



ANNUAL REPORT

2 0 2 1 - 2 2



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

www.dairysafe.vic.gov.au

Disclosure statement

1

About Dairy Food
Safety Victoria

2

Industry at a glance

4

DFSV 2021-22
performance at a glance

5

Chair's report

6

Chief Executive
Officer's report

7

Performance report

8

Governance and
organisational
structure

20

Workforce data

25

Other disclosures

26

Financial statements

30

Appendix 1:
Disclosure index

71

August 2022

Published by Dairy Food Safety Victoria
© Copyright State of Victoria 2022

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 2022.



Dr Anne Astin AM PSM

Chairperson
24 August 2022

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).

The Minister for Agriculture, Hon Mary-Anne Thomas MP was the responsible Minister from 01 July 2021 to 26 June 2022 and the Hon Gayle Tierney MP was the responsible Minister from 27 June 2022 to 30 June 2022.

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 dairy farms are located in Victoria, producing **more than 64% of Australia's milk, and accounting for most of its dairy exports**. DFSV has more than **3,400 licensees**. Each 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 also audited each year**.

DFSV's *Dairy RegTech* service delivery model for manufacturers was implemented in 2021. It has been adopted by 17 sites, which represent **23.7% of Victorian milk production**.

Industry at a glance

**5.5 billion
litres**

**total volume of milk
produced in Victoria**

(down 3% from
previous year)

3,027

**dairy farms in
Victoria**

205

**dairy
manufacturers
in Victoria**

19,300

**people
employed by the
Victorian dairy
industry**

64%

**of Australian
milk produced in
Victoria**

78%

**of Australia's dairy
exports produced
in Victoria**

Dairy product

Volume produced in Victoria

Victorian region

Number of dairy farms

Victorian region

Number of dairy manufacturers

Milk	1.1 billion litres	North	891	North	25
Cream	186 million litres	East	1,095	East	29
Cheese	362,000 tonnes	West	1,039	West	21
Milk powder	328,000 tonnes	Central	2	Central	130
Fermented milk	213,000 tonnes	Total	3,027	Total	205

DFSV 2021-22 performance at a glance



17
Dairy RegTech Adopters, which represent 23.7% of Victorian milk production

96%
of licensee satisfied with DFSV's communications



88%
of the total 89 technical requests responded to within two working days



Licence category	Audits conducted
Farm	1,466 at 1,466 farms
Manufacturer	458 at 189 manufacturer sites

Licence category	Number of new licences
Farm	22
Manufacturer	17
Other	8

Chair's report



I am pleased to present Dairy Food Safety Victoria's 2021–22 Annual Report.

As we develop this report, there is much public discourse about the economic environment, and the potential for challenging times ahead.

Already, the price of food has risen and there have been disruptions to food supply systems. This underlines the importance of us remaining focused on food safety and security.

The work that we have been doing in this reporting period as well as the years before, will position the Victorian dairy industry to cope with what the future holds.

This includes developing a new approach to food safety monitoring and compliance and reviewing our funding model.

The key component of our new approach is *Dairy RegTech*, which sees us streamline regulation without compromising food safety, consumer confidence, or the accountability and independence of the regulator. *Dairy RegTech* is giving licensees more control over their food safety systems.

With the funding model review, we took a long, hard look at what it takes to operate an effective food safety system for Victoria's dairy industry.

It involved an extensive stakeholder engagement process, which saw Dairy Food Safety Victoria (DFSV) work with the Victorian Government Treasury, the Department of Jobs, Precincts and Regions, and the wider industry.

We asked whether we are meeting the principles of transparency and equity, while focusing on the food safety risk across the supply chain.

These are some of the ways we have strengthened the trust we have with our licensees, which is crucial to our resilience for the future.

We have also worked with our Commonwealth counterparts to maintain our outstanding reputation domestically and internationally.

At the state level, we continue to actively work with Better Regulation Victoria and the Better Regulation Commissioner. This is so important to us because our licensees have a raft of other regulatory obligations they must meet. We hope to streamline processes and reduce duplication in any way we can.

By participating in this broader forum, including sharing the principles of *Dairy RegTech*, we aim to further streamline all regulatory systems with which our licensees are involved.

We contribute to building a positive regulatory culture, in both regulators and the people who are regulated.

We're also making better use of the data that businesses already collect — to provide assurance across multiple regulatory systems.

This approach supports a more efficient and effective regulatory system.

Early adopters of *Dairy RegTech* are already reporting economic, cultural and safety benefits.

I acknowledge the engagement of our licensees in building this system for the future. The industry's continued performance should provide consumers with confidence that Victorian dairy products are safe.

I thank our former directors Noel Campbell, Julie Johnson, Peter Moloney and Julie Simons, and welcome Tracey Marsden, Tania Luckin, Nick Renyard and Peta Slack-Smith who, with continuing directors Michele Allan and Joanna Wreidt, have shown the confidence to go on this path, particularly when COVID-19 meant navigating this new approach largely virtually. They have also effectively set the strategic direction and overseen the organisation's management and performance.

I express appreciation to both the Australian Department of Agriculture, Water and the Environment and Victorian Department of Jobs, Precincts and Regions, as well as former Minister for Agriculture, Hon Mary-Anne Thomas MP, and current minister Hon Gayle Tierney MP, for providing resources to assist us in implementing *Dairy RegTech*. We also appreciate their confidence that DFSV was capable of delivering this new regulation system.

Importantly, I would like to thank the DFSV executive and staff and acknowledge how well they have performed in a challenging environment, and through a significant change process.

The contributions from all these individuals and groups puts our industry in good stead to weather any uncertainty in coming years.

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

Chief Executive Officer's report



This year, Dairy Food Safety Victoria (DFSV) increased its capability as a leader in delivering regulation that safeguards public health.

In 2022, we introduced The Vat, our new licensing and management system. This is a significant investment to streamline our services, identify and monitor trends and share information with our licensees.

We continued developing a tool to make it simpler for farmers to apply for licences. PicApply utilises machine learning to reduce processing time, meaning farmers can start their dairy journey sooner. This is part of an organisational program to deliver better remote services.

And, our Food Safety Managers are working with licensees to improve traceability systems. This is fundamental to consumer confidence in the safety of Victorian dairy products. If an issue occurs, traceability systems ensure the industry and regulator can be fast, responsive and transparent.

Our service delivery model, *Dairy RegTech* — a first of its kind tool for Australia — is demonstrating positive impact, despite only being implemented in January 2021. Adopters now account for 23% of Victorian milk production, and industry is already sharing the advantages this approach provides.

While *Dairy RegTech* is Victorian, the dairy industry is Australia-wide. This year we worked with the Australian Government and two state governments (New South Wales and South Australia) to explore how this approach could be applied at a national level, and potentially to exports.

I would like to extend my personal thanks to the Dairy Industry Consultative Forum, whose support has been crucial in developing and implementing *Dairy RegTech*. This innovative program is built on partnerships, and it could not have been created without the collaboration and support from industry.

I'm pleased to announce that we are already working with adopters to establish a food safety culture community of practice, ensuring the sustainability of the program. This is a forum for promoting best practice and building common capability.

Equally, the Small Business Forum has provided us with an instrumental partnership — one that enabled the building of a food safety culture maturity model specifically for small business. Next, we're working together to develop easy-to-use guidance that will support small businesses to implement *Dairy RegTech*. I look forward to rolling this out in 2023.

None of this is possible without the efforts of an amazing team and I extend my gratitude and thanks to the staff at DFSV with particular thanks to my senior leadership team — Andrew Wilson, General Manager Compliance, Enforcement and Technical Services; Karen Hill, Senior Manager People and Governance; and Daryl Glover, Senior Manager Finance and Business Services.

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

In 2020–21, we navigated our way through the challenges of COVID-19, with the support of our board, leadership and staff. This year, we're learning from those challenges. We're incorporating lessons learnt along the way, to set us up for the future — whatever it may bring.

