

Annual Report | 2018–2019





# About Dairy Food Safety Victoria

Dairy Food Safety Victoria (DFSV) is the statutory authority responsible for regulating the Victorian dairy industry to safeguard public health — implementing a robust regulatory framework that underpins market access and the growth of the dairy industry.

As a statutory authority DFSV is accountable to the Victorian Government, through the Minister for Agriculture, for fulfilling its statutory responsibilities in line with government policy and within an appropriate governance framework. It licences all dairy businesses operating in Victoria, approving and auditing compliance with food safety programs to ensure state legislation and nationally agreed standards are maintained.

Dairy is Australia's fourth largest and Victoria's second largest export. Victoria dominates the industry in Australia, with most Australian dairy farms located in Victoria, producing more than 63 per cent of Australia's milk and accounting for most of its dairy exports. DFSV has more than 3,900 licensees and over the course of a year conducts two audits of each manufacturing business, covering food safety requirements for both domestic and export markets. Through arrangements with contract auditors, more than 1,300 farms are also audited each year.

## 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

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.

Ministers for Agriculture, the Hon. Jaala Pulford MP and the Hon. Jaclyn Symes MP were the responsible ministers from 1 July 2018 to 30 June 2019.

The objectives, functions and powers of DFSV are prescribed under Part 2, Sections 5–7 of the Act.

## 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

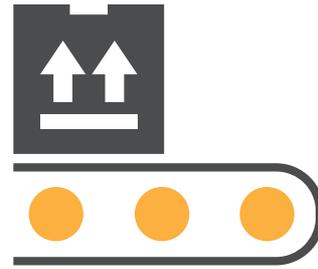
The functions of the Authority are to

- (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 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
- (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 power
- (g) in consultation with the Secretary to the Department of Health 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 the Dairy 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 charge 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.

# Industry at a glance



## Number of farms by region

north	1,136
east	1,221
west	1,182
central	3
total	3,542
total bovine	3,516
total non-bovine	26

## Number of manufacturers by region

north	27
east	29
west	24
central	142
total	222
total bovine	212
total non-bovine	10



## Dairy products by volume

milk	1.1b litres
cream	187m litres
cheese	347k tonne
milk powder	438k tonne
fermented milk products	229k tonne



# 28,300

Number of people employed by the Victorian dairy industry

Data supplied by ABS

**63%** % of Australian milk produced in Victoria

Data supplied by Dairy Australia

# 5.6b litres

Total volume of milk produced in Victoria

**↓6%** Annual milk volume change (Victoria) in 2018–19

# 76%

Victorian contribution to Australia's total dairy exports

Data supplied by ABS



# DFSV performance at a glance

Number of **farm audits** conducted by contract auditors

**1,685**



**427**

Number of **manufacturer audits** conducted

at 226 manufacturing sites

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

farm	<b>21</b>
manufacturer	<b>28</b>
other	<b>21</b>



## Dairy RegTech food safety culture trial



Number of participating companies **10**

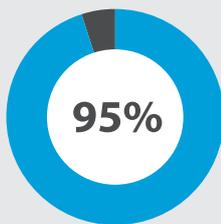
Number of survey participants **877**

Survey response rate **63%**

Minutes of recorded conversation **2,205**

Number of transcribed pages **502**

Number of kilometres driven **1,894**



**Licensee satisfaction** with DFSV  
Excludes farmers



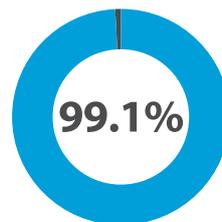
**106**

Number of **technical requests** responded to

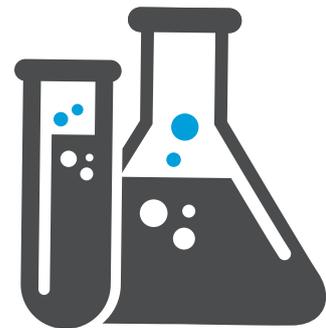
## Product surveillance program

**3,356**

Samples taken



Compliance



## Chair's foreword



Dr Anne Astin

As Chair of the Board of DFSV, I am proud to present *Dairy Food Safety Victoria's Annual Report* for 2018–2019. The report shows that throughout the year the Authority successfully delivered on its 2015–2020 strategic plan. The plan reflects our understanding that the industry's food safety record directly affects its growth and access to domestic and international markets.

In October 2018 Michele Allan, Julie Johnson, Joanna Wriedt and Noel Campbell were appointed to the Board and Peter Moloney and Julie Simons were re-appointed. I acknowledge the great work of our retired Board members Peter Bailey, Mick Blake and Helen Dornom who contributed a wealth of knowledge and experience and strongly supported me as Chair. I believe the current Board has the same energy, enthusiasm and expertise for change and we will keep working hard with the dairy industry, government agencies and others to develop even better programs and services.

Climatic and financial conditions continue to challenge our operating environment. As DFSV's core responsibility is to ensure the safety of dairy products produced in Victoria our *Regulatory Operations Strategy 2018–2022* is underpinned by two key principles. First, licensees are responsible for understanding and complying fully with relevant legislative requirements. Second, the strategy takes a risk-based, graduated and proportionate approach to its regulated activities. We have fulfilled this responsibility with minimal regulatory burden and costs, which includes keeping dairy industry licence fees at the 2017–18 level.

New technologies are changing the nature of the food system in ways that may dramatically affect the traditional models for ensuring compliance with food regulation. Regulators will need more reliable and faster assurance methods while still reaching high standards of public health for consumers and strong market access for industry. Achieving this is further challenged by industry demands for reduced government resource requirements and less compliance costs. Maintaining consumer confidence in the face of increasing pressures on food safety controls requires up-to-date communication and information that is independently verified and authoritative.

In the May 2019 Budget, the Victorian Government allocated funding to implement our *Dairy RegTech 2022* initiative. Dairy RegTech will help the dairy industry provide a higher level of food safety assurance at a lower cost. It will use digital methods to reduce the regulatory burden for industry and introduce real-time data collection and analytics. It will also enable more timely monitoring of the food safety performance of dairy businesses, demonstrate compliance with food safety regulations, and deliver education and incentives to promote a positive food safety culture.

A new source of data is information from measures that support and sustain food safety standards. A focus on behaviours that strengthen food safety will generally prevent problems arising, but if they do occur, they will be dealt with faster and more effectively. Building on this, DFSV has also worked with industry to develop and validate an Australian Dairy Food Safety Culture model, which measures behaviours and promotes latest practice in food safety culture.

It is important to make sure that we continue our core business as the Victorian dairy regulator while also planning for the future. The strategic review that started in July 2018 is exploring DFSV's role as a future leader in dairy regulation. DFSV is working with farmers and manufacturers to develop the 2020–25 Corporate Plan which will support and add value to Victoria's dairy industry.

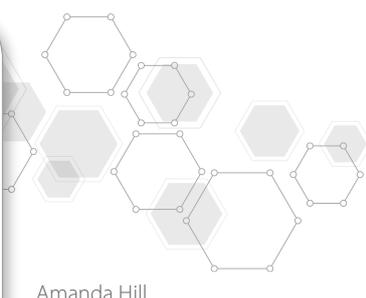
In looking to the future and acknowledging current industry challenges, the Authority recognises the great importance of innovative approaches to providing assurance to health-conscious consumers who want greater levels of transparency when it comes to the origin, integrity and safety of their food supply. The success of Victoria's world class dairy industry has been its ability to rapidly respond to ever-changing consumer preferences and market needs. DFSV must also be agile in responding to industry innovations as they emerge.

This year I was delighted to be reappointed by the Minister for Agriculture, the Hon. Jaclyn Symes, MP. As Chair for the next three years, I look forward to continuing to develop and maintain DFSV's excellent reputation as a food safety regulator and to support the dairy industry as a vital contributor to Victoria's economy. I would like to thank the Board for its support and staff for their ongoing commitment, dedication and professionalism.

A handwritten signature in black ink, appearing to read 'Dr Anne Astin'.

Dr Anne Astin  
Chair

# Chief executive officer's report



Amanda Hill

I am pleased to present my Chief Executive Officer's report covering the operations of Dairy Food Safety Victoria for the year ended 30 June 2019.

Since coming in as CEO a year ago, I have been assisted with advice from many sources, all of which emphasise the role of leadership and innovation to boost confidence within our industry. *Dairy RegTech 2022* is the initiative that will deliver leadership through collaboration about clear, proactive regulatory arrangements. I am encouraged by the strong support from industry that has built the momentum behind this project and look forward to strengthening this working relationship as the 12-month pilot, started in February 2019, progresses.

During the year we established the Dairy Industry Consultative Forum, for ongoing, formal engagement with industry. Input from the forum will help shape our future strategic direction, our funding model, reforms to our compliance and enforcement approach, and guidance on the nature and scope of support we provide to the dairy industry.

Building on our relationship with Australian dairy regulators, we also established the Australian Dairy Regulators' Forum. Under DFSV's leadership this forum is exploring operational, workforce and resource issues and identifying emerging risks and how to best respond to them.

DFSV continued to provide high quality and timely advice and support services to help licensees improve their knowledge of food safety and understand their regulatory obligations.

Already well aware of the high incidence of food recalls because of undeclared allergens, in August 2018 DFSV published *A guide to managing allergens in the dairy industry* for dairy manufacturers.

Throughout the year, we once again carried out audits, product testing and complaints investigations. We revised our Compliance and Enforcement Policy to ensure DFSV safeguards public health, while remaining agile and responsive to emerging risks and a changing regulatory environment.

The existing audit-based compliance model has served the industry and consumers well. However, at the moment audits only measure a point in time, and do not measure safety performance of businesses across the year. As well the audits do not factor in behaviours, one of the strongest drivers of food safety performance.

Dairy RegTech will integrate performance data (indicators of process and product-related risk) and measure behaviour (food safety culture, that is, behavioural driven risks) to verify commitment to and achievement of regulatory compliance, rather than solely focusing on audits. I am confident that the timing is right for this initiative and we have the team to make it a success.

The overall outcome will ensure that, through licensees, Victoria's dairy industry will demonstrate and deliver a higher level of food safety assurance. A tiered performance system is set to replace the current audit assessment program. This will mean real-time performance measurement leading to less auditing and associated costs.

We are now thinking about the next five years and developing a 2020–25 Corporate Plan. A survey of our licensees in April 2019 let us know how they view DFSV services. The results show that confidence in DFSV as a regulator remains high and I look forward to consulting on where we need to place our emphasis and where industry is seeking greater leadership from DFSV.

I am also happy to report that prudent financial management during the year resulted in expenditure within budget, further maintaining DFSV's sound financial position to deliver our regulatory obligations and service requirements.

I am proud of the DFSV team and appreciate their amazing commitment, support and expertise. My thanks particularly to Rick Burton, General Manager Compliance and Enforcement, who resigned in October, and Deon Mahoney, Chief Scientist and General Manager Industry Support, whose contract ended in February. I want to also acknowledge the unwavering support of my Executive colleagues — Karen Armitage, General Manager Planning and Business Services, and Andrew Wilson, General Manager Compliance, Enforcement and Technical Services.

I welcome our new Board members and thank the Board for its ongoing support and the trust placed in the DFSV team.

A handwritten signature in black ink that reads "A. S. Hill". The signature is written in a cursive, flowing style.

**Amanda Hill**  
Chief Executive Officer

# Performance report

In 2018–19 DFSV implemented year four of its 2015–20 Strategic Plan. The plan sets DFSV's strategic direction over the five-year period and includes eight objectives. Used as a base for its annual business plans, the strategic plan also establishes key performance indicators to measure DFSV's progress in delivering against the objectives.

DFSV's strategic direction and performance also takes account of the Minister for Agriculture's expectations of the agency to operate within a cohesive and contemporary regulatory framework while meeting its primary objective of safeguarding public health and safety.

This report describes DFSV activities undertaken during 2018–19 compared to the three previous years.

## 1. Regulation objective

*To maintain industry compliance with DFSV regulatory requirements*

### Regulatory framework

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 to deal with non-compliance.

In line with Victorian Government policy to streamline and reduce regulatory burden, we reviewed our compliance and enforcement framework. As a result, in 2018–19 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 dairy industry and describe DFSV's decision-making framework and the range of actions DFSV may take in response to non-compliance or risk to food safety. The framework and supporting policy are aligned with the national regulatory food safety policy, endorsed through the Food Regulation Standing Committee with guidance from the Office of the Commissioner for Better Regulation (Victoria).

### Strong culture, strengthened food safety: the Dairy RegTech 2022 initiative

During the year DFSV embarked on a major strategic initiative that will reform the way we operate as a regulator and work with industry.

