

# Annual Report | 2019–2020



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Sutton Grange Organic Farm (Image by Bronwyn Silver)

### Disclosure statement

In accordance with the *Financial Management Act 1994*, I am pleased to present Dairy Food Safety Victoria's Annual Report for the year ending 30 June 2020.

Dr Anne Astin, AM, PSM  
Chairperson

24 August 2020

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# 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 licenses all dairy businesses operating in Victoria; approving and auditing compliance with food safety programs to ensure state legislation and nationally agreed standards are maintained.

## 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* (the Act). DFSV reports through its Board to the Victorian Minister for Agriculture.

Minister for Agriculture, the Hon. Jaclyn Symes MP was the responsible minister from 1 July 2019 to 30 June 2020.

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

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

## Functions of the Authority

The functions of the Authority are to

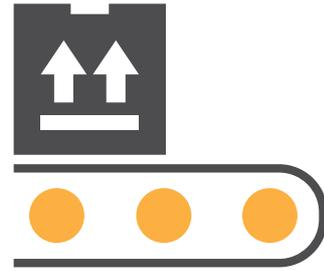
- establish, maintain and improve
  - the food safety standards of dairy food
  - the standards of construction and hygiene of plant and equipment in dairy manufacturing premises
  - the standards of maintenance, cleanliness and hygiene of dairy transport vehicles
- monitor and review the standards specified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

## Powers of the Authority

- Subject to this Act, the Authority has all the powers necessary to enable it to perform its functions.
- Without limiting its other powers, the Authority may
  - 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
  - fix and change fees for carrying out its functions, and for the provision of its services including the services of its authorised officers
  - expend its funds in carrying out its functions and powers or in paying remuneration and allowances to its members.

Dairy is Australia's fourth largest and Victoria's second largest export industry. Victoria dominates the Australian dairy industry, with most dairy farms located in Victoria, producing more than 64% of Australia's milk and accounting for most of its dairy exports. DFSV has more than 3,800 licensees. Over the course of a year, it conducts two audits of each manufacturing business, covering food safety requirements for both domestic and export markets. Through arrangements with contract auditors, more than 1,400 farms are also audited each year.

# Industry at a glance



## Number of farms by region

north	1,112
east	1,206
west	1,168
central	3
total bovine	3,462
total non-bovine	27

## Number of manufacturers by region

north	30
east	30
west	24
central	142
total bovine	212
total non-bovine	14



## Dairy products by volume

milk	1.1b litres
cream	186M litres
cheese	362k tonnes
milk powder	328k tonnes
fermented milk	213k tonnes



# 20,600

Number of people employed by the Victorian dairy industry

Data supplied by ABS

# 64%

% of Australian milk produced in Victoria

Data supplied by Dairy Australia

# 5.6b litres

Total volume of milk produced in Victoria

# ↓0.1%

Annual milk volume change in Victoria

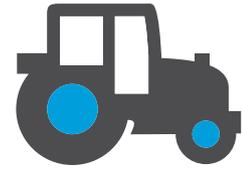
# 77%

Victorian contribution to Australia's total dairy exports

Data supplied by ABS



# DFSV 2019–20 performance at a glance



Number of **farm audits** conducted

**1,427**



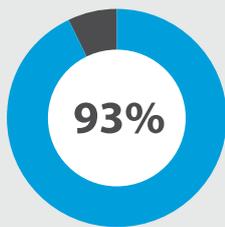
**437**

Number of **manufacturer audits** conducted at 227 manufacturing sites

Number of **new licensees** by type



farm	<b>24</b>
manufacturer	<b>24</b>
other	<b>7</b>



**Licensee satisfaction** with DFSV  
Excludes farmers



**93**

Number of **technical requests** responded to

## Dairy RegTech

World first sector-wide dairy food safety culture maturity model developed



No. of licensees expected to enter pilot **6**

No. of licensees entered pilot **10**

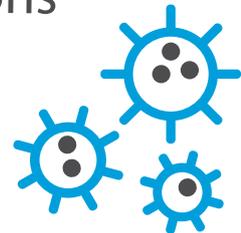
No. of licensees completed pilot **10**

Average workshop attendance **92%**

## Microbiological safety regulations

**99.9%**

% of all dairy **products** compliant



**96.88%**

% of all licenced dairy **manufacturers** compliant

## Chairperson's foreword



As Chairperson, I am proud to present this report which demonstrates that the authority (DFSV) is successfully continuing its important work during the COVID-19 outbreak, ensuring dairy foods produced in Victoria remain among the safest in the world. We have fulfilled this responsibility with minimal regulatory burden and costs, which includes keeping dairy industry licence fees at the same level since 2017–18.

The work DFSV has done during the year to develop a new way to monitor and encourage food safety compliance, which we're calling Dairy RegTech, has set the authority up to be able to respond with agility to any type of incident.

DFSV adapted quickly to continue operating effectively during the pandemic, with our performance statistics showing no major failures and maintenance of market access and confidence.

Our performance highlights the importance of the work DFSV has done not only to develop Dairy RegTech, but also to engage with industry.

I would like to recognise the skills and capability of our leaders in being able to implement such a transformational change. It has also been made possible by our staff's trust in both the Board and the leadership, and them coming on the journey with us. Seeing that change embraced and gradually becoming business as usual has been very rewarding.

Because of people's openness to change, we were able to run a successful pilot of Dairy RegTech with 10 participants representing a range of Victorian dairy manufacturers.

The Dairy Industry Consultative Forum has been an important driver. I would also like to acknowledge the leadership of René Dedoncker. We've appreciated the confidence of our counterparts across jurisdictions, as well as the support from our advisor, Dr Barbara Wilson.

Dairy RegTech has a greater focus on people and dairy food safety behaviours than existing approaches to regulation. As we've developed the initiative, it has been wonderful to see DFSV's culture evolve. Results from the Staff Forum and staff survey show we continue in the right direction.

As a regulator, any changes in operations must be managed very carefully. I appreciate the support and the confidence that the Board has conveyed in me, the organisation and the industry as we introduce this new approach.

Equally, we appreciate the support from the Minister and from departmental staff.

There is potential for this approach to extend across other food sectors. Given the speed with which supply chains are changing, and data and information is becoming more accessible, this is an opportunity that will stand us in good stead.

Dairy RegTech is a transformation that will bolster transparency and trust. In turn, this will support Victorian dairy to remain competitive while continuing to meet consumer expectations into the future.

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

Dr Anne Astin  
Chair

# Chief Executive Officer's Report



One of the things that stand out to me about the year ending 30 June 2020 is how staff at Dairy Food Safety Victoria (DFSV) stepped up during the COVID-19 pandemic to ensure we continued to operate during uncertain times.

DFSV's regulatory services continued uninterrupted. DFSV delivered audits either in person or by using our remote auditing procedure.

We also surveyed licensed manufacturers twice as the situation unfolded. We sought to understand how the businesses had been impacted; ascertain whether any food safety issues had been identified; and determine ways to provide assistance.

Informed by these surveys, we were able to develop information that addressed licensees' concerns, including specific cleaning and sanitation processes required in the event of an on-site detection.

I am proud of the DFSV team with particular thanks to my executive colleagues — Karen Armitage, General Manager Planning and Business Services, and Andrew Wilson, General Manager Compliance, Enforcement and Technical Services — for their unwavering support.

DFSV also worked with national and state food safety regulators to understand and respond to the pandemic. I would like to acknowledge the collaboration of both groups, especially the nation's dairy regulators.

Engagement and collaboration characterised the development of our 2020-25 Corporate Plan. We consulted with industry and government stakeholders. Importantly the DFSV Board, executive and staff were all actively engaged, and I am thrilled that the staff have taken ownership of our vision, missions and values. These elements are the guiding principles of how we will manage our internal affairs and our relationships with stakeholders for the next five years.

The new Corporate Plan's key message is that we will continue our core business as the Victorian dairy regulator while shaping our future as the leader in dairy regulation, including through the introduction of Dairy RegTech into the Victorian dairy industry.

Dairy RegTech is a different way for DFSV to monitor food safety compliance, with a greater focus on people and behaviour. This initiative aims to increase regulatory efficiency. In the past year, we completed a successful pilot of the program, which allowed us to test and recalibrate our systems and processes.

Dairy RegTech has been developed in a partnership model and we could not have done it without the industry.

DFSV is now focusing on developing the systems, processes and guiding materials, and training our staff, so we can roll out Dairy RegTech from January 2021.

I am also happy to report that prudent financial management during the year maintained DFSV's sound financial position.

Lastly, I would like to thank the Board for its ongoing support and the trust in the DFSV team.

A handwritten signature in black ink that reads 'A. S. Hill'.

**Amanda Hill**  
Chief Executive Officer

# Performance report

In 2019–20 DFSV implemented the final year of its five-year 2015–20 Strategic Plan. Used as a base for DFSV’s annual business plans, the strategic plan includes key performance indicators to measure DFSV’s progress in delivering against the objectives.

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

This report describes DFSV’s activities undertaken during 2019–20 compared to the previous four 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. While industry is responsible for meeting these requirements, DFSV supports it through efficient and effective administration of the licensing system, monitoring of compliance with regulatory requirements, and taking appropriate enforcement actions to deal with non-compliance.

The regulatory framework and supporting policies 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 initiative

Last year’s Annual Report shared early progress on a regulatory reform initiative developed in partnership with the dairy industry. The initiative, Dairy RegTech, is a different way of service delivery for DFSV’s compliance activities and focuses on people, behaviour and consequences.

Previously, auditing has been the main tool available for DFSV to monitor compliance with regulatory food safety requirements. Dairy RegTech combines data analytics and culture assessment to deliver a different way to monitor food safety compliance.

A food safety culture maturity model is used to identify strengths and areas for improvement in a business. The aim of the model is to improve transparency of data and to show the relationship between behaviours that can be observed in food manufacturing and their impact on food safety. The culture component of the model plots observed behaviours on a maturity scale from less mature to fully mature.

Compliance is verified through analysis of food safety data already collected by dairy manufacturers (i.e. indicators of process and product-related risk) and behaviour measures (i.e. indicators of food safety culture that point to behavioural driven risks).

Under Dairy RegTech, licensees will be able to spend time talking about their current food safety culture maturity and plans for progress with a DFSV food safety culture specialist. DFSV plans to monitor trends among licensees and publish support material as required.

The approach was piloted with 10 manufacturers, ranging in size, from March 2019 until March 2020. The scope of this pilot included:

- Development and validation of a model to track and measure the maturity of food safety culture within a business
- Operation of two food safety data sharing trials
- Development of a competency framework for DFSV staff to undertake food safety culture assessments
- Development of training programs to address the DFSV skills gap in undertaking food safety culture assessments
- Following design thinking principles, delivery of five workshops with participants throughout the pilot as check-in points.

Once implemented early next year, manufacturers who transition to Dairy RegTech will continue to undergo compliance audits, however these will be different to those under the current approach.

These differences are outlined below:

**Table 1:** Audit differences between current system and Dairy RegTech.

Current audit approach	Dairy RegTech auditing approach
Six-monthly audits to verify compliance	Food safety data used to reduce reliance on audit as the only means of verifying compliance  Manufacturers will continue to undergo regulatory audits, but these audits will be different: <ul style="list-style-type: none"> <li>• Less time spent manually checking compliance data, giving licensees more time to discuss issues and progress with their food safety culture</li> <li>• The opportunity for longer time between audits</li> <li>• Audits will involve two DFSV people consisting of a Food Safety Manager and a food safety culture specialist</li> </ul>
Verification data examined onsite during audit	More frequent assurance of compliance via regularly submitted food safety data
Focus on food safety regulatory requirements	Insights provided to assist Food Safety Managers assess compliance and to plan audit focus  Insights provided to assist Food Safety Managers assess compliance and to plan audit focus  Enables benchmarking and identifies trends  Provides measures to drive improved performance
Cursory, unstructured and unrecorded observations about food safety culture	Food safety culture measured objectively  Improvements in food safety culture are measurable  Food safety culture formalised as a means of improving food safety

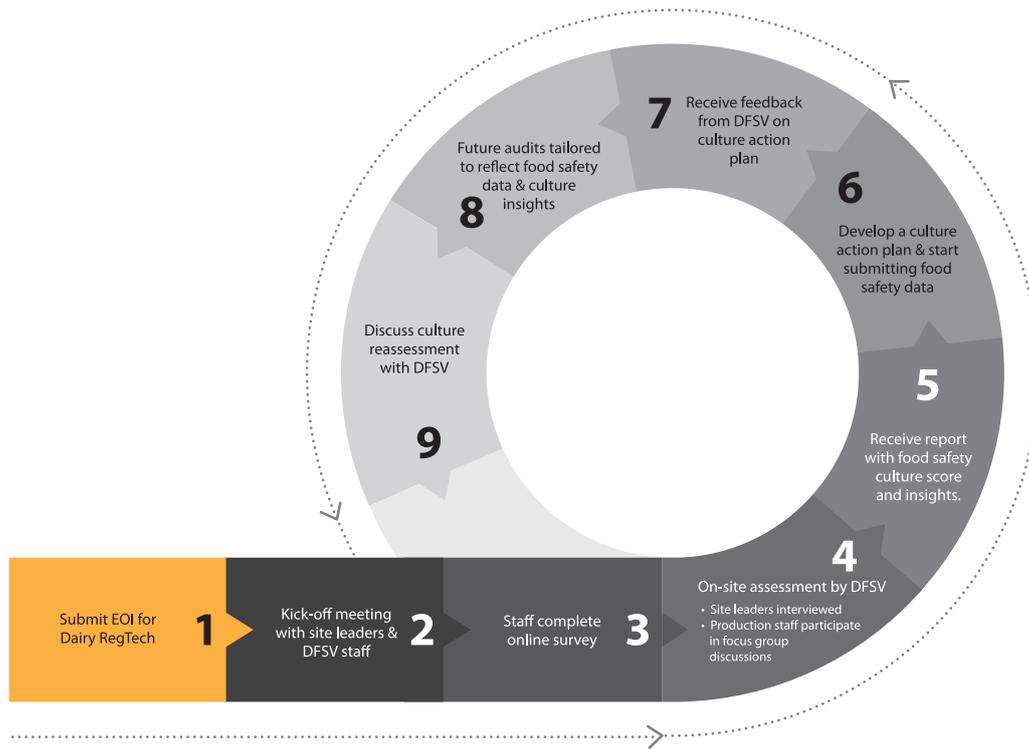
Early in the pilot, DFSV identified the need for training programs for DFSV staff to carry out the food safety culture assessments. The skills required will include conducting observations, assessing behaviours, performing interviews and conducting focus groups. Specific training packages were developed this year. They will be delivered throughout 2020 and will be an ongoing product available for staff as required.

