



# ANNUAL REPORT

2 0 2 0 - 2 1



Dairy Food Safety  
VICTORIA



# Contents

## Dairy Food Safety Victoria

Level 2, 969 Burke Rd  
Camberwell, Victoria, 3124

Postal address  
PO Box 8221  
Camberwell North, Victoria, 3124

Phone: + 61 3 9810 5900  
Fax: + 61 3 9882 6860  
Email: [info@dairysafe.vic.gov.au](mailto:info@dairysafe.vic.gov.au)

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

## Disclosure statement

**1**

About Dairy Food Safety Victoria

**2**

Industry at a glance

**4**

DFSV 2020–21 performance at a glance

**5**

Chair's report

**6**

Chief Executive Officer's report

**7**

## Performance report

**8**

Governance and organisational structure

**19**

Workforce data

**23**

Other disclosures

**24**

Financial statements

**28**

Appendix 1: Disclosure index

**67**

## August 2021

Published by Dairy Food Safety Victoria  
© Copyright State of Victoria 2021

ISSN: 2204-0641

This publication is copyright. No part may be reproduced by any process except in accordance with the provisions of the *Copyright Act 1968*.

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

# 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 2021.



**Dr Anne Astin AM PSM**

*Chair*  
27 August 2021

# 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. It implements 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

Local and global confidence in the safety of Victoria’s dairy food



## Mission

To lead and deliver a regulatory assurance system for safe dairy food



## Values

**Respect:**

Showing consideration in the way we treat others

**Collaboration:**

Working together for the same common purpose to achieve the best outcome

**Openness:**

Being transparent and open in the way we operate

**Responsibility and accountability:**

Owning our behaviours and actions

## 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.

The Minister for Agriculture, Jaclyn Symes MP, was the responsible Minister from 1 July 2020 to 21 December 2020 and the Hon. Mary-Anne Thomas MP was the responsible Minister from 22 December 2020 to 30 June 2021.

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

## Objectives of the Authority

The objectives of the Authority are to:

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

## Functions of the Authority

The functions of the Authority are to:

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

## Powers of the Authority

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

Dairy is **Australia's fourth largest rural industry** and **Victoria's second largest export industry.**

Victoria dominates the Australian dairy industry. Most Australian dairy farms are located in Victoria. They produce **more than 64% of Australia's milk, and account for most Australian dairy exports.**

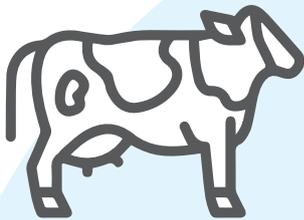
DFSV has **more than 3,400 licensees.**

Over the course of a year, **DFSV conducts 2 audits of each manufacturing business, covering food safety requirements for both domestic and export markets.**

Through arrangements with contract auditors, **more than 1,100 farms are audited each year.**

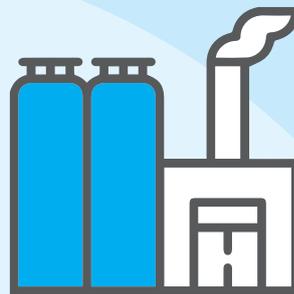
# Industry at a glance

## Number of farms by region



East **1,113**  
 West **1,079**  
 North **919**  
 Central **2**  
 Total bovine **3,088**  
 Non-bovine\* **25**

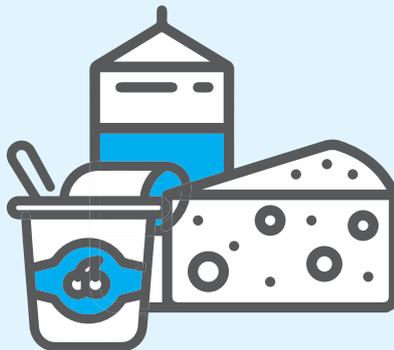
## Number of manufacturers by region



Central **137**  
 North **33**  
 East **29**  
 West **25**  
 Total bovine **211**  
 Non-bovine\* **13**

## Dairy products by volume

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



**21,600**  
 Number **people employed** by the Victorian dairy industry



**64%**  
 Australian milk produced in Victoria  
**up 0.5%**  
 Annual milk volume change in Victoria  
**5.7b litres**  
 Total volume of milk produced in Victoria



\* Non-bovine includes sheep, goat and camel

# DFSV 2020-21 performance at a glance



Number of **farm audits** conducted  
**1,148**



Number of **manufacturer audits**

**436 audits** conducted at **223 manufacturer sites**

Number of **new licensees** by type  
farm **32**  
manufacturer **24**  
other **9**



### Dairy RegTech

World first sector-wide dairy food safety culture maturity model developed. Program commenced January 2021.



**96%**

Licensee satisfaction with DFSV's quality of communications

### Information type

### Details

Number of applications	<b>15</b>
Number of sites under assessment	<b>11</b> (9.3% of milk production)

### Microbiological safety regulations

**99.99%**

of all dairy products sampled were compliant



**95.54%**

of manufacturers' product tested was compliant



Number of technical requests responded to  
**110**



# Chair's report



**I am pleased to present Dairy Food Safety Victoria's 2020–21 Annual Report on what has been a pivotal year for the authority.**

The global pandemic has created a more risk averse culture among consumers, as well as a need for all food regulators to reassess their service delivery models to maintain their statutory role in assuring food safety and public health obligations. The development of our *Dairy RegTech* initiative in 2019 allowed us to respond quickly to these rapidly changing circumstances. As the COVID-19 pandemic unfolded, we quickly introduced a system of 'virtual auditing' that continued to provide consumers with confidence in the safety of Victoria's dairy foods.

Following a successful pilot of *Dairy RegTech* in 2019–20 and subsequent positive evaluation of its impact in mid-2020, we formally introduced this initiative to all Victorian licensed dairy manufacturers in January 2021. While it is not compulsory, those manufacturers adopting *Dairy RegTech* are already realising its benefits to their businesses.

The more timely collection and analysis of compliance data required by *Dairy RegTech* results in a more active risk management model, allowing businesses to identify potential food safety risks sooner and manage them proactively. *Dairy RegTech* also encourages a stronger food safety culture. This crucial cultural shift will reduce risk for individual businesses, and the industry as a whole. Strategically, this leads to improved food safety management across Victoria's dairy industry.

This revolution in regulatory assurance extends to DFSV itself. We are moving away from emphasising audit as the most significant compliance tool, towards a partnership with licensees that results in food safety for dairy products being a co-responsibility between business and regulator. While this involves a more collaborative approach, the ultimate accountability for assurance will always be with the regulator.

We welcome the interest *Dairy RegTech* has generated from our interstate counterparts, and look forward to sharing our continued lessons learned in the coming year.

Other important initiatives commenced in the period included a review of the *Dairy Act 2000* which has not been substantially examined since its inception. The review focuses on currency, effectiveness and future relevance to ensure fundamental principles of food safety and public health are maintained.

I also am pleased to report that our Memorandum of Understanding (MOU) with the Australian Government's Department of Agriculture, Water and the Environment (DAWE) was renewed in March 2021. This allows us to continue working on compliance auditing for export-registered dairy businesses.

On behalf of the Board and the dairy industry more broadly, I would like to recognise the outstanding leadership by DFSV CEO Amanda Hill, DFSV's CEO and to thank all our DFSV staff for their ongoing commitment to the important work they do on behalf of consumers, industry and government. Their resilience and responsiveness were vital this year in maintaining consumer confidence as Victoria continued to be impacted by the pandemic.

I'd like to extend a special acknowledgement to the Dairy Industry Consultative Forum, its members and Chair René Dedoncker, and to Paul Mumford, President of the United DairyFarmers of Victoria. Without them, the *Dairy RegTech* partnership would not have been realised.

I would also like to thank our Minister, and the Victorian Department of Jobs, Precincts and Regions, for their ongoing support — particularly as we transition to this new and different approach to food safety assurance.

I'd also like to extend appreciation to current DFSV directors whose vision, judgement and deliberations have created a new approach, which will eventually transform a compliance regime embedded in decades of regulation, and to DFSV staff who made it happen.

**Dr Anne M Astin AM PSM**  
Chair  
*Dairy Food Safety Victoria*

# Chief Executive Officer's report



**This is DFSV's first year of reporting our performance against the 2020–25 Corporate Plan.**

The launch of *Dairy RegTech* early this year was a significant milestone. It shows how we have modified our approach to encourage voluntary compliance where possible, and focus compliance and enforcement activity where the risks and impact of harm are greatest. I would like to thank the Dairy Industry Consultative Forum for their ongoing contribution, particularly their consideration of the *Dairy RegTech* implementation framework and subsequent reviews.

DFSV continued to operate under uncertainty created by the COVID-19 pandemic. We successfully delivered all regulatory audits throughout the year using a combination of physical and remote audits. The introduction of remote audits required additional resources and time. Challenges included short timeframes to introduce new processes, and limitations with technology. Working with the state dairy regulators and the Department of Agriculture, Water and Environment, we established principles for developing and using remote audits. We will pilot alternative compliance monitoring technologies later in the year.

We continue to build on the collaborative relationship established with our industry, and are committed to ensuring any engagement aligns with our organisational values — collaboration, openness, respect, responsibility and accountability. We were very pleased with the results of our licensee engagement survey — 96% were satisfied with the overall quality of our communications. We continued to look at our own culture, and how we can strengthen this through commitment to a strong set of beliefs and norms which guide how we deliver our services.

Improving how we use technology has been a strong focus this year. We investigated ways to further streamline administrative and application processes to make it easier for our licensees to work with us. The Licencing and Compliance and Monitoring System replacement started in January, with proof of concept completed in April, and the build now well under way.

We are also working on developing a prototype machine learning tool to improve processing efficiencies for farm licence applications. We expect this tool will significantly shorten application processing time, and allow future development of other “smart” online regulatory tools.

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

We had a change in our leadership group with the retirement of Karen Armitage, General Manager Planning and Business Services. I would like to thank Karen for her dedication, expertise and support that have been instrumental in achieving DFSV's goals. I want also to acknowledge the unwavering support of Andrew Wilson, General Manager Compliance, Enforcement and Technical Services; Daryl Glover, Senior Manager Finance and Business Services; and Karen Hill, Senior Manager People and Governance.

As we navigated our way through the COVID-19 lockdowns, I appreciated the support and advice of the Board. The COVID-19 pandemic challenged us all throughout the year, and I am proud of the way the team responded.

**Amanda Hill**  
Chief Executive Officer  
Dairy Food Safety Victoria

# Performance report

This is DFSV's first year of reporting our performance under the 2020–2025 Corporate Plan. The corporate plan describes strategies to achieve DFSV's objectives, and performance indicators to measure our progress in doing so. We continued our core business as the Victorian dairy regulator, while shaping our future as a leader in dairy regulation through implementation of *Dairy RegTech* in the Victorian dairy industry.

DFSV's strategic direction and performance also reflects the Minister for Agriculture's expectations that we operate within a cohesive and contemporary regulatory framework, while meeting our primary objective of safeguarding public health and safety.

This report describes DFSV's activities during 2020–21.

