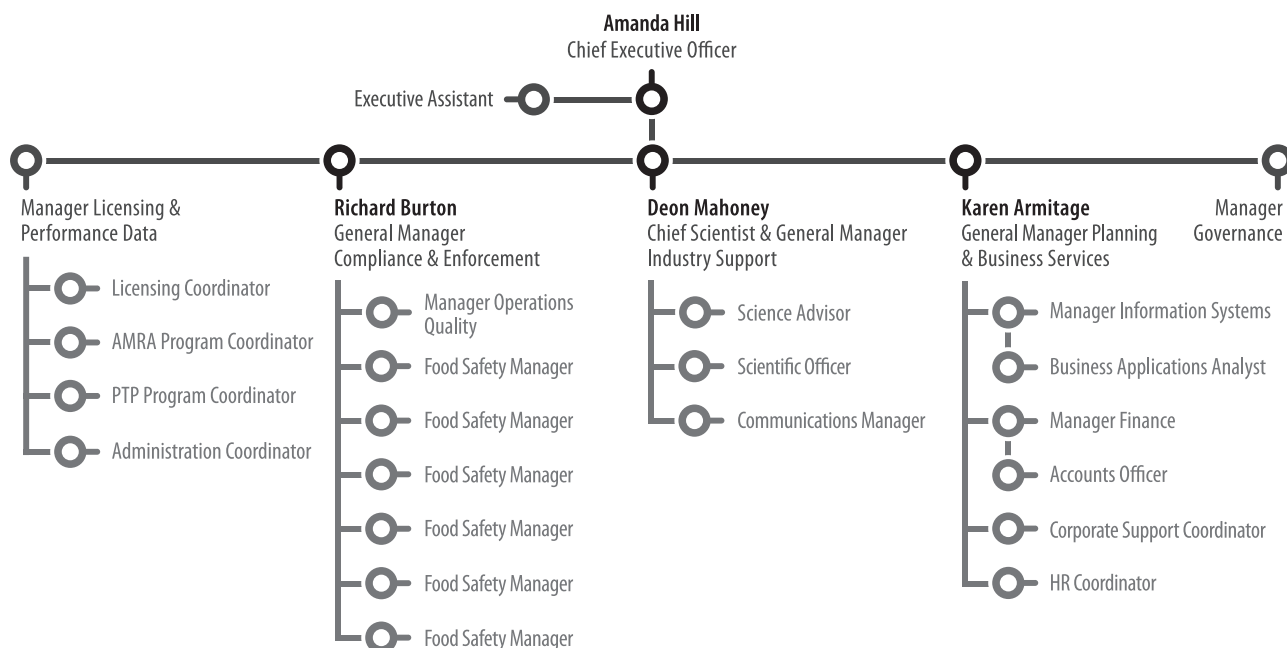
BSc (Hons), PhD, GAICD

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Julie was appointed to the Board in October 2015. She is an experienced representative of the Victorian Government and brings expertise in policy formulation and implementation, industry research and development, and agricultural and stakeholder engagement. Julie has worked for the Victorian Government since 1988 in various roles including as a senior research scientist and currently as Director of Agriculture, Industry and Rural Transition in the Department of Economic Development, Jobs, Transport and Resources. She has led key rural industry achievements including recovery responses for farmers affected by drought, natural disasters and other shocks, and overseeing the State Government's partnership with the Rural Financial Counselling Service.

# Governance and organisational structure

## DFSV organisational chart



## Occupational health and safety

DFSV has maintained its occupational health and safety (OHS) framework to ensure that the DFSV workplace remains a safe one and that any OHS risks are identified and appropriately managed. The framework includes maintaining OHS policies and procedures, a hazard risk register and incident reporting processes, workplace inspections, internal consultation through a dedicated Health and Wellbeing Committee and an ongoing program of OHS training. Training courses attended by DFSV employees during the reporting period included first aid, defensive driving for field staff, and equipping staff with the confidence and skills in dealing with difficult behaviour. DFSV continues to have two trained contact officers to provide advice to staff in relation to workplace behavioural and conduct matters, including discrimination, harassment and bullying.

A range of OHS related activities were offered to employees throughout the year aimed at minimising the risk of workplace health or safety illness or injuries. These activities included:

- an influenza vaccination program
- personal protective equipment and car safety equipment for field staff
- ergonomic assessments for work stations and cars
- access to fresh fruit each week
- an employee assistance program.

Two occupational health and safety incidents were reported during the 2017–18 period compared to one incident reported in 2016–17. No WorkCover claims were lodged by DFSV for this period.

# Workforce data

## Employment and conduct principles

DFSV has maintained its industrial relations framework, including relevant policies and procedures based on the requirements of the Victorian Government Agencies Award 2015, associated employment standards, and Victorian public-sector policy. DFSV remains committed to applying merit and equity principles when appointing staff. The recruitment process complies with all current and relevant legislation relating to recruitment; and is conducted under the principles of fairness and equal opportunity.

## Comparative workforce data

**Table 7:** Summary of employment levels

Ongoing employees					Fixed term and casual
	Employee (Headcount)	Full time (HC)	Part time (HC)	FTE	FTE
June 2017	25	17	8	21.9	0
June 2018	27	19	8	24.4	0

**Table 8:** Detail of employment levels

	June 2018			June 2017		
	Ongoing		Fixed and casual employees	Ongoing		Fixed and casual employees
	Ongoing Employee (Headcount)	FTE	FTE	Ongoing Employee (Headcount)	FTE	FTE
<b>Gender</b>						
Male	10	10	–	10	10	–
Female	17	14.4	–	15	11.9	–
Self-described	0	0	–	0	0	–
<b>Total</b>	<b>27</b>	<b>24.4</b>	<b>–</b>	<b>25</b>	<b>21.9</b>	<b>–</b>
<b>Age</b>						
Under 25	–	–	–	–	–	–
25–34	1	0.8	–	1	0.6	–
35–44	9	6.9	–	7	5.8	–
45–54	9	8.7	–	8	6.5	–
55–64	8	8	–	8	8	–
Over 64	–	–	–	1	1	–
<b>Total</b>	<b>27</b>	<b>24.4</b>	<b>–</b>	<b>25</b>	<b>21.9</b>	<b>–</b>
<b>Position</b>						
Executive	4	4	–	3	3	–
Corporate	12	10.3	–	11	9	–
Technical	11	10.1	–	11	9.9	–
<b>Total</b>	<b>27</b>	<b>24.4</b>	<b>–</b>	<b>25</b>	<b>21.9</b>	<b>–</b>

## Other disclosures

### Victorian Industry Participation Policy

The Victorian Industry Participation Policy Act 2003 requires public sector bodies to report on the implementation of the Victorian Industry Participation Policy (VIPP). Public sector bodies are required to apply the VIPP in all procurement activities valued at \$3 million or more in metropolitan Melbourne and for statewide projects; or \$1 million or more for procurement activities in regional Victoria. DFSV has not undertaken any projects during the financial reporting period relevant to the VIPP.

### Disclosure of consultancy expenditure

In 2017–18, the total amount for consultancies engaged during the year greater than \$10,000 is as shown: All figures exclude GST.