Amanda Hill

*Chief Executive Officer,
Dairy Food Safety Victoria*

Performance report

This is DFSV's second year of reporting our performance under our 2020–25 corporate plan. The corporate plan describes strategies to deliver DFSV's objectives, and performance indicators to measure our progress against these. We continued our core business as the Victorian dairy regulator, while shaping our future as a leader in dairy regulation by implementing *Dairy RegTech* in the Victorian dairy industry.

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

This report describes DFSV's activities during 2021–22.

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 Act, DFSV is responsible for ensuring the 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 by the Food Regulation Standing Committee, with additional guidance from the Office of the Commissioner for Better Regulation (Victoria).

Licensing

DFSV licenses persons 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 and carriers, 60 business days for distributors, and 90 business days for manufacturers. DFSV is committed to meeting these targets, and works closely with applicants to achieve this.

For 2021–22 the average number of business days to process an application was:

- For farms, 13 days (2021: 13 days)
- For carriers, 30 days (2021: 27 days)
- For distributors, 14 days (2021: 27 days)
- For manufacturers, 53 days (2021: 57 days)

Additionally:

- DFSV processed 96% of new farm licence applications, 100% of new distributor applications, and 100% of new carrier applications within the target timeframes.
- 100% of dairy manufacturer licence applications were approved within the 90 business day target.
- DFSV issued (and/or renewed) 3,402 licences in 2021–22, down 2% compared to the previous year (Table 1).

TABLE 1. Total licences by type

Licence	2020–21	2021–22
Manufacturer (bovine)	211	205
Manufacturer (sheep, goat, camel and buffalo)	13	14
Farmer (bovine)	3,088	3,027
Farmer (sheep, goat and buffalo)	25	24
Milk broker	2	2
Distributor	105	102
Carrier	33	30
Vendor	-	-
Total	3,477	3,404

In 2021–22 DFSV issued 47 new licences across all licence categories, which is 21% fewer than the previous year.

The dairy farmer category saw the biggest reduction in new licences issued (23% fewer). Total reported milk production also decreased slightly compared to the previous financial year.

Total manufacturer licence numbers remained relatively steady, with a slight decrease compared to the previous year (down 2%). In 2021–22 there was an increase of 16 new small manufacturers.

Factors reported as contributing to these changes included regional weather events, change of industry (e.g. dairy to beef cattle), industry retirements and the ongoing impacts of 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). Where a site is export registered, these compliance monitoring activities also include auditing against the relevant requirements of the *Export Control Act 2020*, including the Export Control (Milk and Milk Products) Rules 2021, on behalf of the Australian Government Department of Agriculture, Water and Environment (DAWE).

Compliance monitoring primarily involves twice yearly audits of licensed businesses. Audits verify businesses' compliance with regulatory requirements, as reflected in their approved food safety program, and their operational food safety system's effectiveness in producing 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.

These compliance monitoring activities are undertaken by DFSV Food Safety Managers (FSMs). When a manufacturing business is first issued a dairy industry licence, it is audited within 30 days of starting operations. Subsequently, and 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 this annual reporting period, FSMs completed 458 compliance audits at 189 manufacturer sites. They raised a total of 510 corrective action requests (CARs), 429 of which were minor and 81 major. A CAR is a written request that a business eliminate the cause of a failure to comply with a legislative requirement, as identified during an audit. CARs are classified as either minor, major or critical, according to risk. DFSV utilises CARs as a preliminary tool to address non-compliances identified within a licenced business. No critical CARs were raised during 2021–22.

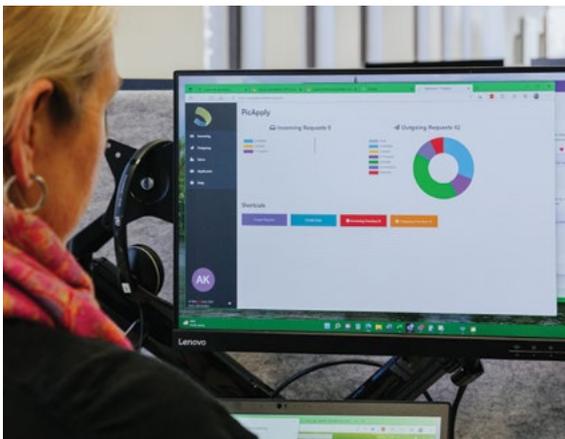
A minor CAR is generally raised when the non-conformance poses no immediate risk to food safety, and its potential impact is not likely to lead to production of unsafe food. For example, damaged floor tiles. Licensees are given up to six months to rectify such matters. A major CAR is raised when the impact of the non-conformance may lead to production of unsafe food unless remedial action is taken within a specified period. For example, failure over a period of time to complete manual records showing a refrigerated unit, which was otherwise operating correctly, was operating at below 5°C. In this instance, corrective action would require the site to investigate the root cause of the problem, then reviewing and amending site procedures and staff training where appropriate. Licensees are typically required to address a major CAR within 28 days. A critical CAR is a non-conformance which presents an imminent and serious risk to the safety of food, hence urgent or immediate corrective action is required. For example, a malfunctioning pasteuriser allowing raw milk to be inadvertently released to the marketplace. In this instance, immediate corrective action would likely include ceasing operations until the matter is sustainably addressed, recall of any contaminated food, a review of relevant systems to determine the cause and reduce risk of recurrence, and possible staff training.

During 2021–22, audits were undertaken through a combination of on-site and remote or partially remote methods, depending on the COVID-19 status at the time of audit. Remote or partial remote audits involve licensees providing FSMs with documents and records electronically and/or a site walk-through via video. DFSV has recognised the value in this method, and is reviewing and refining it for future use if traditional models of compliance monitoring are unavailable. Furthermore, DFSV has contributed to a number of national and state-based initiatives to further develop remote compliance monitoring, which is anticipated to continue over the coming 12 months.

Performance report (cont.)

Intelligence tools for business

During 2021–22, DFSV continued developing a machine learning tool to make farm licence applications more efficient. Currently, farm licences are issued through a highly manual process in which individual DFSV staff assess text-based information submitted manually by applicants. The project has piloted an approach to instead collect a series of photographs capturing critical elements related to food safety within farm businesses. The system, called PicApply, allows DFSV to electronically request required photographic information from an applicant. The photographs are assessed by an analytical artificial intelligence engine, and flagged for review by an officer where necessary. This tool has reduced the number of exchanges between DFSV and applicants, and improved overall processing times for farm licences. DFSV anticipates the tool will be fully implemented in 2022–23. DFSV plans to further investigate applying the technology to other areas of compliance, including ongoing remote verification for low-risk dairy businesses.



DFSV also approves second or third-party auditors (approved auditors) to audit dairy farm licensees on its behalf. A dairy farm licensee is first audited 3 to 6 months after operations begin, and then at least once every licensing period (2 years). During the 2021–22 financial year, 1,466 farm audits were completed by this method.

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 FSMs (Authorised Officers under the Act) and a sample of approved auditors. In 2021–22, no significant issues were identified, all auditors were verified as competent against the requirements, and four new auditors were verified and approved.

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 any non-compliance and food safety risk.

If enforcement action is required, a range of regulatory tools are available to DFSV. These include placing a licensee on an 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.

During 2021–22, following an investigation and issuance of an order under the Act to prevent removal of dairy food (milk) from an unlicensed dairy farm, the farm was subsequently prosecuted. The farm was found guilty of operating a dairy farm without a current and valid dairy industry licence, and ordered to pay agreed court costs. No other orders were raised by DFSV during 2021–22.

Dairy export

DFSV's compliance auditing of Victorian export-registered dairy manufacturers on behalf of DAWE is conducted according to a memorandum of understanding. In this way, DFSV supports a more streamlined export certification system and contributes to reducing regulatory burden for industry. Currently 106 Victorian export-registered dairy manufacturers are audited by DFSV.

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 began rolling out a new service delivery model, *Dairy RegTech*. This voluntary program for dairy manufacturers was developed in partnership with industry from 2018 to 2020. While the audit-based compliance system for Victorian dairy food has worked well for many years, DFSV and industry wanted to explore innovative approaches that are more proactive and collaborative.