The launch date of Dairy RegTech has been impacted by COVID-19. Much of the skills development for DFSV food culture specialists requires face-to-face group work, which has been delayed due to the pandemic. As a result, Dairy RegTech will be launched in January 2021, with manufacturing licensees able to apply to transition in November 2020.



Why food safety culture matters with Dr. Lone Jespersen

# Performance report



**Figure 1:** Under Dairy RegTech, the process for DFSV to assess the food safety culture of a manufacturing site is outlined in this cycle diagram.

## Licensing

DFSV administers licensing of persons undertaking activities in Victoria prescribed by the *Dairy Act 2000*. Specifically, licences are issued in the categories of dairy farmer, carrier, manufacturer and distributor. A licence is issued subject to the satisfaction of regulatory requirements relating to an adequate food safety program (where applicable), suitable premises or vehicles, and staff having the skills and knowledge to produce safe food.

In 2019–20 DFSV issued 55 new licences across these categories. The total number of licences has decreased by 1.48% from the previous year.

This consisted of reductions in farm (1.54% reduction), carrier (14.63% reduction due to consolidations) and distributor (3.48% reduction) licences. The reduction in farm licences (farmers who were no longer milking or not operating as dairy businesses) was less than the previous financial year. This was due to reporting mid-licensing cycle, with total reported milk production remaining relatively steady.

Total manufacturing numbers have continued to increase with a 2.26% increase in licences in 2019–20 (to a total of 226 manufacturers).

Various factors have impacted these changes. They include drought conditions affecting some dairy farmers as well as COVID-19 disrupting supply and customer demand. During the year, DFSV revised its procedures to ensure it continued to process new licence applications in a timely manner. DFSV's targets for processing applications are to complete processing within 30 business days for farms, 60 for carriers and distributors, and 90 business days for dairy manufacturers.

As a result of introducing revised procedures and providing appropriate assistance to applicants, the average number of business days to process a new farm licence application was 23 days (2019: 31 days), and 26 days for distributors and carriers (2019: 28 days). DFSV processed 72% of new farm licence applications and 75% of new distributor and carrier licences within the target timeframes.

Furthermore, during the 2019–2020 financial year, 92% of dairy manufacturer licence applications were approved within the 90-business day target. This figure excludes periods where DFSV paused the application timeclock while awaiting action from applicants.

**Table 2: Total licences by type**

Licence	2015–16	2016–17	2017–18	2018–19	2019–20
Manufacturer (bovine)	190	199	205	211	212
Manufacturer (sheep, goat, camel and buffalo)	8	7	6	10	14
Farmer (bovine)	4,141	3,889	3,881	3,516	3,462
Farmer (sheep, goat and buffalo)	33	31	29	26	27
Milk broker	2	3	3	2	2
Distributor	109	111	116	115	111
Carrier	45	44	40	41	35
Vendor	2	2	-	-	-
<b>Total</b>	<b>4,530</b>	<b>4,286</b>	<b>4,280</b>	<b>3,921</b>	<b>3,863</b>

### Compliance monitoring

DFSV undertakes regular activities to monitor compliance with the requirements of the *Dairy Act 2000* (the Dairy Act), the *Food Act 1984* and the Australia New Zealand Food Standards Code (Food Standards Code). This is primarily through regular audits of licensed businesses to verify their compliance with the regulatory requirements as reflected in their approved food safety program, and the effectiveness of their operational food safety system to produce safe dairy food. Data shared by industry, as part of the DFSV notification process, shows high levels of compliance against Food Standards Code requirements. This verifies audit observations and facilitates market access.

DFSV Food Safety Managers conduct compliance audits of manufacturing licensees. When a business is first issued a dairy industry licence, it is audited within 30 days of starting operations. Subsequently, as a condition of licence, audits are required twice a year – the first between January and June, and the second between July and December.

During this annual reporting cycle, Food Safety Managers undertook 437 compliance audits at 227 manufacturer sites. Of these, 19 were undertaken remotely, in response to the COVID-19 pandemic – 17 at domestic sites, two at export registered premises.

DFSV also approves second or third-party auditors to audit dairy farm licensees on its behalf. A dairy farm licensee is first audited three to six months after they begin operating, and then at least once every licensing period (i.e. every two years). During the 2019–20 financial year, 1,427 farm audits were completed.

### Approved Auditor verification

All DFSV Approved Auditors are required to adhere to the National Food Safety Audit Policy. To ensure compliance to this policy, DFSV conducts an annual verification program of all Food Safety Managers (Authorised Officers under the *Dairy Act 2000*) and of a sample of Approved Auditors who conduct farm audits on behalf of DFSV. In 2019–20, no significant issues were identified, and all auditors were verified as competent against the requirements.

### Authorised Officer training activity

In the past year, seven more DFSV employees completed Lead Food Safety Auditor training and assessment.

# Performance report

## Product Surveillance Program

Over the past 13 years, the annual Product Surveillance Program has verified the effectiveness of the industry's food safety programs and DFSV compliance activities. It does this by assessing compliance of end product testing results to the microbiological criteria in Schedule 27 of the Food Standards Code.

This year, the program design was changed to support an objective of the *Victorian Foodborne Illness Reduction Strategy* related to *Listeria monocytogenes* controls.

The surveillance program assessed how well *L. monocytogenes* control programs were implemented and verified at cheese manufacturing sites across Victoria. Observations related to the organisation's maturity of food safety culture as measured by plotting behaviours against a matrix in relation to *L. monocytogenes* control and environmental monitoring were incorporated with environmental sampling to verify the overall effectiveness of controls. The results of observations and testing will be collated with feedback to industry in the form of best practice guidance on implementation of *L. monocytogenes* controls. By the end of March 2020, 16 cheese manufacturing sites had been visited, with 237 swab samples collected and 35 environmental detections made across 11 sites. Site visits were suspended between end of March and end of June due to COVID-19.

## Enforcement

DFSV uses a risk-based approach to enforcement action, aligned with national food regulatory policy. This approach provides a response that is proportionate to the seriousness of the non-compliance and the food safety risk.

There are a range of regulatory tools available to DFSV if and when Food Safety Managers identify non-compliances with food legislation. These include raising a corrective action request (CAR) at audit; placing a licensee on an increased audit frequency; or issuing an Order under the *Dairy Act 2000*. Formal enforcement action, such as prosecution under the *Dairy Act 2000* or the *Food Act 1984*, may be undertaken, depending on the seriousness of the matter at hand.

In 2019–2020, two critical CARs were raised against two manufacturers, relating to operational hygiene, and critical control point monitoring, respectively. Both were satisfactorily addressed and closed out in the determined time period. One Order to prevent the removal of dairy food was raised against one licensee under section 46(2) of the *Dairy Act 2000*, related to allergen labelling. No prosecutions were initiated or undertaken in 2019–20.



## Dairy export

DFSV undertakes compliance auditing of export-registered dairy businesses on behalf of the Australian Government's Department of Agriculture, Water and the Environment. In this way DFSV supports a more streamlined export certification system and contributes to a reduction in regulatory burden for industry. Currently there are 110 Victorian export-registered dairy manufacturers audited by DFSV.

The Department of Agriculture, Water and the Environment plans to undertake its annual review of DFSV's export audit and compliance management system in the third quarter of 2020–21. In addition to this review, joint meetings and training sessions between DFSV and the Department have been established to ensure that DFSV continues to meet its responsibilities in delivering export assurance services on behalf of the Department.

DFSV continues to coordinate the Australian Milk Residue Analysis survey on behalf of the Department of Agriculture, Water and the Environment. The national survey verifies the effectiveness of residue control in the milk supply by monitoring raw milk for the presence of agricultural, veterinary and environmental chemical residues.

## Camel milk regulation

On 17 December 2019, an amendment to the *Dairy Act 2000* (Dairy Act) came into effect, bringing the licensing of camel milk farms and manufacturers under the remit of DFSV. Previously the Dairy Act definitions of both 'dairy farm' and 'milk' were limited to cows, goats, sheep or buffalo, meaning that camel milk farmers and manufacturers had been excluded from the Victorian dairy regulatory scheme.

The amendment allows for milking animals more generally aligning the regulation of such businesses with that of all other dairy farmers and manufacturers in Victoria. There are currently two camel milk manufacturers with associated camel farms now regulated by DFSV, one of which is also export-registered.

## Working with the dairy industry and national regulators during the COVID-19 pandemic

As the COVID-19 pandemic evolved, DFSV worked with national and state regulators and licensees to maintain confidence in the supply of safe dairy products. DFSV's regulatory services have continued uninterrupted. DFSV is delivering audits either in person or by using its remote auditing procedure.

DFSV conducted a phone survey of all licensed manufacturers during the first week of April 2020 and followed up with an online survey in late May 2020. The intent of these surveys was to check in with manufacturers and determine how each had been affected, understand what production changes may have occurred, and ascertain whether any food safety issues had been identified. The main concerns were:

- loss of customer base/markets
- possible staff shortages through isolation requirements
- maintaining regular supplies of critical ingredients/ packaging.

The identification of any trends or food safety challenges experienced by licensees enabled DFSV to plan and determine ways to provide assistance. DFSV's focus was developing straightforward information for licensees, including specific cleaning and sanitation processes that need to be undertaken in the event of an on-site detection.

# Performance report

**Table 3:** Key performance indicators — Regulation objective

Success	Indicators	2015–16	2016–17	2017–18	2018–19	2019–20
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 and percentage 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	1 (0.03%) F 7 (3.5%) M	1 (0.3%) F 8 (3.8%) M	- 11 (5.0%)	- 2 (0.9%)
	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%)	1 (0.4%)
	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%)	18 (8%)
	Chemical	-	-	-	1 (0.5%)	-
	Allergens (undeclared)	1 (0.5%)	3 (1.5%)	2 (1.0%) <sup>4</sup>	5 (2.3%)	2 (0.9%)
	Physical	8 (4.0%)	8 (4.0%)	6 (2.8%)	-	-

<sup>1</sup> F = farmer, M = manufacturer

<sup>2</sup> Three carry-over programs from 2016–17

<sup>3</sup> 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 spp* in milk powder was detected in the market and was investigated at the site.

<sup>4</sup> Two allergen incidents are the result of dairy allergen contamination of non-dairy products.

## 2. Management of food safety incidents objective

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

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

### Pathogen investigations

During 2019–20, 45 microbiological contamination detections at 33 different manufacturing sites were notified to DFSV and managed by manufacturers with DFSV's oversight. A breakdown of detections by type is presented in the following table.

**Table 4:** 2019–20 microbiological detections in dairy products notified by type

Detections (species tested)	Number	Percentage
<i>Escherichia coli</i>	17	38%
Listeria species	10	22%
<i>Listeria monocytogenes</i>	9	20%
Total plate count	3	7%
Salmonella species	2	4%
<i>Bacillus cereus</i>	1	2%
Staphylococcus species	1	2%
Yeasts	1	2%
Cronobacter species	1	2%
Total	45	100%

The presence of pathogens in dairy products or dairy processing environments requires rapid action from a licensee to control and manage affected products and minimise the risks to consumers through undertaking action such as a food recall. When such incidents occur, DFSV oversees such measures to ensure that appropriate and effective corrective action is taken to prevent recurrence.

During the year, a total of three food recalls were initiated by DFSV-licensed manufacturers – two for the presence of undeclared allergens and one due to a processing failure which the site self-identified, resulting in under-pasteurised milk being released to market.

### Food safety risk assessments

Risk assessments are conducted when a potential risk to food safety is identified. In 2019–20, the industry undertook six risk assessments in response to exposure of cows to herbicides or insecticides in treated pastures. These risk assessments were verified by DFSV to assist manufacturers make decisions about the suitability of milk for collection.

### Consumer complaints

A total of 85 complaints were received by DFSV in 2019–20 relating to the production or sale of dairy food (Table 5). A breakdown of complaint numbers by type is presented in the following table. All complaints were investigated and addressed directly by DFSV or referred to another relevant regulatory authority where appropriate. For licensed businesses, follow-up action undertaken by licensees were overseen by DFSV to ensure that any potential issues relating to food safety or public health were managed.

**Table 5:** 2019–20 complaints received by type

Complaint Type	Number	Percentage
Foreign object	20	24%
Quality (e.g. spoilage)	16	19%
Operational practices (e.g. hygiene)	13	15%
Unlicensed	10	12%
Allergens	8	9%
Labelling	5	6%
Illness	4	5%
Packaging	3	4%
Raw milk sales	2	2%
Sale past expiry date	2	2%
Environmental	1	1%
Issue not specified	1	1%
Total	85	100%

# Performance report

## Emergency preparedness

Like other public sector agencies, DFSV made a rapid transition to working from home arrangements during the COVID-19 pandemic. The success of that transition demonstrated that DFSV's Business Continuity Plan was effective in supporting DFSV staff to continue to operate 'business as usual' from remote locations, and in ensuring that uninterrupted regulatory services were maintained for licensees.

In October 2019, the DFSV Board participated in a facilitated desktop scenario to test DFSV's Food Incident Response Plan, which was revised in 2018 to reflect the national food incident response framework. During an incident, the Board's role is to take a strategic overview on what is occurring tactically and operationally on the ground.