**Table 9:** Consultancy expenditure

Consultant	Purpose of consultancy	Total approved project fee	Expenditure 2017–18	Future expenditure
AEP Corporate	Employment services	\$12,000	\$11,850	–
Maddocks Lawyers	Compliance and general legal	\$55,000	\$52,727	–
Marsden Jacob & Assoc.	Funding model review	\$40,000	\$37,500	–
Negotiation Education Aust.	Annual operating plan services	\$13,500	\$13,500	–
Nous Group	Board facilitation	\$50,000	\$44,354	–
Quantum Market Research (Aust) Pty Ltd	Stakeholder engagement survey	\$21,000	\$21,000	–
RSM Australia Pty Ltd	Internal audits	\$80,000	\$75,255	–
Sherlock Food Allergen	Allergen management guide	\$18,000	\$17,329	–
Socom Pty Ltd	Crisis ready plan	\$25,000	\$25,000	–
University of Melbourne	Bacterial review project	\$20,000	\$19,917	–
Vital Advisory Pty Ltd	Victorian protective data review	\$23,000	\$22,750	–
<b>Totals</b>		<b>\$357,500</b>	<b>\$341,182</b>	–

The total of all individual consultancy amounts that were less than \$10,000 was \$23,995.

### Information and Communications Technology (ICT) expenditure

For the 2017–18 reporting period, DFSV had a total ICT expenditure of \$509,000 with the details shown below (\$ thousands)

**Table 10:** ICT expenditure

			\$ thousands
All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
Business as usual (BAU) ICT expenditure	Non-business as usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and capital expenditure)		
<b>\$306</b>	<b>\$203</b>	<b>\$471</b>	<b>\$38</b>

ICT expenditure refers to costs in providing business enabling ICT services. It comprises business as usual (BAU) ICT expenditure and non-business as usual (non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing DFSV's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

## Freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by DFSV as the prescribed authority for the purposes of the Act. There were no freedom of information requests received by DFSV for the 12 months ended 30 June 2018.

Freedom of information requests must be made in writing identifying as clearly as possible the documents requested and including payment of the application fee of \$28.90. The fee may be waived if the payment is likely to cause hardship to the applicant. Assistance can be provided to applicants to help determine the type of documents being requested. Access charges may also apply once documents are processed and a decision on access is made; for example, photocopying and search and retrieval charges.

Requests for documents in the possession of DFSV should be addressed to:

Freedom of Information Officer  
Dairy Food Safety Victoria, PO Box 8221  
Camberwell North, Victoria 3124

Further information regarding the Freedom of Information Act may be found at [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

## Compliance with the Building Act

DFSV does not own or control any buildings and is therefore exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

## National Competition Policy

The Victorian government principally adopted the recommendations presented in July 1999 and incorporated them in to the Dairy Act.

## Compliance with the Protected Disclosure Act

DFSV is a public body subject to the *Protected Disclosure Act 2012*. The purpose of this Act is to encourage and facilitate the making of disclosures of corrupt or improper conduct by public officers and public bodies, including DFSV, its employees and directors, without the fear of reprisal.

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.

Improper or corrupt conduct involves substantial:

- mismanagement of public resources
- risk to public health or the environment
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

DFSV recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal improper conduct. It does not tolerate improper conduct by the organisation, its employees, officers or board members, nor the taking of detrimental action in reprisal against those who come forward to disclose such conduct.

DFSV has established procedures to facilitate and encourage the making of disclosures under this Act, and how DFSV will manage the welfare of persons connected with protected disclosures. DFSV's Protected Disclosure Procedures are available at [www.dairysafe.vic.gov.au](http://www.dairysafe.vic.gov.au)

Disclosures under this Act about improper conduct of, or detrimental action taken in reprisal for a protected disclosure, by DFSV or its employees and board members must be made to the Victorian Independent Broad-based Anti-corruption Commission (IBAC):

- in person at Level 1, North Tower, 459 Collins Street, Melbourne, Victoria
- by online complaint form available at [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)
- by email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures
- in writing GPO Box 24234, Melbourne, Victoria, 3001
- by telephone 1300 735 135

Please note that DFSV is not able to receive protected disclosures.

Further information can be obtained from the:  
DFSV Protected Disclosure Coordinator  
PO Box 8221, Camberwell North, Victoria, 3124  
[info@dairysafe.vic.gov.au](mailto:info@dairysafe.vic.gov.au) or at [www.dairysafe.vic.gov.au](http://www.dairysafe.vic.gov.au)

## Other disclosures

### Office-based environmental impacts

DFSV has continued to highlight the importance of an environmentally friendly workspace for both office-based and field staff. DFSV maintains the following initiatives to help reduce the organisation's environmental footprint:

- recycling of waste materials including organic green waste, paper, cardboard, plastic bottles and cans, batteries, obsolete IT equipment and toner cartridges
- providing field staff with fuel efficient cars
- providing staff with cycle-friendly facilities
- encouraging staff to make use of public transport when travelling for work purposes where appropriate and providing them with MYKI cards
- use of energy efficient lighting, water tap fittings and appliances
- reducing paper use with the progressive digitisation of records, and minimising paper use by encouraging staff to print documents double-sided
- encouraging energy saving office-based practices including turning off lights, computers and appliances when they are not needed or in use.





## Availability of additional information on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by DFSV and are available on request, subject to the provisions of the *Freedom of Information Act 1982*.

1. A statement that declarations of pecuniary interests have been duly completed by all relevant officers.
2. Details of shares held by a senior officer as nominee, or held beneficially in a statutory authority or subsidiary.
3. Details of publications produced by the entity about itself, and how these can be obtained.
4. Details of changes in prices, fees, charges, rates and levies charged by the entity.
5. Details of any major external reviews carried out on the entity.
6. Details of major research and development activities undertaken by the entity.
7. Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit.
8. Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services.
9. Details of assessments and measures undertaken to improve the occupational health and safety of employees.
10. A general statement on industrial relations within the entity, and details of time lost through industrial accidents and disputes.
11. A list of the major committees sponsored by the entity; the purposes of each committee; and the extent to which the purposes have been achieved.
12. Details of all consultancies and contractors including: consultants/contractors engaged; services provided; and expenditure committed for each engagement.

## Attestation for financial management compliance with Ministerial Standing Direction 5.1.4

I, Anne Astin, on behalf of the board, certify that Dairy Food Safety Victoria has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions. The Dairy Food Safety Risk Management and Audit Committee verifies this.



Dr Anne Astin  
Chairman  
23 August 2018



## Financial statements

for the financial year ended 30 June 2018

# How this report is structured

Dairy Food Safety Victoria (DFSV) has presented its audited general purpose financial statements for the financial year ended 30 June 2018 in the following structure to provide users with the information about DFSV's stewardship of resources entrusted to it.

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# Declaration by the chair, chief executive officer and chief finance and accounting officer

For the financial year ended 30 June 2018

The attached financial statements for Dairy Food Safety Victoria have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes to the financial statements, presents fairly the financial transactions during the year ended 30 June 2018 and financial position of Dairy Food Safety Victoria as at 30 June 2018.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 23 August 2018.