Dairy RegTech aims to integrate performance data (indicators of process and product-related risk) and measures of behaviour (food safety culture, that is, behavioural driven risks) to verify commitment to and achievement of regulatory compliance across the entire dairy supply chain, rather than solely focusing on audits.

This initiative builds on existing capability using data already collected by industry and DFSV's knowledge base gained through auditing. It will extend DFSV's business processes to capture and analyse data (for example, benchmarking and trending). It also uses the opportunities that digital technology provides by streamlining data collection and analysis.

The elements of the initiative are:

- the partnership with industry in developing, piloting and implementing a different approach
- recognition of the importance of food safety culture in food assurance systems
- incorporating food safety culture into operational and decision-making frameworks. We are drawing on the Australian Dairy Food Safety Culture Maturity model used to assess food safety culture performance across the Australian dairy industry.

DFSV is developing a two-year strategy to implement Dairy RegTech. We began a pilot in February 2019, working with 10 dairy manufacturers (Bulla Dairy Foods, Bega Cheese, Camperdown Dairy, Chobani, Fonterra, Holy Goat Cheese, Lactalis, Lion Dairy and Drinks, Meredith Dairy and Saputo).

The pilot's objective is to determine that DFSV has the systems, industry support and evidence to fashion a different compliance model. We are working with the pilot participants to identify appropriate data points for collection of real-time information, which will be used to monitor and evaluate the performance of dairy industry licensees and verify compliance with regulatory requirements between audits.

The first stage of the pilot focussed on the 'user experience', that is, can data be easily retrieved and submitted, can DFSV systems receive and process this data, and can the data be formed into useful information? The results are going to help guide and build the second stage of the pilot in 2019–20, which will focus on more real-time monitoring and more in-depth analysis using DFSV's business intelligence to develop **dashboard reporting**.

### About dashboard reporting

A data dashboard is an information management tool that visually tracks, analyses and displays key performance indicators, metrics and key data points to monitor the health of a business, department or specific process. A dashboard connects to a user's files, attachments and services and allows applications to connect with each other in real time. It displays this data in tables, line charts, bar charts and gauges. Dashboard reporting is the most efficient way to track multiple data sources because it provides a central location to monitor and analyse performance.

### Licensing

DFSV administers licensing of persons undertaking activities in Victoria prescribed by the Dairy Act. Specifically, licences are issued in the categories of dairy farmer, carrier, manufacturer and distributor, subject to the satisfaction of regulatory requirements relating to an adequate food safety program (where applicable), suitable premises or vehicles, and the business having the skills and knowledge to produce safe food.

In 2018–19 DFSV issued 70 new licences. The total number of licences declined by 8.4 per cent from the previous year. This was mainly due to a reduction in farmer licences that were no longer milking and not operating as dairy businesses. However, total manufacturing numbers have increased year on year, up another 5.2 per cent to 222 in 2018–19.

During the year, DFSV established timeliness measures for processing new licence applications. These measures have targets for processing applications within 90 business days for dairy manufacturers, 60 for carriers and distributors, and 45 for farm applications.

For the reporting period, these measures were applied both retrospectively to applications completed before implementation, and actively to those processed after this time. As a result, the average number of business days to process a new farm licence application was 31 days with distributor and carriers being 28 days, achieving 88 per cent and 90 per cent within target timeframes respectively.

However, only 32 per cent of dairy manufacturer licence applications were approved within the 90-business day target. The main reason for this was that reporting timeframes did not differentiate between periods when the applicant had control of the application (for example, required to respond to deficiencies in the application, including the readiness of premises or food safety program compliance) and processing timeframes directly within DFSV control. To address this disparity, we refined the application process to improve an applicant's preparedness and adjusted reporting frameworks when needed.

**Table 1:** Total licences by type

Licence	2015–16	2016–17	2017–18	2018–19
Manufacturer (bovine)	190	199	205	211
Manufacturer (sheep, goat and buffalo)	8	7	6	10
Farmer (bovine)	4,141	3,889	3,881	3,516
Farmer (sheep, goat and buffalo)	33	31	29	26
Milk broker	2	3	3	2
Distributor	109	111	116	115
Carrier	45	44	40	41
Vendor	2	2	-	-
<b>Total</b>	<b>4,530</b>	<b>4,286</b>	<b>4,280</b>	<b>3,921</b>

# Performance report

## Compliance monitoring

DFSV undertakes regular activities to monitor compliance with the requirements of the Dairy Act, the *Food Act 1984* and the Australia New Zealand Food Standards Code. This is primarily through regular audits of licensed businesses to verify a licensee's compliance with the regulatory requirements as reflected in their approved food safety program, and the effectiveness of the operational food safety system in achieving safe dairy food.

DFSV Food Safety Managers conduct all compliance audits of manufacturing licensees. The first audit is within 30 days of the start of operations. After that audits occur at a minimum of every six months. DFSV also approves a number of second or third-party Approved Auditors who may audit dairy farm licensees on behalf of DFSV within three to six months after they begin operating, and then at least once every two years. During the year 1685 farms and 427 manufacturer audits were completed.

## Auditor verification

All DFSV Approved Auditors are required to adhere to the National Food Safety Audit Policy. To ensure consistency with this policy, DFSV conducts an annual verification program of all Food Safety Managers (Authorised Officers under the Dairy Act) and a sample of Approved Auditors who conduct farm audits on behalf of DFSV. In 2018–19 no significant issues were identified and all auditors were verified as competent against the requirements.

The annual Product Surveillance Program verifies the effectiveness of the industry's food safety programs and DFSV compliance activities. Results from the program continue to demonstrate a high level of compliance with food safety microbiological criteria. During the year 3356 dairy product samples were tested and 99.1% of them complied with the microbiological criteria of the Food Standards Code. *Listeria monocytogenes* was detected in one sample of mozzarella cheese and the Compliance and Enforcement Team took follow-up action.

## Enforcement

If DFSV identifies non-compliance with a requirement of the food safety program, the Code or other relevant regulations, it will take enforcement action proportionate to the seriousness of the non-compliance and the food safety risk. In 2018–20 DFSV successfully prosecuted one licensed business for significant and sustained breaches of the Dairy Act and the Food Act. The business pleaded guilty to 10 charges and was fined \$42,000 plus legal costs.

## Export assurance

DFSV supports the elimination of regulatory duplication and streamlined export certification by auditing export-registered businesses on behalf of the Australian Government Department of Agriculture. Currently there are 109 Victorian dairy businesses that are licensed by both DFSV and hold export registration with the department.

The department's annual review of DFSV's export audit and compliance management system resulted in ongoing accreditation to deliver export assurance services on behalf of the department. In 2018–19 DFSV also provided substantial assistance to the department and industry during importing country reviews, including the Republic of Korea and the European Union.

As well, DFSV continued to coordinate the Australian Milk Residue Analysis survey on behalf of the department. The Australia-wide 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.



**Table 2:** Key performance indicators — Regulation objective

Success	Indicators	2015–16	2016–17	2017–18	2018–19
No foodborne illness outbreaks attributed to Victorian dairy products	Number of foodborne illness outbreaks	-	-	-	-
<b>No. (and %) of licensees subject to compliance enforcement actions</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 <sup>1</sup> 7 (3.5%) M <sup>1</sup>	1 (0.03%) F 7 (3.5%) M	1 (0.3%) F 8 (3.8%) M	- 11 (5.0%)
	Increased audit frequency (enforcement audit)	2 (1.0%) M 1 (0.03%) F	4 (2.0%) M	4 <sup>2</sup> (1.9%) M	5 (2.3%)
	Orders issued under the Dairy Act or Food Act	1 (0.5%) M	2 (unlicensed manufacturers)	3 (1.4%)	3 (1.4%)
	Food safety program suspended or withdrawn	-	-	-	-
	Dairy licence suspended or cancelled	-	-	-	-
	Prosecution under the Dairy Act or Food Act	-	-	-	1 (0.5%)
	<b>No. (and %) of licensees found with at least one non-compliant dairy product</b>				
	Pathogen (organisms that can cause illness)	19 (11%)	11 (5.5%)	17 (8.1%) <sup>3</sup>	16 (7.2%)
	Chemical	-	-	-	1 (0.5%)
	Allergens (undeclared)	1 (0.5%)	3 (1.5%)	2 (1.0%) <sup>4</sup>	5 (2.3%)
	Physical	8 (4.0%)	8 (4.0%)	6 (2.8%)	-

1. M =manufacturer, F = farmer.

2. Three carry-over programs from 2016–17.

3. 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.

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

# Performance report

## 2. Management of food safety incidents objective

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

Food incidents can result in public health and safety risks among consumers as well as widespread consumer concern and significant disruption to domestic and international trade.

### 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 problems to prevent recurrence.

During 2018–19, 57 pathogen detections at 34 manufacturing sites were managed by manufacturers with DFSV oversight, 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 affected stock.

### Food safety risk assessments

Risk assessments are conducted when a potential risk to food safety is identified. In 2018–19 eight assessments examined the risk associated with exposure of cows in treated pastures to herbicides or insecticides. The assessments helped manufacturers make decisions about the suitability of milk for collection.

### Consumer complaints

A total of 52 complaints were received in 2018–19 relating to products or practices of DFSV licensees. Twenty extraneous matter (for example, plastic) complaints, three complaints about manufacturing premises and five complaints relating to allergens were investigated and action was taken. One complaint about labelling was assessed against the requirements of the Food Standards Code and a further 16 complaints relating to quality were referred to the manufacturers for follow up.

### Emergency preparedness

Arrangements between Victorian food regulators for responding to food safety incidents are formalised under a memorandum of understanding. During the year DFSV reviewed its procedures for responding to food safety incidents to ensure they were up-to-date and reflected the National Food Regulation Incident Response Framework. Later in 2019 DFSV will test the revised procedures to ensure we have the ability to respond and minimise disruption to consumers and industry.

From a business continuity perspective, the annual restoration testing of critical information systems, including the DFSV licence database, showed that if there is a sudden loss of systems functionality, we can quickly restore data and normal performance.

### Responding to bushfires

In the aftermath of the 19 March 2019 bushfires in south-west Victoria, DFSV issued advice to affected dairy farmers. As well as providing key contacts for help from DFSV and other government agencies, farmers were given information about:

- food safety — for example, a warning that rising cell counts in milk could lead to mastitis
- power outages — for example, that loss of power can reduce the ability to cool milk to the right temperature
- milk supplies — for example, how to discard milk if it is not acceptable to suppliers for processing
- animal welfare — for example, the steps for moving animals temporarily for milking and updating electronic ear tags.

**Table 3:** Key performance indicators — Management of food safety incidents objective

Success	Performance indicators	2015–16	2016–17	2017–18	2018–19
<b>Qualitative evaluation using licensee feedback<sup>1</sup> (% agreement)</b>					
Timely and proportionate response to food safety incidents	DFS V response was timely given the level of risk involved	85% <sup>2</sup>	N/A <sup>1</sup>	N/A	N/A <sup>1</sup>
	The actions needed to address the incident were proportionate to the risks	81% <sup>2</sup>	N/A <sup>1</sup>	N/A	N/A <sup>1</sup>
	How strongly do you agree that DFS V manages food safety incidents well? <sup>2</sup>	N/A	82%	87%	75%
<b>Qualitative evaluation using results of internal post-incident debrief</b>					
			No incidents triggered implementation of the CIRP <sup>3</sup>	No incidents triggered implementation of the CIRP	No incidents triggered implementation of the CIRP

1. These questions were only asked in DFS V licensee surveys conducted in April 2016 and April 2017.

2. Two questions were amalgamated with the third question from 2016–17 to produce a single question.

3. CIRP = Critical Incident Response Plan.

# Performance report

## 3. Reputation objective

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

Stakeholder engagement is integral to DFSV's work in developing, designing and implementing services. DFSV reviewed its Stakeholder Engagement Strategy to ensure we have constructive relationships with our stakeholders and a clear process to manage stakeholder concerns. We are also committed to ensuring any engagement with our stakeholders aligns with our organisational values — respect, collaboration, service, excellence, and integrity and fairness.

DFSV uses different levels and types of engagement processes:

- **Inform** — to provide good quality sources of information about key activities, engagement opportunities and decisions
- **Consult** — to seek advice and suggestions on a process or issue
- **Involve** — to be part of structured dialogue about an issue or process
- **Collaborate** — to be part of a shared process with a common objective
- **Initiate** — to make an application for a dairy licence.

In August 2018 DFSV established the Dairy Industry Consultative Forum chaired by Rene Dedonker, Managing Director of Fonterra. Featuring ongoing and formal engagement, the forum's input is used to guide and shape our future strategic direction, our funding model, reforms to our compliance and enforcement approach, and guidance on the nature and scope of support we provide to the dairy industry.