Under *Dairy RegTech*, DFSV works with businesses to look at the impact of people and their practices on food safety (i.e. food safety culture) using a recently-developed food safety culture maturity model specifically developed for the Australian dairy industry. DFSV supports businesses to develop and implement action plans to strengthen their food safety culture.

The current system of twice-yearly 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. DFSV provides regulatory oversight to the dairy industry, based on an individual licensees' performance and culture, rather than applying a 'one-size-fits-all' approach. Licensees also share the food safety data they regularly collect with DFSV. DFSV FSMs will use the data to tailor their on-site conversations with licensees. Consequently, audits are tailored to each business, with less time spent checking paperwork. Licensees gain a greater understanding of how data is used to examine food safety performance, and identify and respond to issues. Over time this will allow a move away from the fixed audit cycle. DFSV acknowledges that small businesses may have limited digital capabilities for managing 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 2021–22, 12 sites committed to implementing food safety culture action plans developed as part of *Dairy RegTech*, and transitioned into the program. A further 5 sites have applied and are progressing towards transition to *Dairy RegTech*. These 17 participants account for 23% of Victorian milk production, compared to 9% produced by participants in 2021–22.

Department of Agriculture, Water and Environment investment in *Dairy RegTech*

DFSV is working with DAWE to examine a national approach to *Dairy RegTech*, and its potential as an export assurance tool. DFSV has provided training and support to the New South Wales Department of Primary Industries and DairySafe SA to conduct a pilot with their licensees. Feedback from this pilot will inform potential development of *Dairy RegTech* as a national program, as well as its use in export assurance. The project is due for completion in September 2023.

Agriculture Victoria Regulatory Reform Incentive Fund project

This project involved developing a *Dairy RegTech* model tailored to small dairy businesses. Small businesses have particular pressures, and require targeted support to participate in *Dairy RegTech*. Working with our Small Business Forum, DFSV has developed a specific maturity model relevant to small business operations, simplified the process, and provided assistance to small businesses in implementing these.

As a further part of this project, DFSV is providing training resources and support to PrimeSafe, to pilot a *Dairy RegTech* approach in the Victorian meat sector. The project is due for completion at the end of 2022.

Performance report (cont.)

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 2021–22, 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.

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. The forum's continued support of *Dairy RegTech* has been integral to its early success. Although still in the growth phase, DFSV acknowledges the critical role industry has in delivering long-term sustainability for *Dairy RegTech*.

Funding Model Review

DFSV completed a review of its funding model in 2022, to ensure DFSV services are recovering costs fairly across the supply chain, reduce complexity, and improve understanding of the model.

The review began in October 2020, with the DFSV Board considering current services, new and/or additional services, and any gaps in regulatory oversight across the dairy supply chain. The Board then considered several options, supporting assumptions, risks, benefits and areas for further analysis. Following these discussions, DFSV sought feedback on the status quo and an alternative option for each part of the dairy supply chain (farms, manufacturers, carriers and distributors).

The objectives of our consultations were to:

- Create awareness of the review among DFSV's licensees, dairy industry associations and government stakeholders.
- Provide clear and concise information on the review, and seek feedback and views early in the process.
- Demonstrate how industry has, and will have, input in shaping changes.
- Ensure consistent messaging to government and industry stakeholders on the review process.
- Ensure stakeholders are informed how their involvement affects decisions.

A consultation paper, released in January 2022, outlined the proposed changes, timeline for implementation and feedback mechanisms. DFSV consulted on the feasibility and impact of the draft options, unintended consequences and any practical problems with the options or their implementation.

The consultation period ran for 6 weeks and licensees could provide feedback via email, or by attending one of 3 webinars. The webinars were run on different days, and at different times, to facilitate greater access.

DFSV also consulted with the Dairy Industry Consultative Forum, Small Business Forum, Department of Jobs, Precincts and Regions (DJPR), Department of Treasury and Finance (Victoria) and the Australian Dairy Regulators' Forum.



A summary of submitters, issues raised, and how the information was used to arrive at a revised funding model, was provided to the DFSV Board in March 2022 as part of their final consideration. Following that Board meeting, DFSV provided stakeholders with a feedback report summarising the number of submissions, issues raised and how the information was used.

DFSV continually seeks to improve our communication with stakeholders. To that end, we asked questions in the licensee survey to establish how effective our communication was. Results indicated 74% of licensees surveyed were aware of the funding model consultation, with the majority aware of the consultation through conferences/ meetings attendance or information viewed online.

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 annual licensee engagement survey in May 2022. A total of 311 (2021: 321) licensees were surveyed (excluding farms) with 115 (2021: 121) responses received (37%) (2021: 38%) This represented a response rate of 53% for manufacturers (2021: 49%), 22% for carriers, (2021: 22%), and 7% for distributors (2021: 15%). Similar to 2021, this year's survey included benchmarking questions about *Dairy RegTech* to monitor trends in awareness, understanding and engagement.

A key performance indicator is whether DFSV's communications with licensees are accurate, timely and provide relevant information. The licensee engagement survey identified 91% (2021: 96%) of respondents were satisfied with DFSV's overall quality of communications, which was evenly spread across licence types. This is lower than last year's result but still exceeds the target of 75%.

Performance report (cont.)

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. Risk assessments are conducted when a potential risk to food safety is identified. In 2021–22, the industry undertook one chemical risk assessment in response to exposure of cows to chemical contaminants. This risk assessment was verified by DFSV to assist manufacturers in making 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 the marketplace. This includes the entire distribution chain. It is a requirement under Australian food law that all food businesses are able to recall unsafe food if and when the need arises.

During the 2021–22 year, 6 food recalls were initiated by DFSV-licensed manufacturers. This includes products made under the licensee's brand name, as well as those made under contract for other brands. The recalls covered:

- a variety of flavours of plant-based dips due to an undeclared allergen (milk) on 27 May 2022
- a variety of different non-dairy milks due to an undeclared allergen (milk) on 20 and 8 April 2022
- an organic soft, white mould cheese due to microbial contamination (*E. Coli*) on 14 February 2022
- a variety of butters due to microbial contamination on 19 January 2022
- an ice cream due to an undeclared allergen (peanut) on 23 December 2021.

DFSV traceability video

In late 2021 DFSV hosted a video panel discussion with representatives from both government and the Victorian dairy food industry. The discussion was chaired by DFSV CEO Amanda Hill, with representatives from the Victorian Department of Health Food Safety Unit, Australian Government Food Standards Australia New Zealand, and DFSV. The panel discussed the critical importance of robust, accurate traceability systems, and early and ongoing communication with food regulators during a food recall. The resulting video contains invaluable lessons and advice from the panel, and in particular from a dairy food business with firsthand experience involving two extensive food recalls which tests their ability to rapidly trace product location and provide up-to-date information to DFSV.

As part of its compliance monitoring activities, DFSV's FSMs have been showing this video to all manufacturers at audit. DFSV hopes manufacturers may learn from the candid story from a dairy licensee that experienced a recall, and subsequently review and improve their recall, traceability and communication systems by the end of the year. In 2022–23, sites will be expected to validate the efficacy of any improvements made via a traceability exercise, which will be verified during future compliance audits.

Emerging issues

DFSV acknowledges innovative food production methods, technologies and business models will potentially change the nature of the current system, and challenge traditional methods of ensuring compliance with food regulations. Emerging local and global food safety issues, regulatory updates, and dairy industry news are monitored daily by the Science, Surveillance and Technical Services team, and fortnightly updates are provided to DFSV management, staff and the Board.

In 2021, in line with the 2020–25 corporate plan, DFSV has done preliminary work examining whether (and to what extent) climate change and/or severe weather may increase the risk of current and emerging dairy food hazards. DFSV undertook a literature review on the impact of climate change to identify and prioritise issues which may require further work to address the risk of climate change for dairy food safety. DFSV will work with the dairy industry on next steps.