## Objective 1.

A regulatory system that expects and acknowledges food safety culture



### License dairy businesses and monitor their production of safe dairy food

Under the *Dairy Act 2000* (the Act), DFSV is responsible for ensuring legislated standards that safeguard public health are maintained in the Victorian dairy industry. While dairy businesses are responsible for meeting these requirements, DFSV supports the industry by administering a licensing system, monitoring compliance with regulatory requirements, and taking appropriate enforcement actions to deal with non-compliance.

The regulatory framework and supporting policies are aligned with national regulatory food safety policy, endorsed through the Food Regulation Standing Committee, with additional guidance from the Office of the Commissioner for Better Regulation (Victoria).

## Licensing

DFSV administers the licensing of people undertaking activities in Victoria prescribed by the Act. Specifically, licences are issued in the categories of dairy farmer, carrier, manufacturer and distributor. To be issued a licence, an applicant must have an adequate food safety program (where applicable), suitable premises or vehicles, and staff with the skills and knowledge to produce safe dairy food.

DFSV's target is to process applications within 30 business days for farms, 60 business days for carriers and distributors, and 90 business days for manufacturers. DFSV is committed to adhering to these targets, and works closely with applicants to ensure they are met.

For 2020–21 the average number of business days to process an application was:

- 13 days for farms (2020: 23 days)
- 27 days for distributors and carriers (2020: 26 days)
- 57 days for manufacturers (2020: 61 days)

Additionally:

- DFSV processed 72% of new farm licence applications, and 75% of new distributor and carrier licences, within the target timeframes.
- 92% of dairy manufacturer licence applications were approved within the 90-business day target.
- DFSV issued (and/or renewed) 3,477 licences in 2020–21, which was down 10% compared to the previous year (Table 1).

TABLE 1. Total licences by type

Licence	2019–20	2020–21
Manufacturer (bovine)	212	211
Manufacturer (sheep, goat, camel and buffalo)	14	13
Farmer (bovine)	3,462	3,088
Farmer (sheep, goat and buffalo)	27	25
Milk broker	2	2
Distributor	111	105
Carrier	35	33
Vendor	-	-
<b>Total</b>	<b>3,863</b>	<b>3,477</b>

In 2020–21 DFSV issued 60 new licences across these categories, which is 0.13% fewer than the previous year. The categories that saw the biggest new licence reductions were dairy carriers (5.7% fewer) and distributors (5.4% fewer). Twelve farmers did not renew their licences for the 2020–21 period, a smaller decrease than in 2019–20. Total reported milk production remained relatively steady compared to the previous financial year.

Total manufacturer licence numbers remained relatively steady, with a slight decrease compared to the previous year (down from 226 to 224 manufacturers). In 2020–21 there was an increase of 11 new small manufacturers.

Various factors impacted these changes, including regional bushfires and ongoing disruptions due to the COVID-19 pandemic.

### Compliance monitoring

DFSV undertakes regular activities to monitor compliance with the requirements of the Act, the *Food Act 1984* and the Australia New Zealand Food Standards Code (Food Standards Code). Primarily, these activities include regular audits of licensed businesses to verify compliance with regulatory requirements reflected in their approved food safety program, and 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 the Food Standards Code requirements. This verifies audit observations and facilitates market access.

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

During the annual reporting period, Food Safety Managers completed 436 compliance audits at 223 manufacturer sites. With the continuing COVID-19 pandemic, 38 (9%) audits were undertaken remotely or partially remotely (whereby documentation and records are provided to Food Safety Managers electronically from licensees; and/or the site walk-through is undertaken via video). DFSV has recognised the value in this tool, and is reviewing and refining remote auditing procedures as necessary, acknowledging their role in providing assurance.

With the continuing COVID-19 pandemic, DFSV waived audit fees reflecting the challenges faced by several of our small licensees.

## Performance report (continued)

DFSV also approves second or third-party auditors to audit dairy farm licensees on its behalf. A dairy farm licensee is first audited 3 to 6 months after they begin operating, and then at least once every licensing period (every 2 years). During the 2020–21 financial year, 1,148 farm audits were completed.

### Approved Auditor verification

It is DFSV policy that all approved auditors adhere to the National Food Safety Audit Policy. To oversee this, DFSV undertakes a rolling verification program of Food Safety Managers (Authorised Officers under the Act), and a sample of Approved Auditors who conduct farm audits on behalf of DFSV. In 2020–21, no significant issues were identified, and all auditors were verified as competent against the requirements.

### Authorised Officer training activity

During the year, 4 DFSV officers (2 new Food Safety Managers and 2 members of the Compliance and Enforcement team) successfully completed the nationally recognised Lead Food Safety Auditor competency training. This training supports DFSV's capacity building and organisational succession planning.

### Enforcement

DFSV applies 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 non-compliance and food safety risk.

There are a range of regulatory tools available to DFSV if enforcement action is required. These include placing a licensee on increased audit frequency, or issuing an Order under the Act. Formal enforcement action, such as prosecution under the Act or the *Food Act 1984*, may be undertaken, depending on the seriousness of the matter.

No Orders were raised against any DFSV licensees during 2020–21. However, an Order to prevent the removal of dairy food (milk) was raised against a dairy farm found to be undertaking activities requiring a licence under the Act.

### Dairy export

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

The Memorandum of Understanding between DAWE and DFSV was renewed in March 2021, to ensure efficient ongoing delivery of export audit services. These arrangements are reviewed annually by both organisations. In addition to this review, joint meetings and training sessions between DFSV and DAWE have been established to ensure DFSV continues to meet its responsibilities in delivering export assurance services on behalf of DAWE.

DFSV continues to coordinate the Australian Milk Residue Analysis survey on behalf of DAWE. 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. No significant food safety issues were identified.

---

## Design and deliver a forward-looking dairy regulatory assurance system in collaboration with our stakeholders

---

### *Dairy RegTech* – DFSV's new service delivery model

In January 2021, DFSV commenced rollout of a new service delivery model, *Dairy RegTech*. This is a voluntary program for dairy manufacturers, developed in partnership with industry between 2018 and 2020. While the audit-based compliance system for Victorian dairy food has worked well over many years, DFSV and industry wanted to explore innovative approaches that were more proactive and collaborative.

The current system of 6 monthly audits remains available to any licensee who does not wish to change to *Dairy RegTech*.

*Dairy RegTech* aims to increase regulatory efficiency by supporting dairy businesses in understanding and improving their food safety culture and changing how we monitor food safety and compliance.

This enables DFSV to provide regulatory oversight to the dairy industry based on an individual licensee's performance and culture, rather than applying a 'one-size-fits-all' approach. Audits will shift from paper focus to people focus (meaning less time spent on checking paperwork, more time working with people) and will be tailored to each business. Over time, audits will move away from the fixed 6-monthly frequency.

Under *Dairy RegTech*, DFSV works with businesses to look at the impact of people and their practices on food safety (food safety culture) using a food safety culture maturity model specifically developed for the Australian dairy industry. Methodology to assess the maturity level of food safety culture within a business has only recently been developed. DFSV supports businesses to develop and implement action plans to strengthen their food safety culture.

Licensees also share the food safety data they regularly collect with DFSV. Data will be deidentified, analysed, trended, benchmarked and presented in an individualised password-protected dashboard available on the *Dairy RegTech* portal. Participating licensees will be able to easily observe trends in the data and compare their performance to industry benchmarks of food safety data. The data will be used by DFSV Food Safety Managers to tailor the on-site conversations they have with a licensee. Licensees will gain a greater understanding of how data is used to examine food safety performance and identify and respond to issues.

DFSV acknowledges that small businesses may have limited digital capabilities for their management of food safety. The *Dairy RegTech* portal provides digital record management, as well as analysing and trending information to monitor how each participant is tracking.

During 2020–21, 11 manufacturing sites, ranging in size from 3 to 435 staff and a mix of cow, sheep, goat and camel, participated in the *Dairy RegTech* assessment process. These sites equate to approximately 9.3% of milk production.

### Dairy Act review

The Act has not been substantially reviewed since its development. A review of the Act, in conjunction with government and Agriculture Victoria, was identified under the Corporate Plan as an action for the period 2020–23.

During 2020–21, DFSV commenced a legal analysis of the Act with a focus on currency, effectiveness and future relevance. The work identified areas where further clarity could be provided to stakeholders, as well as potential changes for DFSV to carry out its statutory objectives and functions more effectively and efficiently. Issues identified will be considered as part of a broader review of Victoria's food safety regulatory settings committed to in the Victorian Government's Agriculture Strategy.



“ I have embarked on the *[Dairy] RegTech* program because I decided that it was time to give back to the industry. This conciliatory approach to food safety will greatly benefit the whole industry. The program is designed specifically for small to medium businesses.”

Corinne Blacket, Drysdale Cheeses

## Performance report (continued)

### Objective 2.

#### A responsive regulator



#### Engage and consult early with our stakeholders for effective decision-making and problem-solving

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, openness, responsibility and accountability.

#### Collaboration with food regulatory partners and industry

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 restrictions introduced to mitigate the spread of COVID-19. During 2020–21, DFSV worked with Agriculture Victoria and the Victorian Department of Health to update guidance, and host webinars for licensees on appropriate controls to maintain confidence in the supply of safe dairy products and to update guidance on responding to COVID-19 detection associated with a dairy business.

The introduction of remote audits during the pandemic required additional resources and time. There were challenges, including short timeframes to introduce new processes, and limitations with technology (for example, difficulty of verifying effective implementation of systems, restrictions on file size for reviewing support documents, poor technology to support real-time streaming).

The Australian Dairy Regulators' Forum — made up of all the state dairy regulators and DAWE, and chaired by DFSV — debriefed on the impact of COVID-19 on the workforce and practices, and supported ongoing assessment of remote audit methodology.

On behalf of the Australian Dairy Regulators' Forum, DFSV developed principles for developing and using remote audits. DFSV will work with some of the states and DAWE on a pilot program looking at alternative compliance monitoring technologies during 2021–22.

Ongoing engagement with the Dairy Industry Consultative Forum informs and shapes DFSV's future strategic direction, including the nature and scope of information provided to the dairy industry. Under the partnership model, in October 2020 the forum considered and endorsed the *Dairy RegTech* implementation framework, and will be actively involved in the subsequent reviews of this program.

#### Effectiveness of communication with licensees

DFSV is using more digital technology to engage with licensees, and provide easier access to information about DFSV's role and services, including guidance material.

DFSV conducted its sixth annual licensee engagement survey in May 2021. A total of 321 licensees were surveyed (excluding farms) with 121 responses received (38%). This represented 49% of manufacturers, 22% of carriers, and 15% of distributors and compares favourably with last year. Similar to last year, this year's survey included benchmarking questions about *Dairy RegTech*, which will allow trends in awareness, understanding and engagement to be monitored in coming years.

A key performance indicator is whether DFSV's communication with licensees is accurate, timely and provides relevant information to stakeholders. Ninety-six percent of respondents to the licensee engagement survey were satisfied with DFSV's overall quality of communications which was evenly spread across licence types. This compares favourably with previous years, and exceeds the target of 75%.

#### Manage food issues and incidents effectively with industry, government and regulatory partners

Food incidents can result in public health and safety risks, widespread consumer concern, and significant disruption to domestic and international trade. No foodborne illness outbreaks were associated with Victorian dairy businesses during 2020–21.

Risk assessments are conducted when a potential risk to food safety is identified. In 2020–21, the industry undertook 6 chemical 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.