Building on our relationship with Australian dairy regulators, we also set up (and lead) the Australian Dairy Regulators' Forum, which met twice during the year. The forum explored operational, workforce and resource issues to better understand and respond to emerging risks.

To raise awareness among farmers and manufacturers of the role and activities of the Authority, DFSV has set up trade exhibits with staff available to answer questions at various conferences. These included the Dairy Industry Association of Australia conference, where the DFSV CEO gave a presentation, and the United Dairy Farmers of Victoria conference. We also helped to plan and participated in the biennial Food Allergen Management Symposium where international and local researchers, and government and food industry representatives provided updates on allergen research, management and trends.

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

Recognising that the success of the Dairy RegTech pilot in large part relies on how its objectives and outcomes are communicated, DFSV looked at a range of communications options, and produced a detailed stakeholder map and a 'telling our story' narrative. These were supported by key and secondary messages tailored to different audiences, including farmers, the broader industry, consumers and government.

### Licensee survey

DFSV conducted its fourth annual licensee engagement survey in April 2019. We invited 2,879 licensees from all licence types to participate. From either a phone interview or online survey, 355 responses were received. This represents 37 per cent of manufacturers, 32 per cent of carriers, 23 per cent of distributors and 10 per cent of farmer licensees. Table 4 shows that licensees had a consistently high degree of confidence in DFSV as a regulator.

### Keeping up with the issues

DFSV works with licensees, other state dairy regulators, government agriculture departments and research institutions in Australia and internationally to better understand new technologies and new and emerging risks, and how to control and manage potential risks. For example, the General Manager Planning and Business Services attended a major Global Food Safety Initiative conference in February 2019.

**Table 4:** Key performance indicators — Reputation objective

Success	Performance indicators	2015–16	2016–17	2017–18	2018–19
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	<b>Qualitative evaluation using stakeholder feedback (% agreement)</b>				
	Confidence in DFSV as a regulator	88%	90%	94%	95%
	Confidence that DFSV activities adequately safeguard public health	92%	89%	92%	92%
	DFSV conducts audits frequently enough to ensure dairy safety laws are adhered to	97%	97%	97%	93%
	DFSV acts to address any identified non-compliance with dairy food safety laws	97%	97%	100%	99%
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%	97%

# Performance report

## 4. Advice and support objectives

*To provide existing licensees and new market entrants with useful, credible advice, supporting them to meet dairy food regulatory requirement*

*To increase the knowledge base of DFSV to support our regulatory decision making*

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.

### Compliance-related assistance and advice

DFSV undertakes a wide range of industry support activities to enhance understanding and competency in food safety of both industry licensees and internal stakeholders. Activities include providing ad hoc advice to manufacturing licensees, such as advice on process validation, risk assessment and interpretation of the Food Standards Code requirements. Publishing technical information relevant to food safety also supports industry. DFSV initiatives and activities in 2018–19 included:

- publishing *A guide to managing allergens in the dairy industry* as part of DFSV's ongoing focus on managing allergens in the dairy industry
- developing a guideline to help industry conduct processes for validating new cooling practices or changes to current procedures and additional assistance with process validations to two dairy manufacturers
- delivering a presentation on microbiological testing in dairy products to industry via the Dairy Australia Manufacturing Webinar series
- contributing content for a proposed Australian Government's Package Assisting Small Exporters (PASE) online training program targeted to dairy manufacturers
- hosting twice-yearly Learning Network forums in five Victorian regions, with more than 100 industry representatives from 40 per cent of manufacturing licensees attending; and mounting a trade display at the Dairy Industry Association of Australia (DIAA) Victorian State Conference to encourage networking and promote industry support and regulatory reform initiatives
- sponsoring the DIAA Victorian dairy product competition awards lunch
- attending and sponsoring the biennial Food Allergen Management Symposium, the Australian Institute of Food Science and Technology convention, and Food Allergy Week.

To support compliance operations, DFSV continues to provide high-level technical and scientific advice to licensees and to staff. This includes guidance and interpretation of food standards, carrying out risk assessments, validating dairy processing operations, and troubleshooting at manufacturing premises where food safety managers have asked for assistance.

In 2018–19 the technical hotline responded to 106 enquiries, 87 per cent within two working days, on a range of topics. Most calls related to labelling (12%), regulations/standards (10%), validations (10%), microbiology/pathogens (9%) and product testing (9%).

### Research and development

DFSV funded a research project conducted by the University of Tasmania called Improved understanding of the risk of *Bacillus cereus* in Australian dairy products (Part 2). This study builds on results from Part 1 published in 2018. The project investigated the prevalence of *B. cereus* in Victorian ricotta and milk products and assessed their growth and toxigenic potential during post-cooking cooling and over the expected shelf life of products. The research data will help to assess and model the potential for growth of the pathogen during extended cooling or temperature abuse of products and contribute to a growth model for validation trials.

### Allergen project

During the year, as part of an ongoing focus on allergen management, DFSV set up a surveillance project to examine the incidence of undeclared allergens in Victorian dairy products. In total, 86 dairy product samples from 34 manufacturers were included in the survey and the report is expected in 2019–20. This project follows on from a smaller scale survey of ice cream and dip products last year. Both projects aim to add more effective verification in dairy industry allergen management.

## 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 Australian food regulatory framework and keeps up to date with developments across the country and internationally. DFSV also engages with other Victorian food regulators to achieve a consistent approach to all Victorian dairy businesses.

### Engaging nationally and internationally

The Codex Alimentarius Commission is the international food standards setting body established by the United Nation's Food and Agriculture Organization and the World Health Organization. Codex develops international food standards, guidelines and codes of practice for an international food code that contributes to the safety, quality and fairness of food trade.

In 2018–19 DFSV contributed to developing the Australian position for the Code of Practice for Allergen Management for Food Business Operators. We also helped revise the General Principles for Food, which is the Codex Committee for Food Hygiene's principle guideline for food safety management including the HACCP (Hazard analysis and critical control points) principles.

In July 2018 the DFSV Chief Executive Officer attended the annual meeting of the International Association for Food Protection in Utah to participate in a roundtable on 'Global perspectives on strengthening food safety performance'.

To support consistent implementation of food safety standards, DFSV:

- provides input to the national food regulatory framework in Australia
- keeps up to date with worldwide regulatory developments
- participates at a national level with the CEO as a member of the Implementation Subcommittee for Food Regulation
- monitors the development of food standards
- offers advice on new and amended dairy food standards.

Food Standards Australia New Zealand (FSANZ) is currently reviewing food safety standards and primary production and processing standards in the Food Standards Code. DFSV will contribute to the Victorian Government's submission to ensure consistency and currency in the national approach to manage food safety throughout the food supply chain. This work is important to DFSV as we review our industry guidelines on microbiological criteria and pathogen control.

DFSV is also represented on the Australian Government's ISFR (Implementation Subcommittee for Food Regulation) Surveillance, Evidence Analysis Working Group, a forum for sharing and discussing national surveillance activities relating to food safety. In addition to supporting and further developing our surveillance expertise, the participation has informed the design of the annual Product Surveillance Program.

During the year DFSV was active in the following networks:

- the Bi-National Food Safety Network consisting of Australian government food regulators and the New Zealand Ministry for Primary Industries — to routinely share and assess information on food incidents and determine subsequent actions
- the national industry–government Food Incident Forum — to share information and collaborate on potential food safety issues to determine how prepared we are for response and recovery during food safety incidents
- the Food Export Regulators Steering Committee and the Dairy Export Industry Consultative Committee — to discuss matters related to the export of dairy products
- state regulatory authorities and Dairy Australia, who are contributing to the Department of Agriculture Package Assisting Small Exporters (PASE) program.

In February 2019 a new initiative to increase understanding of dairy regulation in New Zealand started with a DFSV and New Zealand Ministry for Primary Industries teleconference, when Dairy RegTech was discussed. Formal consultations will occur every six months.

Amanda Hill presents at the Dairy Industry Association of Australia Victorian State conference, May 2019



Amanda Hill presents at the International Association for Food Protection annual meeting in Louisville USA, July 2019

# Performance report

## Strategic collaboration

DFSV regularly engages with other Victorian food regulators through the Victorian Food Regulators' Forum to achieve a consistent regulatory approach to all Victorian businesses. This forum plays an important role in sharing intelligence on emerging risks, new technologies, food incidents and working together across agencies on incident responses. Given the importance of clear roles and responsibilities and communication, DFSV contributed to the early planning for testing the system later in 2019.

DFSV established the Australian Dairy Regulators' Forum in August 2018 as an ongoing forum to explore operational, workforce and resource issues and share information and resources. The forum will work with the authority on refining and completing the microbiological criteria for dairy processing in FSANZ's Compendium of Microbiological Criteria for Food.

During the year DFSV continued its involvement in developing the Victorian Foodborne Illness Reduction strategy which describes Victoria's approach to the implementation of *Australia's Foodborne Illness Reduction Strategy 2018–2021+*. Under the Food Regulation Standing Committee, the strategy aims to strengthen existing food safety controls across supply chains to reduce foodborne illness and achieve improved overall food safety outcomes for industry and consumers.

DFSV is represented on the steering group and working group, which are helping to plan the strategy's implementation. This year the strategy was broadened beyond *Campylobacter spp* and *Salmonella spp* to include *Listeria monocytogenes* in dairy foods, along with other ready-to-eat products.



## 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 2018 under the *Financial Management Act 1994* to provide effective, efficient and responsible financial management of public resources.

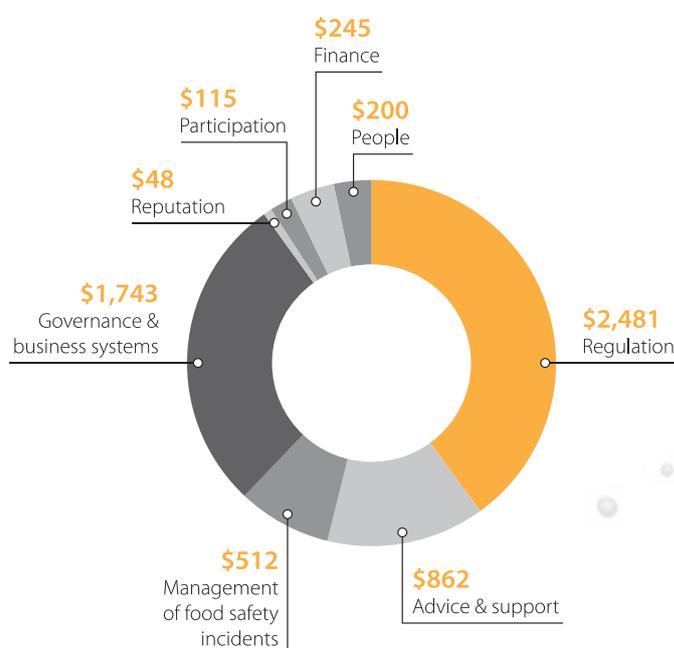
DFSV maintains appropriate systems and regularly reviews its accounting policies and procedures to ensure ongoing compliance with the framework.

## 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. In 2018–19 DFSV met this target.

Figure 1 shows the allocation of budgetary resources across DFSV's strategic activities. 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 resource allocation (\$'000) against portfolio areas



**Table 5:** Five-year financial summary

	2018–19 \$	2017–18 \$	2016–17 \$	2015–16 \$	2014–15 \$
Total income from transactions	6,160,850	6,122,965	5,974,788	5,848,805	5,789,923
Total expenses from transactions	(5,982,434)	(5,889,584)	(5,709,571)	(5,718,274)	(4,950,281)
Net result from transactions	178,416	233,381	265,217	130,531	839,642
Other economic flows	(39,777)	5,135	15,427	(121,693)	(20,181)
Comprehensive result	138,639	238,156	280,644	8,838	819,461
Net cashflow from operating activities	298,883	662,368	323,219	577,834	1,193,616
Total assets	7,863,540	7,681,959	7,157,153	7,203,464	6,842,473
Total liabilities	1,179,313	1,136,371	850,081	1,177,036	824,883

## Performance report

DFSV's net result from transactions reflects responsible financial management. 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 2018–19 shows a modest surplus consistent with the last three years. 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 timing of payables at 30 June 2019.

Despite no increases in fees and charges in 2018–19, DFSV has maintained costs within budget and achieved a favourable net result from transactions. This was while continuing to meet regulatory service delivery requirements, including comprehensive product testing to monitor industry compliance, ongoing stakeholder engagement, communication and science-related support.