Surveillance and testing

The current Product Surveillance Program assesses effectiveness of *Listeria monocytogenes* control programs at Victorian cheese manufacturing sites. More than 50% of cheese manufacturers completed surveys and hosted optional surveillance visits by DFSV technical staff. These visits involved interviews and observations of onsite Listeria management practices, and collection of environmental swab samples. Over the course of the project, DFSV visited 46 cheese manufacturing sites, with 755 swab samples collected, and 84 environmental detections across 22 sites.

Early findings from the program indicate *Listeria* was at least twice as likely to be detected at micro size (<20 tonnes/year) cheese manufacturing sites compared to those classified as very small, small, medium and large. The vast majority of sites in which *Listeria* were detected were wet areas, emphasising the need to manage moisture and environmental pooling. Despite guidance to the contrary, many sites were observed to hose during production, increasing the risk of *Listeria* contamination through aerosols and splash from the environment. Observation and interviews sought to determine how many of the most recognised and effective *Listeria* management practices were implemented at each site. This work has assisted manufacturers to identify *Listeria* contamination risk factors in their facility, and target interventions to reduce the risk. Lessons from the program will be collated into an information package to help cheese manufacturers identify and implement best practice *Listeria* management.

Pathogen investigations

During 2021–22, 53 microbiological contamination detections across 32 manufacturing sites were reported to DFSV and managed by manufacturers with DFSV oversight. A breakdown of detections by type is presented in Table 2.

TABLE 2. 2021–22 microbiological detections in dairy products notified by type

Detections (species tested)	Number	Percentage
<i>Escherichia coli</i>	23	42
<i>Listeria monocytogenes</i>	11	21
Other <i>Listeria</i> species	7	13
<i>Bacillus cereus</i>	3	6
<i>Cronobacter</i> species	3	6
<i>Salmonella</i> species	1	2
Coliforms	1	2
Yeast	1	2
<i>Staphylococcus</i>	1	2
Standard Plate Count	1	2
<i>Coagulase Positive Staphylococci</i>	1	2
Total	53	100

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

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.

Consumer complaints

In 2021–22 DFSV received a total of 61 complaints relating to the production or sale of dairy food, or licensees (see Table 3). Complaints are risk-assessed within 24 hours to determine a suitable course of action and appropriate timeframe for response. All complaints were investigated and addressed directly by DFSV, or referred to another relevant regulatory authority where appropriate.

Follow-up action undertaken by licensees was overseen by DFSV to ensure any potential food safety or public health issues were managed appropriately, including through recalls where necessary.

TABLE 3. 2021–22 complaints received by type

Complaint Type	Number	Percentage
Quality (e.g. spoilage)	21	34
Foreign object	14	23
Illness	8	13
Unlicensed	6	10
Labelling	5	8
Environmental	3	5
Operational practices	2	3
Allergens	1	2
Recall enquiry	1	2
Total	61	100

Performance report (cont.)

Objective 3.

Capabilities and capacity for performance

**Resourced, trained and engaged team**

DFSV's people and a positive engaged organisational culture that reflects our values are key to continued success in achieving our strategic objectives.

Staff engagement

A resourced, trained and engaged team remains crucial in implementing DFSV's objectives and strategies.

The Staff Forum is an internal consultative forum to raise and discuss workplace issues, with solutions considered by senior leaders and reported to the Board. This year the Staff Forum focused on:

- Establishing a calendar of charity events to give employees participation opportunities, and further cement a team culture at the organisation.
- Considering the environmental impact of DFSV and its alignment with the United Nations Sustainable Development Goals.
- Discussing diversity and inclusion at DFSV, leading to introduction of voluntary Acknowledgement of Country and gender pronouns in email signatures.
- Furthering wellbeing activities, including a possible team-building event once COVID 19 cases reduce and employees return to a regular work pattern in the office.

In May 2022, the annual staff engagement pulse survey was conducted to assess levels of engagement and alignment with DFSV's strategic direction. This year, we sought specific feedback on working arrangements emerging from the COVID-19 working from home experience, DFSV's culture as a regulator, and managing risk and uncertainty. Overall, staff engagement (that is level of motivation and connection with DFSV) continued to improve, increasing 5% overall since 2021. The 2022 engagement score is within the top 25% of organisations in the benchmark group¹. DFSV's engagement scores are shown in Figure 1.

¹ 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).

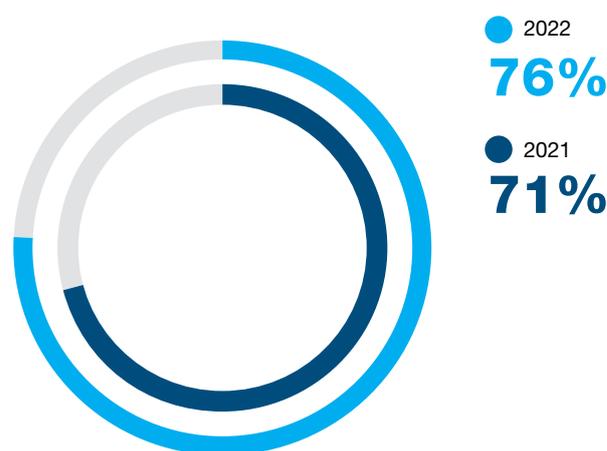


FIGURE 1. Staff engagement survey result showed favourable percentage compared to last year

Agency-wide learning and development plan

DFSV continues to run a program of learning and development for staff. This builds employees' skills via:

- formal training
- conferences and specialist forums
- external government technical working groups
- continuous 'on-the-job' professional development
- organisational approach to succession planning and talent identification.

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

- Hermann Brain Dominance Instrument (HBDI) Training
- Monash Leadership for Regulators Course
- Specialist IT training including Power BI, Microsoft Dynamics, and system security
- Work health and safety seminars
- Governance Institute Annual Conference
- 2022 Stakeholder Forum — Future Ready Food Standards
- The Dairy Industry Association of Australia conference (presenter)
- The British Standards Institute (BSI) Steering Group to develop a practical guide to a culture of food safety
- The United Dairy Farmers conference

Enhance scientific capabilities

DFSV monitors local and international scientific literature and media to identify new and emerging technologies relevant to issues in the dairy industry and food safety. These 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 2021–22 DFSV continued to support manufacturing licensees through the COVID-19 pandemic by hosting virtual Learning Network Forums using remote conferencing technology. Across the 4 sessions, 52 people attended from 45 manufacturer sites.

In May 2022, the traditional regional face-to-face learning networks forums were held for the first time. These were held in Benalla, Moyarra, Camperdown, Thomastown and Carrum Downs. These sessions were attended by 55 people representing 33 businesses.

During the reporting period, DFSV responded to a total of 89 industry technical requests across a range of topics. Of these, 88% of responses were provided within two working days. Most enquiries related to product testing (15%), premises/processing (10%), chemical/physical (10%), and microbiological/pathogens (9%).

Continuously improve business processes and services

IT infrastructure

Victorian Protective Data Security Framework (VPDSF)

DFSV completed planned activities in its 2021–22 Protective Data Security Plan, as submitted to the Office of the Victorian Information Commissioner.

These activities included updates to policies and procedures related to communication and incident notifications for impacts on public sector information.

Strategic plan implementation

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

Licensing management system replacement

DFSV's core business application supports DFSV's licensing and compliance monitoring functions. In 2020 we identified that the legacy system, which has operated for many years, would not support the organisation's future business requirements. Following a procurement process to identify a suitable replacement system and vendor, work commenced to replace the current system.

The new licensing and compliance management system (otherwise known as The Vat) was released in June 2022. This system was developed based on a Microsoft Dynamics 365 platform, and allows DFSV to improve access and utility of stakeholder information it holds. The system allows reporting to a level that was previously unavailable, supporting the organisation's intelligence-led regulatory approach into the future. This platform enhances DFSV's ability to report from the field, identify and monitor trends, and share information through engagement with licensees. The final stages of development are currently underway, including the creating a licensee portal, with the second release anticipated in late 2022.