A food recall is the action taken by a food business to remove (potentially) unsafe food from sale and the entire distribution chain. It is a requirement under Australian food law that all food business have the ability to recall unsafe food if and when the need arises.

During the year, 2 food recalls were initiated by DFSV-licensed manufacturers, as follows:

- a halloumi cheese, due to microbial contamination (*E. coli*)
- a protein powder, due to the presence of an undeclared allergen (milk).

A key performance indicator for measuring DFSV's effectiveness as a responsive regulator is whether food incident management systems are current and responsive to emerging risks. In recognition of this, DFSV has committed to work with our licensees to ensure traceability systems are appropriate and tested. In the licensee engagement survey, 85% of respondents agreed DFSV oversees actions taken in response to food safety incidents appropriately, and 82% of respondents agreed DFSV identifies and investigates emerging food safety issues well. This compares favourably with previous years, and exceeds the target of 75%.

### Emerging issues

DFSV acknowledges innovative food production methods, innovative technologies and new business models will potentially change the nature of the current system and challenge traditional methods for ensuring compliance with food regulation. Emerging issues, local and global food safety issues, regulatory updates and dairy industry news are monitored daily, and fortnightly updates are provided to the agency and Board.

In line with the Corporate Plan 2020–2025, DFSV will conduct preliminary work in 2021 to examine whether climate change and/or severe weather have the potential to increase the risk of current and emerging dairy food hazards, and if so, to what extent. A collaborative project to examine the impact of climate change on dairy food safety has commenced, with scoping and development of a literature review to be undertaken in 2021–22.

### Surveillance and testing

The current Product Surveillance Program design supports an objective of the Victorian Foodborne Illness Reduction Strategy related to control of *Listeria monocytogenes*. The program assesses how well *L. monocytogenes* control programs are 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 and activities against a matrix in relation to *L. monocytogenes* control and environmental monitoring) were incorporated with environmental sampling to verify the overall effectiveness of controls. Since the beginning of the Listeria surveillance program in 2019, 36 cheese manufacturing sites have been visited, with 556 swab samples collected and 49 environmental detections across 16 sites. Listeria is commonly present in food processing environments and this work has assisted manufacturers to identify areas in their facility that pose an increased risk of product contamination by Listeria, and to target interventions to reduce the risk. Site visits were suspended a number of times throughout the year due to the COVID-19 restrictions and the program will continue into 2021–22. Results of swab tests were provided to manufacturers, along with advice on appropriate corrective actions.

Information derived from the program will be collated into an information package to assist cheese manufacturers identify and implement best practice Listeria management strategies for their facility.

### Pathogen investigations

During 2020–21, 55 microbiological contamination detections at 30 manufacturing sites were notified to DFSV, and managed by manufacturers overseen by DFSV. A breakdown of detections by type is presented in Table 2.

**TABLE 2.** 2020–21 microbiological detections in dairy products notified by type

Detections (species tested)	Number	Percentage
<i>Escherichia coli</i>	20	36
Listeria species	14	25
<i>Listeria monocytogenes</i>	10	18
Salmonella species	5	9
Bacillus cereus	2	4
Coliforms	2	4
Enterobacteriaceae	1	2
Cronobacter species	1	2
<b>Total</b>	<b>55</b>	<b>100</b>

## Performance report (continued)

The presence of pathogens in dairy products or dairy processing environments requires rapid action from a licensee to control and manage risk. A typical response involves investigating the most likely root cause, corrective action such as cleaning and sanitising, staff training, and verifying the effectiveness of the corrective action. Verification often includes a clearance program of product testing to demonstrate corrective action has been effective and food safety controls are operating.

On occasion, compromised product can enter the marketplace. In such instances, affected product needs to be controlled appropriately to manage any risk to public health. Primarily, this is done through a food recall to remove affected product from the marketplace.

### Consumer complaints

A total of 69 complaints were received by DFSV in 2020–21 relating to the production or sale of dairy food (Table 3). Complaints are assessed within 24 hours to determine a suitable course of action and responded to accordingly within appropriate timeframes. 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 was overseen by DFSV to ensure any potential issues relating to food safety or public health were managed. Any identified food safety issues linked to product in the marketplace was managed through a recall process.

**TABLE 3.** 2020–21 complaints received by type

Complaint type	Number	Percentage
Quality (e.g. spoilage)	23	33
Foreign object	14	20
Unlicensed	12	17
Operational practices	7	10
Allergens	6	9
Labelling	5	7
Raw milk	1	2
Illness	1	2
<b>Total</b>	<b>69</b>	<b>100</b>



### Objective 3. Capabilities and capacity for performance



#### Resourced, trained and engaged team

Key to the success and delivery of DFSV's strategic objectives are its people and providing a positive workplace culture.

#### Staff engagement

A resourced, trained and engaged team is crucial to delivering DFSV's objectives and strategies.

The Staff Forum is an internal consultative forum in which workplace issues are raised and discussed, with solutions considered by the senior leadership, and outcomes reported to the Board. This year the Staff Forum focused on:

- staff wellbeing (for example, COVID-19 impacts and working from home arrangements)
- review of staff reward and recognition
- flexible working arrangements
- initiatives to support DFSV values
- office refurbishment.

In April 2021, the annual staff engagement pulse survey was conducted to assess levels of engagement and alignment with DFSV's strategic direction. This year, feedback was sought on DFSV's management of working from home arrangements resulting from COVID-19 pandemic restrictions. Staff understanding of *Dairy RegTech*, and their role in it, continued to be favourable. Results also indicated DFSV successfully managed the impact of COVID-19 with well-supported working from home arrangements. Overall, staff engagement (that is level of motivation and connection with DFSV) has continued to improve from 2020. The 2021 engagement score is within the top 25% of organisations in the benchmark group<sup>1</sup>. DFSV's engagement scores are provided in Figure 1.

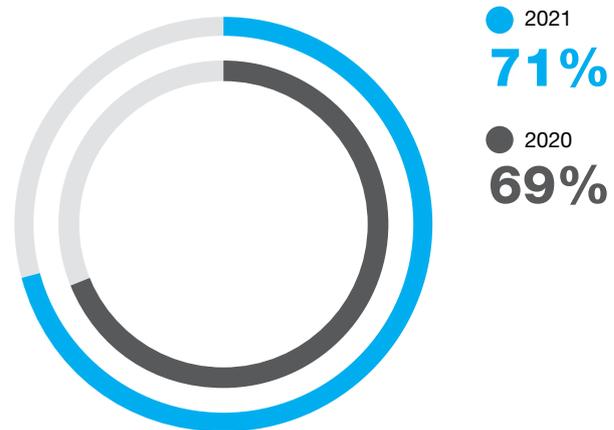


Figure 1. Staff engagement survey result — favourable percentage compared to previous year

#### Agency-wide learning and development plan

DFSV continues to run a program of professional learning and development for staff including formal training, attendance at conferences and specialist forums, and participation in external government technical working groups, as well as continuous “on the job” professional development.

During the year staff participated face-to-face and/or virtually in:

- the Regulators' Community of Practice
- food safety culture specialist training (conducting interviews and running focus groups) to support the implementation of *Dairy RegTech*
- Food Microbiology for Non-Microbiologists course
- People Managers' leadership development program
- the International Association for Food Protection annual meeting (presenter)
- the Dairy Industry Association of Australia conference (presenter)
- the International Food Regulatory Analysis (Virtual) Conference 2021 (presenter)
- the British Standards Institute (BSI) Steering Group to develop *A practical guide to a culture of food safety*
- observation and engagement training
- lead food safety auditor courses.

<sup>1</sup> The benchmark group comprises more than 5,000 responses from professional services, public service/industry regulation and scientific/research organisations (including 50% with fewer than 100 employees).

## Performance report (continued)

### Enhance science capabilities

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 information to licensees via a phone and email service, as well as to DFSV staff. In addition, technical information relevant to food safety is provided in guidance documents.

DFSV undertakes a wide range of industry support activities to enhance understanding and competency in food safety for 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 2020–21, DFSV updated the publication *Hygienic design: guidelines for dairy food manufacturing premises*, which was published on the DFSV website.

In 2020–21, DFSV continued to support manufacturing licensees through the COVID-19 pandemic by hosting virtual Learning Network Forums in November 2020. This was done using remote conferencing technology, instead of traditional regional face-to-face forums. DFSV ran 4 sessions, with licensees who produce specific product categories grouped together. This allowed the presenters to provide tailored information, and for the licensees to network among those with shared experiences. Across the 4 sessions, 52 people attended from 45 manufacturer sites.

During the reporting period in 2020–21, DFSV responded to a total of 110 industry technical requests across a range of topics. Of these, 84% of responses were provided within 2 working days. Most enquiries related to product testing (20%), premises/processing (11%), microbiological/pathogens (11%) and regulations/standards (9%).

### Intelligence tools for business

During 2020–21, DFSV began developing a prototype machine learning tool to improve processing efficiencies for farm licence applications. Currently, farm licences are issued through a highly manual process involving information submission from applicants, and assessment by individual DFSV staff.

The project aims to develop an online farm licence application process that will allow applicants to easily submit information to support an application directly from the field. An analytical machine learning platform has been designed to automatically review this information, and provide a recommendation on licensing to DFSV. It is expected that this tool will significantly speed up farm licence application processing, and allow future development of other 'smart' online regulatory tools.

## Continuously improve business processes and services

### IT infrastructure

#### Victorian Protective Data Security Framework (VPDSF)

DFSV completed all planned activities in its 2020–2021 Protective Data Security Plan, as submitted to the Office of the Victorian Information Commissioner.

These activities included updates to policies and procedures related to applying appropriate protective markings to its information, managing information security incidents, and regular testing of its incident response plans.

#### Strategic plan implementation

DFSV implemented actions from the independent strategic review of its information technology function and capability. These activities included building capacity for digital regulation, for example self-service analytical tools, and digital transformation to increase the security and integration of systems.

#### The Licensing Management System replacement

DFSV's core business application supports DFSV's licensing and compliance monitoring functions. The existing system, which has operated for many years, will not support the organisation's future business requirements. A procurement process to identify a suitable replacement system and vendor was completed, and work commenced to replace the current system. A new core business application is anticipated to be rolled out in late 2021.

### Risk management framework

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 2020–21, 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.

The Board supported further developing DFSV's risk appetite and tolerances. Using the existing DFSV risk appetite, separate workshops with relevant staff were held to review a sample of organisational risks. The aim was to link risks to the DFSV Corporate Plan 2020–2025, identify key risk indicators, and develop a simple and clear approach to tolerance levels, while still providing enough information to guide actions and behaviours for management and employees. This development work will continue into 2021–22.

In May 2021, the Board reviewed and approved amendments to DFSV's Risk Management Policy and Framework to ensure that they remain current and optimal.

### Legislative compliance

DFSV has compliance monitoring, management and reporting processes to meet its legislative obligations and responsibilities, manage related compliance risks, and conduct its activities and business lawfully and responsibly. 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 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 audits can also identify opportunities for continuous improvement.

The internal audit plan spans a 3 year rolling period, and has been developed through adopting a risk-based, pragmatic and forward-looking approach that provides targeted and effective coverage of key risks faced by DFSV.