**Table 6:** Key performance indicators — Finance objective

Success	Performance indicators	2015–16	2016–17	2017–18	2018–19
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)	Total expenditure \$5,982K (96% 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)	Total revenue \$6,161K (100% of forecast)

## 7. Governance and business systems objective

*To maintain effective and efficient governance and business systems*

### Strategic review

In July 2018 DFSV commenced a strategic review into good governance and effective processes, delivery of regulatory assurance, and people and relationships. The review considered the issues outlined by the Minister in her Statement of Expectations as well as exploring DFSV's role as a future leader in dairy regulation and informing the development of the 2020–2025 Corporate Plan.

During the year the focus was on exploring how we will deliver future regulatory assurance and looking at existing industry and government data to identify the platforms on which data is useful in strategically monitoring and evaluating performance of dairy industry licensees (a different compliance model not solely focussed on audit). This is the basis of the Dairy RegTech initiative. Finding the opportunities to drive strategy and performance through developing data platforms underpins DFSV's strategic direction of implementing intelligence-led risk-based regulation and incentive-based compliance.

Future work is reviewing the *Dairy Act 2000* and progressing the review of the DFSV funding model in consultation with industry, to deliver a transparent, financially sustainable funding model framework.

### Risk management framework

Risk management is essential to good organisational management and is an important element of the DFSV governance framework. Developed within the strategic and organisational context, we have sound procedures that identify, analyse and manage organisational risk. However, to ensure their ongoing effectiveness we regularly review our risk management framework and processes. In 2018–19 continuous risk management improvement initiatives were undertaken.

- DFSV participated in a Victorian Managed Insurance Authority risk maturity survey (self-assessment). Each year, the survey results assist DFSV to review, understand and improve internal risk management practices.
- In March 2019 the Board approved a DFSV risk 'appetite' statement. The statement supports risk evaluation and defines the amount and type of risk that DFSV is willing to accept. It guides management and staff on the level of risk that the Board determines is appropriate and is intended to help with decision making and to foster a positive risk culture.
- All staff completed fraud risk and management training.

### Legislative compliance

DFSV has compliance monitoring, management and reporting processes to meet its legislative obligations and responsibilities, to manage related compliance risks, and to conduct its activities and business, lawfully and responsibly as the statutory authority that regulates the Victorian dairy industry.

We also maintained a suite of internal policies and procedures covering a range of portfolio areas — finance, governance, human resources, corporate, regulatory operations and science. This is to ensure business practices reflect legislative requirements.

### 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; government and DFSV policies and procedures.

RSM Australia Pty Ltd is DFSV's appointed internal audit provider. During 2018–19 reviews of DFSV controls and/or processes were undertaken around our critical incident response plan, financial management compliance framework, occupational health and safety and administration of DFSV issued licences. Opportunities to improve or refine our business practices resulted.

### Complaints management

DFSV is committed to responding to and addressing any complaints received about a DFSV service or decision within 20 business days. Where a complaint may take longer to investigate, DFSV keeps the complainant informed of the progress of the investigation. In 2018–19 DFSV received two complaints, one of which was investigated, responded to and closed out within the timeframe. The other complainant was kept informed of the status of DFSV's response until the complaint was considered finalised.

### Information systems

DFSV has enhanced and expanded the range of applications it uses to support collaboration and business efficiency. During the year the agency established an online collaboration site for internal and external communication and file sharing about the Dairy RegTech 12-month pilot. In the human resources area, a cloud-based software tool was introduced to support centralised management of the annual performance planning and management cycle. This replaced a paper-based system. DFSV also improved its business intelligence reporting environment, developing a range of new dashboards and reports to monitor and report on organisational and industry performance.

# Performance report

## Technical support for Dairy RegTech 2022

A key enabler of the Dairy RegTech is updated technology to collect, transfer and analyse data to support ongoing assessment of food safety performance. DFSV developed a web portal for trial participants to submit their microbiological test data online. The data is transferred to DFSV's data warehouse and early concepts for ongoing analysis and dashboard reporting were explored.

A cloud-based survey tool was implemented for collecting and analysing questionnaire responses from pilot participants. The responses confirmed that behaviours are integral to food safety culture. The data collected validated the food safety culture model developed for the pilot.

## Information security

As required under the Victorian Protective Data Security Framework, DFSV submitted its Protective Data Security Plan to the Office of the Victorian Information Commissioner in August 2018.

The plan includes several actions to strengthen the security of DFSV's information for delivery over two years: These are to:

- tighten contractual obligations for information security on external parties that have access to DFSV information
- deliver an ongoing information security training and awareness program for DFSV staff
- enhance DFSV's information security policies and procedures, particularly for escalation procedures and communication plans
- strengthen password controls applied to external ICT support contractors.

## Records management

DFSV kept up its program to review its historical records in accordance with Public Records of Victoria requirements and as appropriate digitised records in its centralised electronic document and records management system. Due for completion in 2019–20, DFSV either disposed of or digitised all stored archived records which had belonged to our predecessor, the Victorian Dairy Industry Authority.

**Table 7:** Key performance indicators — Government and business systems

Success	Indicators	2015–16		2016–17		2017–18		2018–19	
<b>Recommendations from review and audits implemented within agreed timeframes</b>									
Best practice corporate governance		Agreed	Implemented within timeframe (%)						
Internal reviews or audits	Internal reviews or audits	39	69%	22	64%	23	78%	17	57%
	External audit (Victorian Auditor General's Office)	1	100%	1	100%	1	No timeframe applicable	-	No timeframe applicable
<b>Full compliance with the Victorian public-sector governance framework</b>									
DFSV complied with its reporting obligations to the Victorian Government in 2015–16, 2016–17 and 2017–18 Compliance with Standing Directions under the <i>Financial Management Act 1994</i> with the following exceptions:									
<ul style="list-style-type: none"> <li>• 2015–16 with Standing Direction 17– IT Disaster Recovery</li> <li>• 2016–17 with Standing Instruction 3.4 –11 Gifts, Benefits and Hospitality website register</li> <li>• 2017–18 with Standing Direction 4.2.2 Discretionary financial benefits, policy clarity sponsorship costs</li> </ul>									

## 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*

### Staff engagement

A positive organisational culture and high levels of staff engagement are vital for DFSV to achieve its strategic objectives. As part of this, a staff forum with representatives from across the organisation, acts as a consultative and advisory mechanism to respond to workplace issues. In early 2018–19 DFSV held a planning day to establish a work plan of activities for the year. Initiatives for the year included:

- responding to the 2018 staff survey results
- signing a 'pact' between all staff and Board members, which aligns with our Code of Conduct and defines the behaviours and attitudes important to DFSV
- organising social events
- using the reward and recognition system to highlight the many positive contributions of team members to DFSV's organisational culture.

To promote a positive workplace culture a working style preferences methodology was delivered to all staff during the year, and responses to the training were used to create more positive intra- and inter-team dynamics.

In April 2019 DFSV conducted its annual staff survey to determine the level of staff engagement and also gauge understanding of and 'buy in' to Dairy RegTech. The engagement score increased from previous years, as has our collective understanding of Dairy RegTech and changes to our business practices.

### Organisational structure

DFSV underwent a restructure as a result of an overall strategic review. The review found that we needed to change our compliance model (data-focussed and performance-based), our established business model and behaviours, as well as our internal structure. This pointed to a much greater focus on business intelligence, data systems and data analytics, supported by a food safety culture and regulatory science. Changes included:

- moving the AMRA Program Coordinator and PTP Program Coordinator to join the Science Advisor and Scientific Officer in a new group called Science and Technical Services with a manager taking on regulatory science leadership, rather than the Chief Scientist
- appointing Andrew Wilson as General Manager Compliance, Enforcement and Technical Services, joining Karen Armitage, General Manager Planning and Business Services and the CEO on the senior leadership team.

### Review of position descriptions

As part of the organisational restructure and future workforce needs, in 2018–19 DFSV reviewed all staff position descriptions, with most updated to align with current position accountabilities. To establish an in-house capability to evaluate position descriptions, DFSV trained two staff to work on an evaluation panel. This saves time and is more cost-effective than using an outsourced supplier. All roles were evaluated to confirm appropriate remuneration ranges to reflect DFSV's remuneration policy.



DFSV Executive Team, 2019

# Performance report

## Professional development

DFSV runs a program of tailored professional learning and development for staff of formal training, attendance at conferences and specialist forums and participation in external government technical working groups, as well as ongoing 'on the job' professional development. During the year examples of staff learning opportunities and conferences included:

- offering food safety auditor training for staff other than Food Safety Managers
- completing additional food safety units of competency in heat treatment and cook chill processes for Food Safety Managers
- offering specialist ICT software courses
- attending a forum on Innovations in Food Safety, Traceability and Processing Technology
- participating in a workshop to enhance negotiation and engagement skills as a regulator
- training on the concepts and application of the food safety culture behaviour model, to support the Compliance and Enforcement Team with the Dairy RegTech.

In 2018–19 we also looked at the competencies and skills sets needed for the Dairy RegTech operating model. As a result, we updated DFSV's competency framework to incorporate new competencies. These focussed on food safety culture assessments and a learning and development program to improve staff knowledge and skills as we move towards Dairy RegTech delivery in 2019–20.

## Office layout

DFSV changed the physical layout of our offices. This means executive managers are now closer and more connected to their teams. We also created a new and large meeting room with natural light and full conferencing facilities to provide a better space for meetings, particularly with external stakeholders.

**Table 8:** Key performance indicators — People objective

Success	Performance indicators	2015–16	2016–17	2017–18	2018–19
Positive, engaged organisational culture	<b>Qualitative evaluation using stakeholder feedback and staff survey (% positive response)</b>				
	Employee engagement (net score)	87	65	70	73
	<b>Qualitative evaluation using feedback from manufacturers (% positive response)</b>				
	Staff have the right level of technical expertise to do their job	98	99	90	97
	Staff communicate clearly and effectively	98	99	100	99
	Staff are empowered to enforce the regulations	97	93	97	87
	Staff exercise their authority with confidence	95	99	95	95

# Governance and organisational structure

## DFSV Board

The DFSV Board has seven members appointed to ensure a balance of skills and expertise. The Minister for Agriculture appoints the chair and may also appoint one member nominated by the Secretary of the Department of Jobs, Precincts and Regions. The minister appoints the remaining five members acting on recommendations of an industry selection committee.

Under section 9 of the Dairy Act, Board members are appointed because of 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 2018.

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

**Table 9:** Membership of DFSV committees at 30 June 2019

Risk Management and 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) Noel Campbell (independent non-executive) Joanna Wriedt (independent non-executive)
People and Culture	Assists the Board in fulfilling its statutory responsibilities in relation to human resources matters, including occupational health and safety.	Julie Johnson, Committee Chair Michele Allan Julie Simons

Six Board meetings and seven Board Committee meetings were held during the year.

**Table 10:** Attendance at Board and Board Committee meetings in 2018–19

	Board	RMA Committee	People and Culture Committee
<i>Total number of meetings for the year</i>	6	4	3
<b>Board member</b>	<b>(Number of meetings attended/(number of meetings eligible to attend))</b>		
Anne Astin <sup>1</sup>	6 (6)	N/A	N/A
Michele Allan <sup>3</sup>	3 (4)	N/A	0 (1)
Peter Bailey <sup>2</sup>	2 (2)	N/A	2 (2)
Michael Blake <sup>2</sup>	2 (2)	N/A	2 (2)
Noel Campbell <sup>3</sup>	4 (4)	3 (3)	N/A
Helen Dornom <sup>2</sup>	2 (2)	1 (1)	-
Julie Johnson <sup>3</sup>	4 (4)	N/A	1 (1)
Peter Moloney <sup>1</sup>	6 (6)	4 (4)	N/A
Julie Simons <sup>1</sup>	5 (6)	N/A	3 (3)
Joanna Wriedt <sup>3</sup>	3 (4)	3 (3)	N/A

1. Board member for full financial year 2018–19.

2. Board member appointment expired 11 October 2018.

3. Board member appointment commenced 12 October 2018.

# Governance and organisational structure

## DFSV Board at 30 June 2018



**Dr Anne Astin, PSM — Chair**

Anne is currently Chair of the Board of the Food Agility Co-operative Research Centre, the Sir William Angliss Institute of TAFE, the SafeFish Partnership and the Australian Industry Skills Council's Food, Beverage and Pharmaceutical Industry Reference Committee. She is a Director of the Australian Packaging Covenant, Sheep Producers Australia Ltd 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 to New Zealand's Food Safety Science and Research Centre's International Science Advisory Panel.

She previously worked in senior executive positions in the Victorian public sector in food policy and regulation, public health, agriculture, minerals and petroleum, natural resources and environment, land administration and forensic science.

She is the immediate past Chair and President of the Australian Institute of Food Science and Technology, the Australia and New Zealand Implementation Subcommittee for Food Regulation, CSIRO's Agriculture and Food Advisory Committee and Wellsprings for Women Inc.