Performance report (cont.)

Risk management framework

DFSV has 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 2021–22, DFSV again participated in a Victorian Managed Insurance Authority risk maturity survey (self-assessment). The survey results assist DFSV to review, understand and improve internal risk management practices.

In 2022, the Board supported work being undertaken to review, revise and look for opportunities to simplify DFSV's risk management and risk appetite. This aimed to clearly link risks to the 2020–25 corporate plan, and develop a simple and clear approach to risk management and risk appetite, while guiding management and employees to contribute to further developing a positive risk culture. This work will continue into 2022–23.

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 maintains a suite of internal policies and procedures covering a range of portfolio areas, including 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 DFSV faces.

During 2021–22, internal audit reviews were conducted against DFSV's compliance and processes on human resource management and succession planning, payroll and purchase cards, key performance indicator measurement, as well as reporting, budget development and forecasting. No high-risk issues were identified.

Complaints management

In 2021–22, DFSV received one complaint, which was investigated, responded to and closed within the timeframes. DFSV is committed to responding to and addressing any complaints received about its services or decision within 20 business days. Where a complaint may take longer to investigate, DFSV keeps the complainant informed of the investigation's progress.

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.

DFSV's previously reported 2020–21 financial summary (Table 4) has been revised due to a change in accounting policy concerning cloud computing costs associated with replacing the DFSV licensing management system database (see explanatory note above about licencing management system replacement project and Note 8.3 of the Financial Statements). The change has resulted in costs for this project being expensed over 2020–21 and 2021–22, instead of being capitalised as an asset on the balance sheet and subsequently amortised over its useful life.

The increase in revenue compared to 2021 is a combination of grant funds received from the Department of Jobs, Precincts and Regions to further progress the *Dairy RegTech* initiative and a 3% increase in licence fees received. The increase in expenditure and corresponding decline in net cash flow from operating activities is largely attributed to expensing costs for the Licensing Managements System replacement project as explained above. The increase in total assets and liabilities is mostly attributed to the recognition of DFSV's tenancy lease renewal which is shown on the balance sheet as an asset and corresponding liability in accordance with Australian Accounting Standards (see Financial Statements Note 4.1 and 6.3).

Despite the deficit result for 2021–22 due to the change in accounting policy, DFSV maintained a financially stable position, with expenditure for the year remaining within budgeted plans. 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.

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 DFSV's control.

TABLE 4. Five year financial summary

	2021–22	2020–21	2020–21	2019–20	2018–19	2017–18
	\$	(revised)	(original)	\$	\$	\$
Total income from transactions	6,504,712	6,207,078	6,207,078	6,041,536	6,160,851	6,122,965
Total expenses from transactions	(6,733,871)	(6,343,413)	(6,045,596)	(5,891,055)	(5,982,435)	(5,889,584)
Net result from transactions	(229,159)	(136,335)	161,482	150,481	178,416	233,381
Other economic flows	47,846	4,824	4,824	(6,338)	(39,777)	5,135
Comprehensive result	(181,313)	(131,511)	166,306	144,143	138,639	238,156
Net cashflow from operating activities	93,867	316,388	614,204	605,257	298,882	662,368
Total assets	8,665,850	8,265,009	8,562,826	8,394,557	7,863,540	7,681,959
Total liabilities	2,150,304	1,568,150	1,568,150	1,566,187	1,179,313	1,136,371

Governance and organisational structure

DFSV Board

The DFSV Board has 7 members appointed to ensure a balance of skills and expertise. The Minister appoints the Chairperson and may also appoint one member nominated by the Secretary of DJPR. The Minister appoints the remaining 5 members, acting on recommendations of an industry selection committee.

Under section 9 of the Act, board members are appointed because of their expertise in one or more of the following areas:

- on-farm milk production
- dairy food manufacturing
- public health
- food technology and safety

- business management
- consumer issues
- any other area the Minister considers relevant to the Authority's functions or powers.

Each member holds office for a term not exceeding 3 years and is eligible for re-appointment. The current Board members' terms commenced in October 2021. In April 2022, the Chair was reappointed for a further term until April 2025.

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

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

TABLE 5. Membership of DFSV committees at 30 June 2022 (all members independent, non-executive)

Risk Management and Audit (RMA)	Assists the Board to fulfil its corporate governance and statutory responsibilities in relation to financial reporting, internal control, risk management systems and internal and external audit functions.	<ul style="list-style-type: none"> • Michele Allan, Committee Chair • Nick Renyard • Peta Slack-Smith
People and Culture	Assists the board in fulfilling its statutory responsibilities in relation to people and culture, including occupational health and safety (OHS).	<ul style="list-style-type: none"> • Joanna Wriedt, Committee Chair • Tania Luckin • Tracey Marsden

TABLE 6. Attendance at board and board committee meetings in 2021–22

	Board	RMA Committee	People and Culture Committee
Total number of meetings for the year			
Board member	Number of meetings attended/(number of meetings eligible to attend)		
Anne Astin (Chair) ^a	5/5	N/A	N/A
Michele Allan (Deputy Chair from 12 October 2021) ^a	5/5	3/3	1/1
Noel Campbell ^b	1/1	1/1	N/A
Julie Johnson ^b	1/1	N/A	1/1
Tania Luckin ^c	4/4	N/A	1/1
Tracey Marsden ^c	4/4	N/A	1/1
Peter Moloney (Deputy Chair) ^b	1/1	1/1	N/A
Nick Renyard ^c	4/4	3/3	N/A
Peta Slack-Smith ^c	4/4	2/2	N/A
Julie Simons ^b	1/1	N/A	1/1
Joanna Wriedt ^a	5/5	1/1	1/1

a. Board member for full financial year 2021–22

b. Board member appointment expired 11 October 2021

c. Board member appointment commenced 12 October 2021



DFSV Board at 30 June 2022

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 also Deputy Chair of the New Zealand Food Safety Science & Research Centre's Advisory Board, and a director of the Australian Packaging Covenant, Sheep Producers Australia Ltd, and Agriculture Innovation Australia Ltd.

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, Wellsprings for Women Inc, and the Australian Industry Skills Council's Food, Beverage and Pharmaceutical Industry Reference Committee. 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 (Deputy Chair)

Michele has an academic background in biomedical science, technology and business management and law, and held senior positions and directorships in food and agribusiness and as an advisor to government on a range of issues related to horticulture, food manufacturing and export. She is currently Chair of the Boards of Apple & Pear Australia Limited, Food and Agribusiness Growth Centre and Wine Australia, Chancellor of the Board of Charles Sturt University, non-executive director of SmartSat CRC, non-executive director of Food Agility CRC, Trusted Autonomous Systems CRC and CSIRO.

▶ ABOVE: DFSV board members, L–R Tracey Marsden, Nick Renyard, Dr Michele Allan, Dr Anne Astin, Peta Slack-Smith, Tania Luckin, Dr Joanna Wriedt.

Governance and organisational structure (cont.)

Tania Luckin

Tania operates a dairy farming business in South West Victoria. She has more than 20 years experience in successfully operating small, medium and large-scale dairy farms in Victoria and South Australia. She has been involved in various industry organisations at regional and national levels, and a range of governance roles including a director of WestVic Dairy, Bonlac Supply Company, and Dairy Australia.

Dr Tracey Marsden

Tracey has qualifications in veterinary science, business and public administration and adult education and has worked in the Victorian public sector since 2014. During this time, she has led a number of significant legislative reforms relating to animal welfare and domestic animals, and has previously worked in dairy, biosecurity and food policy. Tracey is currently Director Pets and Animal Welfare with Animal Welfare Victoria, managing both policy development and program delivery teams. Tracey's professional experience spans the pharmaceutical, veterinary and education sectors.

Nick Renyard

Nick operates a 400 hectare, 550 cow dairy farm with his family near Timboon. He has served on various boards, including three years with DemoDairy Co-operative, five years with Australian Dairy Farmers Ltd. He has also been on the board of Corangamite Catchment Management Authority since 2013. Nick has also served on the Policy Council of both United Dairyfarmers of Victoria and Australian Dairy Farmers. Throughout that time, he was involved with many committees relating to animal health, welfare, technical issues and trade.