**Anne Astin**  
Chairman



**Amanda Hill**  
Chief Executive Officer



**Daryl Glover**  
Chief Finance and Accounting Officer

Melbourne  
23 August 2018

# Comprehensive operating statement

for the financial year ended 30 June 2018

		2018	2017
Continuing operations	Notes	\$	\$
<b>Income from transactions</b>			
Licence and service fees	2.2	5,976,533	5,840,384
Interest	2.3	146,082	133,904
Other income		350	500
<b>Total income from transactions</b>		<b>6,122,965</b>	<b>5,974,788</b>
<b>Expenses from transactions</b>			
Employee expenses <sup>(1)</sup>	3.1.1	3,211,661	3,314,517
Depreciation and amortisation	4.1.1	188,512	276,888
Product testing and laboratory evaluation costs		648,572	580,829
Other operating expenses	3.2	1,840,839	1,537,337
<b>Total expenses from transactions</b>		<b>5,889,584</b>	<b>5,709,571</b>
<b>Net result from transactions (net operating balance)</b>		<b>233,381</b>	<b>265,217</b>
<b>Other economic flows included in net result</b>			
Net gain on disposal of non-financial assets	8.1	4,467	2,136
Net gain/(loss) from revaluation of long service leave liability <sup>(1)</sup>	8.1	668	13,291
<b>Total other economic flows included in net result</b>		<b>5,135</b>	<b>15,427</b>
<b>Comprehensive result</b>		<b>238,516</b>	<b>280,644</b>

(1) See Note 8.8 For comparative changes to 2017

The comprehensive operating statement should be read in conjunction with the notes to the financial statements included on pages 41–68.

# Balance sheet

as at 30 June 2018

<b>Assets</b>	<b>Notes</b>	<b>2018 \$</b>	<b>2017 \$</b>
<b>Financial assets</b>			
Cash and cash equivalents	6.1(a)	734,475	1,614,767
Receivables	5.1	221,267	161,525
Investments and other financial assets	4.3	6,500,000	5,000,000
<b>Total financial assets</b>		<b>7,455,742</b>	<b>6,776,292</b>
<b>Non-financial assets</b>			
Property, plant and equipment	4.1	99,264	118,523
Intangible assets	4.2	101,698	228,291
Prepayments	5.2	25,255	34,047
<b>Total non-financial assets</b>		<b>226,217</b>	<b>380,861</b>
<b>Total assets</b>		<b>7,681,959</b>	<b>7,157,153</b>
<b>Liabilities</b>			
Payables	5.3	359,247	268,214
Employee related provisions	3.1.2	777,124	581,867
<b>Total liabilities</b>		<b>1,136,371</b>	<b>850,081</b>
<b>Net assets</b>		<b>6,545,588</b>	<b>6,307,072</b>
<b>Equity</b>			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		4,745,588	4,507,072
<b>Net worth</b>		<b>6,545,588</b>	<b>6,307,072</b>

The balance sheet should be read in conjunction with the notes to the financial statements included on pages 41–68.



# Statement of changes in equity

for the financial year ended 30 June 2018

	Contributed capital \$	Accumulated surplus \$	Total equity \$
<b>Balance as at 1 July 2016</b>	<b>1,800,000</b>	<b>4,226,428</b>	<b>6,026,428</b>
Net result for the 2016/17 year	-	280,644	280,644
<b>Balance as at 30 June 2017</b>	<b>1,800,000</b>	<b>4,507,072</b>	<b>6,307,072</b>
Net result for the 2017/18 year	-	238,516	238,516
<b>Balance as at 30 June 2018</b>	<b>1,800,000</b>	<b>4,745,588</b>	<b>6,545,588</b>

*The statement of changes in equity should be read in conjunction with the notes to the financial statements included on pages 41–68.*

# Cash flow statement

for the financial year ended 30 June 2018

		2018 \$	2017 \$
<b>Cashflow from operating activities</b>	<b>Notes</b>		
<b>Receipts</b>			
Receipts received from customers		5,963,231	5,860,523
Interest received		119,206	142,881
Goods and services tax received from the ATO <sup>(i)</sup>		108,226	147,934
<b>Total receipts</b>		<b>6,190,663</b>	<b>6,151,338</b>
<b>Payments</b>			
Payments to suppliers and employees		(5,528,295)	(5,828,119)
<b>Total payments</b>		<b>(5,528,295)</b>	<b>(5,828,119)</b>
<b>Net cash flows from operating activities</b>	6.1(b)	<b>662,368</b>	<b>323,219</b>
<b>Cash flows from investing activities</b>			
Inflows from investments and other financial assets		1,000,000	2,800,000
Outflows for investments and other financial assets		(2,500,000)	(5,800,000)
Payments for plant and equipment	4.1.2	(29,460)	(33,132)
Payments for intangible assets	4.2	(13,200)	(82,147)
<b>Net cash flows used in investing activities</b>		<b>(1,542,660)</b>	<b>(3,115,279)</b>
Net increase/(decrease) in cash and cash equivalents		(880,292)	(2,792,060)
Cash and deposits at the beginning of the financial year		1,614,767	4,406,827
<b>Cash at the end of the financial year</b>	6.1(a)	<b>734,475</b>	<b>1,614,767</b>

(i) Goods and Services Tax received from the ATO is presented on a net basis.

The cash flow statement should be read in conjunction with the notes to the financial statements included on pages 41–68.

# Notes to financial statements

for the financial year ended 30 June 2018

## 1. About this report

Dairy Food Safety Victoria (DFSV) is a statutory authority of the State of Victoria, established pursuant to an order made by the Premier under the *Dairy Act 2000*. Its principal address is:

Dairy Food Safety Victoria  
Level 2, 969 Burke Road  
Camberwell VIC 3124

A description of the nature of its operations and its principal activities is included in the Report of operations, which does not form part of these financial statements.

These annual financial statements represent the audited general purpose financial statements for DFSV as an individual reporting entity for the financial year ended 30 June 2018.

### Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid, with the exception of specific sources of licence fee revenue (note 2.2).

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards (AAS) that have significant effects on the financial statements and estimates relate to the fair value of plant and equipment and intangible assets (notes 4.1 and 4.2).

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

All amounts in the financial statements are presented in Australian dollars have been rounded to the nearest \$1 unless otherwise stated.

### Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable AAS's which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049). Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

# Notes to financial statements

for the financial year ended 30 June 2018

## 2. Funding delivery of our services

### Objectives and funding

DFSV objectives are to ensure that standards which safeguard public health are maintained in the Victorian dairy industry and to ensure that it performs its functions and exercises its powers efficiently and effectively.

DFSV fixes and charges fees for its services which covers annual licence fees, and audit and inspection fees. In addition, costs for the Australian Milk Residue Analysis (AMRA) survey are recovered from Dairy Australia and the Department of Agriculture and Water Resources.

### 2.1. Summary of income that funds our service delivery

Income is recognised to the extent it is probable the economic benefits will flow to DFSV, obtains control of the revenue or the right to receive the revenue and the amount can be measured reliably, as per AASB 1004 *Contributions*. Amounts disclosed as revenue are, where applicable, net of returns, allowances, duties and taxes. Revenue is recognised for each of DFSV's major activities as follows:

### 2.2. Licence and service fees

	2018 \$	2017 \$
Licence fees	4,839,577	4,835,537
Audit and inspection fees	558,768	515,462
Australian Milk Residue Analysis (AMRA) survey	578,188	489,385
<b>Total licence and service fees</b>	<b>5,976,533</b>	<b>5,840,384</b>

The identification and recording of revenue is at the time of generation of the invoice for manufacturers' licence fees, audit fees, distributors' and carriers' licence fees (upon request). Income relating to the Australian Milk Residue Analysis (AMRA) Survey is recognised when the right to receive payment is established and revenue recognition for farm licence fees is upon receipt of cash.