DFSV has continued to actively contribute to the Victorian Food Regulators Forum under the arrangements of a memorandum of understanding. In August 2019, DFSV put its Food Incident Response Plan to the test by participating in Exercise Morass – a foodborne illness incident response exercise held in Melbourne and coordinated by Agriculture Victoria. The exercise successfully tested the communication channels, coordination and response protocols across the Victorian Food Regulators Forum members.

**Table 6:** Key performance indicators — Management of food safety incidents objective

Success	Performance indicators	2015–16	2016–17	2017–18	2018–19	2019–20
<b>Qualitative evaluation using licensee feedback<sup>5</sup>(% agreement)</b>						
Timely and proportionate response to food safety incidents	DFSV response was timely given the level of risk involved	85%	-	-	-	-
	The actions needed to address the incident were proportionate to the risks	81%	-	-	-	-
	How strongly do you agree that DFSV manages food safety incidents well? <sup>6</sup>	-	82%	87%	75%	74%
<b>Qualitative evaluation using results of internal post-incident debrief</b>						
			No incidents triggered implementation of the IRP <sup>7</sup>	No incidents triggered implementation of the IRP	No incidents triggered implementation of the IRP	No incidents triggered implementation of the IRP

<sup>5</sup> These first two questions were only asked in the DFSV licensee survey conducted in 2015–16.

<sup>6</sup> The first two questions asked in 2016 were amalgamated with the third question starting from 2016–17 to produce a single question.

<sup>7</sup> IRP = Incident Response Plan.

### 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 is committed to ensuring any engagement with stakeholders aligns with the organisational values — respect, collaboration, service, excellence, and integrity and fairness.

#### DFSV's industry and regulators' forums

As industry evolves its practices and culture to meet consumer and market expectations, regulators must also adapt. DFSV has taken a step towards this with the inception of Dairy RegTech, a regulatory reform initiative capturing advances in technology and social sciences. Dairy Reg Tech aims to modernise regulation and increase collaboration and communication between the dairy industry and DFSV.

DFSV met with the Dairy Industry Consultative Forum in October 2018 and described a vision of regulatory reform to demonstrate a greater level of food safety assurance. At that early stage, the industry committed to help shape this vision with DFSV. That vision has become a reality with the completion of the Dairy RegTech 2022 pilot in March 2020.

DFSV used human-centred design principles<sup>8</sup> to pilot the initiative. It engaged 10 licensee dairy manufacturers at a senior management and operations level, and also liaised with other industry bodies.

Working in partnership with industry in the development and trial has strengthened relationships. This ongoing collaboration was key to the pilot's success. As Dairy RegTech moves into the implementation stage, DFSV will continue to work with industry maintaining clear and open two-way communication, listening to feedback, and with an intent of solving problems together.

Mutual trust and respect are key to the success of this reform. DFSV's service delivery will focus on the 'behaviours in action' rather than the processes on paper. These will be assessed through employee surveys, focus group discussions and leader interviews about food safety, rather than the number of corrective actions.

Ongoing engagement with the Dairy Industry Consultative Forum informs and shapes DFSV's future strategic direction, including the nature and scope of support that is provided to the dairy industry. Under the partnership model, in October 2019 the forum endorsed guiding principles for delivering Dairy RegTech to DFSV's manufacturers. In development of the Corporate Plan 2020–2025, the forum was consulted on where emphasis was needed and where industry is seeking greater leadership from DFSV.

The Australian Dairy Regulators' Forum met twice in 2019–2020 and, in consultation with Food Standards Australia New Zealand (FSANZ), has focused on revising FSANZ's Compendium of Microbiological Criteria for Food to develop a single nationally consistent guideline for microbiological testing in the dairy industry.

#### Presentation at conferences and forums

The Chief Executive Officer presented at:

- Victorian Food Regulators Forum (July 2019)
- United Dairyfarmers of Victoria Policy Council (July 2019)
- International Association for Food Protection (July 2019)
- UK Food Standards Agency (July 2019)
- European Food Safety Authority (July 2019)
- Victorian Agribusiness Summit (September 2019)
- Australian Government Department of Agriculture, Water and the Environment (February 2020)
- Implementation Sub-Committee for Food Regulation (December 2019, February 2020)
- Australian Dairy Regulators' Forum (November 2019).

#### Licensee survey

DFSV conducted its fifth annual licensee engagement survey in June 2020. Overall 2,684 licensees from all licence types were invited to participate. From either a phone interview or online survey, 315 responses were received. This represents 41% of manufacturers, 17% of carriers, 15% of distributors and 8% of farmer licensees. This year's survey also included benchmarking questions about Dairy RegTech, which will allow trends in awareness, understanding and engagement to be monitored in coming years. Table 7 shows that licensees maintain a consistently high degree of confidence in DFSV as a regulator.

<sup>8</sup> Human-centred design principles develop solutions to problems by involving the human perspective in all steps of the problem-solving process.

# Performance report

## Monitoring changes and new opportunities

DFSV works with licensees, other state dairy regulators, agriculture departments and research institutions in Australia and internationally to better understand novel technologies, new and emerging risks, and control and management of potential risks. DFSV's Chief Executive Officer attended the International Association for Food Protection in July 2019 and participated in a panel session with industry and researchers on driving meaningful change through food safety culture and environmental monitoring. A common theme at this meeting was the importance of, and challenges with, strengthening food safety culture, which are relevant as DFSV works with the industry in this area. DFSV's General Manager Compliance, Enforcement and Technical Services attended a major Global Food Safety Initiative conference in February 2020.

DFSV is regularly involved in several forums to ensure that its regulatory functions can be delivered in a manner that meets both government and other stakeholder expectations. To achieve this, DFSV regularly participates in:

- Victorian Food Regulators Forum
- Food Export Regulatory Standing Committee
- Victorian Government Regulators Community of Practice
- Implementation Sub-Committee for Food Regulation.

These forums provide DFSV with the opportunity to share and learn from experiences across the regulatory spectrum and ensure that its regulatory approach aligns with other government regulators at both a state and national level.

## Corporate branding and logo

DFSV embarked on a project to refresh its brand and identity. This process included an all staff workshop to ascertain which brands and colours best reflect DFSV as an organisation. Colours symbolising security, safety and confidence were selected and used to develop a new logo. The new logo shown below plays on the 'D' shape from the word 'dairy' but in a modern, high tech and future-thinking representation. Its shape also plays on a three-dimensional effect of movement and rotation.



## IPAA award

DFSV was a finalist for the 2019 Institute of Public Administration Australia (Victoria) Innovative Regulation Award for the Dairy RegTech initiative. The award recognises innovation and excellence in approaches to best practice regulatory design and policy. Dairy RegTech is a transformational regulatory and innovation project. Through Dairy RegTech, DFSV aims to work in partnership with industry to capture advances in technology and social sciences to position the Victorian dairy industry as a leader in responding to global food safety challenges.



Dairy RegTech 2022 was a finalist in the Innovative Regulation category of the 2019 Institute of Public Administration Australia (Victoria) Leadership in the Public Sector Awards.

**Table 7:** Key performance indicators – Reputation objective

Success	Performance indicators	2015–16	2016–17	2017–18	2018–19	2019–20
High stakeholder confidence in DFSV's ability to deliver on its regulatory obligations (% 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%	93%
	Confidence that DFSV activities adequately safeguard public health	92%	89%	92%	92%	94%
	DFSV conducts audits frequently enough to ensure dairy safety laws are adhered to	97%	97%	97%	93%	97%
	DFSV acts to address any identified non-compliance with dairy food safety laws	97%	97%	100	99	100%
High proportion of external recipients of communications satisfied with the quality of communications that they received	Level of satisfaction with the quality of communications they received	95	96%	98%	97%	94%

# 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 local and international scientific literature and media to identify new and emerging issues and technologies relevant to the dairy industry and food safety. Such issues include trends in food safety management and regulation, food safety culture, food fraud and antimicrobial resistance.

To support compliance operations, DFSV continues to provide high-level technical and scientific advice to licensees via a phone and email service, as well as to internal staff. In addition, technical information relevant to food safety is provided in the form of guidance documents.

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, supporting industry to conduct risk assessments, and interpreting the Food Standards Code requirements.

In 2019–20, DFSV reviewed its DFSV publication *Developing a food safety program: guidelines for dairy food manufacturers*.

DFSV also developed the dairy chapter of the Food Safety Australia New Zealand (FSANZ) *Compendium of Microbiological Criteria for Food* on behalf of Australian dairy regulators, to produce a single, nationally consistent document for guidance on the use of microbiological testing for verification of food safety controls.

DFSV contributed content for the Australian Government's Package Assisting Small Exporters (PASE) online training program targeted to dairy manufacturers.

In the past year, it supported Victoria's first raw milk cheese producer by providing technical advice and guidance in the development of a food safety program complying with the prescriptive regulatory requirements of raw milk cheese manufacture.

DFSV hosted Learning Network Forums to encourage networking between industry participants. The forums in May 2020 provided the opportunity for licensees to share experiences related to the COVID-19 pandemic and used remote conferencing technology rather than the traditional regional face to face forums. The sessions were separated into product categories and were supported by 45 attendees across 29 manufacturer sites.

Its team supported the industry during the COVID-19 pandemic by providing dairy industry relevant information via the DFSV website.

During the reporting period, DFSV maintained its technical hotline. In 2019–20, responses were provided to 93 enquiries on a range of topics. DFSV provided 96% of these responses within two working days. Most calls related to product testing (11%), labelling (10%), pasteurisation (9%) and premises/processing (9%).

DFSV planned to attend and have a trade display at the Dairy Industry Association of Australia (DIAA) Victorian State Conference, as well as sponsor the DIAA Victorian dairy product competition awards lunch. However, these events were postponed due to COVID-19.

## 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.

### Engaging nationally and internationally

DFSV is a Victorian representative of the Australian Government's Implementation Subcommittee for Food Regulation (ISFR) whose role is to ensure food standards are implemented and enforced consistently. In 2019–2020, DFSV also participated in the ISFR 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 DFSV's surveillance expertise, learnings from this forum have informed the design of the national annual Product Surveillance Program.

DFSV also participated in an ISFR Working Group established in April 2020 to assist with the development of nationally consistent advice to industry on enforcement challenges resulting from the COVID-19 crisis.

During the year DFSV was active in a number of networks.

These networks included the Bi-National Food Safety Network consisting of Australian government food regulators and the New Zealand Ministry for Primary Industries. This network allows DFSV and other participants to routinely share and assess information on food incidents and determine subsequent actions.

The national industry–government Food Incident Forum allows DFSV to share information and collaborate on potential food safety issues to determine how prepared we are for response and recovery during food safety incidents.

Through the Food Export Regulators Steering Committee and the Dairy Export Industry Consultative Committee, DFSV can discuss matters related to the export of dairy products.

In August 2019, DFSV's Chief Executive Officer met with the United Kingdom Food Standards Agency to discuss the impact of a regulator's culture on compliance and whether regulators can foster compliance via initiatives that install, maintain or improve a culture of safety in their regulated organisations. These discussions were intended to be a forerunner to the Food Standards Agency's international conference, which was to be held in collaboration with the International Food Safety Regulatory Economic Working Group, in March 2020. It was postponed due to COVID-19.

The Chief Executive Officer also met with the European Food Safety Authority to discuss its use of machine learning for data extraction and analysis. As part of DFSV's regulatory reform project, Dairy RegTech, DFSV is looking to analyse data to identify patterns and possibly trends in food safety performance.

### 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 and food incidents, and has facilitated agencies working together to respond to incidents.

This collaboration has helped DFSV and other regulators work through the rapid changes introduced to mitigate the spread of COVID-19. As the COVID-19 situation evolved, DFSV worked with the Victorian Department of Health and Human Services and Agriculture Victoria to update guidance and host webinars for licensees on appropriate controls to maintain confidence in the supply of safe dairy products.

DFSV's Chief Executive Officer has convened regular Australian Dairy Regulators' Forum and Dairy Australia teleconferences to discuss issues and consistency with messaging.

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+*. DFSV is represented on the steering group and working group, which are helping to plan the strategy's implementation.

# Performance report

## 6. Finance objective

*To be financially stable and responsible*

As a Victorian public-sector agency, DFSV operates within the Victorian Financial Management Compliance Framework. This ensures compliance with the Standing Directions of the Minister for Finance 2018 to provide effective, efficient and responsible financial management of public resources.

DFSV's portfolio department conducted its biennial financial health check assessment of DFSV and has determined that the agency's financial position is 'low risk'.

During the year, DFSV commenced a review of its funding model. It has been some years since substantive changes were made to how DFSV recovers its costs. With the reform to DFSV's regulatory framework under Dairy RegTech, this review and subsequent implementation of agreed changes will underpin a sustainable funding model that reflects its regulatory activities. DFSV is working in collaboration with the Department of Treasury and Finance to do this review. A range of options for cost recovery reform have been proposed. The financial and non-financial impacts of these options are

being analysed. Feasible options that align with government pricing principles will form the basis of a consultation process with the dairy industry during 2020-2021, before being presented to the DFSV Board for its resolution or approval.