Peta Slack-Smith

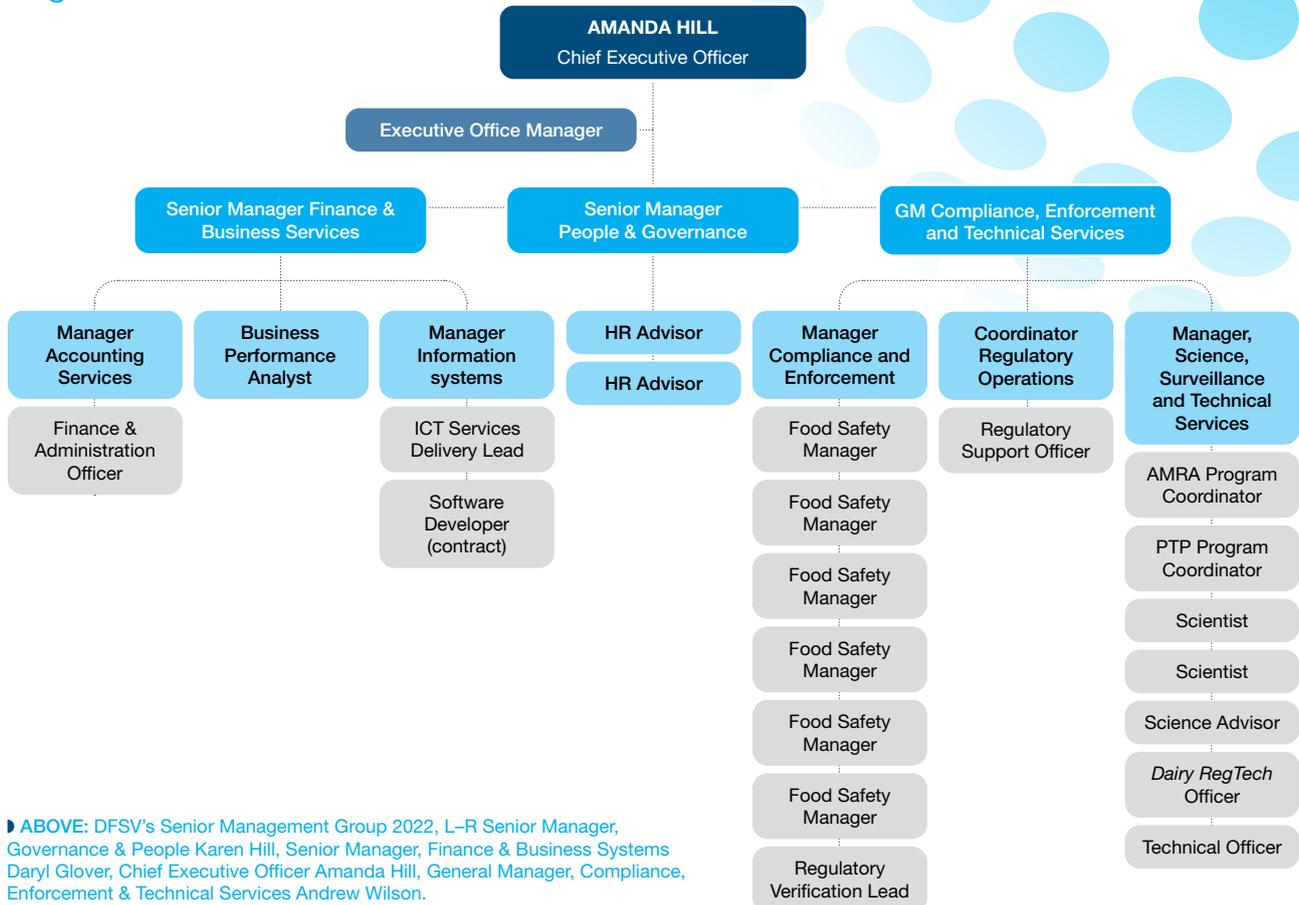
Peta has worked in not-for-profits, ASX listed corporates, industry associations, state and federal government departments, and as chief of staff to a federal minister. She has worked in numerous industries (cotton, grains, dairy, wool and livestock), with responsibility for corporate affairs, policy development, trade policy, market access, and corporate social responsibility. Peta has advised CEOs, boards, ministers, companies and industries through threats to reputation, new operating environments, and changes to consumer and stakeholder expectations. She is a graduate of the Mt Eliza Business School and Harvard Business School, and recipient of the prestigious Churchill Fellowship and Fairfax Fellowship in Ethical Leadership. Peta has strong knowledge of the dairy industry, including as Executive Manager of United Dairy Farmers of Victoria. She is currently a director with the Cotton Research and Development Corporation, and sits on its finance, risk and audit committee.

Dr Joanna Wriedt

Joanna's professional experience spans commercial law, government and medical research. She holds a Juris Doctor in law and a PhD in medical research, and is experienced in corporate governance. She previously worked as a commercial lawyer in the transport and shipping sector, dealing with transport incidents and regulatory matters. Joanna's work in the public sector includes as policy adviser to the Federal Minister of Health from 1998 to 2001, and through committee and board appointments. She is chair of the Victorian Government's Radiation Advisory Committee, state director of the Biosciences Research Centre Joint Venture (Agribio), and chair of its risk committee. At the federal level she sits on the Australian Radiation Protection and Nuclear Safety Agency's Radiation Health Committee, and the Nuclear Safety Committee. She is an independent director and chair of the National Asthma Council. Joanna has sat on a number of not-for-profit boards, and has over 30 years experience in commercial-scale farming in Victoria and Queensland.



Organisational structure



▶ ABOVE: DFSV's Senior Management Group 2022, L-R Senior Manager, Governance & People Karen Hill, Senior Manager, Finance & Business Systems Daryl Glover, Chief Executive Officer Amanda Hill, General Manager, Compliance, Enforcement & Technical Services Andrew Wilson.

Governance and organisational structure (cont.)

Occupational health and safety

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

The OHS framework includes:

- Maintaining OHS policies and procedures.
- Reviewing and monitoring a hazard risk register.
- An incident and near miss reporting processes.
- Workplace inspections.
- A Health and Wellbeing Committee which meets twice a year.
- An ongoing program of OHS training.
- Regular communication with staff and the board on health and safety matters.

DFSV now has 3 trained contact officers available to staff, including a male representative, who can advise on issues relating to workplace behaviour and conduct such as discrimination, harassment and bullying.

In 2021–22 the main considerations for OHS continued to be the impact of COVID-19 and the implications for the health and safety of DFSV staff, including a return to working in the office. 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 aimed to mitigate the risks associated with health, safety and wellbeing, including during COVID-19 working from home and hybrid working 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 and 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 periods of remote working.

During 2021–22, one occupational health and safety incident with no injury was reported in addition to an injury with no lost time. One WorkCover claim was lodged for this period.

Workforce data

Employment and conduct principles

DFSV administers its industrial relations framework by aligning relevant policies, 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 2022	26	18	8	24.2	5.8
June 2021	25	20	5	24	5

TABLE 8. Detail of employment levels at 30 June 2022

	June 2022			June 2021		
	Full and part-time (HC)	Fixed-term and casual		Full and part-time (HC)	Fixed-term and casual	
		Ongoing	FTE		Ongoing	FTE
<i>Gender</i>						
Male	6	5.8	1	6	5.8	1
Female	20	18.2	4.8	19	18.2	4
Self-described	-	-	-	-	-	-
Total	26	24	4.8	25	24	5
<i>Age</i>						
Under 25	0	0	0	0	0	0
25–34	5	4.8	2	6	6	1
35–44	5	4.4	0	4	3.8	0
45–54	10	9	2.8	9	8.4	3
55–64	5	5	1	5	5	1
Over 64	1	0.8	0	1	0.8	0
Total	26	24	5.8	25	24	5
<i>Position</i>						
Executive	2	2	0	2	2	0
Corporate	12	10.8	2.8	11	10.8	4
Technical	12	11.2	2	12	11.4	1
Total	26	24	4.8	25	24	5

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 in regional Victoria. DFSV has not undertaken any projects during the year relevant to the Local Jobs First policy.