### 2.3. Interest income

	2018 \$	2017 \$
<b>Total interest income</b>	<b>146,082</b>	<b>133,904</b>

Interest income includes interest received on term deposits and other bank accounts. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

### 3. The cost of delivering services

This section provides an account of the expenses incurred by DFSV in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the costs associated with provision of services are recorded. Expenses from transactions are recognised as they are incurred and reported in the financial year to which they relate.

#### 3.1. Expenses incurred in delivery of services

	Notes	2018 \$	2017 \$
Employee expenses	3.1.1	3,211,661	3,314,517
Product testing and laboratory evaluation costs		648,572	580,829
Other operating expenses	3.2	1,840,839	1,537,337
<b>Total expenses incurred in delivery of services</b>		<b>5,701,072</b>	<b>5,432,683</b>

##### 3.1.1. Employee expenses in the comprehensive operating statement

	2018 \$	2017 \$
Salaries and employee entitlements	2,697,786	2,644,331
Defined contribution superannuation expense	235,755	249,828
Defined benefits superannuation expense	9,274	8,870
Other employee related costs (FBT, payroll tax and WorkCover)	172,573	191,601
Board and committee fees	96,273	100,917
Termination benefits	-	118,970
<b>Total employee and board member benefits</b>	<b>3,211,661</b>	<b>3,314,517</b>

Employee expenses include all costs related to employment including wages and salaries, board and committee fees, payroll and fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. Further information is provided at Note 3.1.3 Superannuation.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when DFSV is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

# Notes to financial statements

for the financial year ended 30 June 2018

## 3.1.2. Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2018 \$	2017 \$
<b>Current provisions</b>		
<i>Annual leave:</i>		
Unconditional and expected to settle within 12 months	171,546	151,162
Unconditional and expected to settle after 12 months	25,633	28,793
<i>Long service leave:</i>		
Unconditional and expected to settle within 12 months	35,473	25,659
Unconditional and expected to settle after 12 months	312,260	205,454
<i>Provisions for on-costs:</i>		
Unconditional and expected to settle within 12 months	30,564	25,969
Unconditional and expected to settle after 12 months	50,871	35,420
<b>Total current provisions</b>	<b>626,347</b>	<b>472,457</b>
<b>Non-current provisions</b>		
Employee benefits – long service leave	131,014	94,979
Provisions related to employee benefits on-costs	19,763	14,431
<b>Total employee benefits</b>	<b>777,124</b>	<b>581,867</b>

## Reconciliation of movement in on-cost provisions

	2018 \$
<b>Opening balance</b>	<b>75,819</b>
Additional provisions recognised	37,173
Additions due to transfers in	10,459
Reductions arising from payments	(22,253)
<b>Closing balance</b>	<b>101,198</b>
Current	81,435
Non-current	19,763



**Wages and salaries, annual leave and personal leave:** Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because DFSV does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As DFSV expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as DFSV does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for personal leave as all personal leave is non-vesting and it is not considered probable that the average personal leave taken in the future will be greater than the benefits accrued in the future. As personal leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

**Unconditional LSL** is disclosed as a current liability; even where DFSV does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if DFSV expects to wholly settle within 12 months; or
- present value – if DFSV does not expect to wholly settle within 12 months.

**Conditional LSL** is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

### 3.1.3 Superannuation contributions

Employees of DFSV are entitled to receive superannuation benefits and DFSV contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

DFSV does not recognise any defined benefit liability in respect of defined benefit plans. In the event that the Vision Super defined benefits fund determines that there is a shortfall following an actuarial review of the fund, the fund's participating employers (including DFSV) are required to make an employer contribution to cover the shortfall. Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of DFSV.

# Notes to financial statements

for the financial year ended 30 June 2018

Fund	Paid contributions for the year		Contributions outstanding at year end	
	2018	2017	2018	2017
<b>Defined benefit plans:</b>				
Emergency Services Superannuation	9,274	8,870	-	-
<b>Defined contribution plans:</b>				
Vic Super	113,490	134,191	-	-
Australian Super	46,540	30,321	-	-
Other	74,965	105,554	-	-

## 3.2. Other operating expenses

	2018 \$	2017 \$
Audit fees (refer to Note 8.5)	107,605	76,500
Communications	94,227	87,761
General administration	123,601	92,602
General insurance	103,415	102,138
Information technology	306,323	229,534
Occupancy (excluding operating rental lease)	41,536	60,253
Operating leases (occupancy, motor vehicles & office equipment)	217,147	213,796
Professional services	676,617	540,380
Travel (excluding motor vehicle operating leasing)	170,369	134,374
<b>Total other operating expenses</b>	<b>1,840,839</b>	<b>1,537,337</b>

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and are recognised as an expense in the reporting period in which they are incurred.

Operating lease payments are recognised on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

## 4. Key assets available to support service delivery

DFSV controls assets and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources purchased by DFSV to be utilised for delivery of those outputs.

### Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined.

### 4.1. Property, plant and equipment

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Leasehold improvements	253,726	253,726	(245,234)	(239,922)	8,492	13,804
Furniture and fittings	108,804	108,804	(67,380)	(53,362)	41,424	55,442
Office equipment	197,568	284,981	(148,220)	(235,704)	49,348	49,277
<b>Total plant and equipment</b>	<b>560,098</b>	<b>647,511</b>	<b>(460,834)</b>	<b>(528,988)</b>	<b>99,264</b>	<b>118,523</b>

### Recognition and measurement

Items of property, plant and equipment, are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. The asset capitalisation threshold for recording assets is \$2,000.

The leasehold improvements were made to fit out the office premises at Level 2, 969 Burke Road Camberwell. The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful life.

Refer to Note 7.3 for additional information on fair value determination of property, plant and equipment.

#### 4.1.1. Depreciation, amortisation and impairment

	2018 \$	2017 \$
Leasehold improvements	5,312	50,506
Furniture and fittings	14,018	12,924
Office equipment	29,389	37,348
Amortisation of software	139,793	176,109
<b>Total depreciation and amortisation</b>	<b>188,512</b>	<b>276,888</b>

All property, plant and equipment assets that have finite useful lives are depreciated. The exceptions to this rule includes items under operating leases and any assets held for sale.

# Notes to financial statements

for the financial year ended 30 June 2018

Depreciation is calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below.