During 2020–21, internal audit reviews were conducted against DFSV's compliance with the Victorian Government Financial Management Compliance Framework, Business Continuity and Information Technology Disaster Recover Plans and stakeholder engagement and management concerning the *Dairy RegTech* initiative. No high risk issues were identified.

## Performance report (continued)

### Complaints management

In 2020–21, DFSV did not receive any complaints about its operations. 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.

### Financial management

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

The DFSV Board has established a total equity (net assets) policy position at a minimum of 90% of annual expenditure. In 2020–21, DFSV met this target.

DFSV's financial results are consistent with previous years, and include expenditure on replacing the Licence Management System and the office refurbishment. Both projects were categorised as 'work in progress' at the end of 30 June 2021. Revenue includes \$100,000 from the Australian Government as part of the COVID-19 pandemic response initiative, and \$250,000 from the Victorian Government towards the implementation of the *Dairy RegTech* initiative.

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 2020–21, DFSV has maintained a financially stable position, with annual expenditure within budget, and a favourable net result from transactions. This was achieved while continuing to meet regulatory service delivery requirements, including product testing to monitor industry compliance, ongoing stakeholder engagement, the *Dairy RegTech* initiative and science-related support.

**TABLE 4.** 5 year financial summary

	2020–21 \$	2019–20 \$	2018–19 \$	2017–18 \$	2016–17 \$
Total income from transactions	6,207,078	6,041,536	6,160,851	6,122,965	5,974,788
Total expenses from transactions	(6,045,596)	(5,891,055)	(5,982,435)	(5,889,584)	(5,679,513)
Net result from transactions	161,482	150,481	178,416	233,381	295,275
Other economic flows	4,824	(6,338)	(39,777)	5,135	(14,631)
Comprehensive result	166,306	144,143	138,639	238,156	280,644
Net cashflow from operating activities	614,204	605,257	298,882	662,368	323,219
<b>Total assets</b>	<b>8,562,826</b>	<b>8,394,557</b>	<b>7,863,540</b>	<b>7,681,959</b>	<b>7,157,153</b>
<b>Total liabilities</b>	<b>1,568,150</b>	<b>1,566,187</b>	<b>1,179,313</b>	<b>1,136,371</b>	<b>850,081</b>

# Governance and organisational structure

## DFSV Board

The DFSV Board has 7 members appointed to ensure a balance of skills and expertise. The Minister for Agriculture appoints the Chair, and may also appoint one member nominated by the Secretary of the Department of Jobs, Precincts and Regions. The Minister appoints the remaining 5 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 3 years and is eligible for re-appointment. With the exception of the Chair's term which expires in April 2022, current Board members' terms expire in October 2021.

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.

Five Board meetings and 6 Board Committee meetings were held during the year (Table 6).

**TABLE 5.** Membership of DFSV committees at 30 June 2021 (all members independent non-executive)

<b>Risk Management and Audit</b>	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.	<ul style="list-style-type: none"> <li>• Peter Moloney, Committee Chair</li> <li>• Noel Campbell</li> <li>• Joanna Wriedt</li> </ul>
<b>People and Culture</b>	Assists the Board in fulfilling its statutory responsibilities in relation to people and culture, including occupational health and safety.	<ul style="list-style-type: none"> <li>• Julie Johnson, Committee Chair</li> <li>• Michele Allan</li> <li>• Julie Simons</li> </ul>

**TABLE 6.** Attendance at Board and Board Committee meetings in 2020–21

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

## Governance and organisational structure (continued)

### DFSV Board at 30 June 2021



#### **Dr Anne Astin AM, PSM (Chair)**

Anne is currently Chair of the Food Agility Co-operative Research Centre, the Sir William Angliss Institute of TAFE and Good Shepherd Australia New Zealand. She is a Director of the Australian Packaging Covenant, Sheep Producers Australia Ltd, Agriculture Innovation Australia Limited and Deputy Chair of the New Zealand Food Safety Science & Research Centre's Advisory Board.

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, the Australian Industry Skills Council's Food, Beverage and Pharmaceutical Industry Reference Committee and of Wellsprings for Women Incorporated. She completed her terms as Chair of EnergySafe Victoria's Audit and Risk Committee on 30 December 2020, and as Chair of the SafeFish partnership on 30 June 2021. 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 has 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 Apple and Pear Australia Limited, Agrifood Connect, Wine Australia, Food and Agribusiness Growth Centre and Defence Trusted Autonomous Systems Co-operative Research Centre. She is Chancellor of Charles Sturt University. Michele is also a non-executive director of the Food Agility Cooperative Research Centre, CSIRO, The Growth Fund (MJCP Limited) and SmartSat Cooperative Research Centre.



#### **Noel Campbell, AO**

Noel has been a dairy farmer in eastern Victoria for 35 years and is a strong representative and advocate for the dairy industry. He was Chair of the Australian 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 President from 2012–15.



### Dr Julie Johnson

Julie is a veterinarian, with a Master's degree in veterinary public health management, and is a graduate of the Australian Institute of Company Directors (AICD) company directors course. 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 5 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 specialising in agriculture.



### Dr Julie Simons

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. In response to COVID-19, Julie oversees the Victorian Government's Seasonal Workforce program.



### Peter Moloney (Deputy Chair)

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.

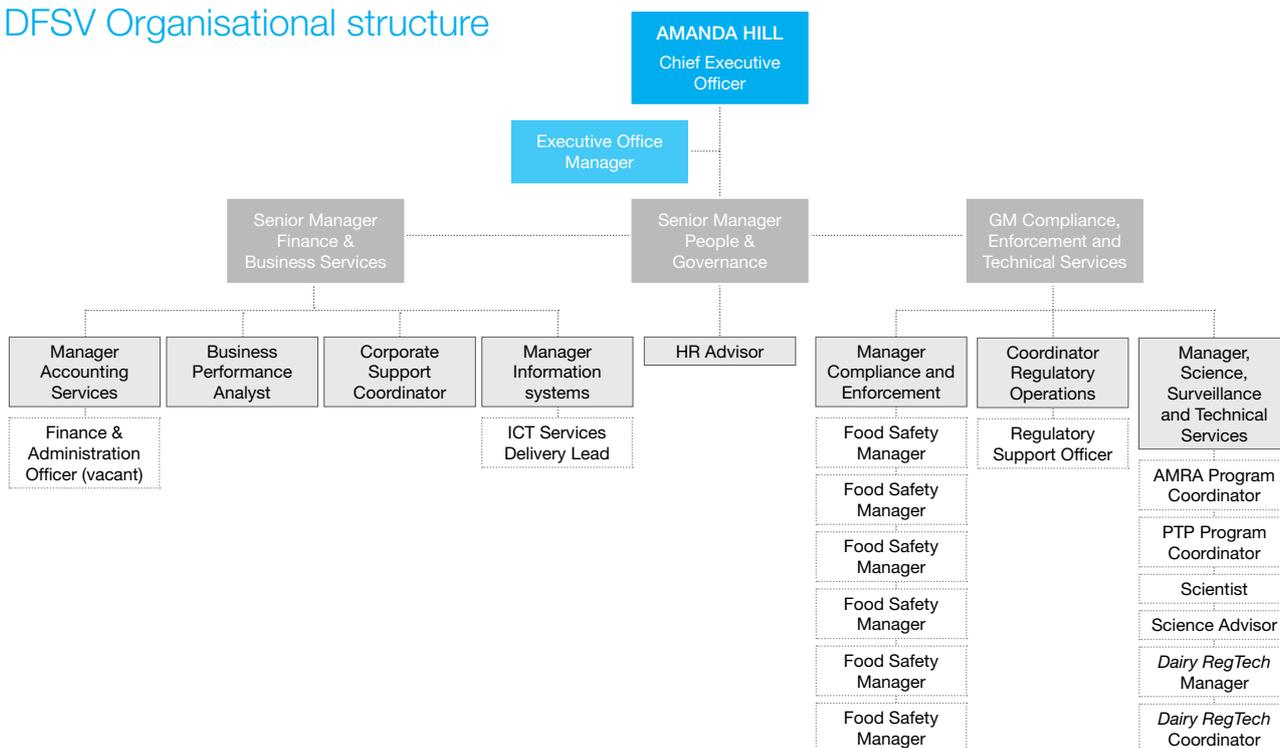


### Dr Joanna Wriedt

Joanna's professional experience spans commercial law, government and medical research. She has a Juris Doctor in law, 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 being a policy adviser to the Australian Government Health Minister from 1998 to 2001. She sits on a number of state and Australian government regulatory committees, including as Chair of the Victorian Government's Radiation Advisory Committee. She is a director of the Biosciences Research Centre Board (AgriBio), a joint initiative of the Victorian Government and La Trobe University. She is Chair and independent director of the National Asthma Council Australia. She has sat on several not-for-profit boards, and has been involved in commercial scale farming in Victoria and Queensland for over 25 years.

## Governance and organisational structure (continued)

### DFSV Organisational structure



### Occupational health and safety

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

The OHS framework includes:

- maintaining OHS policies and procedures
- review and monitoring 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 advised of changes to the amended OHS policy, and the importance of health, safety and wellbeing in the workplace. DFSV has 2 trained contact officers available to staff who can advise on issues relating to workplace behaviour and conduct, including discrimination, harassment and bullying.

In 2020–21 the main considerations for OHS continued to be the impact of COVID-19, and the implications for the health and safety of DFSV staff. The actions required of staff documented in DFSV’s COVID Safe Plan continued to be the key control measures to manage the risks associated with COVID-19. 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
- defensive driving training for relevant field staff
- an employee assistance program
- health or wellness products or services for employees
- new or refresher training for applicable first aid and contact officers
- a focus on monitoring staff health and wellbeing, especially during the periods of remote working.

During 2020–21, one occupational health and safety incident with no injury was reported. 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 on employee merit including at recruitment, at the completion of the probationary period, and during performance assessment.

## Comparative workforce data

**TABLE 7.** Summary of employment levels

	Total employee headcount (HC)	Ongoing employees		Fixed term and casual	
		Full time (HC)	Part time (HC)	FTE (full-time equivalent)	FTE
June 2021	25	20	5	24	5
June 2020	27	21	6	25.7	1

**TABLE 8.** Detail of employment levels at 30 June 2021

	June 2021			June 2020		
	Ongoing		Fixed term and casual	Ongoing		Fixed term and casual
	Full and part-time (HC)	FTE	FTE	Full and part-time (HC)	FTE	FTE
<i>Gender</i>						
Male	6	5.8	1	6	6	1
Female	19	18.2	4	21	19.7	-
Self-described	-	-	-	-	-	-
<b>Total</b>	<b>25</b>	<b>24</b>	<b>5</b>	<b>27</b>	<b>25.7</b>	<b>1</b>
<i>Age</i>						
Under 25	0	0	0	1	1	-
25–34	6	6	1	5	5	-
35–44	4	3.8	0	6	5.6	-
45–54	9	8.4	3	9	8.3	-
55–64	5	5	1	6	5.8	1
Over 64	1	0.8	0	-	-	-
<b>Total</b>	<b>25</b>	<b>24</b>	<b>5</b>	<b>27</b>	<b>25.7</b>	<b>1</b>
<i>Position</i>						
Executive	2	2	0	3	3	-
Corporate	11	10.6	4	12	11.2	1
Technical	12	11.4	1	12	11.5	-
<b>Total</b>	<b>25</b>	<b>24</b>	<b>5</b>	<b>27</b>	<b>25.7</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 \$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

In 2020–21, there were four consultancies engaged during the year, where the total fees payable to the individual consultancies was less than \$10,000. The total expenditure incurred during 2020–21 in relation to these consultancies was \$25,382 (excl. GST).