Disclosure of consultancy expenditure

In 2021–22, there were 6 consultancies engaged during the year, where the total fees payable to the individual consultancies was less than \$10,000. The total expenditure incurred during 2021–22 in relation to these consultancies was \$27,444 (excluding GST).

In 2021–22, there were 6 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2021–22 in relation to these consultancies was \$141,217 (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 (\$)
Comprara Pty Ltd	Compliance assessment	11,000	10,990	-
Hammond Street Developments Pty Ltd	IT system development evaluation	15,000	14,255	-
M&K Lawyers Group Pty Ltd	Legal services	15,000	11,884	-
Quantum Market Research (Aust) Pty Ltd	Stakeholder engagement survey	25,000	24,975	25,000
RSM Australia Pty Ltd	Audit and accounting services	70,000	65,513	-
Votar Partners	Records management system	15,000	13,600	-
Totals		151,000	141,217	25,000

Information and communications technology (ICT) expenditure

Table 10 shows DFSV's total ICT expenditure in 2021–22 was \$992,000.

TABLE 10. ICT expenditure^a

Expenditure	Total (\$)
All operational ICT expenditure	282,000
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	620,000
Capital expenditure	90,000
Total	992,000

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 the current ICT capability.

Disclosure of major contracts

DFSV did not enter into any major contract during 2021–22. A ‘major contract’ is a contract entered into during the reporting period valued at \$10 million or more.

Government advertising expenditure

DFSV did not undertake a government advertising campaign in 2021–22.

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 2021–22, 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 payment of the \$30.60 application fee. The fee may be waived if 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 or 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

Compliance with the Building Act

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

National Competition Policy

The Victorian Government principally adopted the recommendations presented in July 1999 and incorporated them into the Act.

Compliance with the Public Interest Disclosures Act

The *Public Interest Disclosures Act 2012* (PID Act) 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. The PID Act protects people who make disclosures in accordance with the PID Act, and establishes a system for investigating any matters disclosed, and any initiating 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 the PID 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.

DFSV is unable to receive public interest disclosures. A disclosure under the PID 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 Street
Melbourne, Victoria 3000
GPO Box 24234
Melbourne, Victoria, 3001

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

For further information, please phone IBAC on **1300 735 135**, or email info@ibac.vic.gov.au.

Other disclosures (cont.)

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 recognise 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 through procurement can be supported.

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 a tender process. When travelling to licensee sites to conduct audits, DFSV supports local businesses in regional Victoria.

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 available on request, subject to the provisions of the FOI Act.

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

Dairy Food Safety Victoria's Financial Management Compliance Attestation Statement

I, Anne Astin, on behalf of the board, certify that Dairy Food Safety Victoria has no Material Compliance Deficiency with respect to the applicable Standing Directions of the Minister of Finance under the *Financial Management Act 1994* and Instructions. The Dairy Food Safety Victoria Risk Management and Audit Committee verifies this.



Dr Anne Astin AM PSM
Chair

24 August 2022

Financial statements

for the financial year ended 30 June 2022

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 2022 in the following structure to provide users with the information about DFSV's stewardship of resources entrusted to it.

Accountable Officer's and Chief Finance and Accounting Officer's declaration.....	32	5. Other assets and liabilities.....	50
Independent Auditor's Report	33	5.1 Receivables	50
Comprehensive operating statement.....	35	5.2 Prepayments.....	50
Balance sheet.....	36	5.3 Payables	51
Cash flow statement.....	37	6. Financing our operations.....	52
Statement of changes in equity.....	38	6.1 Cashflow information and balances.....	52
Notes to financial statements	39	6.2 Commitments for expenditure.....	52
1. About this report	39	6.3 Leases	53
2. Funding delivery of our services.....	40	7. Risks, contingencies and valuation judgements.....	55
2.1 Summary of revenue and income that funds the delivery of our services.....	40	7.1 Financial instruments specific disclosures	55
2.2 Licence and service fees revenue	40	7.2 Contingent assets and contingent liabilities.....	60
2.3 Grants and other government assistance.....	41	7.3 Fair value determination.....	60
2.4 Interest income	41	8. Other disclosures.....	62
3. The cost of delivering services.....	42	8.1 Ex-gratia expenses.....	62
3.1 Expenses incurred in delivery of services.....	42	8.2 Other economic flows included in the net result.....	62
3.2 Other operating expenses.....	45	8.3 Changes in accounting policies.....	62
3.3 Accounting for Software as a Service Arrangement.....	45	8.4 Responsible persons.....	64
4. Key assets available to support output delivery.....	46	8.5 Remuneration of executives	65
4.1 Total property, plant and equipment.....	46	8.6 Related parties	65
4.2 Intangible assets.....	48	8.7 Remuneration of auditors.....	66
4.3 Investments and other financial assets.....	49	8.8 Subsequent events.....	66
		8.9 Australian accounting standards issued that are not yet effective.....	67
		8.10 Glossary of technical terms.....	68
		8.11 Style conventions.....	70

Accountable Officer's and Chief Finance and Accounting Officer's declaration for the financial year ended 30 June 2022

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 2022 and financial position of Dairy Food Safety Victoria at 30 June 2022.

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

We authorise the attached financial statements for issue on 24 August 2022.



Anne Astin
Chair



Amanda Hill
Chief Executive Officer



Daryl Glover
Chief Finance and Accounting Officer

Melbourne

24 August 2022

Independent Auditor's Report



To the Board of Dairy Food Safety Victoria

Opinion	<p>I have audited the financial report of Dairy Food Safety Victoria (the entity) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2022 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • declaration by the Chair, Chief Executive Officer and Chief Finance and Accounting Officer. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2022 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>
Basis for Opinion	<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>
Board's responsibilities for the financial report	<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 (cont.)

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
29 August 2022



Simone Bohan
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

for the financial year ended 30 June 2022

	Notes	2022 \$	2021 \$
Income and revenue from transactions			
Licence and service fees revenue	2.2	5,989,286	5,831,747
Grants and other government assistance	2.3	487,016	350,000
Interest income	2.4	22,410	25,330
Other income		6,000	-
Total income and revenue from transactions		6,504,712	6,207,077
Expenses from transactions			
Employee expenses	3.1.1	4,007,997	3,738,399
Depreciation and amortisation	4.1.1	358,986	347,210
Product testing and laboratory evaluation costs		421,158	432,828
Other operating expenses	3.2	1,945,730	1,824,975
Total expenses from transactions		6,733,871	6,343,412
Net result from transactions (net operating balance)		(229,159)	(136,335)
Other economic flows included in net result			
Net gain/(loss) on disposal of non-financial assets	8.2	364	(8,529)
Other gains from other economic flows	8.2	47,482	13,353
Total other economic flows included in net result		47,846	4,824
Comprehensive result		(181,313)	(131,511)

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

Balance sheet

as at 30 June 2022

	Notes	2022 \$	2021 \$
Assets			
<i>Financial assets</i>			
Cash and deposits	6.1(a)	7,146,456	7,251,429
Receivables	5.1	168,621	110,070
Total financial assets		7,315,077	7,361,499
<i>Non-financial assets</i>			
Property, plant and equipment	4.1	1,115,199	625,099
Intangible assets	4.2	182,362	201,942
Prepayments	5.2	53,212	76,469
Total non-financial assets		1,350,773	903,510
Total assets		8,665,850	8,265,009
Liabilities			
Payables	5.3	373,296	481,637
Employee related provisions	3.1.2	918,025	858,193
Lease liabilities	6.3	858,983	228,320
Total liabilities		2,150,304	1,568,150
Net assets		6,515,546	6,696,859
Equity			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		4,715,546	4,896,859
Net worth		6,515,546	6,696,859