The following estimated useful lives are used in the calculation of depreciation (no change from 2016–17)

Class of asset	Useful life of asset
Leasehold improvements	Life of lease term (5 years)
Furniture and fittings	5 to 10 years
Office equipment	3 to 10 years
Software	3 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Impairment: Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

## 4.1.2. Reconciliation of movement in carrying amounts

	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
<b>Opening balance 1 July 2016</b>	<b>64,310</b>	<b>51,694</b>	<b>70,165</b>	<b>186,169</b>
Additions	-	16,672	16,460	33,132
Disposals	-	-	-	-
Depreciation	(50,506)	(12,924)	(37,348)	(100,779)
<b>Closing balance 30 June 2017</b>	<b>13,804</b>	<b>55,442</b>	<b>49,277</b>	<b>118,523</b>
<b>Opening balance 1 July 2017</b>	<b>13,804</b>	<b>55,442</b>	<b>49,277</b>	<b>118,523</b>
Additions	-	-	29,460	29,460
Disposals	-	-	-	-
Depreciation	(5,312)	(14,018)	(29,389)	(48,719)
<b>Closing balance 30 June 2018</b>	<b>8,492</b>	<b>41,424</b>	<b>49,348</b>	<b>99,264</b>

## 4.2. Intangible assets

	2018 \$	2017 \$
<b>Gross carrying amount</b>		
Opening balance	1,018,974	936,827
Additions	13,200	82,147
Write-back of fully amortised assets no longer in use	(83,173)	-
<b>Closing balance of gross carrying amount</b>	<b>949,001</b>	<b>1,018,974</b>
<b>Accumulated depreciation</b>		
Opening balance	(790,682)	(614,573)
Amortisation expense	(139,793)	(176,109)
Write-back of fully amortised assets no longer in use	83,173	-
<b>Closing balance of accumulated depreciation</b>	<b>(847,303)</b>	<b>(790,682)</b>
<b>Net book value at end of financial year</b>	<b>101,698</b>	<b>228,291</b>

### Initial recognition

DFS's intangible assets are software and are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The asset capitalisation threshold for recording assets is \$5,000. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) an intention and ability to complete the intangible asset and use or sell it;
- (d) the intangible asset will generate probable future economic benefits;
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### Subsequent measurement

Intangible produced assets with finite useful lives, are amortised as an 'expense from transactions' on a straight-line basis over their useful lives. Produced intangible assets have useful lives of between three and five years.

### Impairment of intangible assets

Intangible assets (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. The impaired amount is written-off as an 'other economic flow'.

The policy in connection with testing for impairment is outlined in section 4.1.1.

# Notes to financial statements

for the financial year ended 30 June 2018

## 4.3. Investments and other financial assets

	2018 \$	2017 \$
<b>Current investments and other financial assets</b>		
Term deposit:		
Australian dollar term deposits > three months	6,500,000	5,000,000
<b>Total current investments and other financial assets</b>	<b>6,500,000</b>	<b>5,000,000</b>
<b>Total investments and other financial assets</b>	<b>6,500,000</b>	<b>5,000,000</b>

## 5. Other assets and liabilities

This section sets out other assets and liabilities that arose from DFSV's operations.

### 5.1. Receivables

	2018 \$	2017 \$
<b>Current receivables</b>		
Contractual		
Trade debtors (a)	147,010	129,040
Accrued interest	44,873	17,997
Other receivables	350	200
<b>Total contractual receivables</b>	<b>192,233</b>	<b>147,237</b>
<b>Statutory</b>		
GST input tax credits recoverable (b)	29,034	14,228
<b>Total current receivables</b>	<b>221,267</b>	<b>161,525</b>

(a) The average credit period for receivables is 30 days. No interest is charged on receivables.

(b) GST input tax credits recoverable is the net amount of GST receivable on expenses, asset purchases and income raised.

**Contractual receivables** are classified as financial instruments. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, they are measured at amortised cost using the effective interest method, less any impairment.

**Statutory receivables** do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments.

**Doubtful debts:** Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.



A provision is made for estimated irrecoverable amounts when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Any bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as 'other economic flows' in the net result.

Ageing analysis of contractual receivables	Carrying amount \$	Not past due and not impaired \$	Past due but not impaired	
			Less than 1 month \$	1 – 3 months \$
<b>2018</b>				
Trade debtors	147,010	138,622	8,059	329
Accrued interest	44,873	44,873	-	-
Other receivables	350	350		
<b>Total</b>	<b>192,233</b>	<b>183,845</b>	<b>8,059</b>	<b>329</b>
<b>2017</b>				
Trade debtors	129,040	129,040	-	-
Accrued interest	17,997	17,997		
Other receivables	200	200		
<b>Total</b>	<b>147,237</b>	<b>147,237</b>	<b>-</b>	<b>-</b>

## 5.2. Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## 5.3. Payables

	2018 \$	2017 \$
<b>Current payables</b>		
<b>Contractual</b>		
Supplies and services (i)	205,708	138,016
Employee benefit accruals and on-costs	93,883	84,770
<b>Total contractual payables</b>	<b>299,591</b>	<b>222,786</b>
<b>Statutory</b>		
Taxes payable (FBT, PAYG, Payroll tax)	59,656	45,428
<b>Total current payables</b>	<b>359,247</b>	<b>268,214</b>

Note: (i) The average credit period for payables is 30 days.

# Notes to financial statements

for the financial year ended 30 June 2018

Payables consist of:

- **contractual payables**, represents accounts payable and accrued liabilities for goods and services provided to DFSV prior to the end of the financial year that are unpaid, and arise when DFSV becomes obliged to make future payments in respect of the purchase of those goods and services; and
- **statutory payables**, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Due to the short-term nature of the current payables, their carrying value is assumed to approximate their fair value.

Maturity analysis of contractual payables	Carrying amount \$	Nominal amount \$	Maturity dates
			Less than 1 month \$
<b>2018</b>			
Supplies and services	205,708	205,708	205,708
Employee accruals and on-costs	93,883	93,883	93,883
<b>Total</b>	<b>299,591</b>	<b>299,591</b>	<b>299,591</b>
<b>2017</b>			
Supplies and services	138,016	138,016	138,016
Employee accruals and on-costs	84,770	84,770	84,770
<b>Total</b>	<b>222,786</b>	<b>222,786</b>	<b>222,786</b>

## 6. Financing our operations

This section provides information on the sources of finance utilised by DFSV during its operations, along with other information related to financing activities of DFSV.

This section includes disclosures of balances that are financial instruments (such as cash balances). Notes 7.1 and 7.2 provide additional, specific financial instrument disclosures.

### 6.1. Cashflow information

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

	2018 \$	2017 \$
<b>(a) Cash and cash equivalents</b>		
Cash on hand	300	300
Cash at bank	734,175	1,614,467
Term deposits (less than three months)	-	-
<b>Total cash and deposits disclosed in the balance sheet</b>	<b>734,475</b>	<b>1,614,767</b>
<b>(b) Reconciliation of net result for the financial year to net cash flows from operating activities</b>		
Net result for the financial year	238,516	280,644
<i>Non-cash movements:</i>		
Depreciation and amortisation of non-current assets	188,512	276,888
Movements in assets and liabilities:		
<i>(increase)/decrease in assets:</i>		
Receivables	(59,742)	64,648
Prepayments	8,792	27,997
<i>increase/(decrease) in liabilities:</i>		
Payables	91,033	(295,180)
Provisions	195,257	(31,775)
<b>Net cash flow from operating activities</b>	<b>662,368</b>	<b>323,219</b>

Term deposits of \$6,500,000 as recorded on the balance sheet as at 30 June 2018 have not been included in cash and cash equivalents because the deposits have maturity dates of over three months.