In 2020–21, there were nine consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2020–21 in relation to these consultancies is \$491,481 (excluding GST). Details of individual consultancies are outlined in Table 9 below.

**TABLE 9.** Consultancy expenditure

Consultant	Purpose of consultancy	Total approved project fee (\$)	Expenditure 2020–21 (\$)	Future expenditure (\$)
CBRE (GCS) Pty Ltd	Property leasing services	\$20,000	\$18,543	-
Gamayun Pty Ltd	<i>Dairy RegTech</i> project services	\$60,000	\$60,000	\$50,000
iHR Australia Pty Ltd	Industrial relations and human resource services	\$145,000	\$145,125	\$50,000
M&K Lawyers Group Pty Ltd	Legal services	\$77,000	\$76,719	\$25,000
Minter Ellison	Legal services	\$46,000	\$45,993	\$25,000
Quantum Market Research (Aust) Pty Ltd	Stakeholder engagement survey	\$28,000	\$26,250	\$28,000
RSM Australia Pty Ltd	Audit and accounting services	\$65,000	\$63,718	\$90,000
Shumann & Fisher	<i>Dairy RegTech</i> project services	\$43,000	\$43,021	\$50,000
Votar Partners	Project evaluation services	\$12,000	\$12,112	-
<b>Totals</b>		<b>\$496,000</b>	<b>\$491,481</b>	<b>\$318,000</b>

## Information and communications technology (ICT) expenditure

Table 10 shows that in 2020–21 DFSV's total ICT expenditure was \$513,000.

**TABLE 10.** ICT expenditure<sup>a</sup>

All operational ICT expenditure		ICT expenditure related to projects to create or enhance ICT capabilities	
Business as usual (BAU) ICT expenditure	Non-business as usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and capital Expenditure)		
\$342,000	\$171,000	\$57,000	\$114,000

a. 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 current ICT capability.

## Disclosure of major contracts

DFSV did not enter into any major contract during 2020–21. A 'major contract' is a contract entered into during the reporting period valued at \$10 million or more.

## 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 2020–21, DFSV did not receive any freedom of information requests.

### Making a request

FOI requests must be made in writing, identifying as clearly as possible the documents requested, and include the \$30.10 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 1993*

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 2000*.

## Compliance with the *Public Interest Disclosures Act 2012*

The *Public Interest 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 it, and establishes a system for investigating the matters disclosed and taking 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:

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

Level 1, North Tower 459 Collins St  
Melbourne, Victoria 3000  
GPO Box 24234  
Melbourne, Victoria, 3001

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

For further information, please phone IBAC 1300 735 135 or email [info@ibac.vic.gov.au](mailto:info@ibac.vic.gov.au)

## Other disclosures (continued)

### 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.

### Social procurement

DFSV supports the Victorian Government's directions under the Social Procurement Framework and recognises that we have a part to play in advancing social and sustainable outcomes for Victorians.

In 2020, DFSV developed a Social Procurement Strategy, which sets out how social and sustainable outcomes can be supported through procurement.

The strategy prioritises the following objectives, which best fit our identified procurement opportunities:

- **Supporting safe and fair workplaces:** by using suppliers that comply with industrial relations laws and promote secure employment.
- **Opportunities for disadvantaged Victorians:** by using suppliers that employ disadvantaged Victorians.

- **Sustainable Victorian Regions:** by supporting local businesses in regional Victoria when travelling to licensee sites to conduct audits.
- **Environmentally sustainable outputs:** by using suppliers that adopt environmentally sustainable practices.

Potential suppliers to DFSV are required to provide information on their social and sustainability activities for assessment against the above objectives as part of tender procurement processes. In 2020–21, DFSV engaged a contractor that supports disadvantaged Victorians, and another that adopts environmentally sustainable practices. When travelling to licensee sites to conduct audits, DFSV supports local businesses in regional Victoria.

### Asset Management Accountability Framework (AMAF) maturity assessment

The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the DTF website at: [www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework](http://www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework)

DFSV's target maturity rating is 'competence', meaning systems and processes are fully in place, consistently applied and systematically meeting the AMAF requirement, including an on-going continuous improvement process to expand system performance above AMAF minimum requirements.

DFSV's self-assessment overall falls in the competent descriptor range with no material 'non-compliances' identified within the 41 requirements.

## 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

27 August 2021

# Financial statements

for the financial year ended 30 June 2021



## 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 2021 in the following structure, to provide users with information about DFSV's stewardship of resources entrusted to it.

Accountable Officer's and Chief Finance and Accounting Officer's declaration.....	30	6. Financing our operations.....	50
Independent Auditor's Report.....	31	6.1 Cashflow information and balances.....	50
Comprehensive operating statement.....	33	6.2 Commitments for expenditure.....	50
Balance sheet.....	34	6.3 Leases.....	51
Cash flow statement.....	35	7. Risks, contingencies and valuation judgements.....	53
Statement of changes in equity.....	36	7.1 Financial instruments specific disclosures.....	53
Notes to financial statements.....	37	7.2 Contingent assets and contingent liabilities.....	58
1. About this report.....	37	7.3 Fair value determination.....	58
2. Funding delivery of our services.....	38	8. Other disclosures.....	60
2.1 Summary of revenue and income that funds the delivery of DFSV services.....	38	8.1 Ex-gratia expenses.....	60
2.2 Licence and service fees revenue.....	38	8.2 Other economic flows included in the net result.....	60
2.3 Grants and other government assistance.....	39	8.3 Responsible persons.....	60
2.4 Interest income.....	39	8.4 Remuneration of executives.....	61
3. The cost of delivering services.....	40	8.5 Related parties.....	62
3.1 Expenses incurred in delivery of services.....	40	8.6 Remuneration of auditors.....	62
3.2 Other operating expenses.....	43	8.7 Subsequent events.....	63
4. Key assets available to support output delivery.....	44	8.8 Australian accounting standards issued that are not yet effective.....	63
4.1 Total property, plant and equipment.....	44	8.9 Glossary of technical terms.....	64
4.2 Intangible assets.....	46	8.10 Style conventions.....	66
4.3 Investments and other financial assets.....	47		
5. Other assets and liabilities.....	48		
5.1 Receivables.....	48		
5.2 Prepayments.....	48		
5.3 Payables.....	49		

## Accountable Officer's and Chief Finance and Accounting Officer's declaration

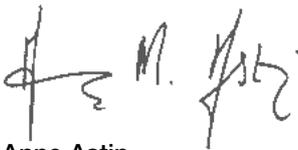
for the financial year ended 30 June 2021

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 2021 and financial position of Dairy Food Safety Victoria as at 30 June 2021.

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

We authorise the attached financial statements for issue on 27 August 2021.



**Anne Astin**  
Chair



**Amanda Hill**  
Chief Executive Officer



**Daryl Glover**  
Chief Finance and Accounting Officer

Melbourne, 27 August 2021

## Independent Auditor's Report

# VAGO

Victorian Auditor-General's Office

### To the Board of Dairy Food Safety Victoria

<b>Opinion</b>	<p>I have audited the financial report of Dairy Food Safety Victoria (the entity) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2021</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• declaration by the Chair, Chief Executive Officer and Chief Finance and Accounting Officer.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing 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.</p>

## Independent Auditor's Report(continued)

### 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 2021



Simone Bohan  
as delegate for the Auditor-General of Victoria

## Comprehensive operating statement

for the financial year ended 30 June 2021

	Notes	2021 \$	2020 \$
<b>Income and revenue from transactions</b>			
Licence and service fees revenue	2.2	5,831,747	5,674,395
Grants and other government assistance	2.3	350,000	250,000
Interest income	2.4	25,330	90,426
Other income		-	26,715
<b>Total income and revenue from transactions</b>		<b>6,207,077</b>	<b>6,041,536</b>
<b>Expenses from transactions</b>			
Employee expenses	3.1.1	3,738,399	3,441,960
Depreciation and amortisation	4.1.1	347,210	334,638
Product testing and laboratory evaluation costs		432,828	405,482
Other operating expenses	3.2	1,527,158	1,708,975
<b>Total expenses from transactions</b>		<b>6,045,595</b>	<b>5,891,055</b>
<b>Net result from transactions (net operating balance)</b>		<b>161,482</b>	<b>150,481</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on disposal of non-financial assets	8.2	(8,529)	1,455
Other gains/(loss) from other economic flows	8.2	13,353	(7,793)
<b>Total other economic flows included in net result</b>		<b>4,824</b>	<b>(6,338)</b>
<b>Comprehensive result</b>		<b>166,306</b>	<b>144,143</b>

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

## Balance sheet

as at 30 June 2021

	Notes	2021 \$	2020 \$
<b>Assets</b>			
<i>Financial assets</i>			
Cash and deposits	6.1(a)	7,251,429	7,576,488
Receivables	5.1	110,070	69,925
<b>Total financial assets</b>		<b>7,361,499</b>	<b>7,646,413</b>
<i>Non-financial assets</i>			
Property, plant and equipment	4.1	625,099	560,448
Intangible assets	4.2	499,759	154,470
Prepayments	5.2	76,469	33,226
<b>Total non-financial assets</b>		<b>1,201,327</b>	<b>748,144</b>
<b>Total assets</b>		<b>8,562,826</b>	<b>8,394,557</b>
<b>Liabilities</b>			
Payables	5.3	481,637	373,310
Employee related provisions	3.1.2	858,193	796,439
Borrowings: lease liabilities	6.3	228,320	396,438
<b>Total liabilities</b>		<b>1,568,150</b>	<b>1,566,187</b>
<b>Net assets</b>		<b>6,994,676</b>	<b>6,828,370</b>
<b>Equity</b>			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		5,194,676	5,028,370
<b>Net worth</b>		<b>6,994,676</b>	<b>6,828,370</b>

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

## Cash flow statement

for the financial year ended 30 June 2021

	Notes	2021 \$	2020 \$
<b>Cashflow from operating activities</b>			
<i>Receipts</i>			
Receipts received from customers		5,834,332	5,787,645
Receipts from Government		350,000	250,000
Interest received		25,299	124,925
Goods and services tax received from the ATO <sup>a</sup>		98,683	114,834
<b>Total receipts</b>		<b>6,308,313</b>	<b>6,277,404</b>
<i>Payments</i>			
Payments to suppliers and employees		(5,690,126)	(5,666,348)
Interest and other costs of finance paid	6.3	(3,983)	(5,799)
<b>Total payments</b>		<b>(5,694,109)</b>	<b>(5,672,147)</b>
<b>Net cash flows from operating activities</b>	6.1(b)	<b>614,204</b>	<b>605,257</b>
<b>Cash flows from investing activities</b>			
Proceeds from investments and other financial assets		-	4,500,000
Purchases of non-financial assets	4.1.2	(299,091)	(44,589)
Purchases of intangible assets	4.2	(401,922)	(85,695)
<b>Net cash flows from/(used in) investing activities</b>		<b>(701,013)</b>	<b>4,369,716</b>
<b>Cash flows from financing activities</b>			
Repayment of principal portion of lease liabilities	6.3	(238,250)	(219,751)
<b>Net cash flows used in financing activities</b>		<b>(238,250)</b>	<b>(219,751)</b>
Net increase/(decrease) in cash and cash equivalents		(325,059)	4,755,222
Cash and deposits at the beginning of the financial year		7,576,488	2,821,266
<b>Cash and deposits at the end of the financial year</b>	6.1(a)	<b>7,251,429</b>	<b>7,576,488</b>

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

The cash flow statement should be read in conjunction with the notes to the financial statements.