**Dr Michele Allan**

Michele has an academic background in biomedical science, management and law, and held senior positions and directorships in food and agribusiness and as an advisor to government on a range of issues related to horticulture, food manufacturing and export. She is currently Chair of the boards of Apple and Pear Australia Limited, Meat and Livestock Australia, and the Defence Trusted Autonomous Systems Co-operative Research Centre, and Chancellor of the Board of Charles Sturt University. Michele is also a non-executive director of the Food Agility Cooperative Research Centre, the Food and Agriculture Growth Centre, CSIRO, Nuffield Australia and Grain Growers Limited and The Growth Fund (MJCP Limited).



**Noel Campbell, AO**

Noel has been a dairy farmer in Eastern Victoria for 35 years and is a strong representative and advocate for the dairy industry. He was Chair of the Australian Dairy Industry Council, President and Secretary of the United Dairyfarmers of Victoria District Council, Chair and Director of Bonlac Foods and Bonlac Supply Company, and Director of Genetics Australia. As a former Australian Dairy Farmers Board member, Noel led its restructure process in 2011–12 and was the President from 2012 to 2015.



---

### Dr Julie Johnson

Julie is a veterinarian, with a Masters in Veterinary Public Health Management. She has a professional background in private veterinary practice and veterinary public health and held a number of leadership positions in the public sector. As a regional and state manager in the New South Wales Department of Primary Industries, she successfully delivered animal biosecurity and welfare outcomes. She has more recently focussed on business and leadership, developing expertise in both human behaviour and organisational culture. She is a former director of a private hospital Board of Governance and currently operates a consultancy business focussed on business leadership.



---

### Peter Moloney

Peter was appointed as a director in 2012. He is an experienced risk and audit practitioner, working over 34 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 worked in a number of other board roles including with William Buck, Friends of the Zoos and VicHealth, and he is also Chair of the Finance and Audit Committee of VicHealth.



---

### Dr Julie Simons

Julie is Director Agriculture Industry and Rural Transition in the Department of Jobs, Precincts and Regions. Julie is an experienced representative of the Victorian Government with expertise in strategic policy formulation and implementation, industry research, and stakeholder engagement. She has led policy programs for natural disasters, drought preparedness and recovery, and the Victorian land-use planning reforms for animal industries. Julie oversees the state government's partnership with the Rural Financial Counselling Service, the Rural Women's Network and the Victorian Government's Young Farmer scholarship program.



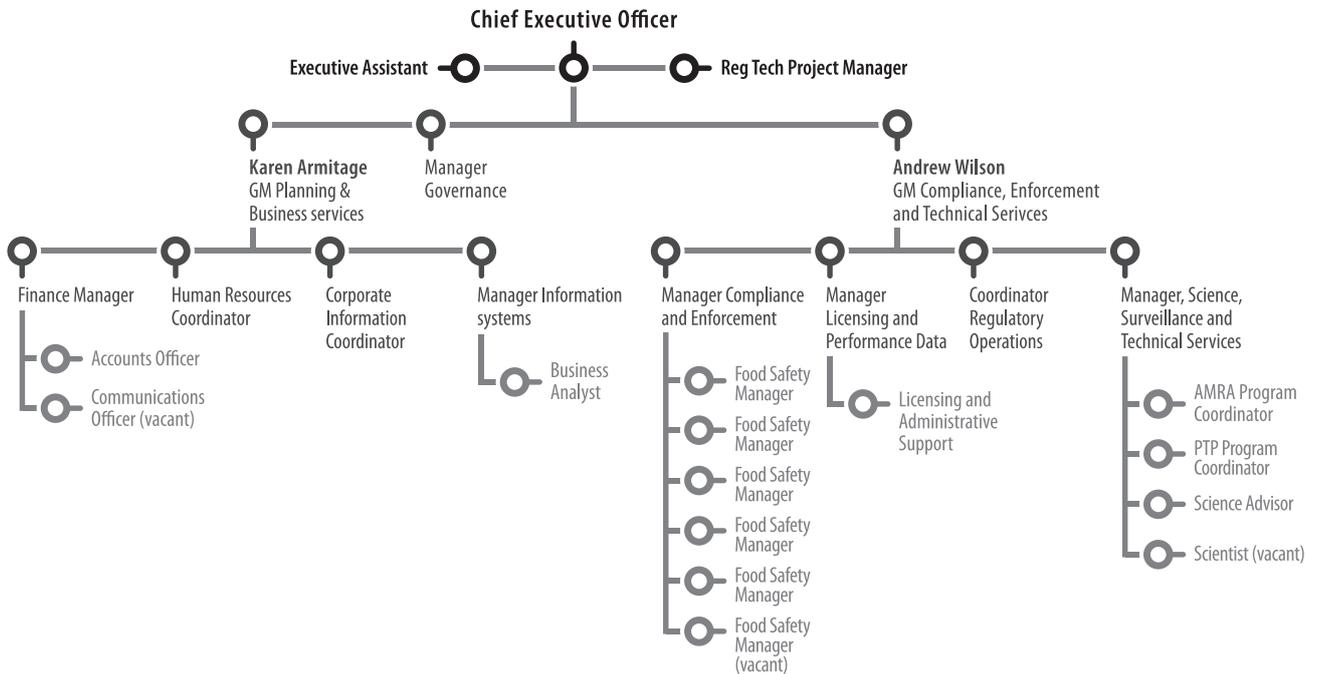
---

### Dr Joanna Wriedt

Joanna's professional experience spans commercial law, government and medical research. She has a Juris Doctor in law and a PhD in medical research and is experienced in corporate governance. She previously worked as a commercial lawyer in transport and shipping dealing with transport incidents and regulation. Joanna's experience in the public sector includes as policy adviser to the Australian Government Health Minister from 1998 to 2001 and she currently sits on three government regulatory advisory committees. She chairs the Victorian Government's Radiation Advisory Committee and the National Asthma Council Australia, and also sits on not-for-profit boards. Joanna is also involved in commercial scale farming in Victoria and Queensland.

# Governance and organisational structure

DFSV organisational chart



## Occupational health and safety

DFSV’s occupational health and safety (OHS) framework ensures that our workplace remains as safe as possible. OHS risks are identified and managed by implementing risk mitigating strategies and consulting with employees. The framework includes:

- maintenance of OHS policies and procedures
- review and monitoring of a hazard risk register
- incident and near miss reporting processes
- workplace inspections
- internal consultation through a dedicated Health and Wellbeing Committee which met twice during the year
- ongoing program of OHS training.

During the year staff received the annual OHS update as a reminder of the importance of health and safety in the workplace. This was also an opportunity to consult with employees on OHS matters. DFSV has two trained contact officers who can advise staff on workplace behavioural and conduct matters, such as discrimination, harassment and bullying.

Throughout the year, a range of OHS-related activities were offered to employees, which help to minimise the risk of workplace health or safety illness or injuries. Activities included:

- an influenza vaccination program
- personal protective equipment and car safety equipment for field staff
- ergonomic assessments for workstations and cars
- access to fresh fruit each week
- an employee assistance program
- a series of ‘power-hour’ lunchtime seminars on topics chosen by employees, including positive psychology in the workplace
- supporting employees with a health or wellness product or service of their choice.

Five occupational health and safety incidents were reported in 2018–19 compared to two incidents in 2017–18. All incidents were investigated by DFSV and any necessary corrective and/or preventative actions were taken. No WorkCover claims were lodged by DFSV for this period.

# Workforce data

## Employment and conduct principles

DFSV has aligned its organisational values of respect, collaboration, integrity and fairness, service, and excellence to the intent and principles of the Code of Conduct for Victorian Public Sector employees. DFSV holds its employees accountable for their behaviour in line with the code and its values, and does this through recruitment and induction (onboarding) processes as well incorporating behavioural accountability into its performance management system.

## Comparative workforce data

**Table 11:** Summary of employment levels

	Ongoing employees				Fixed term and casual
	Employee (headcount (HC))	Full time (HC)	Part time (HC)	FTE (full-time equivalent)	FTE
June 2018	27	19	8	24.4	-
June 2019	26	20	6	24.5	1

**Table 12:** Detail of employment levels at 30 June

	June 2019			June 2018		
	Ongoing		Fixed and casual employees	Ongoing		Fixed and casual employees
	Ongoing Employee (HC)	FTE	FTE	Ongoing Employee (HC)	FTE	FTE
<b>Gender</b>						
Male	8	8	1	10	10	-
Female	18	16.5	-	17	14.4	-
Self-described	-	-	-	-	-	-
<b>Total</b>	<b>26</b>	<b>24.5</b>	<b>1</b>	<b>27</b>	<b>24.4</b>	<b>-</b>
<b>Age</b>						
Under 25	-	-	-	-	-	-
25-34	1	1	1	1	0.8	-
35-44	8	7.3	-	9	6.9	-
45-54	12	11.2	-	9	8.7	-
55-64	5	5	-	8	8	-
Over 64	-	-	-	-	-	-
<b>Total</b>	<b>26</b>	<b>24.5</b>	<b>1</b>	<b>27</b>	<b>24.4</b>	<b>-</b>
<b>Position</b>						
Executive	3	3	-	4	4	-
Corporate	12	11	1	12	10.3	-
Technical	11	10.5	-	11	10.1	-
<b>Total</b>	<b>26</b>	<b>24.5</b>	<b>1</b>	<b>27</b>	<b>24.4</b>	<b>-</b>

## Other disclosures

### Local Jobs First

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy and Major Project Skills Guarantee policy which were previously administered separately.

Departments and public-sector bodies are required to apply the Local Jobs First policy in all projects valued at \$3 million or more in metropolitan Melbourne or for statewide projects, or \$1 million or more for projects in regional Victoria. DFSV has not undertaken any projects during the year relevant to the Local Jobs First policy.

### Disclosure of consultancy expenditure

The total of all consultancy amounts that were less than \$10,000 was \$35,450. Table 13 shows expenditure on consultancies valued at more than \$10,000 in 2018–19.

**Table 13:** Consultancy expenditure

Consultant	Purpose of consultancy	Total approved project fee (\$)	Expenditure 2018–19 (\$)	Future expenditure (\$)
Cultivate	Food safety culture model and Dairy RegTech 2022 initiative	\$90,400	\$90,400	\$160,000
Davidson Executive & Boards Pty Ltd	Recruitment services	\$57,163	\$57,163	-
Fireside Agency Pty Ltd	Communications services	\$30,000	\$26,071	-
FOI Solutions	Freedom of information services	\$11,075	\$11,075	-
iHR Australia Pty Ltd	Industrial relations services	\$10,500	\$10,500	-
M&K Lawyers Group Pty Ltd	Legal services	\$55,950	\$55,950	-
Mercer Consulting (Aust) Pty Ltd	Remuneration services	\$30,000	\$29,800	-
Minter Ellison	Legal services	\$24,737	\$24,737	-
Quantum Market Research (Aust) Pty Ltd	Stakeholder engagement survey	\$26,000	\$26,000	-
RSM Australia Pty Ltd	Audit and accounting services	\$80,000	\$60,772	\$80,000
<b>Totals</b>		<b>\$415,825</b>	<b>\$336,574</b>	<b>\$240,000</b>

### Information and Communications Technology (ICT) expenditure

Table 14 shows that in 2018–19 DFSV's total ICT expenditure was \$500,000.

**Table 14:** ICT expenditure<sup>1</sup>

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
	Non-business as usual (non-BAU) ICT expenditure (Total = Operational expenditure and capital Expenditure)	Operational expenditure	Capital expenditure
Business as usual (BAU) ICT expenditure (Total)			
<b>\$282,000</b>	<b>\$218,000</b>	<b>\$85,000</b>	<b>\$133,000</b>

1. 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* (FOI Act) allows the public right of access to documents held by DFSV, including documents created by DFSV or supplied to DFSV by external parties. The FOI Act allows DFSV to refuse access, either fully or partially, to certain documents or information.

In 2018–19 DFSV received two freedom of information requests. Of these:

- one request was released with partial access to documents granted (based on exemptions associated with personal information and commercial matters) within an agreed extended statutory timeframe of 60 days
- one request was refused on the basis of substantial and unreasonable diversion of DFSV resources and made within the statutory time. The Victorian Office of the Information Commissioner is currently considering DFSV's decision to refuse the request.

## Making a request

FOI requests must be made in writing identifying as clearly as possible the documents requested and include the \$29.60 application fee. The fee may be waived if the payment is likely to cause hardship to the applicant. Applicants can get assistance with their requests to determine the type of documents they want. Access charges may also apply once documents are processed and a decision on access is made — for example, photocopying and search and retrieval charges.

The address for document requests from the DFSV is:

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

For more information about FOI visit [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 into the Dairy Act.