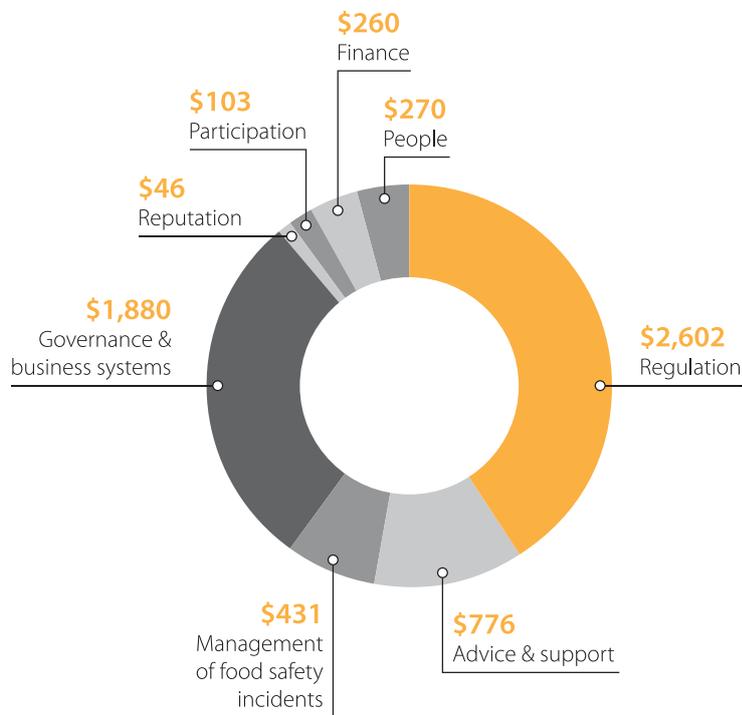
DFSV maintains appropriate systems and regularly reviews its accounting policies and procedures to ensure ongoing compliance with the Victorian Financial Management Compliance Framework.

### 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% of annual expenditure. In 2019–20, DFSV met this target.

The allocation of budgetary resources across DFSV's strategic activities is shown in Figure 2. 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 2: Budget resource allocation against portfolio areas



**Table 8:** Five-year financial summary

	2015–16	2016–17	2017–18	2018–19	2019–20
Total income from transactions	5,848,805	5,974,788	6,122,965	6,160,851	6,041,536
Total expenses from transactions	(5,718,274)	(5,679,513)	(5,889,584)	(5,982,435)	(5,891,055)
Net result from transactions	130,531	295,275	233,381	178,416	150,481
Other economic flows	(121,693)	(14,631)	5,135	(39,777)	(6,388)
Comprehensive result	8,838	280,644	238,156	138,639	144,143
Net cashflow from operating activities	577,834	323,219	662,368	298,882	605,257
Total assets	7,203,464	7,157,153	7,681,959	7,863,540	8,394,557
Total liabilities	1,177,036	850,081	1,136,371	1,179,313	1,566,187

DFSV's financial results are consistent with last year's. The increase in assets and liabilities for 2019–20 is a result of changes to Australian Accounting Standards AASB 16 Leases which requires the value of leases to be disclosed on the balance sheet.

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 operating statement, are outside the control of DFSV.

Despite no increases in fees and charges in 2019–20, 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 product testing to monitor industry compliance, ongoing stakeholder engagement, implantation of Dairy RegTech and science-related support.

**Table 9:** Key performance indicators - Finance objective

Success	Performance indicators	2015–16	2016–17	2017–18	2018–19	2019–20
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)	Total expenditure \$5,891K (93% 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)	Total revenue \$6,042K (99% of forecast)

# Performance report

## 7. Governance and business systems objective

*To maintain effective and efficient governance and business systems*

### Development of the new Corporate Plan 2020–2025

Throughout 2019–20, DFSV undertook work to develop its new Corporate Plan 2020–2025. The full DFSV Board, executive and staff were all actively engaged throughout the development of the new corporate plan.

In accordance with section 20 of the *Dairy Act 2000*, DFSV undertook a thorough assessment of the operating environment including the regulatory and economic environment; the current food safety and health policy environment; the dairy industry operating environment; and DFSV's internal operating capacity and sustainability.

In addition, DFSV consulted with the Victorian dairy industry and various government stakeholders and considered their feedback.

The new Corporate Plan outlines who DFSV is, what it does and the strategic direction for all activities over the next five years. It provides a revised mission and vision statement; refreshed organisational values; new objectives, strategies and actions to achieve the objectives; and performance indicators for measurement. DFSV will continue its core business as the Victorian dairy regulator while shaping its future as a leader in dairy regulation, including the introduction and integration of Dairy RegTech into the Victorian dairy industry.

The new corporate plan was submitted to the Minister for Agriculture for approval in late May 2020.



### Risk management framework

Being essential to good organisational management, risk management is an important element of the DFSV governance framework. Developed within the strategic and organisational context, DFSV has sound procedures that identify, analyse and manage organisational risks. To ensure risk continues to be managed effectively, DFSV regularly reviews its risk management framework and processes. In 2019–20, continuous risk management improvement initiatives were undertaken, including:

- 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.
- An internal audit review of DFSV's compliance against ISO 31000:2018 and the Victorian Government Risk Management Framework. One recommendation was made: to focus on improving the DFSV risk management process by conducting more regular formal refresher risk management training.
- In May 2020, the Board reviewed and approved amendments to DFSV's Risk Management policy and framework to ensure that they remain current and are enhanced.
- All staff undertook organisational risk management awareness 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. During the year, the legislative compliance program was reviewed and updated.

DFSV 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 and operational efficiency. Through the program, DFSV also confirms compliance with applicable laws and regulations, as well as with government and DFSV policies and procedures. Internal audit can also identify opportunities for continuous improvement.

RSM Australia Pty Ltd conducts DFSV's internal audits. During 2019–20 they reviewed the controls and/or processes involved in DFSV's risk management framework, information technology security, privacy and data management, and compliance and enforcement.

### 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 2019–20, DFSV did not receive any complaints.

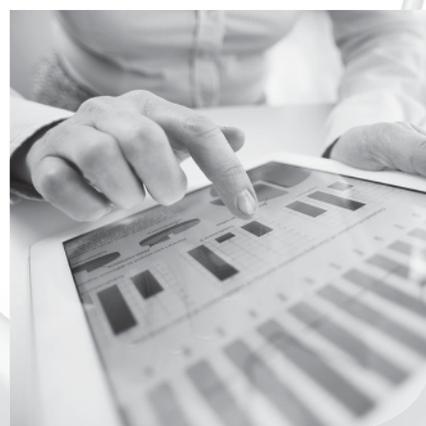
### Information systems

During the year DFSV completed all planned activities in its 2018–2020 Protective Data Security Plan as submitted to the Office of the Victorian Information Commissioner (OVIC). These activities included updates to policies and procedures on data sharing; maintaining information security training and awareness programs for staff; and establishing two factor authentication arrangements for system administrators and users accessing DFSV's information systems remotely.

To prepare to develop the next two-year plan using OVIC's revised Protective Data Security Standards, DFSV did a self-assessment of its information security framework and identified opportunities to further strengthen its information security.

In March 2020, DFSV commenced a proof of concept initiative to develop and test a tool that would use historical and current data to better identify food safety risk at licensed manufacturing businesses. This tool uses data discovery and machine learning technology. It was envisaged that this tool would assist DFSV and licensees to make decisions and allocate resources to activities that would most effectively manage risk.

The proof of concept was successful in collating information related to manufacturing licensees held in various DFSV databases. It was also successful in creating a tool to readily identify information that previously would have taken a significant amount of time to find. Initial exploration of a machine learning tool to utilise this information revealed that it would be useful in developing a risk identification model. Further development in this area would be valuable, particularly as DFSV introduces the more sophisticated data-centric approach to monitoring food safety compliance, Dairy RegTech.



# Performance report

## Information strategy

During the year DFSV commissioned an independent strategic review of its information technology (IT) function and capability. The review covered an assessment of current technology risk, security arrangements, skills and competencies in the IT team and efficiency, agility and cost effectiveness of current IT support. Based on this review, DFSV developed a five-year information technology plan to support DFSV's Corporate Plan 2020–2025, with a particular focus on meeting the organisation's future requirements as Dairy RegTech is implemented in coming years.

DFSV's core business application supports DFSV's licensing and compliance monitoring functions. The existing system which has operated for many years, is regarded as a legacy system that will not support the organisation's future business requirements. A procurement process to identify a suitable replacement system commenced during the past year. An evaluation team assessed the tenders received to determine a short list of applications for further detailed assessment and demonstration of product functionality by

the vendor. The successful tenderer will be identified, and implementation of the replacement solution will start in the 2020–2021 year.

As part of DFSV's internal audit program, a review of DFSV's external network vulnerability and web application security was conducted. Several recommendations were made and implemented.

## Records management

DFSV has nearly completed its program to review historical records and, as appropriate, digitise them into its central electronic document and records management system. Archived records that belonged to DFSV's predecessor, the Victorian Dairy Industry Authority, were reviewed. Many records were recognised as having high level archival value and will be transferred to the State archives maintained by the Public Record Office of Victoria (PROV). DFSV and PROV commenced planning discussions during the reporting period to facilitate this process which will start in 2020–21.

**Table 10:** Key performance indicators – Government and business systems

Success	Indicators \$	2015–16		2016–17		2017–18		2018–19		2019–20	
<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%	19	83%
	External audit (Victorian Auditor General's Office)	1	100%	1	100%	1	No timeframe applicable	1	No timeframe applicable	1	No timeframe applicable
<b>Full compliance with the Victorian public-sector governance framework</b>											
DFSV complied with its reporting obligations to the Victorian Government 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*

Key to the success and delivery of DFSV's strategic objectives are its people and providing a positive workplace culture. Staff engagement and alignment are areas that DFSV has focused on in 2019–2020.

### Staff engagement

Effective engagement of staff continues to be a key enabler to the success of DFSV's objectives and initiatives.

The continuation of the Staff Forum as a consultative group allows various workplace issues to be discussed, brainstormed and reported back to senior leadership and the Board. With voluntary membership, the Staff Forum provides staff a voice on matters within DFSV. Areas the Staff Forum has focused on this year include staff wellbeing, staff reward and recognition opportunities, flexible working arrangements, and initiatives to support DFSV values.

In April 2020, the annual staff engagement survey was conducted to assess levels of engagement and alignment with DFSV's strategic direction. Levels of staff ownership and understanding of Dairy RegTech were also included. Overall staff engagement has increased from previous years, and the results also showed high staff alignment outcomes. Collective understanding of Dairy RegTech has increased from previous years' scores.

### COVID-19 response to support staff

Following the Victorian Government's advice, all DFSV staff have been working from home since 30 March 2020. At the forefront of DFSV's response to the COVID-19 pandemic has been the safety, wellbeing and mental health of staff and the effective maintenance of our regulatory role. In order to facilitate a smooth and easy transition to working remotely, DFSV took the following measures:

- Allowed staff who requested to work from home due to personal reasons earlier than advised timeframes.
- Provided self-assessment checklists for staff to complete of their working- from- home setup.
- Allowed all appropriate workstation equipment and furniture to be used at home.
- Provided regular information, updates and tips to staff about working remotely in a healthy way, looking after mental health and wellbeing.

- Conducted individual one-on-one phone discussions and remote 'all staff' meetings to gain insight into how staff were coping and what DFSV may learn from this remote learning experience for the future.
- Conducted a wellbeing survey to 'check in' with staff on how they were coping with working remotely and provide ideas on what may be of assistance.

### Professional development

DFSV continues to run a program of professional learning and development for staff. This includes 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:

- All staff training on Program Logic
- Lead food safety auditor courses
- Surveillance Evidence Analysis Working Group
- International Woman's Day breakfast conference
- Enhancing investigations and enforcement outcomes conference
- Training on the application of the food safety culture behaviour model, to support staff with the upcoming implementation of Dairy RegTech.

### Office refurbishment

Following minor changes made to the physical layout of the office last financial year, DFSV is now progressing with a total office refit to accommodate a growing workforce and create a more engaging environment for staff and visitors. Staff have been involved in the pre-design phase, which included a virtual workshop and an all staff survey focussing on DFSV's culture, brand and values. A new floorplan will be designed based on the responses from staff and the Board with the work planned to begin in the following year.

# Performance report

**Table 11:** Key performance indicators - People objective

Success	Performance indicators	2015–16	2016–17	2017–18	2018–19	2019–20
Positive, engaged organisational culture	<b>Qualitative evaluation using stakeholder feedback and staff survey (% positive response)</b>					
	Employee engagement (net score)	87%	65%	70%	73%	81%
	<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%	95%
	Staff communicate clearly and effectively	98%	99%	100%	99%	95%
	Staff are empowered to enforce the regulations	97%	93%	97%	87%	89%
	Staff exercise their authority with confidence	95%	99%	95%	95%	97%

# 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 Chairperson 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 2000*, 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 2000*. It is accountable to the Victorian Parliament through the Minister for Agriculture.

**Table 12:** Membership of DFSV committees at 30 June 2020

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 people and culture, including occupational health and safety.	Julie Johnson, Committee Chair Michele Allan Julie Simons

Five Board meetings and six Board Committee meetings were held during the year.

**Table 13:** Attendance at Board and Board Committee meetings in 2019–20

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

# Governance and organisational structure

DFSV Board at 30 June 2020



**Dr Anne Astin, AM, PSM**

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

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, and was previously Chair of the Australia and New Zealand Implementation Subcommittee for Food Regulation, and of Wellsprings for Women Inc. In 2019, she completed her term as a member of Australia's Health Star Rating Advisory Committee. She was previously a member of CSIRO's Agriculture and Food Advisory Committee.



**Dr Michele Allan**

Michele has an academic background in biomedical science, management and law. She 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 Chair of the boards of Apple and Pear Australia Limited, and Defence Trusted Autonomous Systems Co-operative Research Centre. She is Chancellor of the Board of Charles Sturt University and the Food and Agribusiness Growth Centre. Michele is also a non-executive director of the Food Agility Cooperative Research Centre, CSIRO 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 is Chair of the Australian Competition and Consumer Commission Mandatory Dairy Code Consultative Committee. 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 2012–15.



### **Dr Julie Johnson**

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Julie is a veterinarian, with a master degree in veterinary public health management. She has a professional background in private veterinary practice and veterinary public health and held several 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. For the past five years Julie has focused on business and leadership, developing expertise in both human behaviour and organisational culture. Julie is a former director of a private hospital Board of Governance and currently operates a consultancy focused on business leadership with a focus in Agriculture.