## 6.2. Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and are inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### Lease commitments

Operating leases relate to lease rental expense commitments as at 30 June 2018 and are in respect of rental premises at Camberwell, office equipment and motor vehicles. Operating leases generally provide DFSV with a right of renewal at which time all terms are renegotiated.

DFSV's rental lease agreement for the premises at Camberwell is for a five-year term from 1 April 2017 to 31 March 2022 totalling \$851,526 inclusive of GST and an annual fixed rate increase of 3.5%.

# Notes to financial statements

for the financial year ended 30 June 2018

The following figures include the rental lease, office equipment and motor vehicles.

	2018 \$	2017 \$
<b>Non-cancellable operating lease payables (includes GST)</b>		
Not longer than one year	236,691	225,606
Longer than one year and not longer than five years	559,457	715,924
<b>Total operating leases</b>	<b>796,148</b>	<b>941,530</b>

The AASB issued the new leasing standard AASB 16 Leases to supersede the existing standard AASB 117 Leases. The new standard will be operative from reporting periods commencing 1 January 2019. The key change introduced by AASB 16 includes the recognition of most operating leases on the balance sheet.

## 7. Risks, contingencies and valuation judgements

DFSV is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied.

### 7.1. Financial instruments

#### Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of DFSV's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such assets and liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation.

#### Categories of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). DFSV recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables); and
- term deposits.

**Financial liabilities at amortised cost** are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method. DFSV recognises **payables** (excluding statutory payables) as liabilities in this category.

**Impairment** of financial assets: At the end of each reporting period, DFSV assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

The carrying amounts of DFSV's contractual financial assets and financial liabilities by category are disclosed in the table below.

<b>Financial instruments: Categorisation</b>	<b>Contractual financial assets- loans and receivables and cash \$</b>	<b>Contractual financial liabilities-at amortised costs \$</b>	<b>Total \$</b>
<b>2018</b>			
<b>Contractual financial assets:</b>			
Cash and deposits	734,475		734,475
Term deposits	6,500,000		6,500,000
Trade debtors	147,010		147,010
Accrued interest	44,873		44,873
Other debtors	350		350
<b>Total contractual financial assets</b>	<b>7,426,708</b>		<b>7,426,708</b>
<b>Contractual financial liabilities:</b>			
Supplies and services (i)		205,708	205,708
Employee benefit accruals and on-costs		93,883	93,883
<b>Total contractual financial liabilities</b>		<b>299,591</b>	<b>299,591</b>
<b>2017</b>			
<b>Contractual financial assets:</b>			
Cash and deposits	1,614,767		1,614,767
Term deposits	5,000,000		5,000,000
Trade debtors	129,040		129,040
Accrued interest	17,997		17,997
Other debtors	200		200
<b>Total contractual financial assets</b>	<b>6,762,004</b>		<b>6,762,004</b>
<b>Contractual financial liabilities:</b>			
Supplies and services (i)		138,016	138,016
Employee benefit accruals and on-costs		84,770	84,770
<b>Total contractual financial liabilities</b>		<b>222,786</b>	<b>222,786</b>

*Note: the total amounts disclosed exclude statutory amounts (eg. GST recoverable and taxes payable)*

# Notes to financial statements

for the financial year ended 30 June 2018

## Financial risk management objectives and policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.3 Fair value determination.

DFSVs main financial risks include credit risk, liquidity risk and interest rate risk.

### Credit risk

Credit risk refers to the possibility that a borrower or debtor will default on its financial obligations as and when they fall due. DFSV's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to DFSV. Credit risk is measured at fair value and is monitored on a regular basis.

DFSV does not have any material credit risk exposure to any single debtor, creditor or group of debtors or creditors under receivables and payables.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that DFSV will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts that are more than 90 days overdue, and changes in debtor credit ratings. As at the reporting date, there is no evidence to indicate that any of the financial assets were impaired.

### Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. DFSV operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution.

DFSV is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and amounts related to financial guarantees. DFSV manages its liquidity risk by:

- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- holding investments and other contractual financial assets that are readily tradeable in the financial markets; and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

DFSV's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

DFSV currently has a Bank Guarantee facility with Commonwealth Bank of Australia for \$68,003 (\$68,003 2016-2017) relating to the leased premises which expires 31 March 2022. Guarantees issued on behalf of DFSV are financial instruments because, although authorised under statutes terms and conditions for each financial guarantee, may vary and are subject to an agreement.

### Market risk

DFSV's exposure to market risk is through interest rate risk. Taking into account past performance, DFSV considers that a shift of +0.50 per cent or -0.50 per cent in market interest rates (AUD) is 'reasonably possible' over the next twelve months. Management has assessed the impact that such shift in the interest rate would have on net operating result and equity on DFSV as immaterial if the above movements were to occur.

### Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. DFSV does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. DFSV has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts.



DFSV mainly undertakes fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank, as financial assets that can be left at floating rate without necessarily exposing DFSV to significant bad risk. Management monitors movement in interest rates on a sufficiently regular basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and DFSV's sensitivity to interest rate risk are set out in the table that follows.

Interest rate exposure of financial instruments	Note	Weighted average interest rate %	Carrying amount \$	Carrying amount \$	Variable interest rate \$	Non-interest bearing \$
<b>2018</b>						
<b>Financial assets:</b>						
Cash at bank	6.1	1.60%	734,475		734,175	300
Term deposits	4.3	2.19%	6,500,000	6,500,000		
Receivables (a)	5.1	0.00%	221,267			221,267
<b>Total financial assets</b>			<b>7,455,742</b>	<b>6,500,000</b>	<b>734,175</b>	<b>221,567</b>
<b>Financial liabilities:</b>						
Payables (a)	5.3	0.00%	299,591	-	-	299,591
<b>Total financial liabilities</b>			<b>299,591</b>	<b>-</b>	<b>-</b>	<b>299,591</b>
<b>2017</b>						
<b>Financial assets:</b>						
Cash at bank	6.1	1.60%	1,614,767	-	1,614,467	300
Term deposits	4.3	2.08%	5,000,000	5,000,000	-	-
Receivables (a)	5.1	0.00%	147,237	-	-	147,237
<b>Total financial assets</b>			<b>6,762,004</b>	<b>5,000,000</b>	<b>1,614,467</b>	<b>147,537</b>
<b>Financial liabilities:</b>						
Payables (a)	5.3	0.00%	222,786	-	-	222,786
<b>Total financial liabilities</b>			<b>222,786</b>	<b>-</b>	<b>-</b>	<b>222,786</b>

(a) Amounts shown excludes statutory taxes.

## 7.2. Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed and, if quantifiable, are measured at their nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

There were no contingent assets or liabilities at the reporting date (2017:Nil).

# Notes to financial statements

for the financial year ended 30 June 2018

## 7.3. Fair value determination

### Significant judgement: Fair value measurements of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of DFSV.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – fair value is determined by using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Consistent with AASB 13 *Fair Value Measurement*, DFSV determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, and financial instruments in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

DFSV considers that the carrying amount of financial instrument assets and financial liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

### Property, plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the current replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2018. For all assets measured at fair value, the current use is considered the highest and best use.