## Compliance with the Protected Disclosure Act

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of corrupt or improper conduct by public officers and public bodies, including DFSV, its employees and Board members. This Act protects people who make disclosures in accordance with the Act and establishes a system for investigating the matters disclosed and any necessary rectifying action.

DFSV recognises the value of transparency and accountability in its administrative and management practices and supports making disclosures that reveal improper conduct. It does not tolerate improper conduct by the organisation, its employees, officers or Board members, or taking detrimental action in reprisal against those who come forward to disclose such conduct.

DFSV has established procedures to facilitate and encourage making disclosures under this Act, and how DFSV will manage the welfare of persons connected with protected disclosures.

For more information about DFSV's Protected Disclosure Procedures go to [www.dairysafe.vic.gov.au](http://www.dairysafe.vic.gov.au)

The address for making a disclosure 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, is:

Victorian Independent Broad-based Anti-corruption  
Commission  
Level 1, North Tower  
459 Collins Street  
Melbourne, Victoria 3000  
Phone: 1300 735 135

Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

Email: See website above for the secure email disclosure process, which also provides for anonymous disclosures.

**Note:** DFSV is unable to receive protected disclosures.

## Other disclosures

### Office-based environmental impacts

DFSV recognises the importance of environmental sustainability and is committed to minimising its environmental footprint. DFSV's environmental policy describes the agency's approach to responsible environmental management. DFSV aims to maintain, and where possible improve, environmentally sustainable practices within its office and field-based operations, including:

- minimising energy, water and paper use, including maximising energy efficient lighting, using water efficient tap fittings and appliances, and applying double-sided printing
- reducing paper use with progressive digitisation of records
- recycling waste materials including paper, plastic bottles and cans, organic green waste, toner cartridges, and obsolete ICT and office equipment
- reducing greenhouse gas emissions associated with its vehicle fleet by leasing fuel efficient cars, the use of public transport by staff where possible, and providing cycle storage facilities for staff
- encouraging energy saving office-based practices, for example, turning off lights and a switch-off policy for computers and appliances
- making environmentally sound purchasing decisions for capital items and consumables, including purchasing carbon neutral paper and appliances with high star energy efficiency ratings.



## 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 are kept 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 of Finance under the *Financial Management Act 1994* and Instructions. The Dairy Food Safety Victoria Risk Management and Audit Committee verifies this.



Dr Anne Astin  
Chair  
27 August 2019

# Financial statements

for the financial year ended 30 June 2019



# 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 2019 in the following structure to provide users with the information about DFSV's stewardship of resources entrusted to it.

## Financial statements

Comprehensive operating statement	37
Balance sheet	38
Statement of changes in equity	39
Cash flow statement	40

## Notes to the financial statements

### 1. About this report 41

The basis on which the financial statements have been prepared and compliance with the reporting regulations

### 2. Funding delivery of our services 42

Revenue recognised from licence and services fees and other sources

- 2.1 Summary of income that funds our service delivery
- 2.2 Licence and service fees
- 2.3 Interest income

### 3. The cost of delivering services 43

Operating expenses

- 3.1 Expenses incurred in delivery of services
- 3.2 Other operating expenses

### 4. Key assets available to support output delivery 47

Property, intangibles and other financial assets

- 4.1 Property, plant and equipment
- 4.2 Intangible assets
- 4.3 Investments and other financial assets

### 5. Other assets and liabilities 50

Other key assets and liabilities

- 5.1 Receivables
- 5.2 Prepayments
- 5.3 Payables

### 6. Financing our operations 52

Leases, cashflow information and commitments

- 6.1 Cashflow information
- 6.2 Commitments for expenditure

### 7. Risks, contingencies and valuation judgements 53

Financial risk management, contingent assets and liabilities as well as fair value determination

- 7.1 Financial instruments
- 7.2 Contingent assets and contingent liabilities
- 7.3 Fair value determination

### 8. Other disclosures 61

- 8.1 Other economic flows included in the net result
- 8.2 Responsible persons
- 8.3 Remuneration of executives
- 8.4 Related parties
- 8.5 Remuneration of auditors
- 8.6 Ex-gratia payments
- 8.7 Subsequent events
- 8.8 Australian Accounting Standards issued that are not yet effective
- 8.9 Glossary of technical terms
- 8.10 Style conventions

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

for the financial year ended 30 June 2019

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 2019 and financial position of Dairy Food Safety Victoria as at 30 June 2019.

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 27 August 2019.



Anne Astin  
Chair



Amanda Hill  
Chief Executive Officer



Daryl Glover  
Chief Finance and Accounting Officer

Melbourne  
27 August 2019

# Comprehensive operating statement

for the financial year ended 30 June 2019

Continuing operations	Notes	2019 \$	2018 \$
<b>Income from transactions</b>			
Licence and service fees	2.2	5,936,442	5,976,533
Interest	2.3	157,951	146,082
Miscellaneous income		66,458	350
<b>Total income from transactions</b>		<b>6,160,850</b>	<b>6,122,965</b>
<b>Expenses from transactions</b>			
Employee expenses	3.1.1	3,435,737	3,211,661
Depreciation and amortisation	4.1.1	109,266	188,512
Product testing and laboratory evaluation costs		565,506	648,572
Other operating expenses	3.2	1,871,926	1,840,839
<b>Total expenses from transactions</b>		<b>5,982,434</b>	<b>5,889,584</b>
<b>Net result from transactions (net operating balance)</b>		<b>178,416</b>	<b>233,381</b>
<b>Other economic flows included in net result</b>			
Net gain on disposal of non-financial assets	8.1	823	4,467
Net gain/(loss) from revaluation of long service leave liability	8.1	(40,600)	668
<b>Total other economic flows included in net result</b>		<b>(39,777)</b>	<b>5,135</b>
<b>Comprehensive result</b>		<b>138,639</b>	<b>238,516</b>

The comprehensive operating statement should be read in conjunction with the notes to the financial statements included on pages 41–70.

# Balance sheet

as at 30 June 2019

<b>Assets</b>	<b>Notes</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Cash and cash equivalents	6.1(a)	2,821,266	734,475
Receivables	5.1	199,556	221,267
Investments and other financial assets	4.3	4,500,000	6,500,000
<b>Total financial assets</b>		<b>7,520,822</b>	<b>7,455,742</b>
<b>Non-financial assets</b>			
Property, plant and equipment	4.1	181,847	99,264
Intangible assets	4.2	121,236	101,698
Prepayments	5.2	39,635	25,255
<b>Total non-financial assets</b>		<b>342,718</b>	<b>226,217</b>
<b>Total assets</b>		<b>7,863,540</b>	<b>7,681,959</b>
<b>Liabilities</b>			
Payables	5.3	419,118	359,247
Employee related provisions	3.1.2	760,195	777,124
<b>Total liabilities</b>		<b>1,179,313</b>	<b>1,136,371</b>
<b>Net assets</b>		<b>6,684,227</b>	<b>6,545,588</b>
<b>Equity</b>			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		4,884,227	4,745,588
<b>Net worth</b>		<b>6,684,227</b>	<b>6,545,588</b>

The balance sheet should be read in conjunction with the notes to the financial statements included on pages 41–70.

# Statement of changes in equity

for the financial year ended 30 June 2019

	Contributed capital	Accumulated surplus \$	Total equity \$
<b>Balance as at 1 July 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>
Impact of adoption of new accounting standards	-	-	-
<b>Adjusted balance at 1 July 2018</b>	<b>1,800,000</b>	<b>4,745,588</b>	<b>6,545,588</b>
Net result for the 2018/19 year	-	138,639	138,639
<b>Balance as at 30 June 2019</b>	<b>1,800,000</b>	<b>4,884,227</b>	<b>6,684,227</b>

*The statement of changes in equity should be read in conjunction with the notes to the financial statements included on pages 41–70.*

# Cash flow statement

for the financial year ended 30 June 2019

	Notes	2019 \$	2018 \$
<b>Cashflow from operating activities</b>			
<b>Receipts</b>			
Receipts received from customers		6,004,680	5,963,231
Interest received		168,264	119,206
Goods and services tax received from the ATO <sup>(i)</sup>		129,414	108,226
<b>Total receipts</b>		<b>6,302,357</b>	<b>6,190,663</b>
<b>Payments</b>			
Payments to suppliers and employees		(6,003,474)	(5,528,295)
<b>Total payments</b>		<b>(6,003,474)</b>	<b>(5,528,295)</b>
<b>Net cash flows from operating activities</b>	6.1(b)	<b>298,883</b>	<b>662,368</b>
<b>Cash flows from investing activities</b>			
Inflows from investments and other financial assets		4,500,000	1,000,000
Outflows for investments and other financial assets		(2,500,000)	(2,500,000)
Payments for plant and equipment	4.1.2	(132,111)	(29,460)
Payments for intangible assets	4.2	(79,981)	(13,200)
<b>Net cash flows provided by / (used in) investing activities</b>		<b>1,787,908</b>	<b>(1,542,660)</b>
Net increase/(decrease) in cash and cash equivalents		2,086,791	(880,292)
Cash and deposits at the beginning of the financial year		734,475	1,614,767
<b>Cash at the end of the financial year</b>	6.1(a)	<b>2,821,266</b>	<b>734,475</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 41–70.

# Notes to financial statements

for the financial year ended 30 June 2019

## 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 2019.

### 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 AASs 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 2019

## 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.

### 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

	2019 \$	2018 \$
Licence fees	4,806,000	4,839,577
Audit and inspection fees	612,425	558,768
Income relating to the AMRA survey	518,017	578,188
<b>Total licence and service fees</b>	<b>5,936,442</b>	<b>5,976,533</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 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

	2019 \$	2018 \$
<b>Total interest income</b>	<b>157,951</b>	<b>146,082</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	2019 \$	2018 \$
Employee expenses	3.1.1	3,435,737	3,211,661
Product testing and laboratory evaluation costs		565,506	648,572
Other operating expenses	3.2	1,871,926	1,840,839
<b>Total expenses incurred in delivery of services</b>		<b>5,873,169</b>	<b>5,701,072</b>

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

	2019 \$	2018 \$
Salaries and employee entitlements	2,827,502	2,697,785
Defined contribution superannuation expense	258,592	235,755
Defined benefits superannuation expense	9,696	9,274
Other employee-related costs (FBT, payroll tax and WorkCover)	187,755	172,573
Board and committee fees	99,719	96,273
Termination benefits	52,474	-
<b>Total employee and board member benefits</b>	<b>3,435,737</b>	<b>3,211,661</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 the 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 2019

## 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.

	2019 \$	2018 \$
<b>Current provisions</b>		
<i>Annual leave:</i>		
Unconditional and expected to settle within 12 months	157,582	171,546
Unconditional and expected to settle after 12 months	13,703	25,633
<i>Long service leave:</i>		
Unconditional and expected to settle within 12 months	36,452	35,473
Unconditional and expected to settle after 12 months	325,457	312,260
<i>Provisions for on-costs:</i>		
Unconditional and expected to settle within 12 months	28,308	30,564
Unconditional and expected to settle after 12 months	50,724	50,871
<b>Total current provisions</b>	<b>612,226</b>	<b>626,347</b>
<b>Non-current provisions</b>		
Employee benefits — long service leave	128,697	131,014
Provisions related to employee benefits on-costs	19,272	19,763
<b>Total employee benefits</b>	<b>760,195</b>	<b>777,124</b>

## Reconciliation of movement in on-cost provisions

	2019 \$
<b>Opening balance</b>	<b>101,198</b>
Additional provisions recognised	11,280
Additions due to transfers in	6,527
Reductions arising from payments	(20,700)
<b>Closing balance</b>	<b>98,304</b>
Current	79,032
Non-current	19,272



**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 the 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 Comprehensive Operating Statement 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 (refer current provisions table above); 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 (refer non-current provisions table above). 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.