### **Peter Moloney**

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Peter was appointed as a director in 2012. He is an experienced risk and audit practitioner, working over 35 years with a broad range of organisations across the public and private sectors. As a past Partner of Ernst & Young and William Buck, Peter was responsible for managing substantial risk practices in both organisations. Peter has worked in several 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**

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Julie is Director of Agriculture Industry and Rural Transition Policy 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.



### **Dr Joanna Wriedt**

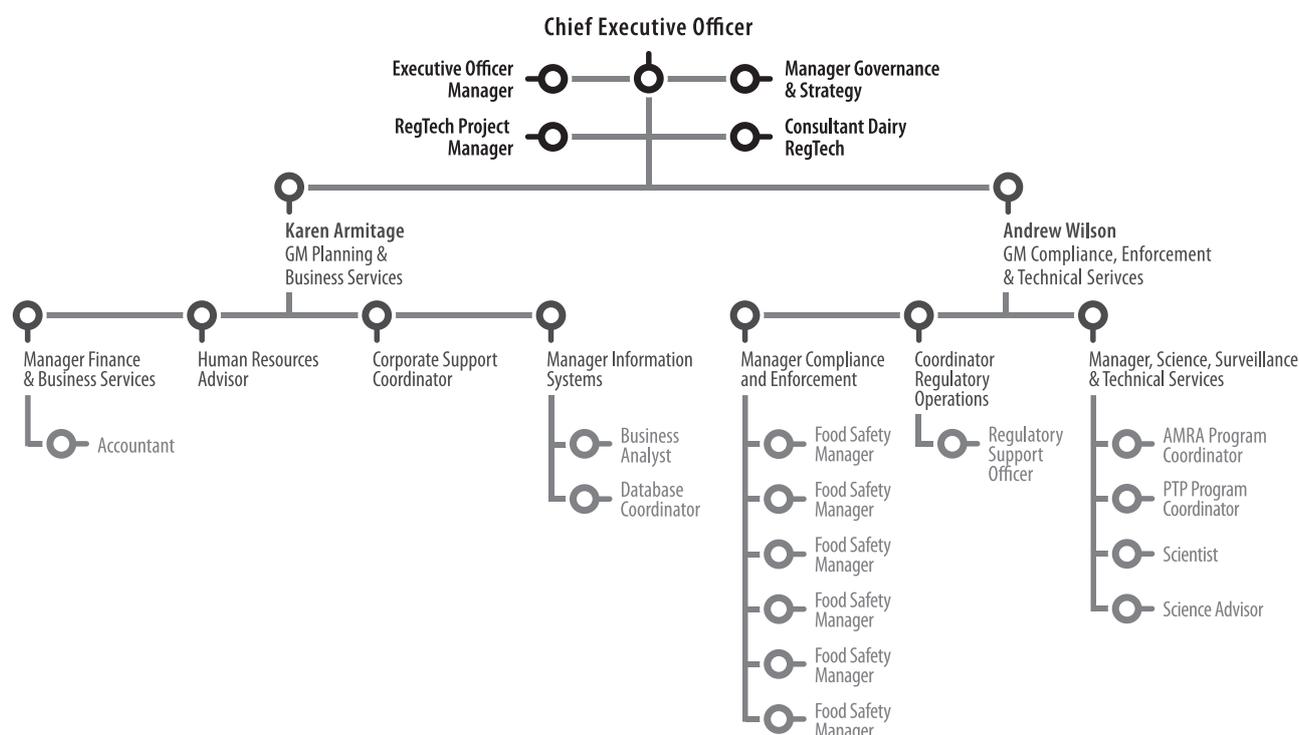
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Joanna's professional experience spans commercial law, government and medical research. She has a Juris Doctor in law and a PhD in medical research and is experienced in corporate governance. She previously worked as a commercial lawyer in transport 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. She sits on a number of State and Commonwealth regulatory committees, including as Chair of the Victorian Government's Radiation Advisory Committee. She is Chair and independent director of the National Asthma Council Australia. She has sat on several not-for-profit boards and is involved in commercial scale farming in Victoria and Queensland.

# Governance and organisational structure

## DFSV Organisational chart

Figure 4: Organisational chart



## Occupational health and safety

DFSV continues to implement its occupational health and safety (OHS) framework which identifies, mitigates and manages workplace risk to staff, ensuring the workplace remains as safe and healthy as possible.

The OHS framework includes:

- maintenance of OHS policies and procedures
- review and monitoring of a hazard risk register
- incident and near miss reporting processes
- workplace inspections
- a Health and Wellbeing Committee which meets twice a year
- ongoing program of OHS training
- regular communication with staff and the Board on health and safety matters.

Staff were presented the annual OHS update to educate and remind staff of the importance of health, safety and wellbeing in the workplace. DFSV has two trained contact officers available to staff who can advise on issues relating to workplace behavioural and conduct, including discrimination, harassment and bullying.

In 2019–20 DFSV offered various OHS-related activities to employees. These aim to mitigate the risks associated with health, safety and wellbeing to staff including during COVID-19 working from home arrangements. 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
- continuation of ‘power-hour’ lunchtime wellbeing seminars on topics chosen by employees including stress management, mental health and sleep
- supporting employees with a health or wellness product or service of their choice.

During the 2019–20 year, five occupational health and safety incidents were reported, the same number as in 2018–19. These incidents were appropriately investigated by DFSV and managed with no resultant loss in work time, and where necessary, corrective and/or preventative actions were implemented. No WorkCover claims were lodged by DFSV for this period.

# Workforce data

## Employment and conduct principles

DFSV administers its industrial relations framework by aligning relevant policies and procedures and organisational values with the Victorian public sector employment and conduct principles. DFSV makes employment decisions based upon employee merit including at recruitment, at the completion of the probationary period and during performance assessment. During the year employees were advised on the management of conflict of interest and requirements regarding gifts, benefits and hospitality.

## Comparative workforce data

**Table 14:** 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 2020	27	21	6	25.7	1
June 2019	26	20	6	24.5	1

**Table 15:** Detail of employment levels at 30 June

	June 2020			June 2019		
	Ongoing		Fixed and casual employees	Ongoing		Fixed and casual employees
	Ongoing Employee (HC)	FTE	FTE	Ongoing Employee (HC)	FTE	FTE
<b>Gender</b>						
Male	6	6	1	8	8	1
Female	21	19.7	-	18	16.5	-
Self-described	-	-	-	-	-	-
<b>Total</b>	<b>27</b>	<b>25.7</b>	<b>1</b>	<b>26</b>	<b>24.5</b>	<b>1</b>
<b>Age</b>						
Under 25	1	1	-	-	-	-
25-34	5	5	-	1	1	1
35-44	6	5.6	-	8	7.3	-
45-54	9	8.3	-	12	11.2	-
55-64	6	5.8	1	5	5	-
Over 64	-	-	-	-	-	-
<b>Total</b>	<b>27</b>	<b>25.7</b>	<b>1</b>	<b>26</b>	<b>24.5</b>	<b>1</b>
<b>Position</b>						
Executive	3	3	-	3	3	-
Corporate	12	11.2	1	12	11	1
Technical	12	11.5	-	11	10.5	-
<b>Total</b>	<b>27</b>	<b>25.7</b>	<b>1</b>	<b>26</b>	<b>24.5</b>	<b>1</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 state-wide 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 \$21,615. Table 13 shows expenditure on consultancies valued at more than \$10,000 in 2019–20.

**Table 16:** Consultancy expenditure

Consultant	Purpose of consultancy	Total approved project fee \$	Expenditure 2019–20 \$	Future expenditure \$
Beyond Technology Consulting Pty Ltd	Information technology strategic review	\$45,255	\$45,255	-
Cultivate	Food safety culture model and Dairy RegTech 2022 initiative	\$112,085	\$112,085	\$30,000
Currie Communications Pty Ltd	Communications services	\$52,838	\$52,838	\$60,000
Gamayun Pty Ltd	Dairy RegTech project services	\$110,000	\$105,600	\$50,000
iHR Australia Pty Ltd	Industrial relations services	\$110,700	\$110,700	\$85,000
M&K Lawyers Group Pty Ltd	Legal services	\$12,787	\$12,787	-
Minter Ellison	Legal services	\$25,338	\$25,338	-
Quantum Market Research (Aust) Pty Ltd	Stakeholder engagement survey	\$26,000	\$26,000	-
RSM Australia Pty Ltd	Audit and accounting services	\$80,000	\$74,348	\$85,000
ThinkPlace Australia Pty Ltd	Board strategic review	\$20,000	\$18,535	-
Votar Partners	Project scope requirements	\$50,000	\$44,900	-
<b>Totals</b>		<b>\$645,003</b>	<b>\$628,386</b>	<b>\$225,000</b>

## Information and communications technology (ICT) expenditure

Table 17 shows that in 2019–20 DFSV's total ICT expenditure was \$473 (\$ thousands)

Table 17: ICT expenditure<sup>1</sup>

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities			
	Business as usual (BAU) ICT expenditure (Total)	Non-business as usual (non-BAU) ICT expenditure (Total = Operational expenditure and capital Expenditure)	Operational expenditure	Capital expenditure
\$292	\$181	\$68	\$113	

<sup>1</sup> 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 2019–20, DFSV did not receive any freedom of information requests.

In 2019–20, an application to the Victorian Office of the Information Commissioner to review a DFSV decision to refuse a request based on substantial and unreasonable diversion of DFSV resources in 2018–19 was withdrawn.

### 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.

## Other disclosures

### Compliance with the Public Interest Disclosures Act.

The *Public Interest Disclosures Act 2012* (formerly named *Protected Disclosures Act 2012*) encourages and supports people in making public interest disclosures of improper conduct or detrimental action 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 public interest disclosures. For more information about DFSV's Public Interest Disclosure Procedures go to [www.dairysafe.vic.gov.au](http://www.dairysafe.vic.gov.au).

DFSV is unable to receive public interest disclosures. A disclosure under this Act about improper conduct of, or detrimental action taken in reprisal for a public interest disclosure by, DFSV or its employees and Board members, should be made in writing to the

Victorian Independent Broad-based Anti-corruption Commission (IBAC)

Level 1, North Tower 459 Collins Street

Melbourne, Victoria 3000

GPO Box 24234

Melbourne, Victoria, 3001

IBAC offers online and downloadable forms which also provides for anonymous disclosures available at:  
<https://www.ibac.vic.gov.au/reporting-corruption/report>

For further information, please phone IBAC 1300 735 135

### Office-based environmental impacts

DFSV's environmental policy aims to maintain and, where possible, improve environmentally sustainable practices and describes the agency's approach to responsible environmental management. DFSV has continued to promote environmental sustainability within its office and field-based operations and has maintained the following initiatives to help reduce the organisation's environmental footprint:

- **Recycling where possible:** including paper, plastic bottles, cans, organic green waste, toner cartridges, spent batteries and obsolete ICT and office equipment.
- **Energy saving office-based practices:** encouraging turning off lights and a switch-off policy for computers and appliances.
- **Minimising energy, water and paper use:** including use of energy efficient lighting, using water efficient tap fittings and appliances, applying double-sided printing, and reducing paper use with progressive digitisation of records.
- **Transport:** reducing greenhouse gas emissions associated with DFSV's vehicle fleet by leasing fuel efficient cars, the use of public transport by staff where possible, and providing cycle storage facilities for staff.
- **Purchasing:** making environmentally sound purchasing decisions for capital items and consumables, including 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 AM PSM  
Chair

24 August 2020

# Financial statements

for the financial year ended 30 June 2020



# 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 2020 in the following structure to provide users with the information about DFSV's stewardship of resources entrusted to it.

## Financial statements

Comprehensive operating statement  
Balance sheet  
Statement of changes in equity  
Cash flow statement

## Notes to the financial statements

### 1. About this report

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

### 2. Funding delivery of our services

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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 Grants
- 2.4 Interest income

### 3. The cost of delivering services

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Operating expenses

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

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

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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

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Other key assets and liabilities

- 5.1 Receivables and contract assets
- 5.2 Prepayments
- 5.3 Payables

### 6. Financing our operations

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Leases, cashflow information and commitments

- 6.1 Cashflow information and balances
- 6.2 Commitments for expenditure
- 6.3 Borrowings: Lease Liabilities under AASB 16

### 7. Risks, contingencies and valuation judgements

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

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

### 8. Other disclosures

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

# Declaration by the Chair, Chief Executive Officer and Chief Finance and Accounting officer

for the financial year ended 30 June 2020

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 2020 and financial position of Dairy Food Safety Victoria as at 30 June 2020.

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 24 August 2020.



Anne Astin  
Chair



Amanda Hill  
Chief Executive Officer



Daryl Glover  
Chief Finance and Accounting Officer

Melbourne  
24 August 2020

# Comprehensive operating statement

for the financial year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Continuing operations</b>			
<b>Income from transactions</b>			
Licence and service fees	2.2	5,674,395	5,936,442
Interest	2.4	90,426	157,951
Grants	2.3	250,000	-
Other income		26,715	66,458
<b>Total income from transactions</b>		<b>6,041,536</b>	<b>6,160,851</b>
<b>Expenses from transactions</b>			
Employee benefit expenses	3.1.1	3,441,960	3,435,737
Depreciation and amortisation	4.1.1	334,638	109,266
Product testing and laboratory evaluation costs		405,482	565,506
Other operating expenses	3.2	1,708,975	1,871,926
<b>Total expenses from transactions</b>		<b>5,891,055</b>	<b>5,982,435</b>
<b>Net result from transactions (net operating balance)</b>		<b>150,481</b>	<b>178,416</b>
<b>Other economic flows included in net result</b>			
Net gain on disposal of non-financial assets	8.2	1,455	823
Net gain/(loss) from revaluation of long service leave liability	8.2	(7,793)	(40,600)
<b>Total other economic flows included in net result</b>		<b>(6,338)</b>	<b>(39,777)</b>
<b>Comprehensive result</b>		<b>144,143</b>	<b>138,639</b>

The comprehensive operating statement should be read in conjunction with the following notes to the financial statements.