## Statement of changes in equity

for the financial year ended 30 June 2021

	Contributed capital \$	Accumulated surplus \$	Total equity \$
<b>Balance as 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>
Net result for the 2020–21 year	-	166,306	166,306
<b>Balance as at 30 June 2021</b>	<b>1,800,000</b>	<b>5,194,676</b>	<b>6,994,676</b>

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

## Notes to financial statements

for the financial year ended 30 June 2021

### 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 2021.

#### 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 disclosed in the note to the relevant balance or account. For estimates on the fair value of plant and equipment and intangible assets, see Notes 4.1 and 4.2.

When required by AAS, 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*.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of underlying transactions or other events is reported.

## Notes to financial statements (continued)

### 2. Funding delivery of our services

#### Objectives and funding

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

DFSV fixes and charges fees for its services, including 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 revenue and income that funds the delivery of DFSV services

	Notes	2021 \$	2020 \$
Licence and service fees revenue	2.2	5,831,747	5,674,395
Grants and other government assistance	2.3	350,000	250,000
Interest income	2.4	25,330	90,426
Other income		-	26,715
<b>Total revenue and income from transactions</b>		<b>6,207,077</b>	<b>6,041,536</b>

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.

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

#### 2.2 Licence and service fees revenue

	2021 \$	2020 \$
Licence fees	4,833,157	4,766,269
Audit and inspection fees	461,395	381,176
Income relating to the AMRA survey	537,195	526,950
<b>Total licence and service fees</b>	<b>5,831,747</b>	<b>5,674,395</b>

Revenue from licences, audit and inspection fees, and the performance of the AMRA survey, arise from contracts with customers, and are accounted for in accordance with *AASB 15 Revenue from Contracts with Customers*.

#### 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. That means when, or as, the performance obligations for the services to the customer are satisfied. For the above sources of revenue:

- 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, at the point the service of conducting an audit or performing the survey is complete. Any income arising from services performed, which has not been invoiced at the reporting date, is recognised as a contract asset. However, invoiced income in respect of services performed 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 which DFSV is expected to be entitled to receive. For manufacturer licence fees, none of the revenue sources include variable consideration. Therefore, 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 therefore are accounted for under AASB 15. The transaction price in these agreements is 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.

## 2.3 Grants and other government assistance

	2021 \$	2020 \$
Government grants: specific purpose	250,000	250,000
COVID-19 relief funding	100,000	-
<b>Total grants and other government assistance</b>	<b>350,000</b>	<b>250,000</b>

DFSV has determined that its government grant presented in the table above relates to funding from the Department of Jobs, Precincts and Regions to be used for DFSV's *Dairy RegTech* initiative, and must be recognised under AASB 1058 *Income for Not-For-Profit entities*, as it has been earned under arrangements which are not linked to sufficiently specific performance obligations.

Therefore, DFSV has determined that its grant income, without sufficiently specific performance obligations, must be recognised when it has the unconditional right to receive cash. The COVID-19 relief funding was provided as a cash boost from the Australian Government to assist entities with the pandemic. On initial recognition, DFSV first recognises the asset received, and then any related amounts, and then the difference between the value of the asset and the related amounts is recognised immediately as income. The 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.

## 2.4 Interest income

	2021 \$	2020 \$
Interest on bank deposits	25,330	90,426
<b>Total interest income</b>	<b>25,330</b>	<b>90,426</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.

## Notes to financial statements (continued)

### 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 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	2021 \$	2020 \$
Employee benefit expenses	3.1.1	3,738,399	3,441,960
Product testing and laboratory evaluation costs		432,828	405,482
Other operating expenses	3.2	1,527,158	1,708,975
<b>Total expenses incurred in delivery of services</b>		<b>5,698,385</b>	<b>5,556,417</b>

#### 3.1.1 Employee benefits in the comprehensive operating statement

	2021 \$	2020 \$
Salaries and employee entitlements	3,120,626	2,851,105
Defined contribution superannuation expense	282,954	264,942
Defined benefits superannuation expense	10,408	10,079
Other employee-related costs (FBT, payroll tax and WorkCover)	215,891	194,854
Board and committee fees	108,520	110,227
Termination benefits	-	10,753
<b>Total employee and board member expenses</b>	<b>3,738,399</b>	<b>3,441,960</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, who 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.

### 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.

	2021 \$	2020 \$
<b>Current provisions</b>		
<i>Annual leave:</i>		
Unconditional and expected to settle within 12 months	190,480	170,443
Unconditional and expected to settle after 12 months	57,215	32,215
<i>Long service leave:</i>		
Unconditional and expected to settle within 12 months	74,178	82,665
Unconditional and expected to settle after 12 months	349,851	292,340
<i>Provisions for on-costs:</i>		
Unconditional and expected to settle within 12 months	40,070	37,093
Unconditional and expected to settle after 12 months	62,809	48,449
<b>Total current provisions</b>	<b>774,603</b>	<b>663,205</b>
<b>Non-current provisions</b>		
Employee benefits — long service leave	72,372	115,881
On-costs	11,218	17,353
<b>Total non-current provisions</b>	<b>83,590</b>	<b>133,234</b>
<b>Total provisions for employee benefits</b>	<b>858,193</b>	<b>796,439</b>

### Reconciliation of movement in on-cost provisions

	2021 \$	2020 \$
<b>Opening balance</b>	<b>102,895</b>	<b>98,304</b>
Additional provisions recognised	12,689	7,854
Additions due to transfers in	-	1,879
Reductions arising from payments	(1,487)	(5,142)
<b>Closing balance</b>	<b>114,097</b>	<b>102,895</b>
Current	102,879	85,542
Non-current	11,218	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.

## Notes to financial statements (continued)

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. This is because all personal leave is non-vesting, and it is not considered probable average personal leave taken in future will be greater than benefits accrued in 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 providing employee benefits when the employment to which they relate has occurred.

Unconditional LSL is disclosed as a current liability (see current provisions table above). This occurs even where DFSV does not expect to settle the liability within 12 months, because it will not have the unconditional right to defer settling 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 (see non-current provisions table above). There is an unconditional right to defer settling 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 recognised as an 'other economic flow' in the net result.

### 3.1.3 Superannuation contributions

Employees of DFSV are entitled to receive superannuation benefits. 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 the Vision Super defined benefits fund determines there is a shortfall following an actuarial review of the fund, the fund's participating employers (including DFSV) are required to make an employer contribution to cover the shortfall. Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of DFSV.

Fund	Paid contributions for the year \$		Contributions outstanding at year end \$	
	2021	2020	2021	2020
<b>Defined benefit plans:</b>				
Emergency Services Superannuation	10,389	10,079	419	400
<b>Defined contribution plans:</b>				
VicSuper	66,997	66,492	2,620	2,621
Australian Super	79,019	60,947	2,691	2,450
Other	147,461	126,683	7,203	5,349
<b>Total</b>	<b>303,866</b>	<b>264,201</b>	<b>12,933</b>	<b>10,820</b>

### 3.2 Other operating expenses

	2021 \$	2020 \$
Audit fees (see Note 8.6)	95,419	101,328
Communications	32,178	88,794
General administration	85,917	107,732
General insurance	110,256	100,792
Information technology	342,039	292,443
Interest and other costs of finance (see Note 6.3)	3,983	5,799
Occupancy (excluding operating rental lease)	57,069	53,130
Low value lease expenses	33,563	10,019
Professional services	707,020	802,860
Travel (excluding motor vehicle operating leases)	59,714	146,078
<b>Total other operating expenses</b>	<b>1,527,158</b>	<b>1,708,975</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.

Since 1 July 2019, the following lease payments have been recognised on a straight-line basis:

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

There are variable lease payments that are not included in measuring the lease liability. These are variable lease payments that do not depend on an index or a rate and which are not, in substance, fixed. For example, those based on performance or usage of the underlying asset. These 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 occurs.

## Notes to financial statements (continued)

### 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 resources purchased by DFSV to deliver 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 outlining how those fair values were determined.

#### 4.1 Total property, plant and equipment

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Leasehold improvements	105,945	286,772	(86,135)	(260,353)	19,810	26,420
Assets under construction at cost	289,289	-	-	-	289,289	-
Furniture and fittings	36,480	130,738	(17,005)	(88,592)	19,475	42,146
Office equipment	251,732	251,363	(178,359)	(151,540)	73,373	99,823
<b>Total plant and equipment</b>	<b>683,446</b>	<b>668,873</b>	<b>(281,499)</b>	<b>(500,485)</b>	<b>401,947</b>	<b>168,389</b>
<b>Right-of-Use assets</b>						
Property	433,893	433,893	(315,559)	(154,942)	118,334	278,951
Vehicles	248,445	182,296	(143,627)	(69,188)	104,818	113,108
<b>Total Right-of-Use assets</b>	<b>682,338</b>	<b>616,189</b>	<b>(459,186)</b>	<b>(224,130)</b>	<b>223,152</b>	<b>392,059</b>
<b>Total property, plant and equipment</b>	<b>1,365,784</b>	<b>1,285,062</b>	<b>(740,685)</b>	<b>(724,615)</b>	<b>625,099</b>	<b>560,448</b>

#### Recognition and measurement

Items of 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, Victoria. 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 plant and equipment.

#### Right-of-Use assets — initial measurement

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
- any initial direct costs incurred
- 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.

*Right-of-Use assets — subsequent measurement*

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 assessed for fair value annually and reduced for 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.

**4.1.1 Depreciation and amortisation**

	2021 \$	2020 \$
Leasehold improvements	6,609	10,215
Furniture and fittings	12,660	13,994
Office equipment	36,252	33,838
Amortisation of software	56,633	52,461
Right-of-Use assets — Property	160,617	154,942
Right-of-Use assets — Vehicles	74,439	69,188
<b>Total depreciation and amortisation</b>	<b>347,210</b>	<b>334,638</b>

All property, plant and equipment assets that have finite useful lives are depreciated.