# Notes to financial statements

for the financial year ended 30 June 2019

## 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.

Fund	Paid contributions for the year		Contributions outstanding at year end	
	2019	2018	2019	2018
<b>Defined benefit plans:</b>				
Emergency Services Superannuation	9,696	9,274	-	-
<b>Defined contribution plans:</b>				
Vic Super	99,194	113,490	-	-
Australian Super	52,115	46,540	-	-
Other	107,283	75,725	-	-
	<b>268,288</b>	<b>245,029</b>	-	-

## 3.2. Other operating expenses

	2019	2018
	\$	\$
Audit fees (refer to Note 8.5)	83,272	107,605
Communications	48,821	94,227
General administration	131,947	123,601
General insurance	99,466	103,415
Information technology	286,151	306,323
Occupancy (excluding operating rental lease)	51,768	41,536
Operating leases (occupancy, motor vehicles & office equipment)	224,564	217,147
Professional services	728,830	676,617
Travel (excluding motor vehicle operating leasing)	217,107	170,369
<b>Total other operating expenses</b>	<b>1,871,926</b>	<b>1,840,839</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 output 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	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Leasehold improvements	286,773	253,726	(250,138)	(245,234)	36,634	8,492
Furniture and fittings	130,738	108,804	(74,598)	(67,380)	56,140	41,424
Office equipment	228,821	197,568	(139,748)	(148,220)	89,072	49,348
<b>Total plant and equipment</b>	<b>646,331</b>	<b>560,098</b>	<b>(464,484)</b>	<b>(460,834)</b>	<b>181,847</b>	<b>99,264</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

	2019 \$	2018 \$
Leasehold improvements	4,905	5,312
Furniture and fittings	13,861	14,018
Office equipment	30,057	29,389
Amortisation of software	60,444	139,793
<b>Total depreciation and amortisation</b>	<b>109,266</b>	<b>188,512</b>

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

# Notes to financial statements

for the financial year ended 30 June 2019

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 2017-18):

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 are made where appropriate.

Property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. At least annually management undertake an assessment for impairment indicators.

## 4.1.2. Reconciliation of movement in carrying amounts

	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
<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>
<b>Opening balance 1 July 2018</b>	<b>8,492</b>	<b>41,424</b>	<b>49,348</b>	<b>99,264</b>
Additions	33,047	29,282	69,782	132,111
Disposals	-	(705)	-	(705)
Depreciation	(4,905)	(13,861)	(30,057)	(48,822)
<b>Closing balance 30 June 2019</b>	<b>36,634</b>	<b>56,140</b>	<b>89,072</b>	<b>181,847</b>

## 4.2. Intangible assets

	2019 \$	2018 \$
<b>Gross carrying amount</b>		
Opening balance	949,001	1,018,974
Additions	79,981	13,200
Write-back of fully amortised assets no longer in use	(18,740)	(83,173)
<b>Closing balance of gross carrying amount</b>	<b>1,010,242</b>	<b>949,001</b>
<b>Accumulated depreciation</b>		
Opening balance	(847,303)	(790,682)
Amortisation expense	(60,444)	(139,793)
Write-back of fully amortised assets no longer in use	18,740	83,173
<b>Closing balance of accumulated depreciation</b>	<b>(889,006)</b>	<b>(847,303)</b>
<b>Net book value at end of financial year</b>	<b>121,236</b>	<b>101,698</b>

### Initial recognition

DFSV'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
- (c) the intangible asset will generate probable future economic benefits
- (d) 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 with indefinite useful lives (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'.

Intangible assets subject to annual amortisation are assessed for impairment indicators at least on an annual basis.

# Notes to financial statements

for the financial year ended 30 June 2019

## 4.3. Investments and other financial assets

	2019 \$	2018 \$
<b>Current investments and other financial assets</b>		
Term deposit:		
Australian dollar term deposits > three months	4,500,000	6,500,000
<b>Total current investments and other financial assets</b>	<b>4,500,000</b>	<b>6,500,000</b>
<b>Total investments and other financial assets</b>	<b>4,500,000</b>	<b>6,500,000</b>

## 5. Other assets and liabilities

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

### 5.1. Receivables

	2019 \$	2018 \$
<b>Current receivables</b>		
<b>Contractual</b>		
Trade debtors <sup>(a)</sup>	146,053	147,010
Less allowance for doubtful debtors	(2,794)	-
	<b>143,259</b>	<b>147,010</b>
Accrued interest	34,560	44,873
Other receivables	350	350
<b>Total contractual receivables</b>	<b>178,169</b>	<b>192,233</b>
<b>Statutory</b>		
GST input tax credits recoverable <sup>(b)</sup>	21,387	29,034
<b>Total current receivables</b>	<b>199,556</b>	<b>221,267</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 and categorised as 'financial assets at amortised cost'. 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, though they are recognised and measured similarly to contractual receivables (except for impairment); but are not classified as financial instruments for disclosure purposes. DFSV applies AASB 9 for initial measurement of the statutory receivables, so they are initially recognised at fair value plus any directly attributable transaction costs.

Details about DFSV's impairment policies, exposure to credit risk, and the calculation of the loss allowance are set out in note 7.1.

## 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 financial accounting period.

## 5.3. Payables

	2019 \$	2018 \$
<b>Current payables</b>		
<b>Contractual</b>		
Supplies and services <sup>(i)</sup>	260,830	205,708
Employee benefit accruals and on-costs	94,000	93,883
<b>Total contractual payables</b>	<b>354,830</b>	<b>299,591</b>
<b>Statutory</b>		
Taxes payable (FBT, PAYG, Payroll Tax)	64,288	59,656
<b>Total current payables</b>	<b>419,118</b>	<b>359,247</b>

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

Payables consist of:

- **contractual payables**, classified as financial instruments and measured at amortised cost. They represent 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>2019</b>			
Supplies and services	260,830	260,830	260,830
Employee accruals and on-costs	94,000	94,000	94,000
<b>Total</b>	<b>354,830</b>	<b>354,830</b>	<b>354,830</b>
<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>

# Notes to financial statements

for the financial year ended 30 June 2019

## 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.

	2019 \$	2018 \$
<b>(a) Cash and cash equivalents</b>		
Cash on hand	300	300
Cash at bank	2,820,966	734,175
<b>Total cash and deposits disclosed in the balance sheet</b>	<b>2,821,266</b>	<b>734,475</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	138,639	238,516
<i>Non-cash movements:</i>		
Depreciation and amortisation of non-current assets	109,266	188,512
Written down value of assets disposed	705	-
Movements in assets and liabilities:		
<i>(increase)/decrease in assets:</i>		
Receivables	21,711	(59,742)
Prepayments	(14,380)	8,792
<i>increase/(decrease) in liabilities:</i>		
Payables	59,871	91,033
Provisions	(16,929)	195,257
<b>Net cash flow from operating activities</b>	<b>298,883</b>	<b>662,368</b>

Term deposits of \$4,500,000 as recorded on the balance sheet as at 30 June 2019 have not been included in cash and cash equivalents because the deposits have maturity dates of over three months from inception (2018: \$6,500,000).

### 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 2019 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 per cent.

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

	2019 \$	2018 \$
<b>Non-cancellable operating lease payables (includes GST)</b>		
Not longer than one year	248,835	236,691
Longer than one year and not longer than five years	373,589	559,457
<b>Total operating leases</b>	<b>622,424</b>	<b>796,148</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 assets under AASB 9

##### Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by DFSV to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

# Notes to financial statements

for the financial year ended 30 June 2019

DFSV recognises the following assets in this category:

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

## Categories of financial assets previously under AASB 139

**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)
- term deposits.

## Categories of financial liabilities under AASB 9 and previously under AASB 139

**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.

**Derecognition of financial assets:** A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired, or
- DFSV retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or
- DFSV has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

**Derecognition of financial liabilities:** A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

**Reclassification of financial instruments:** Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when DFSV's business model for managing its financial assets has changes such that its previous model would no longer apply.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

The carrying amounts of DFSV's contractual financial assets and financial liabilities by **category** are disclosed in the table below (excluding statutory amounts i.e. GST recoverable and taxes payable).

<b>Financial instruments: Categorisation</b>	<b>Financial assets at amortised cost (AC) \$</b>	<b>Contractual financial liabilities at amortised cost \$</b>	<b>Total \$</b>
<b>2019</b>			
<b>Contractual financial assets:</b>			
Cash and deposits	2,821,266		2,821,266
Term deposits	4,500,000		4,500,000
Trade debtors	146,053		146,053
Less allowance for doubtful debtors	(2,794)		(2,794)
Accrued interest	34,560		34,560
Other debtors	350		350
<b>Total contractual financial assets</b>	<b>7,499,435</b>		<b>7,499,435</b>
<b>Contractual financial liabilities:</b>			
Supplies and services		260,830	260,830
Employee benefit accruals and on-costs		94,000	94,000
<b>Total contractual financial liabilities</b>		<b>354,830</b>	<b>354,830</b>

<b>Financial instruments: Categorisation</b>	<b>Contractual financial assets-loans and receivables and cash \$</b>	<b>Contractual financial liabilities at amortised cost \$</b>	<b>Total \$</b>
<b>2018</b>			
<b>Contractual financial assets — loans</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		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>

# Notes to financial statements

for the financial year ended 30 June 2019

## 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.

DFSV's 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.

<b>Credit quality of financial assets</b>	<b>Financial institution (triple A credit rating) \$</b>	<b>Other \$</b>	<b>Total \$</b>
Cash on hand (not subject to impairment losses)	-	300	300
<b>Financial assets with loss allowance measured at 12 month expected credit loss:</b>			
Cash and deposits (with no impairment loss recognised)	2,820,966	-	2,820,966
Term deposits (with no impairment loss recognised)	4,500,000	-	4,500,000
Statutory receivables (with no impairment loss recognised)	21,387	-	21,387
<b>Financial assets with loss allowance measured at lifetime expected credit loss:</b>			
Contractual receivables applying the simplified approach for impairment	34,560	143,609	178,169
<b>Total</b>	<b>7,376,913</b>	<b>143,909</b>	<b>7,520,822</b>

## Impairment of financial assets under AASB 9 – applicable from 1 July 2018

From 1 July 2018, DFSV has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include DFSV's contractual receivables, statutory receivables and its investment in debt instruments. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

### Contractual receivables at amortised cost

DFSV applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates.

DFSV has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on DFSV's past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

On this basis, DFSV determines the opening loss allowance on initial application date of AASB 9 and the closing loss allowance at end of the financial year as follows:

	Current	Less than 1 month	1–3 months	3 months – 1 year	1+ years	Total
<b>1 July 2018</b>						
<b>Expected loss rate</b>	0%	0%	0%	0%	0%	0%
Gross carrying amount of contractual receivables	120,449	41,932	17,766	11,886	200	192,233
<b>Loss allowance</b>	-	-	-	-	-	-
<b>30 June 2019</b>						
<b>Expected loss rate</b>	0%	0%	0%	23%	0%	2%
Gross carrying amount of contractual receivables	72,150	93,332	3,194	12,087	200	180,963
<b>Loss allowance</b>	-	-	-	2,794	-	2,794

Credit loss allowance for any contractual receivables written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

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. A provision was made for estimated irrecoverable amounts from the sale of services when there was objective evidence that an individual receivable is impaired.

### Statutory receivables at amortised cost

DFSV's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments. They are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term.

As a result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses. No loss allowance recognised at 30 June 2018 under AASB 139. No additional loss allowance required upon transition into AASB 9 on 1 July 2018.

# Notes to financial statements

for the financial year ended 30 June 2019

## 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
- 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.

## 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 12 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 \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
<b>2019</b>						
<b>Financial assets:</b>						
Cash at bank	6.1	1.60%	2,821,266		2,820,966	300
Term deposits	4.3	2.15%	4,500,000	4,500,000		
Receivables <sup>(a)</sup>	5.1		178,169			178,169
<b>Total financial assets</b>			<b>7,499,435</b>	<b>4,500,000</b>	<b>2,820,966</b>	<b>178,469</b>
<b>Financial liabilities:</b>						
Payables <sup>(a)</sup>	5.3		354,830	-	-	354,830
<b>Total financial liabilities</b>			<b>354,830</b>	<b>-</b>	<b>-</b>	<b>354,830</b>

Interest rate exposure of financial instruments	Note	Weighted average interest rate %	Carrying amount \$	Fixed interest rate \$	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 <sup>(a)</sup>	5.1		192,233	-	-	192,233
<b>Total financial assets</b>			<b>7,426,708</b>	<b>6,500,000</b>	<b>734,175</b>	<b>192,533</b>
<b>Financial liabilities:</b>						
Payables <sup>(a)</sup>	5.3		299,591	-	-	299,591
<b>Total financial liabilities</b>			<b>299,591</b>	<b>-</b>	<b>-</b>	<b>299,591</b>

(a) Amounts shown exclude statutory amounts.

## 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.

DFSV currently has a Bank Guarantee facility with Commonwealth Bank of Australia for \$68,003 (2018: \$68,003) 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.

## 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
- 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.

# Notes to financial statements

for the financial year ended 30 June 2019

## 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 2019. For all assets measured at fair value, the current use is considered the highest and best use.