# Balance sheet

as at 30 June 2020



	Notes	2020 \$	2019 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	6.1(a)	7,576,488	2,821,266
Receivables	5.1	69,925	199,556
Investments and other financial assets	4.3	-	4,500,000
<b>Total financial assets</b>		<b>7,646,413</b>	<b>7,520,822</b>
<b>Non-financial assets</b>			
Property, plant and equipment	4.1	560,448	181,847
Intangible assets	4.2	154,470	121,236
Prepayments	5.2	33,226	39,635
<b>Total non-financial assets</b>		<b>748,144</b>	<b>342,718</b>
<b>Total assets</b>		<b>8,394,557</b>	<b>7,863,540</b>
<b>Liabilities</b>			
Payables	5.3	373,310	419,118
Employee related provisions	3.1.2	796,439	760,195
Borrowings: Lease liabilities	6.3	396,438	-
<b>Total liabilities</b>		<b>1,566,187</b>	<b>1,179,313</b>
<b>Net assets</b>		<b>6,828,370</b>	<b>6,684,227</b>
<b>Equity</b>			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		5,028,370	4,884,227
<b>Net worth</b>		<b>6,828,370</b>	<b>6,684,227</b>

The balance sheet should be read in conjunction with the following notes to the financial statements.

# Statement of changes in equity

for the financial year ended 30 June 2020

	Contributed capital \$	Accumulated surplus \$	Total equity \$
<b>Balance as at 1 July 2018</b>	<b>1,800,000</b>	<b>4,745,588</b>	<b>6,545,588</b>
Impact of adoption of new accounting standards (AASB 9)	-	-	-
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>
Impact of adoption of new accounting standards (AASB 15, 1058, 16)	-	-	-
<b>Restated balance at 1 July 2019</b>	<b>1,800,000</b>	<b>4,884,227</b>	<b>6,684,227</b>
Net result for the 2019/20 year	-	144,143	144,143
<b>Balance as at 30 June 2020</b>	<b>1,800,000</b>	<b>5,028,370</b>	<b>6,828,370</b>

*The statement of changes in equity should be read in conjunction with the following notes to the financial statements.*



# Cash flow statement

for the financial year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Cashflow from operating activities</b>			
<b>Receipts</b>			
Receipts received from customers		6,037,645	6,004,680
Interest received		124,925	168,264
Goods and services tax received from the ATO (i)		114,834	129,413
<b>Total receipts</b>		<b>6,277,404</b>	<b>6,302,357</b>
<b>Payments</b>			
Payments to suppliers and employees		(5,666,348)	(6,003,474)
Interest paid on lease liabilities	6.3	(5,799)	-
<b>Total payments</b>		<b>(5,672,147)</b>	<b>(6,003,474)</b>
<b>Net cash flows from operating activities</b>	<b>6.1(b)</b>	<b>605,257</b>	<b>298,883</b>
<b>Cash flows from investing activities</b>			
Proceeds from investments and other financial assets		4,500,000	4,500,000
Payments for investments and other financial assets		-	(2,500,000)
Payments for plant and equipment	4.1.2	(44,589)	(132,111)
Payments for intangible assets	4.2	(85,695)	(79,981)
<b>Net cash flows from/(used in) investing activities</b>		<b>4,300,559</b>	<b>1,787,908</b>
<b>Cash flows from financing activities</b>			
Repayment of principal portion of lease liabilities	6.3	(219,751)	-
<b>Net cash flows used in financing activities</b>		<b>(219,751)</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		4,755,222	2,086,791
Cash and deposits at the beginning of the financial year		2,821,266	734,475
<b>Cash at the end of the financial year</b>	<b>6.1(a)</b>	<b>7,576,488</b>	<b>2,821,266</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 following notes to the financial statements.

# Notes to financial statements

for the financial year ended 30 June 2020

## 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 2020.

### 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.

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 are explained in the note to the relevant balance or account. For estimates on the fair value of plant and equipment and intangible assets, refer to (notes 4.1 and 4.2).

When required by AASs, 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 2020



## 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 the Department of Agriculture, Water and the Environment.

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

Revenue and income that fund delivery of DFSV's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes

#### Financial year 2019

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.

#### From financial year 2020

DFSV derives revenue and income from the following major sources, and recognises it under the following accounting standards:

### 2.2. Licence and service fees

	2020 \$	2019 \$
Licence fees	4,766,269	4,806,000
Audit and inspection fees	381,176	612,425
Income relating to the AMRA survey	526,950	518,017
<b>Total licence and service fees</b>	<b>5,674,395</b>	<b>5,936,442</b>

Licences and contracts included in the table above are transactions DFSV has determined to be classified as revenue from contracts with customers in accordance with AASB 15. The impact of initially applying AASB 15 on DFSV's revenue from contracts with customers is described in Note 8.3. Due to the modified retrospective transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

## Accounting policies and significant accounting judgements and estimates – financial year 2020

### Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. DFSV recognises revenue when it transfers control of a service to the customer, i.e. when, or as, the performance obligations for the services to the customer are satisfied on the basis of the following:

- Licence fees are recognised, using the exemptions permitted under AASB 15, at the date the licence is issued. This has been determined to be the date of invoice. As a result, no contract assets or contract liabilities arise from this income stream.
- Audit and inspection fees, and AMRA Survey revenue is recognised under AASB 15, after the service of conducting an audit or performing survey has been delivered. Any income arising from services performed, which has not been invoiced at the reporting date, is recognised as a contract asset. Invoiced income is recognised as a receivable.

### Licence fees

Statutory revenue is deemed in scope of AASB 15 due to its enforceable nature. When an agreement is in scope of AASB 15, the transaction price is determined as the price to which DFSV is expected to be entitled to receive. For manufacturer licence fees, none of the revenue sources include variable consideration and DFSV has taken the exemption available under AASB 15 and elected to recognise its licences – which are short-term licences with no variable consideration – at the date of issue of the licences, which is deemed to be the date of invoice. However, farm licence fees are not considered short-term and revenues are recognised when received over the term of licence (two years).

### Audit and inspection fees

Audit and inspection fees are receivable for specific activities performed by DFSV, under powers given to it under the Dairy and Food Acts, and are therefore accounted for under AASB 15. The transaction price in these agreements are the agreed fee per audit, inspection or survey, with no variable nor other complex component. DFSV recognises revenue from these sources once the related activity has been completed. It results in the raising of a Receivable and a Contract Liability when the non-refundable funding is invoiced in advance of performing the service, and the contract liability is released to the income statement upon completion of the activity.

As part of the Victorian Governments response and initiative to support the Victorian economy, DFSV waived audit fees for licensees where audits were carried out over April through to June.

### Accounting policies -financial year 2019

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 Grants

	2020 \$	2019 \$
Government grant	250,000	-
Total grants	250,000	-

Grant revenue above relates to funding from the Department of Jobs, Precincts and Regions.

# Notes to financial statements

for the financial year ended 30 June 2020



DFSV has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058, except for grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers in accordance with AASB 15.

Related amounts may take the form of:

- (a) contributions by owners, in accordance with AASB 1004;
- (b) revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
- (c) a lease liability in accordance with AASB 16;
- (d) a financial instrument, in accordance with AASB 9; or
- (e) a provision, in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Due to the modified retrospective transition method chosen in applying AASB 1058, and because no grant income was previously received by DFSV, comparative information has not been restated to reflect the new requirements.

The adoption of AASB 1058 did not have an impact on other comprehensive income and the statement of cash flows for the financial year.

## 2.4. Interest income

	2020	2019
	\$	\$
Interest on bank deposits	90,426	157,951
<b>Total interest income</b>	<b>90,426</b>	<b>157,951</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	2020 \$	2019 \$
Employee expenses	3.1.1	3,441,960	3,435,737
Product testing and laboratory evaluation costs		405,482	565,506
Other operating expenses	3.2	1,708,975	1,871,926
<b>Total expenses incurred in delivery of services</b>		<b>5,556,417</b>	<b>5,873,169</b>

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

	2020 \$	2019 \$
Salaries and employee entitlements	2,851,105	2,827,502
Defined contribution superannuation expense	264,942	258,592
Defined benefits superannuation expense	10,079	9,696
Other employee-related costs (FBT, payroll tax and WorkCover)	194,854	187,755
Board and committee fees	110,227	99,719
Termination benefits	10,753	52,474
<b>Total employee and board member benefits</b>	<b>3,441,960</b>	<b>3,435,737</b>

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

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

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

# Notes to financial statements

for the financial year ended 30 June 2020



## 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.

	2020 \$	2019 \$
<b>Current provisions</b>		
<i>Annual leave:</i>		
Unconditional and expected to settle within 12 months	170,443	157,582
Unconditional and expected to settle after 12 months	32,215	13,703
<i>Long service leave:</i>		
Unconditional and expected to settle within 12 months	82,665	36,452
Unconditional and expected to settle after 12 months	292,340	325,457
<i>Provisions for on-costs:</i>		
Unconditional and expected to settle within 12 months	37,093	28,308
Unconditional and expected to settle after 12 months	48,449	50,724
<b>Total current provisions</b>	<b>663,205</b>	<b>612,226</b>
<b>Non-current provisions</b>		
Employee benefits — long service leave	115,881	128,697
Provisions related to employee benefits on-costs	17,353	19,272
<b>Total non-current provisions</b>	<b>133,234</b>	<b>147,969</b>
<b>Total employee benefits</b>	<b>796,439</b>	<b>760,195</b>

## Reconciliation of movement in on-cost provisions

	2020 \$
<b>Opening balance</b>	<b>98,304</b>
Additional provisions recognised	7,854
Additions due to transfers in	1,879
Reductions arising from payments	(5,142)
<b>Closing balance</b>	<b>102,895</b>
Current	85,542
Non-current	17,353

**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.

### **3.1.3. Superannuation contributions**

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

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

# Notes to financial statements

for the financial year ended 30 June 2020



Fund	Paid contributions for the year \$		Contributions outstanding at year end \$	
	2020	2019	2020	2019
<b>Defined benefit plans:</b>				
Emergency Services Superannuation	10,079	9,696	400	-
<b>Defined contribution plans:</b>				
Vic Super	66,492	99,194	2,621	-
Australian Super	60,947	52,115	2,450	-
Other	126,683	107,283	5,349	-
	<b>264,201</b>	<b>268,288</b>	<b>10,820</b>	<b>-</b>

### 3.2. Other operating expenses

	2020 \$	2019 \$
Audit fees (refer to Note 8.7)	101,328	83,272
Communications	88,794	48,821
General administration	113,531	131,947
General insurance	100,792	99,466
Information technology	292,443	286,151
Occupancy (excluding operating rental lease)	53,130	51,768
Operating leases (occupancy, motor vehicles & office equipment)	10,019	224,564
Professional services	802,860	728,830
Travel (excluding motor vehicle operating leasing)	146,078	217,107
<b>Total other operating expenses</b>	<b>1,708,975</b>	<b>1,871,926</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.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

- Short-term leases – leases with a term less than 12 months; and
- Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than \$10 000

Variable lease payments that are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate and which are not, in substance fixed) such as those based on performance or usage of the underlying asset, are recognised in the Comprehensive Operating Statement (except for payments which has been included in the carrying amount of another asset) in the period in which the event or condition that triggers those payments occur.

## 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

			Accumulated depreciation		Net carrying amount	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Leasehold improvements	286,772	286,773	(260,353)	(250,138)	26,420	36,635
Furniture and fittings	130,738	130,738	(88,592)	(74,598)	42,146	56,140
Office equipment	251,363	228,821	(151,540)	(139,748)	99,823	89,072
<b>Total plant and equipment</b>	<b>668,873</b>	<b>646,331</b>	<b>(500,485)</b>	<b>(464,484)</b>	<b>168,389</b>	<b>181,847</b>
<b>Right-of-Use assets</b>		-		-		-
Property	433,893	-	(154,942)	-	278,951	-
Vehicles	182,296	-	(69,188)	-	113,108	-
<b>Total Right-of-Use Assets</b>	<b>616,189</b>	<b>-</b>	<b>(224,130)</b>	<b>-</b>	<b>392,059</b>	<b>-</b>
<b>Total Property, Plant and Equipment</b>	<b>1,285,062</b>	<b>646,331</b>	<b>(724,615)</b>	<b>(464,484)</b>	<b>560,448</b>	<b>181,847</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.

The recognition of right of use assets in the year ending 30 June 2020 relates to the adoption of AASB 16 Leases. DFSV recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

DFSV depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Refer to Note 6.3 for additional information on the recognition of right-of-use assets.

# Notes to financial statements

for the financial year ended 30 June 2020



## 4.1.1. Depreciation, amortisation and impairment

	2020 \$	2019 \$
Leasehold improvements	10,215	4,905
Furniture and fittings	13,994	13,861
Office equipment	33,838	30,057
Amortisation of software	52,461	60,444
Right-of-Use assets - Property	154,942	-
Right-of-Use assets - Vehicles	69,188	-
<b>Total depreciation and amortisation</b>	<b>334,638</b>	<b>109,266</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.

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 2018-19):

<u>Class of asset</u>	<u>Useful life of asset</u>
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.

Right of use assets are depreciated on a straight-line basis over the lease term; 3 years for vehicles, and 5 years for property.