As at 30 June 2018	Carrying amount	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Leasehold improvements	8,492	-	-	8,492
Furniture and fittings	41,424	-	-	41,424
Office equipment	49,348	-	-	49,348
<b>Total plant and equipment at fair value</b>	<b>99,264</b>	<b>-</b>	<b>-</b>	<b>99,264</b>
<b>As at 30 June 2017</b>				
Leasehold improvements	13,804	-	-	13,804
Furniture and fittings	55,442	-	-	55,442
Office equipment	49,277	-	-	49,277
<b>Total plant and equipment at fair value</b>	<b>118,523</b>	<b>-</b>	<b>-</b>	<b>118,523</b>

*There were no transfers between levels during the financial year.*

Reconciliation of level 3 fair values as at 30 June 2018	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
<b>Opening balance</b>	<b>13,804</b>	<b>55,442</b>	<b>49,277</b>	<b>118,523</b>
Additions	-	-	29,460	29,460
Disposals	-	-	-	-
Transfers between levels	-	-	-	-
Depreciation	(5,312)	(14,018)	(29,389)	(48,719)
<b>Closing balance</b>	<b>8,492</b>	<b>41,424</b>	<b>49,348</b>	<b>99,264</b>

## 8. Other disclosures

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this report.

### 8.1. Other economic flows included in the net result

Other economic flows are changes in the value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- any gain or loss on the disposal and/or impairment of non-financial assets recognised at the date of disposal and/or impairment and is determined after deducting any proceeds from the carrying value of the asset.

### 8.2. Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

#### Responsible Minister:

Minister for Agriculture. The Honourable Jaala Pulford MP, 1 July 2017–30 June 2018.

#### Board members

The name of persons who were Board members of DFSV during the full year are as follows:

Michael Taylor (Chair)	(1 July 2017–21 December 2017)
Anne Astin (Chair)	(22 December 2017–30 June 2018)
Peter Bailey	(1 July 2017–30 June 2018)
Helen Dornom	(1 July 2017–30 June 2018)
Peter Moloney	(1 July 2017–30 June 2018)
Julie Simons	(1 July 2017–30 June 2018)
Josephine Davey	(1 July 2017–15 December 2017)
Michael Blake	(1 July 2017–30 June 2018)

# Notes to financial statements

for the financial year ended 30 June 2018

## Accountable officers

The name of persons who held the position of Accountable Officer during the year are as follows:

Jennifer McDonald	(1 July 2017 to 7 February 2018)
Angela Brierley	(8 February 2018 to 24 April 2018 interim secondment from the Department of Economic Development, Jobs, Transport and Resources)
Amanda Hill	(24 April 2018 to 30 June 2018)

Total remuneration for Accountable Officers in connection with the management of DFSV during the reporting period was in the range: \$250,000–\$260,000 (2017: \$250,000–\$260,000)

## Insurance premiums

During the financial year, DFSV paid an insurance premium inclusive of GST of \$33,033 (2017: \$32,343) in respect insuring the Board members and executive officers against a liability arising as a result of work performed in their capacity as Board members or executive officers.

## Remuneration of responsible persons

Remuneration received or receivable by the accountable officer and other responsible persons in connection with the management of DFSV during the year was in the following ranges:

	2018 No.	2017 No.
<b>Income band</b>		
\$0–\$9,999	1	-
\$10,000–\$19,999	5	5
\$20,000–\$29,999	1	-
\$30,000–\$39,999	-	1
\$40,000–\$49,999	1	-
\$200,000–\$209,999	1	-
\$250,000–\$259,999	-	1
<b>Total numbers</b>	<b>9</b>	<b>7</b>
<b>Total remuneration</b>	<b>\$357,458</b>	<b>\$370,611</b>

*The above table excludes Board member Julie Simons and interim CEO Angela Brierley who were remunerated by the Department of Economic Development, Jobs, Transport and Resources.*

### 8.3. Remuneration of executives

The number of executive officers and their total remuneration during the reporting period are shown in the following table. Total annualised employee equivalents provide a measure of full-time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by DFSV in exchange for services rendered and is disclosed in the following categories.

**Short-term employee benefits:** includes wages, salaries, paid annual leave, paid personal leave and allowances that are usually paid or payable on a regular basis.

**Post-employment benefits:** superannuation entitlements.

**Other long-term benefits:** long service leave entitled during the reporting period.

**Termination benefits:** termination of employment payments such as severance packages.

Remuneration of executives (including key management personnel (KMP) disclosed in Note 8.4 (a))	2018 \$	2017 \$
Short-term benefits	469,613	381,294
Post-employment benefits	44,612	41,369
Other long-term benefits	11,809	7,914
Termination benefits	-	71,083
<b>Total remuneration (a)</b>	<b>526,034</b>	<b>501,660</b>
Total number of executives	3	3
Total annualised equivalents (b)	3	2.3

(a) The total number of executive officers includes persons who meet the definition of KMP of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.4).

(b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

### 8.4. Related parties

Related parties of DFSV include all key management personnel and their close family members and personal business interests.

Key management personnel of DFSV includes the Portfolio Minister, the Hon. Jaala Pulford MLC, Board members the accountable officer (ref Note 8.2 Responsible persons), and members of the executive team, which includes:

- General Manager, Science and Industry Support - Deon Mahoney;
- General Manager, Planning and Business Services - Karen Armitage; and
- General Manager, Compliance and Enforcement - Rick Burton.

Board members are reimbursed for expenses incurred in attending board and committee meetings, and for other incidental costs on terms and conditions no more favourable than those with which it is reasonable to expect DFSV would have adopted if dealing with the Board members and executives at arm's length in similar circumstances.

Outside of normal citizen type transactions mentioned above, there were no related party transactions that involved key management personnel, their close family members and their personal business interests, other than that listed below. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

# Notes to financial statements

for the financial year ended 30 June 2018

## Related party transactions

During the year, DFSV received reimbursement of costs from Department of Agriculture and Water Resources and Dairy Australia associated with the Australian Milk Residue Analysis (AMRA) survey on standard terms and conditions equivalent to those that prevail at arm's length transactions totalling \$578,188 of which \$85,412 (inclusive of GST) was owing to DFSV from the Department of Agriculture and Water Resources as at 30 June 2018. DFSV Board member Helen Dornom in her role as Manager, Sustainability at Dairy Australia had budgetary responsibility for the AMRA survey.

Board member Julie Simons is employed by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) as Director, Drought and Major Projects. As a representative of DEDJTR, Julie Simons can support the Board with knowledge of the Department's priorities and activities where appropriate. Julie Simons is not remunerated by DFSV but the dollar value of attending DFSV board meetings would be equivalent to the standard remuneration amount that a Board member receives set by the Department of Premier and Cabinet.

DFSV has deposits with Treasury Corporation of Victoria (refer Note 4.3. for total investments held). As at 30 June 2018, \$4,500,000 was on term deposit with Treasury Corporation of Victoria.

**Key management personnel** of DFSV includes executive officers, board members and the accountable officer (other than ministers). The total remuneration during the reporting period is shown in the following table. Total annualised employee equivalents provide a measure of full-time equivalent executive officers over the reporting period.

The compensation detailed excludes the salaries and benefits the Portfolio Minister received. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by DFSV in exchange for services rendered and is disclosed in the following categories.

**Short-term employee benefits:** includes wages, salaries, board member payments, paid annual leave, paid personal leave and allowances that are usually paid or payable on a regular basis.