As at 30 June 2019	Carrying amount	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Leasehold improvements	36,634	-	-	36,634
Furniture and fittings	56,140	-	-	56,140
Office equipment	89,072	-	-	89,072
<b>Total plant and equipment at fair value</b>	<b>181,847</b>	<b>-</b>	<b>-</b>	<b>181,847</b>
<b>As at 30 June 2018</b>				
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>

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

Reconciliation of level 3 fair values as at 30 June 2019	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
<b>Opening balance</b>	<b>8,492</b>	<b>41,424</b>	<b>49,348</b>	<b>99,264</b>
Additions	33,047	29,282	69,782	132,111
Disposals	-	(705)	-	(705)
Transfers between levels	-	-	-	-
Depreciation	(4,905)	(13,861)	(30,057)	(48,822)
<b>Closing balance</b>	<b>36,634</b>	<b>56,140</b>	<b>89,072</b>	<b>181,847</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
- 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 Ministers:

Minister for Agriculture. The Honourable Jaala Pulford MLC, 1 July 2018 – 30 October 2018

Minister for Agriculture. The Honourable Jaclyn Symes MLC, 29 November 2018 – 30 June 2019

### Board members

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

Anne Astin (Chair)	1 July 2018 – 30 June 2019
Peter Bailey	1 July 2018 – 11 October 2018
Helen Dornom	1 July 2018 – 11 October 2018
Michael Blake	1 July 2018 – 11 October 2018
Peter Moloney	1 July 2018 – 30 June 2019
Julie Simons	1 July 2018 – 30 June 2019
Michele Allan	12 October 2018 – 30 June 2019
Joanna Wriedt	12 October 2018 – 30 June 2019
Julie Johnson	12 October 2018 – 30 June 2019
Noel Campbell	12 October 2018 – 30 June 2019

### Accountable officers

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

Amanda Hill 1 July 2018 – 30 June 2019

Total remuneration of the Accountable Officers in connection with the management of DFSV during the reporting period was in the range: \$240,000 – \$250,000 (2017 – 18: \$250,000 – \$260,000)

### Insurance premiums

During the financial year, DFSV paid an insurance premium inclusive of GST of \$33,033 (2017 – 18: \$33,033) 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.

# Notes to financial statements

for the financial year ended 30 June 2019

## 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:

	2019 No.	2018 No.
<b>Income band</b>		
\$0–\$9,999	3	1
\$10,000–\$19,999	5	5
\$20,000–\$29,999	-	1
\$40,000–\$49,999	1	1
\$200,000–\$209,999	-	1
\$240,000–\$249,999	1	-
<b>Total numbers</b>	<b>10</b>	<b>9</b>
<b>Total remuneration</b>	<b>\$354,759</b>	<b>\$357,458</b>

The above table excludes Board member Julie Simons who is remunerated by the Department of Jobs, Precincts and Regions.

## 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.

<b>Remuneration of executives</b> (including key management personnel disclosed in Note 8.4)	<b>2019</b> <b>\$</b>	<b>2018</b> <b>\$</b>
Short-term benefits	490,198	469,613
Post-employment benefits	49,988	44,612
Other long-term benefits	5,775	11,809
Termination benefits	-	-
<b>Total remuneration <sup>(a)</sup></b>	<b>545,961</b>	<b>526,034</b>
Total number of executives	4	3
Total annualised employee equivalents <sup>(b)</sup>	3	3

(a) The total number of executive officers includes persons who meet the definition of Key Management Personnel (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. Jaclyn Symes MLC, Board members the accountable officer (ref Note 8.2 Responsible persons), and members of the executive team, which includes:

- General Manager, Planning and Business Services — Karen Armitage (1 July 2018 – 30 June 2019)
- General Manager, Compliance, Enforcement and Technical Services — Andrew Wilson (14 January 2019 – 30 June 2019)
- Chief Scientist and General Manager, Industry Support — Deon Mahoney (1 July 2018 – 17 February 2019)
- General Manager, Compliance and Enforcement — Rick Burton (1 July 2018 – 19 October 2018)

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.

During the year, DFSV received reimbursement of costs from Department of Agriculture for the Australian Milk Residue Analysis (AMRA) survey on standard terms and conditions equivalent to those that prevail at arm's length transactions totalling \$569,819 (inclusive of GST).

Board member Julie Simons is employed by the Department of Jobs, Precincts and Regions (DJPR) as Director, Agriculture Industry and Rural Transition. As a representative of DJPR, 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.

As at 30 June 2019, \$2,500,000 was on term deposit with Treasury Corporation of Victoria (as part of total term deposits disclosed at Note 4.3 for total investments held).

**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 are set by the *Parliamentary Salaries and Superannuation Act 1968* and are 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.

# Notes to financial statements

for the financial year ended 30 June 2019

	2019	2018
	\$	\$
<b>Total compensation of key management personnel</b>		
Short-term employee benefits	809,514	801,054
Post-employment benefits	80,006	69,638
Other long-term benefits	11,201	12,800
Termination benefits	-	-
<b>Total</b>	<b>900,720</b>	<b>883,493</b>

Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 8.3).

## 8.5. Remuneration of auditors

	2019	2018
	\$	\$
Internal audit fees	52,272	75,255
External audit fees (Victorian Auditor General's Office)	31,000	32,350
<b>Total remuneration of auditors</b>	<b>83,272</b>	<b>107,605</b>

## 8.6. Ex-gratia payments

There were no ex-gratia expenses incurred during the financial year ended 30 June 2019 (2018: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. 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 2019 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 2019. DFSV has not, and does not intend to, adopt these standards early.

Standard / Interpretation	Summary	Standard applicable to DFSV for annual reporting periods beginning on	Impact on DFSV financial statements
<i>AASB 15 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>	1 July 2019	<p>The changes in revenue recognition requirements in AASB 15 will not result in changes to the timing and amount of revenue recorded in the financial statements.</p> <p>The Standard may require additional disclosures on service revenue and contract modifications.</p> <p>Revenue from licences were assessed for application of AASB 15, refer to AASB 2018–4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors.</p>
<i>AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	<p>AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15.</p> <p>It amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.</p> <p><b>AASB 9</b> Statutory receivables are recognised and measured similarly to financial assets.</p> <p><b>AASB 15</b></p> <ul style="list-style-type: none"> <li>• The ‘customer’ does not need to be the recipient of goods and/or services.</li> <li>• The ‘contract’ could include an arrangement entered into under the direction of another party.</li> <li>• Contracts are enforceable if they are enforceable by legal or ‘equivalent means’.</li> <li>• Contracts do not have to have commercial substance, only economic substance.</li> <li>• Performance obligations need to be ‘sufficiently specific’ to be able to apply AASB 15 to these transactions.</li> </ul>	1 July 2019	There will be no material impact on the financial statements of DFSV.

# Notes to financial statements

for the financial year ended 30 June 2019

Standard / Interpretation	Summary	Standard applicable to DFSV for annual reporting periods beginning on	Impact on DFSV financial statements
<p>AASB 2018-4 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</i></p>	<p>This Standard primarily amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences.</p>	<p>1 July 2019</p>	<p>Management has assessed that licence fees charged to manufacturers under the Dairy Act should be treated as licences, and are short-term, non-variable and, therefore, exempt from the scope of AASB 15.</p> <p>However, farm fee licences are not short-term and, therefore, are within scope and revenues will be recognised on a straight line basis over the term of a licence.</p> <p>The result is that there are no financial implications as revenue will be recognised in the same manner as prior years.</p>
<p>AASB 16 Leases</p>	<p>The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.</p>	<p>1 July 2019</p>	<p>DFSV's assessment has indicated that photocopier leases will fall under the low value threshold, so will be kept off balance sheet.</p> <p>Property leases and vehicle leases will be brought on balance sheet.</p> <p>On initial recognition, DFSV expects a Right of use asset of approximately \$530K and an associated lease liability of \$530K.</p> <p>From 1 July 2019 DFSV will no longer have rental expenses in the income statement. Rather, the income statement will include depreciation and interest expensed in relation to the Right of use assets.</p>



Standard / Interpretation	Summary	Standard applicable to DFSV for annual reporting periods beginning on	Impact on DFSV financial statements
<p><i>AASB 1058 Income of Not-for-Profit Entities</i></p>	<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 <i>Contributions</i>.</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>	<p>1 July 2019</p>	<p>The current revenue recognition for grants is to recognise revenue up front, upon receipt of the funds.</p> <p>This may change under AASB 1058; however, as DFSV does not receive many grants, the impact of this standard is unlikely to be material.</p>



# Notes to financial statements

for the financial year ended 30 June 2019

## 8.9. 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)
- (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
- (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** is 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.

**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'.

# Notes to financial statements

for the financial year ended 30 June 2019

**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.

## 8.10. 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 2018–19 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier published DFSV annual reports.

## Independent Auditor's Report

### To the Board of Dairy Food Safety Victoria

---

<b>Opinion</b>	<p>I have audited the financial report of Dairy Food Safety Victoria which comprises the:</p> <ul style="list-style-type: none"><li>• balance sheet as at 30 June 2019</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 report presents fairly, in all material respects, the financial position of Dairy Food Safety Victoria as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements 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 Dairy Food Safety Victoria in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 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 report</b>	<p>The Board of Dairy Food Safety Victoria is responsible for the preparation and fair presentation of the financial report 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 a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, 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 report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is 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 this financial report.

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 report, 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 Dairy Food Safety Victoria'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 Board'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 Dairy Food Safety Victoria'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 report 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 Dairy Food Safety Victoria to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents 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  
29 August 2019



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

# Appendix 1: 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.

LEGISLATION	REQUIREMENT	PAGE REFERENCE
<b>MINISTERIAL DIRECTIONS &amp; FINANCIAL REPORTING DIRECTIONS</b>		
<b>REPORT OF OPERATIONS</b>		
<b>Charter and purpose</b>		
FRD 22H	Manner of establishment and the relevant Ministers	3
FRD 22H	Purpose, functions, powers and duties	3
FRD 8D	DFSV's objectives, indicators and outputs	8–24
FRD 22H	Key initiatives and projects	8–24
FRD 22H	Nature and range of services provided	8–24
<b>Management and structure</b>		
FRD 22H	Organisational structure	28
<b>Financial and other information</b>		
FRD 10A	Disclosure index	73
FRD 15D	Executive officer disclosures	62
FRD 17B	Wage Inflation and discount rates for employee benefits	45
FRD 22H	Employment and conduct principles	29
FRD 22H	Occupational health and safety policy	28
FRD 22H	Summary of the financial results for the year	19
FRD 22H	Significant changes in financial position during the year	20
FRD 22H	Governance and organisational structure	25–28
FRD 22H	Subsequent events	64
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	31
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	31
FRD 22H	Statement on National Competition Policy	31
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	31
FRD 22H	Details of consultancies over \$10 000	30
FRD 22H	Details of consultancies under \$10 000	30
FRD 22H	Disclosure of ICT expenditure	30
FRD 22H	Statement of availability of other information	33
FRD 24C	Reporting of office based environmental impacts	32
FRD 25D	Local Jobs First Disclosure	30
FRD 29C	Workforce Data disclosures	29
SD 5.2	Specific requirements under Standing Direction 5.2	36
<b>Compliance attestation and declaration</b>		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	33
SD 5.2.3	Declaration in report of operations	2
<b>FINANCIAL STATEMENTS</b>		
<b>Declaration</b>		
SD 5.2.2	Declaration in financial statements	36
<b>Other requirements under Standing Directions 5.2</b>		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	41
SD 5.2.1(a)	Compliance with Ministerial Directions	36
SD 5.2.1(b)	Compliance with Model Financial Report	70
<b>Other disclosures as required by FRDs in notes to the financial statements</b>		
FRD 11A	Disclosure of Ex gratia Expenses	64
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	61
FRD 110A	Cash Flow Statements	40
FRD 112D	Defined Benefit Superannuation Obligations	46
FRD 114C	Financial Instruments	53
<b>LEGISLATION</b>		
<i>Dairy Act 2000</i>		3
<i>Food Act 1984</i>		10
<i>Freedom of Information Act 1982</i>		31
<i>Building Act 1993</i>		31
<i>Protected Disclosure Act 2012</i>		31
<i>Local Jobs First Act 2003</i>		30
<i>Financial Management Act 1994</i>		2







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

**Postal address**

PO Box 8221  
Camberwell North, Victoria 3124

**Phone:** + 61 3 9810 5900

**Fax:** + 61 3 9882 6860

**Email:** [info@dairysafe.vic.gov.au](mailto:info@dairysafe.vic.gov.au)

**[www.dairysafe.vic.gov.au](http://www.dairysafe.vic.gov.au)**

© State of Victoria, (Dairy Food Safety Victoria) 2019.  
This publication is copyright. No part may be reproduced  
by any process except in accordance with the provisions  
of the *Copyright Act 1968*.

This document was printed on high quality A2+ stock  
which contains 99% recycled fibre and is FSC® Mix  
Certified. All virgin pulp is derived from well-managed  
forests and controlled sources and is manufactured by  
an ISO 14001 certified mill.