#### 4.1.2. Reconciliation of movement in carrying amounts

	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Right-of-Use Property \$	Right-of-Use Vehicles \$	Total \$
<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>36,635</b>	<b>56,140</b>	<b>89,072</b>	-	-	<b>181,847</b>
<b>Opening balance 1 July 2019</b>	<b>36,635</b>	<b>56,140</b>	<b>89,072</b>	-	-	<b>181,847</b>
Adoption of AASB 16	-	-	-	433,893	113,139	547,032
Additions	-	-	44,589	-	69,157	113,746
Disposals	-	-	-	-	-	-
Depreciation	(10,215)	(13,994)	(33,838)	(154,942)	(69,188)	(282,177)
<b>Closing balance 30 June 2020</b>	<b>26,420</b>	<b>42,146</b>	<b>99,823</b>	<b>278,951</b>	<b>113,108</b>	<b>560,448</b>

#### 4.2. Intangible assets

	2020 \$	2019 \$
<b>Gross carrying amount</b>		
Opening balance	<b>1,010,242</b>	<b>949,001</b>
Additions	85,695	79,981
Write-back of fully amortised assets no longer in use	-	(18,740)
<b>Closing balance of gross carrying amount</b>	<b>1,095,937</b>	<b>1,010,242</b>
<b>Accumulated depreciation</b>		
Opening balance	<b>(889,006)</b>	<b>(847,303)</b>
Amortisation expense	(52,461)	(60,444)
Write-back of fully amortised assets no longer in use	-	18,740
<b>Closing balance of accumulated depreciation</b>	<b>(941,467)</b>	<b>(889,006)</b>
<b>Net book value at end of financial year</b>	<b>154,470</b>	<b>121,236</b>

# Notes to financial statements

for the financial year ended 30 June 2020



## 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 assets with finite useful lives are amortised as an 'expense from transactions' on a straight-line basis over their useful lives. Intangible assets have useful lives of between three and five years (no change from prior year).

## 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.

## 4.3. Investments and other financial assets

DFSV did not hold any short or long term deposits at 30 June 2020 (\$4.5M 2019). The \$4.5M in term deposits held at the beginning of the year were transferred to the Victorian Governments Centralised Banking System (CBS) upon maturity complying with the Standing Directions 2018 under the Financial Management Act 1994. Funds held in the CBS are at-call at are categorised as cash at bank (refer Note 6.1 (a)).

## 5. Other assets and liabilities

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

### 5.1. Receivables and contract assets

	2020	2019
	\$	\$
<b>Current receivables</b>		
<b>Contractual</b>		
Trade debtors (a)	61,122	146,053
Less: allowance for impairment losses of contractual receivables	-	(2,794)
	<b>61,122</b>	<b>143,259</b>
Accrued interest	62	34,560
Other receivables	200	350
<b>Total contractual receivables</b>	<b>61,384</b>	<b>178,169</b>
<b>Statutory</b>		
GST input tax credits recoverable (b)	8,541	21,387
<b>Total current receivables</b>	<b>69,925</b>	<b>199,556</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.

#### 5.1.1 Assets and liabilities related to contracts with customers

Other than trade debtors receivables shown in Note 5.1 DFSV had no assets or liability relating to contracts with customers as at the reporting date.

There was no contract liability balance at the beginning of the reporting period, and so no revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period.

#### 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.

# Notes to financial statements

for the financial year ended 30 June 2020

## 5.3. Payables

	2020 \$	2019 \$
<b>Current payables</b>		
<b>Contractual</b>		
Supplies and services (i)	171,836	260,830
Employee benefit accruals and on-costs	114,210	94,000
<b>Total contractual payables</b>	<b>286,046</b>	<b>354,830</b>
<b>Statutory</b>		
Taxes payable (FBT, PAYG, Payroll Tax)	87,264	64,288
<b>Total current payables</b>	<b>373,310</b>	<b>419,118</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>2020</b>			
Supplies and services	171,836	171,836	171,836
Employee accruals and on-costs	114,210	114,210	114,210
<b>Total</b>	<b>286,046</b>	<b>286,046</b>	<b>286,046</b>

## 6. Financing our operations

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

This section includes disclosures of balances that are financial instruments.

### 6.1. Cashflow information and balances

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.

	2020 \$	2019 \$
<b>(a) Cash and cash equivalents</b>		
Cash on hand	300	300
Cash at bank	7,576,188	2,820,966
<b>Total cash and deposits disclosed in the balance sheet</b>	<b>7,576,488</b>	<b>2,821,266</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	144,143	138,639
<i>Non-cash movements:</i>		
Depreciation and amortisation of non-current assets	334,638	109,266
Written down value of assets disposed	-	705
<i>Movements in assets and liabilities:</i>		
<i>(increase)/decrease in assets:</i>		
Receivables	129,631	21,711
Prepayments	6,409	(14,380)
<i>increase/(decrease) in liabilities:</i>		
Payables	(45,808)	59,871
Provisions	36,244	(16,929)
<b>Net cash flow from operating activities</b>	<b>605,257</b>	<b>298,883</b>

# Notes to financial statements

for the financial year ended 30 June 2020

## 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 – FY 2019

Operating leases commitments at 30 June 2019 relate to rental expense commitments 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.

	2020 \$	2019 \$
<b>Non-cancellable operating lease payables (includes GST)</b>		
Less than one year	-	248,338
Longer than one year and not longer than five years	-	383,336
<b>Total operating leases</b>	<b>-</b>	<b>631,674</b>

The AASB issued the new leasing standard AASB 16 Leases to supersede the existing standard AASB 117 Leases. The new standard was 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.

## 6.3 Borrowings: lease liabilities under AASB 16

### DFSV's leasing activities

DFSV leases a property, IT equipment, and various motor vehicles. The lease contracts are typically made for fixed periods of 1-5 years.

- Leases of IT equipment with contract terms of 1-3 years are leases of low-value items. DFSV has elected not to recognise right-of-use assets and lease liabilities for these leases.
- Vehicle and property leases are recognised on balance sheet: a right-of-use asset, representing DFSV's right to use the leased assets, and an associated lease liability, representing its obligation to pay the contractual payables.

### Property leases

DFSV holds one lease for premises at Camberwell is for a five-year term from 1 April 2017 to 31 March 2022, with fixed rate annual rental increases of 3.5 per cent. The agreement contains no options to renew. The incremental borrowing rate applicable to this lease, used to discount the future lease payments to present value, was determined as 1.7%.

### Vehicle leases

DFSV leases vehicle for use by staff, on 3-year contracts. Vehicles vary in exact specifications but represent similar assets over a similar period. The agreements include fixed and variable payments, where the variable payments depend on kilometres driven in excess of a contractual maximum. Only fixed rental payments have been included in the valuation of the lease liability and right-of-use asset recognised per vehicle.

	<b>2020</b> <b>\$</b>
<b>Amounts recognised in the income statement</b>	
Interest on lease liabilities	5,799
Expenses relating to leases of low-value assets	10,018
<b>Total</b>	<b>15,817</b>
<b>Maturity analysis – undiscounted contractual cash flows</b>	
Less than one year	226,640
One to five years	174,579
More than 5 years	-
<b>Total undiscounted contractual cash flows</b>	<b>401,219</b>
<b>Lease liabilities recognised in the statement of financial position</b>	
Current	222,990
Non-current	173,448
<b>Total</b>	<b>396,438</b>
<b>Amounts recognised in statement of cash flows</b>	
Payments of interest on lease payments [operating cashflows]	5,799
Payments of principal on lease payments [financing cashflows]	219,751
<b>Total cash outflow for leases</b>	<b>225,550</b>

#### Accounting policy for leases - Policy applicable from 1 July 2019

For any new contracts entered into on or after 1 July 2019, DFSV considers whether a contract is, or contains a lease.

A lease is defined as 'a contract, or part of a contract, that conveys the right-to-use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition DFSV assesses whether the contract meets three key evaluations:

- Whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to DFSV and for which the supplier does not have substantive substitution rights;
- Whether DFSV has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and DFSV has the right to direct the use of the identified asset throughout the period of use; and
- Whether DFSV has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

# Notes to financial statements

for the financial year ended 30 June 2020



## Lease liability

A lease liability is initially measured at the present value of unpaid lease payments at the commencement date of the lease.

To calculate the present value, the unpaid lease payments are discounted using the interest rate implicit in the lease if the rate is readily determinable. If the interest rate implicit in the lease cannot be readily determined, the incremental borrowing rate at the commencement date of the lease is used.

Lease payments included in the measurement of lease liabilities comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. payments varying on account of changes in CPI); and
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if DFSV is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

For a contract that contains a lease component and one or more additional lease or non-lease components, DFSV allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Subsequent to initial measurement, the lease liability the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

The lease liability is remeasured when there are changes in future lease payments arising from a change in an index or rate with a corresponding adjustment to the right-of-use asset. The adjustment amount is factored into depreciation of the right-of-use asset prospectively.

Right-of-use assets are presented within property, plant and equipment in Note 4.1 and lease liabilities are presented as borrowings above.

## Short-term leases and leases of low-value assets

DFSV has elected not to recognise right-of-use assets and lease liabilities for short-term leases i.e. leases with a lease term of 12 months or less and leases of low-value assets i.e., when the value of the leased asset when new is \$10,000 or less. DFSV recognises the lease payments associated with these leases as expense on a straight-line basis over the lease term.

## 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 specific disclosures

#### 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

##### 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.

DFSV recognises the following assets in this category:

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

#### Categories of financial liabilities

**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. DFSV recognises payables and lease liabilities (excluding statutory payables) as liabilities in this category.

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).



# Notes to financial statements

for the financial year ended 30 June 2020

Financial instruments: Categorisation	Financial assets at amortised cost (AC) \$	Financial liabilities at amortised cost \$	Total \$
<b>2020</b>			
<b>Contractual financial assets:</b>			
Cash and deposits	7,576,488	-	7,576,488
Trade debtors	61,122	-	61,122
Accrued interest	62	-	62
Other debtors	200	-	200
<b>Total contractual financial assets</b>	<b>7,637,872</b>	-	<b>7,637,872</b>
<b>Contractual financial liabilities:</b>			
Supplies and services	-	171,836	171,836
Borrowings: lease liabilities	-	396,438	396,438
Employee benefit accruals and on-costs	-	114,210	114,210
<b>Total contractual financial liabilities</b>	-	<b>682,484</b>	<b>682,484</b>

Financial instruments: Categorisation	Financial assets at amortised cost (AC) \$	Financial liabilities at amortised cost \$	Total \$
<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 receivables	146,053	-	146,053
Less allowance for impairment of receivables	(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>

## 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.

	Financial institution (double A credit rating) \$	Other \$	Total \$
<b>Credit quality of financial assets: 2020</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)	7,576,188	-	7,576,188
Term deposits (with no impairment loss recognised)	-	-	-
Statutory receivables (with no impairment loss recognised)	-	8,541	8,541
<b>Financial assets with loss allowance measured at lifetime expected credit loss:</b>			
Contractual receivables applying the simplified approach for impairment	62	61,322	61,384
<b>Total</b>	<b>7,576,250</b>	<b>70,163</b>	<b>7,646,413</b>

	Financial institution (double A credit rating) \$	Other \$	Total \$
<b>Credit quality of financial assets: 2019</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>7,355,526</b>	<b>165,296</b>	<b>7,520,822</b>

# Notes to financial statements

for the financial year ended 30 June 2020



## Impairment of financial assets under AASB 9

DFSV monitors its contractual receivables, statutory receivables, and its investments in debt instruments for impairment following the requirements of AASB 9 Expected Credit Loss (ECL) model. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, no impairment loss was identified.

## 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 2020</b>						
<b>Expected loss rate</b>	0%	0%	0%	0%	0%	0%
Gross carrying amount of contractual receivables	10,858	21,711	28,615	-	200	61,384
<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

The 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.

### 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 has been recognised in FY 2020.

### 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 has minimal exposure to interest rate risk through its cash and deposits that are variable rate.



# Notes to financial statements

for the financial year ended 30 June 2020

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>2020</b>						
<b>Financial assets:</b>						
Cash at bank	6.1	0.63%	7,576,488	-	7,576,188	300
Receivables (a)	5.1		61,384	-	-	61,384
<b>Total financial assets</b>			<b>7,637,872</b>	<b>-</b>	<b>7,576,188</b>	<b>61,684</b>
<b>Financial liabilities:</b>						
Payables (a)	5.3		286,046	-	-	286,046
Borrowings: lease liabilities			396,438	-	-	396,438
<b>Total financial liabilities</b>			<b>682,484</b>	<b>-</b>	<b>-</b>	<b>682,484</b>

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 (a)	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 (a)	5.3		354,830	-	-	354,830
<b>Total financial liabilities</b>			<b>354,830</b>	<b>-</b>	<b>-</b>	<b>354,830</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 (2019: \$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.

### Property, plant and equipment (excluding right-of-use leases)

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 2020. For all assets measured at fair value, the current use is considered the highest and best use.



# Notes to financial statements

for the financial year ended 30 June 2020



As at 30 June 2020	Carrying amount	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Leasehold improvements	26,420	-	-	26,420
Furniture and fittings	42,146	-	-	42,146
Office equipment	99,823	-	-	99,823
<b>Total plant and equipment at fair value</b>	<b>168,389</b>	<b>-</b>	<b>-</b>	<b>168,389</b>
<b>As at 30 June 2019</b>				
Leasehold improvements	36,635	-	-	36,635
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>

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

Reconciliation of level 3 fair values as at 30 June 2020	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
<b>Opening balance</b>	<b>36,635</b>	<b>56,140</b>	<b>89,072</b>	<b>181,847</b>
Additions	-	-	44,589	44,589
Disposals	-	-	-	-
Transfers between levels	-	-	-	-
Depreciation	(10,215)	(13,994)	(33,838)	(58,047)
<b>Closing balance</b>	<b>26,420</b>	<b>42,146</b>	<b>99,823</b>	<b>168,389</b>

## 8. Other disclosures

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

### 8.1. Ex-gratia payments

Ex gratia expenses are the voluntary payments 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 of or claim against the entity.

There were no ex-gratia expenses incurred during the financial year ended 30 June 2020 (2019:Nil).

### 8.2. 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.

### 8.3. Changes in accounting policies:

#### 8.3.1 Revenue

##### *AASB 15 Revenue from Contracts with Customers (AASB 15) and AASB 1058 Income of Not-for-Profit Entities (AASB 1058)*

In accordance with FRD 121 requirements, DFSV has applied the transitional provisions of AASB 15 and of AASB 1058, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019.