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 different asset classes for current and prior years are included in the table below:

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

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

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

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

## Notes to financial statements (continued)

### 4.1.2 Reconciliation of movement in carrying amounts

	Assets under construction at cost \$	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Right-of-Use – Property \$	Right-of-Use – Vehicles \$	Total \$
Opening balance 1 July 2020	-	26,420	42,146	99,823	278,951	113,108	560,448
Additions	289,289	-	-	9,802	-	66,149	365,240
Disposals	-	-	(10,011)	-	-	-	(10,011)
Depreciation	-	(6,609)	(12,660)	(36,252)	(160,617)	(74,439)	(290,577)
Closing balance 30 June 2021	289,289	19,810	19,475	73,373	118,334	104,818	625,099
Opening balance 1 July 2019	-	36,635	56,140	89,072	-	-	181,847
Adoption of AASB 16	-	-	-	-	433,893	113,139	547,032
Additions	-	-	-	44,589	-	69,157	113,746
Depreciation	-	(10,215)	(13,994)	(33,838)	(154,942)	(69,188)	(282,177)
Closing balance 30 June 2020	-	26,420	42,146	99,823	278,951	113,108	560,448

### 4.2 Intangible assets

	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
	Software development in progress		Software		Total	
<b>Gross carrying amount</b>						
Opening balance	-	-	1,086,557	1,000,862	1,086,557	1,000,862
Additions	297,817	-	104,106	85,695	401,923	85,695
Disposals	-	-	(3,800)	-	(3,800)	-
Closing balance of gross carrying amount	297,817	-	1,186,863	1,086,557	1,484,680	1,086,557
<b>Accumulated depreciation</b>						
Opening balance	-	-	(932,087)	(879,626)	(932,087)	(879,626)
Amortisation expense	-	-	(56,633)	(52,461)	(56,633)	(52,461)
Disposals	-	-	3,800	-	3,800	-
Closing balance of accumulated depreciation	-	-	(984,920)	(932,087)	(984,920)	(932,087)
Net book value at end of financial year	297,817	-	201,942	154,470	499,759	154,470

**Initial recognition**

DFSV's purchased intangible assets are software, and are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* are 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 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.

**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 annually.

**4.3 Investments and other financial assets**

DFSV did not hold any current or non-current term deposits at 30 June 2021 (\$nil 2020).

DFSV does hold cash investments with the Victorian Government's Centralised Banking System (CBS), complying with the Standing Directions 2018 under the *Financial Management Act 1994*. Funds held in the CBS are available at call, so are categorised as cash at bank (refer Note 6.1 (a)).

## Notes to financial statements (continued)

### 5. Other assets and liabilities

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

#### 5.1 Receivables

	2021 \$	2020 \$
<b>Current receivables</b>		
Trade debtors <sup>a</sup>	50,008	61,122
Accrued interest	93	62
Other receivables	200	200
<b>Total receivables</b>	<b>50,301</b>	<b>61,384</b>
<b>Statutory</b>		
GST input tax credits recoverable <sup>b</sup>	59,769	8,541
<b>Total current receivables</b>	<b>110,070</b>	<b>69,925</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. However, they are recognised and measured similarly to contractual receivables (except for impairment), but 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 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 receivables shown in Note 5.1 DFSV, had no assets or liability relating to contracts with customers at the reporting date.

There was no contract liability balance at the beginning of the reporting period, 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 the part of expenditure made in one accounting period which covers a term extending beyond that financial accounting period.

## 5.3 Payables

	2021 \$	2020 \$
<b>Current payables</b>		
<i>Contractual</i>		
Supplies and services <sup>a</sup>	258,114	171,836
Employee benefit accruals and on-costs	113,371	114,210
<b>Total contractual payables</b>	<b>371,485</b>	<b>286,046</b>
<i>Statutory</i>		
Taxes payable (FBT, PAYG, payroll tax)	110,152	87,264
<b>Total current payables</b>	<b>481,637</b>	<b>373,310</b>

a. The average credit period for payables is 30 days.

Payables consist of the below.

- **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, which are unpaid. They arise when DFSV becomes obliged to make future payments for purchasing those goods and services.
- **Statutory payables**, which 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 current payables, their carrying value is assumed to approximate their fair value, and maturity dates are one month or less.

## Notes to financial statements (continued)

### 6. Financing our operations

This section provides information on sources of finance DFSV uses 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, are subject to an insignificant risk of changes in value. These include:

- Cash on hand
- Cash at bank
- Deposits at call
- Highly liquid investments with an original maturity of three months or less, held to meet short-term cash commitments (rather than investment purposes), which are readily convertible to known amounts of cash.

	2021 \$	2020 \$
<b>(a) Cash and cash equivalents</b>		
Cash on hand	300	300
Cash at bank	7,251,129	7,576,188
<b>Total cash and deposits disclosed in the balance sheet</b>	<b>7,251,429</b>	<b>7,576,488</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	166,306	144,143
<i>Non-cash movements:</i>		
Depreciation and amortisation of non-current assets	347,210	334,638
Written down value of assets disposed	10,011	-
<i>Movements in assets and liabilities:</i>		
Decrease/(Increase) in receivables	(40,145)	129,631
Decrease/(Increase) in prepayments	(43,243)	6,409
Increase/(Decrease) in payables	112,311	(45,808)
Increase/(Decrease) in provisions	61,754	36,244
<b>Net cash flow from operating activities</b>	<b>614,204</b>	<b>605,257</b>

#### 6.2 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These future expenditures cease to be disclosed as commitments once related liabilities are recognised in the balance sheet. DFSV did not have commitments at the reporting date.

### 6.3 Leases

#### DFS's leasing activities

DFS 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. DFS 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 DFS's right to use the leased assets, and an associated lease liability, representing its obligation to pay the contractual payables.

#### Property leases

DFS holds one lease for premises at Camberwell. The lease is for a 5 year term from 1 April 2017 to 31 March 2022, with fixed rate annual rental increases of 3.5%. The incremental borrowing rate applicable to this lease, used to discount future lease payments to present value, was determined as 1.7%.

At the reporting date, DFS had entered into new lease negotiations with the landlord for a further 5 year term effective 1 April 2022, expected to be finalised in August 2021.

#### Vehicle leases

DFS 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 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.

	2021 \$	2020 \$
<b>Amounts recognised in the comprehensive operating statement</b>		
Interest on lease liabilities	3,983	5,799
Expenses relating to leases of low-value assets	33,563	10,018
	<b>37,546</b>	<b>15,817</b>
<b>Maturity analysis — undiscounted contractual cash flows</b>		
Less than 1 year	180,875	226,640
1–5 years	49,618	174,579
<b>Total undiscounted contractual cash flows</b>	<b>230,493</b>	<b>401,219</b>
<b>Lease liabilities recognised in the balance sheet</b>		
Current	179,744	222,990
Non-current	48,576	173,448
<b>Total</b>	<b>228,320</b>	<b>396,438</b>
	2021 \$	2020 \$
<b>Amounts recognised in cashflow statement</b>		
Payments of interest on lease payments [operating cashflows]	3,983	5,799
Payments of principal on lease payments [financing cashflows]	238,250	219,751
<b>Total cash outflow for leases</b>	<b>242,233</b>	<b>225,550</b>

## Notes to financial statements (continued)

### 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 the following.

- 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 (for example, payments varying on account of changes in CPI)
- 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 will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to 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 to account for short-term leases (less than 12 months), and leases of low-value assets, using the practical expedients. Instead of recognising a Right-of-Use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss 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 recognising and measuring 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 for one entity, and a financial liability or equity instrument for 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
- 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, being GST recoverable and taxes payable).

## Notes to financial statements (continued)

Financial instruments: Categorisation	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
<b>2021</b>			
<i>Contractual financial assets:</i>			
Cash and deposits	7,251,429	-	7,251,429
Trade receivables	50,008	-	50,008
Accrued interest	93	-	93
Other debtors	200	-	200
<b>Total contractual financial assets</b>	<b>7,301,730</b>	<b>-</b>	<b>7,301,730</b>
<i>Contractual financial liabilities:</i>			
Supplies and services		258,114	258,114
Borrowings: lease liabilities		228,320	228,320
<b>Total contractual financial liabilities</b>		<b>486,434</b>	<b>486,434</b>
<b>2020</b>			
<i>Contractual financial assets:</i>			
Cash and deposits	7,576,488	-	7,576,488
Trade receivables	61,122	-	61,122
Accrued interest	62	-	62
Other debtors	200	-	200
<b>Total contractual financial assets</b>	<b>7,637,872</b>	<b>-</b>	<b>7,637,872</b>
<i>Contractual financial liabilities:</i>			
Supplies and services	-	171,836	171,836
Borrowings: lease liabilities	-	396,438	396,438
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>568,274</b>	<b>568,274</b>

**Financial risk management objectives and policies**

Details of significant accounting policies and methods adopted, including 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 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 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 DFSV will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts that are more than 90 days overdue, and changes in debtor credit ratings.

<b>Credit quality of financial assets: 2021</b>	<b>Financial institution (AA credit rating) \$</b>	<b>Other \$</b>	<b>Total \$</b>
Cash on hand (not subject to impairment losses)	-	300	300
<b>Financial assets with loss allowance measured at 12 month expected credit loss:</b>			
Cash and deposits (with no impairment loss recognised)	7,251,129	-	7,251,129
Statutory receivables (with no impairment loss recognised)	59,769	-	59,769
<b>Financial assets with loss allowance measured at lifetime expected credit loss:</b>			
Contractual receivables applying the simplified approach for impairment	93	50,208	50,301
<b>Total</b>	<b>7,310,991</b>	<b>50,508</b>	<b>7,361,499</b>

<b>Credit quality of financial assets: 2020</b>	<b>Financial institution (AA credit rating) \$</b>	<b>Other \$</b>	<b>Total \$</b>
Cash on hand (not subject to impairment losses)	-	300	300
<b>Financial assets with loss allowance measured at 12 month expected credit loss:</b>			
Cash and deposits (with no impairment loss recognised)	7,576,188	-	7,576,188
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>

### Impairment of financial assets under AASB 9

DFSV records allowances for expected credit losses on its contractual receivables, statutory receivables, and investments in debt instruments, following the requirements of AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, no impairment loss provision has been recognised.

## Notes to financial statements (continued)

### Contractual receivables at amortised cost

DFSV applies AASB 9's 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 selected the expected credit loss rate based on DFSV's history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

The credit loss allowance for any contractual receivables written off when there is no reasonable expectation of recovery, and impairment loss allowances, are classified as a 'other economic flows in the net result'. 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 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 their 12 month expected losses. No loss allowance was recognised in financial year 2019–20, and no loss allowance has been recognised in financial year 2020–21.

### Liquidity risk

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

DFSV is exposed to liquidity risk mainly through the financial liabilities disclosed in the balance sheet. 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 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 risk assessment.

### Market risk

DFSV's exposure to market risk is through interest rate risk. Taking into account past performance, DFSV considers 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 such shift would have on net operating result and equity on DFSV as immaterial.

### 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.

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.

### Foreign currency risk

DFSV is not exposed to foreign exchange risk.

Interest rate exposure of financial instruments	Note	Weighted average interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
<b>2021</b>						
<i>Financial assets:</i>						
Cash at bank	6.1	0.24%	7,251,429	-	7,251,129	300
Receivables <sup>a</sup>	5.1		50,301	-	-	50,301
<b>Total financial assets</b>			<b>7,301,730</b>	<b>-</b>	<b>7,251,129</b>	<b>50,601</b>
<i>Financial liabilities:</i>						
Payables <sup>a</sup>	5.3		258,114	-	-	258,114
Lease liabilities	6.3	1.32%	228,320	-	-	228,320
<b>Total financial liabilities</b>			<b>486,434</b>	<b>-</b>	<b>-</b>	<b>486,434</b>

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>						
<i>Financial assets:</i>						
Cash at bank	6.1	0.63%	7,576,488	-	7,576,188	300
Receivables <sup>a</sup>	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>
<i>Financial liabilities:</i>						
Payables <sup>a</sup>	5.3		171,836	-	-	171,836
Lease liabilities	6.3	1.32%	396,438	-	-	396,438
<b>Total financial liabilities</b>			<b>568,274</b>	<b>-</b>	<b>-</b>	<b>568,274</b>

a. Amounts shown exclude statutory amounts.