**Post-employment benefits:** superannuation entitlements.

**Other long-term benefits:** long service leave entitled during the reporting period.

**Termination benefits:** termination of employment payments such as severance packages.

	2018 \$	2017 \$
<b>Total compensation of key management personnel</b>		
Short-term employee benefits	801,054	717,237
Post-employment benefits	69,638	71,057
Other long-term benefits	12,800	13,684
Termination benefits	-	71,083
<b>Total</b>	<b>883,493</b>	<b>873,061</b>

*Note that KMP's are also reported in the disclosure of remuneration of executive officers (Note 8.3).*

## 8.5. Remuneration of auditors

	2018 \$	2017 \$
Internal audit fees	75,255	55,100
External audit fees (Victorian Auditor General's Office)	32,350	21,400
<b>Total remuneration of auditors</b>	<b>107,605</b>	<b>76,500</b>

## 8.6. Ex-gratia payments

There were no ex-gratia expenses incurred during the financial year ended 30 June 2018 (2017:Nil).

## 8.7. Subsequent events

The policy in connection with recognising subsequent events, that are, for events that occur between the end of the reporting period and the date when the financial statements are authorised for issue is as follows:

- adjustments are made to amounts recognised in the financial statements where those events provide information about conditions that existed at the reporting date; and/or
- disclosure is made where the events relate to conditions that arose after the end of the reporting period that are considered to be of material interest.

There were no material events subsequent to balance date that have significantly affected the operation, results, or the state of affairs of DFSV.

## 8.8. Comparative changes

The net gain/(loss) from revaluation of long service leave (LSL) liability disclosure amount previously reported for 2017 reflected the total revaluation movement of LSL. This has been reallocated to Employee Benefits and now only shows the net gain or loss movement as a result of a change in discount rates over the year, being a gain of \$13,291. This change has occurred as a result of aligning the financial report with the Department of Treasury and Finance Model Report.

## 8.9. Australian accounting standards issued that are not yet effective

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2018 reporting period. DFSV's management assess the impact of these new standards, their applicability to the entity and early adoption where applicable.

The following table shows the applicable issued AASs but not yet mandatory for the financial year ended 30 June 2018. DFSV has not, and does not intend to, adopt these standards early.



# Notes to financial statements

for the financial year ended 30 June 2018

Standard / interpretation	Summary	Standard applicable to DFSV for annual reporting periods beginning on	Impact on DFSV financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	Preliminary assessment has not identified any material impact, it will continue to be monitored and assessed.
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained.	1 Jan 2018	Preliminary assessment has not identified any material impact, it will continue to be monitored and assessed.
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This has no impact on DFSV.
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	This has no impact on DFSV.
AASB 15 <i>Revenue from Contracts with Customers</i>	<p>The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.</p> <p>This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.</p>	1 Jan 2018	Initial assessment indicates that revenues relating to licence fee renewals, audit fees and the AMRA survey revenue will be classified as contracts with customers under this standard. Whilst it is unlikely that any revenue adjustments will be material, recognition and timing of revenues may be impacted. Implications of the standard will continue to be monitored and assessed.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	<p>Amends the measurement of trade receivables and the recognition of dividends.</p> <p>Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.</p>	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	It is not expected that this standard concerning trade receivables will have any material impact. Implications of the standard will continue to be monitored and assessed.

Standard / interpretation	Summary	Standard applicable to DFSV for annual reporting periods beginning on	Impact on DFSV financial statements
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence.	1 Jan 2018	Initial assessment indicates that this amendment will be relevant for the timing and recognition of licence fee, audit fees and the AMRA survey revenue. Implications of the standard will continue to be monitored and assessed.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	This standard will impact on DFSV's motor vehicles and tenancy leases whereby values will be disclosed on the balance sheet. Implications of the standard will continue to be monitored and assessed.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	<p>AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context,</p> <p>AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.</p>	1 Jan 2019	Impact to be assessed further.
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 Jan 2019	Impact to be assessed further.

# Notes to financial statements

for the financial year ended 30 June 2018

## 8.10. Glossary of technical terms

The following is a summary of the major technical terms used in this report.

**Actuarial gains or losses on superannuation defined benefit plans** are changes in the present value of the superannuation defined benefit liability resulting from:

- (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- (b) the effects of changes in actuarial assumptions.

**Amortisation** is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an 'other economic flow'.

**Commitments** include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

**Comprehensive result** is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

**Depreciation** is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

**Effective interest method** is the method used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

**Employee benefits expenses** include all costs related to employment including wages and salaries, fringe benefits tax, payroll tax, WorkCover, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

**Ex-gratia expenses** mean the voluntary payment of money or other non-monetary benefit (e.g. a write-off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

**Financial asset** is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

**Financial instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial liability** is any liability that is:

- (a) a contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial statements comprise:

- (a) a balance sheet as at the end of the period;
- (b) a comprehensive operating statement for the period;
- (c) a statement of changes in equity for the period;
- (d) a cash flow statement for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements; and
- (g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

**Interest income** includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

**Leases** are rights to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

**Net financial liabilities** are calculated as liabilities less financial assets, other than equity in public non-financial corporations (PNFC) and public financial corporations (PFC). This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

**Net financial worth** is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

**Net operating balance or net result from transactions** is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

# Notes to financial statements

for the financial year ended 30 June 2018

**Net result** is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

**Net worth** is calculated as assets less liabilities, which is an economic measure of wealth.

**Non-financial assets** are all assets that are not financial assets. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment.

**Non-produced assets** are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

**Operating result** is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'. Refer also 'net result'.

**Other economic flows included in net result** are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

**Other economic flows – other comprehensive income** comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. They include changes in physical asset revaluation surplus; share of net movement in revaluation surplus of associates and joint ventures; and gains and losses on remeasuring available-for-sale financial assets.

**Payables** includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

**Produced assets** include buildings, plant and equipment, inventories and certain intangible assets. Intangible produced assets may include computer software, motion picture films and research and development costs (which does not include the start-up costs associated with capital projects).

**Receivables** include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

**Supplies and services** generally represent cost of goods and the day to day running costs, including maintenance costs, incurred in the normal operations of DFSV.

**Transactions** are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows into an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of DFSV.

## 8.11. Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding.

The financial statements and notes are presented based on the illustration in the 2017–18 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier DFSV annual reports.

## Independent Auditor's Report

### To the Board of Dairy Food Safety Victoria

<b>Opinion</b>	<p>I have audited the financial statements of Dairy Food Safety Victoria which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2018</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• declaration by the chair, chief executive officer and chief finance and accounting officer.</li> </ul> <p>In my opinion the financial statements presents fairly, in all material respects, the financial position of the board as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the board in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial statements</b>	<p>The Board of Dairy Food Safety Victoria is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial statements, the Board is responsible for assessing Dairy Food Safety Victoria's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>



**Auditor's  
responsibilities  
for the audit  
of the financial  
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial statements based on the audit. My objectives for the audit 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 to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 board's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board
- conclude on the appropriateness of the Dairy Food Safety Victoria's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the board to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE  
28 August 2018



Simone Bohan  
*as delegate for the Auditor-General of Victoria*



# Disclosure index

The annual report of Dairy Food Safety Victoria is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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