Under this transition method, DFSV has applied AASB 15 retrospectively only to contracts and transactions that are not 'completed contracts' at the date of initial application.

Comparative information has not been restated, and continues to be reported under the previous standards on revenue and income.

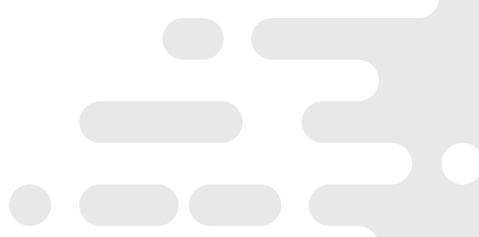
The new accounting policies for revenue and other income for not-for-profit entities in accordance with AASB 15 and AASB 1058 are provided in the Note 2.

#### 8.3.2 Leases

DFSV has applied AASB 16 *Leases* (AASB 16) with a date of initial application of 1 July 2019. DFSV has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16, for all leases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

# Notes to financial statements

for the financial year ended 30 June 2020



## Definition of lease

Previously, DFSV determined at contract inception whether an arrangement is or contains a lease under Interpretation 4. Under AASB 16, DFSV will continue to assess at contract inception whether a contract is, or contains, a lease but now uses the new definition of a lease.

On transition to AASB 16, DFSV elected to apply the practical expedient to grandfather the assessment of which transactions are or contain leases. This means that for arrangements entered into before 1 July 2019, DFSV has not reassessed whether they are, or contain, a lease in accordance with the new AASB 16's lease definition. Consequently, contracts existing prior to 1 July 2019 which were assessed per the previous accounting policy described below in accordance with AASB 117 and Interpretation 4 as a lease were treated as a lease under AASB 16, whereas contracts previously not identified as a lease were not reassessed to determine whether they would meet the new definition of a lease in accordance with AASB 16. Therefore, DFSV applied the recognition and measurement requirements of AASB 16 only to contracts that were previously identified as leases and does not apply AASB 16 to contracts that were previously not identified as leases. Similarly, the new definition of lease under AASB 16 was only applied to contracts entered into or modified on or after 1 July 2019.

DFSV had not received any lease incentives to recognise, and also did not have any enforceable requirements to make good leased premises.

The nature and effect of the changes as a result of adoption of AASB 16 are as described below:

## Leases previously classified as operating leases under AASB 117

Until 30 June 2019, DFSV classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to DFSV. Under AASB 16, this classification no longer exists for DFSV as a lessee. Instead, practically all leases are now recognised on the statement of financial position as right-of-use assets with corresponding lease liabilities comprising all amounts which are considered to be lease payments (see Note 6.3 for the new leases policy which explains what amounts are included in lease payments).

On transition to AASB 16, DFSV recognised lease liabilities for leases previously classified as operating leases by discounting the remaining lease payments using the incremental borrowing rate as at the date of initial application, i.e. 1 July 2019.

The right-of-use assets were recognised at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (as at 30 June 2019.)

DFSV has applied the following practical expedients in transitioning existing operating leases:

- (a) Relied on its assessment of whether leases are onerous applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application, as an alternative to undertaking an impairment review
- (a) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- (b) Excluded initial direct costs from the measurement of right-of-use asset at the date of initial application.

DFSV had no leases previously classified as finance leases under AASB 117.

## Impact on financial statements

### Reconciliation of operating lease commitments under AASB 117 and lease liabilities under AASB 16

On transition to AASB 16, DFSV recognised \$547,032 of right-of-use assets and of lease liabilities.

When measuring lease liabilities, DFSV discounted lease payments using its incremental borrowing rate at 1 July 2019.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the balance sheet on the date of initial application was 1.7%

The difference between the operating lease commitments disclosed previously by applying AASB 117 and the value of the lease liabilities recognised under AASB 16 on 1 July 2019 is explained as follows:

	\$
Operating lease commitments disclosed as at 30 June 2019 (excluding GST)	574,249
<b>(Less):</b> Recognition exemption for leases of low-value assets	(20,037)
Subtotal	<b>554,212</b>
Effect of discounting using DFSV's weighted average incremental borrowing rates	(7,180)
<b>Lease liability recognised as at 1 July 2019</b>	<b>547,032</b>

#### DFSV as a lessor

DFSV does not act as a lessor, so there were no further impacts of the standard.

#### 8.3.3 Transition impact on financial statements

This note explains the impact of the adoption of the following new accounting standards for the first time, from 1 July 2019:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities* and
- AASB 16 *Leases*

There was no impact on the balance sheet of DFSV as a result of the adoption of AASB 15 and AASB 1058, because the pattern of revenue recognition under these standards mirrored that of previously extant standards, at the date of transition.

The impact on balance sheet due to the adoption of AASB 16 is illustrated with the following reconciliation between the carrying amounts at 30 June 2019 and the balances reported under the new accounting standards at 1 July 2019:

Balance sheet	Notes	Before new accounting standards Opening 1 July 2019	Impact of new accounting standards – AASB 16, 15 and 1058	After new accounting standards Opening 1 July 2019
Total financial assets		7,520,822	-	7,520,822
Total non-financial assets		342,718	547,032	889,750
<b>Total assets</b>		<b>7,863,540</b>	<b>547,032</b>	<b>8,410,572</b>
Payables		419,118	-	419,118
Borrowings: lease liabilities		-	547,032	547,032
Provisions		760,195	-	760,195
<b>Total liabilities</b>		<b>1,179,313</b>	<b>547,032</b>	<b>1,726,345</b>
<b>Total equity</b>		<b>6,684,227</b>	<b>-</b>	<b>6,684,227</b>

# Notes to financial statements

for the financial year ended 30 June 2020



## 8.4. 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 Jaclyn Symes MLC, 1 July 2019 – 30 June 2020

### Board members

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

Anne Astin (Chair) 1 July 2019 – 30 June 2020  
Peter Moloney 1 July 2019 – 30 June 2020  
Julie Simons 1 July 2019 – 30 June 2020  
Michele Allan 1 July 2019 – 30 June 2020  
Joanna Wriedt 1 July 2019 – 30 June 2020  
Julie Johnson 1 July 2019 – 30 June 2020  
Noel Campbell 1 July 2019 – 30 June 2020

### Accountable officers

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

Amanda Hill 1 July 2019 – 30 June 2020

Total remuneration of the Accountable Officers in connection with the management of DFSV during the reporting period was in the range: \$260,000 – \$270,000 (2018 – 19: \$240,000 – \$250,000)

### Insurance premiums

During the financial year, DFSV paid an insurance premium inclusive of GST of \$37,994 (2018 – 19: \$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.

### 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:

	2020	2019
	\$	\$
<b>Income band</b>		
\$0–\$9,999	-	3
\$10,000–\$19,999	5	5
\$40,000–\$49,999	1	1
\$240,000–\$249,999	-	1
\$260,000–\$269,999	1	-
<b>Total numbers</b>	<b>7</b>	<b>10</b>
<b>Total remuneration</b>	<b>\$383,733</b>	<b>\$354,759</b>

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

## 8.5. 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>2020</b> \$	<b>2019</b> \$
Short-term benefits	325,130	490,198
Post-employment benefits	39,497	49,988
Other long-term benefits	9,657	5,775
Termination benefits	-	-
<b>Total remuneration (a)</b>	<b>374,284</b>	<b>545,961</b>
Total number of executives	2	4
Total annualised employee equivalents (b)	2	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 8.6).

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

## 8.6. Related parties

Related parties of DFSV include all key management personnel and their close family members and personal business interests, the Department of Jobs, Precincts and Regions (DJPR) and Treasury Corporation Victoria (TCV).

Key management personnel of DFSV includes the Portfolio Minister, the Hon. Jaclyn Symes MLC, Board members the accountable officer (ref Note 8.4 Responsible persons), and members of the executive team, which includes:

- General Manager, Planning and Business Services — Karen Armitage (1 July 2019 – 30 June 2020)
- General Manager, Compliance, Enforcement and Technical Services — Andrew Wilson (1 July 2019 – 30 June 2020)

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.

Board member Julie Simons is employed by the 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.

# Notes to financial statements

for the financial year ended 30 June 2020

Transactions with external related parties include a government grant received from DJPR (see Note 2.3) and a \$2.5M term deposit with TCV which was redeemed during 2019-20.

**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.

	2020	2019
	\$	\$
<b>Total compensation of key management personnel</b>		
Short-term employee benefits	670,718	809,514
Post-employment benefits	71,141	80,006
Other long-term benefits	16,157	11,201
Termination benefits	-	-
<b>Total</b>	<b>758,016</b>	<b>900,720</b>

Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 8.5).

## 8.7. Remuneration of auditors

	2020	2019
	\$	\$
Internal audit fees	69,528	52,272
External audit fees (Victorian Auditor General's Office)	31,800	31,000
<b>Total remuneration of auditors</b>	<b>101,328</b>	<b>83,272</b>

## 8.8. 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 (including an assessment of any impact of COVID-19) that have significantly affected the operation, results or the state of affairs of DFSV.

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

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2020 reporting period. DFSV's management assess the impact of these new standards, their applicability to the entity and early adoption where applicable.

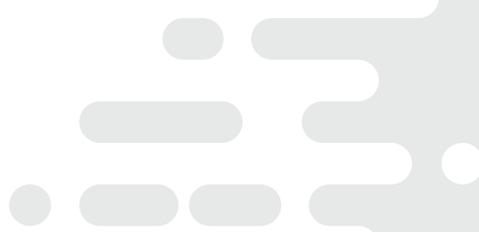
The following table shows the applicable issued AASs but not yet mandatory for the financial year ended 30 June 2020.

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
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	<p>This Standard principally amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. It applies to reporting periods beginning on or after 1 January 2020 with earlier application permitted. DFSV has not early-adopted the Standard.</p> <p>The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.</p>	1 July 2020	DFSV is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non Current</i>	<p>This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 <i>Classification of Liabilities as Current or Non-Current – Deferral of Effective Date</i> with the intention to defer the application by one year to periods beginning on or after 1 January 2023. DFSV will not early adopt the Standard.</p>	1 July 2023	DFSV is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact

# Notes to financial statements

for the financial year ended 30 June 2020



Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on DFSV's reporting.

- AASB 17 *Insurance Contracts*.
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*.
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*.
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*.
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*.
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*.
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

## 8.10. Glossary of technical terms

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

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

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

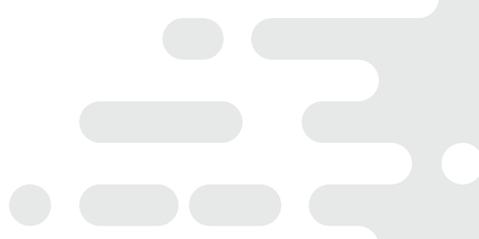
**Financial statements** comprise:

- (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.

# Notes to financial statements

for the financial year ended 30 June 2020



**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'.

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

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

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

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

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

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

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

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

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

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

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

### **8.11. Style conventions**

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

The financial statements and notes are presented based on the illustration in the 2019–20 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.





Victorian Auditor-General's Office

## Independent Auditor's Report

### To the Board of Dairy Food Safety Victoria

**Opinion** I have audited the financial report of Dairy Food Safety Victoria (the entity) which comprises the:

- balance sheet as at 30 June 2020
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- declaration by the Chair, Chief Executive Officer and Chief Finance and Accounting Officer.

In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

**Basis for Opinion** I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (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.

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

**Board's responsibilities for the financial report** The Board of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, 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.

In preparing the financial report, the Board is responsible for assessing the entity'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.

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**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 the entity'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 the entity'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 the entity 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.



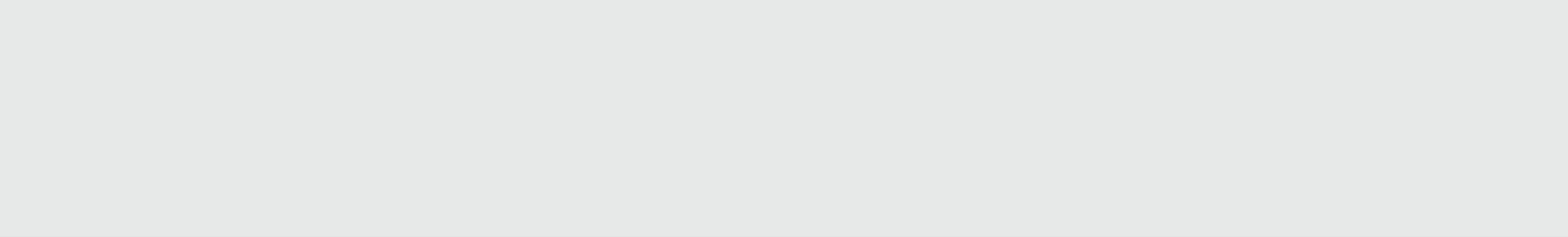
MELBOURNE  
1 September 2020

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>		
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<i>Financial Management Act 1994</i>		2



# Dairy Food Safety Victoria



## Dairy Food Safety Victoria

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Dairy RegTech



2018

July

Phase 1-Scoping

Oct

Dairy RegTech 2022  
Preliminary Workshop  
What is Dairy RegTech 2022?

Nov

Participant companies  
confirmed  
19 dairy companies of  
varying sizes

2019

First Dairy RegTech  
Site visits  
Preparing for Dairy RegTech  
2022

Feb

Phase 2

Food  
Culture  
Apr 1-11

Data Trial 1  
5 May - 14 June

May-June

Food Safety Culture  
Sharing findings and  
feedback ahead of

Workshop 2  
16th July: 1st data trial debrief +  
Food Safety Culture results

Check-in  
point

Aug

Data Trial 2  
Commence 12 August

Check-in  
point

Food Safety Culture  
Action Planning  
20-21 August Industry  
Workshop

Workshop 3  
29th October: data points  
refined

Check-in  
point

Data Trial 2  
End 7 February 2020

Feb

2020

Dairy  
RegTech  
2022  
ROADMAP  
Version 5, November 2019