## Notes to financial statements (continued)

### 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, 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 (2020: \$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, they may vary and are subject to an agreement.

There are no legal or any other claims that creates a contingency for DFSV at the end of this reporting period (2020:Nil).

### 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 be 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 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 (that is, 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 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 they will be paid in full. These include:

#### Financial assets

##### Cash and deposits

##### Receivables:

- Sale of goods and services
- Accrued investment income
- Other receivables

#### Financial liabilities

##### Payables:

- For supplies and services
- Amounts payable to government and agencies

### 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 2021.

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

	Carrying amount	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
<b>As at 30 June 2021</b>		-	-	
Leasehold improvements	19,810	-	-	19,810
Furniture and fittings	19,475	-	-	19,475
Office equipment	73,373	-	-	73,373
<b>Total plant and equipment at fair value</b>	<b>112,658</b>	<b>-</b>	<b>-</b>	<b>112,658</b>
<b>As at 30 June 2020</b>				
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>

*There have been no transfers between levels during the financial year.*

	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
<b>Reconciliation of level 3 fair values as at 30 June 2021</b>				
Opening balance	26,420	42,146	99,823	168,388
Additions	-	-	9,802	9,802
Disposals	-	(10,011)	-	(10,011)
Transfers between levels	-	-	-	-
Depreciation	(6,609)	(12,660)	(36,252)	(55,521)
<b>Closing balance</b>	<b>19,810</b>	<b>19,475</b>	<b>73,373</b>	<b>112,658</b>

	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
<b>Reconciliation of level 3 fair values as at 30 June 2020</b>				
Opening balance	36,635	56,140	89,072	181,847
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>

## Notes to financial statements (continued)

### 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 expenses

Ex-gratia expenses are voluntary payments of money or other non-monetary benefit (for example, 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.

DFSV waived debts to the value of \$6,032 during the financial year to licensees on the grounds of financial hardship as a result of the COVID-19 pandemic.

#### 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.

Net gains/(losses) on non-financial assets include the net value of impairment losses, and any gains or losses on disposal at the date of disposal, determined after deducting any proceeds from the carrying value of the asset.

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.

#### 8.3 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 Hon Jaclyn Symes MP was the responsible minister from 1 July 2020 to 21 December 2020 and the Hon Mary-Anne Thomas MP was the responsible minister from 22 December 2020 to 30 June 2021.

##### Board members

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

- Anne Astin (Chair) 1 July 2020 – 30 June 2021
- Peter Moloney 1 July 2020 – 30 June 2021
- Julie Simons 1 July 2020 – 30 June 2021
- Michele Allan 1 July 2020 – 30 June 2021
- Joanna Wriedt 1 July 2020 – 30 June 2021
- Julie Johnson 1 July 2020 – 30 June 2021
- Noel Campbell 1 July 2020 – 30 June 2021

##### Accountable officers

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

- Amanda Hill 1 July 2020 – 30 June 2021

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 (2019–20: \$260,000 – \$270,000).

### Insurance premiums

During the financial year, DFSV paid an insurance premium inclusive of GST of \$41,805 (2019–20: \$37,994), insuring the Board members and executive officers against a liability arising as a result of work performed in these capacities.

### 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:

	2021 No.	2020 No.
<b>Income band</b>		
\$10,000–\$19,999	5	5
\$40,000–\$49,999	1	1
\$260,000–\$269,999	1	1
<b>Total numbers</b>	<b>7</b>	<b>7</b>
<b>Total remuneration</b>	<b>\$382,180</b>	<b>\$383,733</b>

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

### 8.4 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:** include wages, salaries, paid annual leave, paid personal leave and allowances that are usually paid or payable on a regular basis.
- **Post-employment benefits:** superannuation entitlements.
- **Other long-term benefits:** long service leave entitled during the reporting period.
- **Termination benefits:** termination of employment payments such as severance packages.

Remuneration of executives (including key management personnel disclosed in Note 8.3)	2021 \$	2020 \$
Short-term benefits	337,318	325,130
Post-employment benefits	31,703	39,497
Other long-term benefits	4,412	9,657
Termination benefits	-	-
<b>Total remuneration<sup>a</sup></b>	<b>373,433</b>	<b>374,284</b>
Total number of executives	2	2
Total annualised employee equivalents <sup>b</sup>	1.7	2

a. The total number of executive officers includes people 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 8.5).

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

## Notes to financial statements (continued)

### 8.5 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 (1 July 2020 – 21 December 2020), the Hon Mary-Anne Thomas (22 December 2020 – 30 June 2021), Board members, the accountable officer (refer Note 8.3 Responsible persons), and members of the executive team, which includes:

- General Manager, Planning and Business Services — Karen Armitage (1 July 2020 – 26 February 2021)
- General Manager, Compliance, Enforcement and Technical Services — Andrew Wilson (1 July 2020 – 30 June 2021).

Board members are reimbursed for expenses incurred in attending board and committee meetings, and for other incidental costs. This occurs under terms and conditions no more favourable than those 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.

Transactions with external related parties include a government grant received from DJPR (see Note 2.3).

**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.

	2021 \$	2020 \$
<b>Total compensation of key management personnel</b>		
Short-term employee benefits	680,825	670,718
Post-employment benefits	63,849	71,141
Other long-term benefits	10,939	16,157
Termination benefits	-	-
<b>Total</b>	<b>755,613</b>	<b>758,016</b>

Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 8.4).

### 8.6 Remuneration of auditors

	2021 \$	2020 \$
Internal audit fees	63,719	69,528
External audit fees (Victorian Auditor General's Office)	31,700	31,800
<b>Total remuneration of auditors</b>	<b>95,419</b>	<b>101,328</b>

## 8.7 Subsequent events

The policy in connection with recognising subsequent events, that is 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.
- 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 state of affairs of DFSV.

## 8.8 Australian accounting standards issued that are not yet effective

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2021 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 AAS that are not yet mandatory for the financial year ended 30 June 2021. 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 2020-1 Amendments to Australian Accounting Standards — Classification of Liabilities as Current or Non-Current	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 Classification of Liabilities as Current or Non-Current — Deferral of Effective Date with the intention to defer the application by one year to periods beginning on or after 1 January 2023. DFSV will not adopt the Standard early.	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

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 2020-2 *Amendments to Australian Accounting Standards — Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.
- AASB 2020-2 *Amendments to Australian Accounting Standards — Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.
- AASB 2020-3 *Amendments to Australian Accounting Standards — Annual Improvements 2018-2020 and Other Amendments*.
- AASB 2020-7 *Amendments to Australian Accounting Standards — Covid-19-Rent Related Concessions: Tier 2 Disclosures*.
- AASB 2020-8 *Amendments to Australian Accounting Standards — Interest Rate Benchmark Reform — Phase 2*.
- AASB 2020-9 *Amendments to Australian Accounting Standards — Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*.

## Notes to financial statements (continued)

### 8.9 Glossary of technical terms

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

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

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

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

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

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

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

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

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

**Ex-gratia expenses** mean the voluntary payment of money or other non-monetary benefit (for example, 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 either:
  - to receive cash or another financial asset from another entity
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity
- d. a contract that will or may be settled in the entity's own equity instruments and is either:
  - a non-derivative for which the entity is, or may be, obliged to receive a variable number of the entity's own equity instruments
  - 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 for one entity and a financial liability or equity instrument for another entity.

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

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

**Financial statements** comprise:

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

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

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

**Net financial liabilities** is calculated as liabilities less financial assets, other than equity in public non-financial corporations (PNFC) and public financial corporations (PFC). This measure is broader than net debt as it includes significant liabilities, other than borrowings (for example, 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'. See 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.

## Notes to financial statements (continued)

**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 (for example, assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of DFSV.

### 8.10 Style conventions

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

The financial statements and notes are presented based on the illustration in the 2020–21 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with other disclosures made in earlier published DFSV annual reports.

# 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 assist in identifying compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
<b>Ministerial directions and financial reporting directions</b>		
<b>Report of operations</b>		
<i>Charter and purpose</i>		
FRD 22I	Manner of establishment and the relevant Ministers .....	3
FRD 22I	Purpose, functions, powers and duties .....	3
FRD 8D	Objectives, indicators and outputs .....	3
FRD 22I	Key initiatives and projects.....	8–18
FRD 22I	Nature and range of services provided.....	8–18
<i>Management and structure</i>		
FRD 22I	Organisational structure .....	22
<i>Financial and other information</i>		
FRD 10A	Disclosure index .....	67
FRD 17B	Wage Inflation and discount rates for employee benefits.....	41
FRD 22I	Employment and conduct principles .....	23
FRD 22I	Occupational health and safety policy .....	22
FRD 22I	Summary of the financial results for the year .....	18
FRD 22I	Significant changes in financial position during the year .....	23
FRD 22I	Governance and organisational structure .....	19–22
FRD 22I	Subsequent events.....	63
FRD 22I	Application and operation of <i>Freedom of Information Act 1982</i> .....	25
FRD 22I	Compliance with building and maintenance provisions of <i>Building Act 1993</i> .....	25
FRD 22I	Statement on National Competition Policy .....	25
FRD 22I	Application and operation of the <i>Public Interest Disclosure Act 2012</i> .....	25
FRD 22I	Details of consultancies over \$10,000 .....	24
FRD 22I	Details of consultancies under \$10,000 .....	24
FRD 22I	Disclosure of ICT expenditure .....	24
FRD 22I	Statement of availability of other information .....	27
FRD 24D	Reporting of office-based environmental impacts.....	26
FRD 25D	Local Jobs First Disclosure .....	24
FRD 29C	Workforce Data disclosures .....	23
SD 5.2	Specific requirements under Standing Direction 5.2.....	30
<i>Compliance attestation and declaration</i>		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction .....	27
SD 5.2.3	Declaration in report of operations .....	1

## Appendix 1: Disclosure index (continued)

### Financial statements

#### Declaration

SD 5.2.2	Declaration in financial statements .....	30
----------	---	----

#### Other requirements under Standing Directions 5.2

SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements .....	37
SD 5.2.1(a)	Compliance with Ministerial Directions .....	30
SD 5.2.1(b)	Compliance with Model Financial Report .....	66

#### Other disclosures as required by FRDs in notes to the financial statements

FRD 11A	Disclosure of ex-gratia expenses .....	60
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report.....	60
FRD 110A	Cash Flow Statement .....	35
FRD 112D	Defined Benefit Superannuation Obligations .....	42
FRD 114C	Financial Instruments .....	53

### Legislation

<i>Dairy Act 2000</i> .....	3
<i>Food Act 1984</i> .....	9
<i>Freedom of Information Act 1982</i> .....	25
<i>Building Act 1993</i> .....	25
<i>Public Interest Disclosure Act 2012</i> .....	25
<i>Local Jobs First Act 2003</i> .....	24
<i>Financial Management Act 1994</i> .....	1





Dairy Food Safety  
VICTORIA

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