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 2022

	Notes	2022 \$	2021 \$
Cashflow from operating activities			
<i>Receipts</i>			
Receipts received from customers		5,912,510	5,834,332
Receipts from Government		487,016	350,000
Interest received		22,050	25,299
Goods and services tax received from the ATO ^a		156,434	98,683
Total receipts		6,578,010	6,308,314
<i>Payments</i>			
Payments to suppliers and employees		(6,474,564)	(5,987,943)
Interest and other costs of finance paid	6.3	(9,579)	(3,983)
Total payments		(6,484,143)	(5,991,926)
Net cash flows from operating activities	6.1(b)	93,867	316,388
Cash flows from investing activities			
Purchases of non-financial assets	4.1.2	(111,117)	(299,091)
Purchases of intangible assets	4.2	(40,959)	(104,106)
Net cash flows from/(used in) investing activities		(152,076)	(403,197)
Cash flows from financing activities			
Repayment of principal portion of lease liabilities	6.3	(223,864)	(238,250)
Inflows from leasehold improvement contribution		177,100	-
Net cash flows used in financing activities		(46,764)	(238,250)
Net increase/(decrease) in cash and cash equivalents		(104,973)	(325,059)
Cash and deposits at the beginning of the financial year		7,251,429	7,576,488
Cash and deposits at the end of the financial year	6.1(a)	7,146,456	7,251,429

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 2022

	Contributed capital \$	Accumulated surplus \$	Total equity \$
Balance as at 1 July 2020	1,800,000	5,028,370	6,828,370
Net result for the 2020/21 year	-	(131,511)	(131,511)
Balance as at 30 June 2021	1,800,000	4,896,859	6,696,859
Net result for the 2021/22 year	-	(181,313)	(181,313)
Balance as at 30 June 2022	1,800,000	4,715,546	6,515,546

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 2022

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 2022.

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.

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

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

Compliance information

These general-purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable AASs which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

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

Notes to financial statements (cont.)

2. Funding delivery of our services

Objectives and funding

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

DFSV fixes and charges fees for its services, 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 our services

	Notes	2022 \$	2021 \$
Licence and service fees revenue	2.2	5,989,286	5,831,747
Grants and other government assistance	2.3	487,016	350,000
Interest income	2.4	22,410	25,330
Other income		6,000	-
Total revenue and income from transactions		6,504,712	6,207,077

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

	2022 \$	2021 \$
Licence fees	4,991,017	4,833,157
Audit and inspection fees	463,801	461,395
Income relating to the AMRA survey	534,468	537,195
Total licence and service fees	5,989,286	5,831,747

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 - i.e. 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 of completion of the service of conducting an audit or performing the survey. Any income arising from services performed, which has not been invoiced at the reporting date, is recognised as a contract asset; but invoiced income in respect of services performed is recognised as a receivable.

Licence fees

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

Audit and inspection fees

Audit and inspection fees are receivable for specific activities performed by DFSV, under powers given to it under the Dairy and Food Acts, and 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

	2022 \$	2021 \$
Government grants: specific purpose	450,000	250,000
COVID-19 relief funding	37,016	100,000
Total grants and other government assistance	487,016	350,000

Government grants 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 is 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. On initial recognition, DFSV recognises the asset received, any related amounts, increases in liabilities, decreases in assets, and revenue in accordance with other Australian Accounting Standards.

The related amounts may take the form of:

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

The COVID-19 relief funding was provided to assist entities with the pandemic and is recognised under *AASB 1058 Income for Not-For-Profit entities*.

2.4 Interest income

	2022 \$	2021 \$
Interest on bank deposits	22,410	25,330
Total interest income	22,410	25,330

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 (cont.)

3. The cost of delivering services

This section provides an account of the expenses incurred by DFSV in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the costs associated with provision of services are recorded.

Expenses from transactions are recognised as they are incurred and reported in the financial year to which they relate.

3.1 Expenses incurred in delivery of services

	Notes	2022 \$	2021 \$
Employee benefit expenses	3.1.1	4,007,997	3,738,399
Product testing and laboratory evaluation costs		421,158	432,828
Other operating expenses	3.2	1,945,730	1,824,975
Total expenses incurred in delivery of services		6,374,885	5,996,202

3.1.1 Employee benefits in the comprehensive operating statement

	2022 \$	2021 \$
Salaries and employee entitlements	3,359,122	3,120,626
Defined contribution superannuation expense	319,072	282,954
Defined benefits superannuation expense	9,898	10,408
Other employee-related costs (FBT, payroll tax and WorkCover)	211,383	215,891
Board and committee fees	108,522	108,520
Total employee and board member expenses	4,007,997	3,738,399

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

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

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

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.

	2022 \$	2021 \$
Current provisions		
<i>Annual leave:</i>		
Unconditional and expected to settle within 12 months	187,898	190,480
Unconditional and expected to settle after 12 months	69,631	57,215
<i>Long service leave:</i>		
Unconditional and expected to settle within 12 months	65,130	74,178
Unconditional and expected to settle after 12 months	352,677	349,851
<i>Provisions for on-costs:</i>		
Unconditional and expected to settle within 12 months	39,561	40,070
Unconditional and expected to settle after 12 months	66,864	62,809
Total current provisions	781,761	774,603
Non-current provisions		
Employee benefits — long service leave	117,444	72,372
On-costs	18,820	11,218
Total non-current provisions	136,264	83,590
Total provisions for employee benefits	918,025	858,193

Reconciliation of movement in on-cost provisions

	2022 \$	2021 \$
Opening balance	114,097	102,895
Additional provisions recognised	60,129	40,774
Reductions arising from payments	(48,981)	(29,572)
Closing balance	125,245	114,097
Current	106,425	102,879
Non-current	18,820	11,218

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

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

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

Notes to financial statements (cont.)

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

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

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

The components of this current LSL liability are measured at:

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

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

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

3.1.3 Superannuation contributions

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

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

Fund	Paid contributions for the year \$		Contributions outstanding at year end \$	
	2022	2021	2022	2021
Defined benefit plans:				
Emergency Services Superannuation	9,848	10,389	469	419
Defined contribution plans:				
Vic Super	72,004	66,997	3,478	2,620
Australian Super	81,379	79,019	3,404	2,691
Other	162,273	147,461	8,538	7,203
Total	325,504	303,866	15,889	12,933

3.2 Other operating expenses

	2022 \$	2021 \$
Audit fees (refer to Note 8.7)	93,513	95,419
General administration	97,488	118,095
General insurance	144,568	110,256
Information technology (refer to Note 3.3)	820,939	458,434
Interest and other costs of finance (refer to Note 6.3)	9,579	3,983
Occupancy (excluding operating rental lease)	52,787	57,069
Low value lease expenses	10,347	33,563
Professional services (consultancies, contractors, legal, recruitment)	647,841	888,442
Travel (excluding motor vehicle operating leases)	68,668	59,714
Total other operating expenses	1,945,730	1,824,975

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 with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than \$10 000

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

3.3 Accounting for Software as a Service Arrangement

During the year, DFSV revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below. Historical financial information has been restated to account for the impact of the change — refer Note 8.3.

SaaS arrangements which give DFSV rights to access a software provider's platform over the term of a contract. Under SaaS arrangements, DFSV does not recognise an intangible asset in respect of the right to access the software, where the contract does not provide DFSV with the right to the future economic benefits derived from the underlying software.

In respect of SaaS arrangements, software licence fees, and any associated costs which are not distinct from the underlying licence fee and recognised within operating expenses over the term of the service contract. Other costs, such as data conversion and testing, user training, and any customisation and configuration costs which are distinct from the licence, are recognised as an operating expense when the services in question are received.

Notes to financial statements (cont.)

4. Key assets available to support output delivery

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

Fair value measurement

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

4.1 Total property, plant and equipment

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2022 \$	2021 \$	2022 \$	2021 \$	2022 \$	2021 \$
Leasehold improvements	348,477	105,945	(114,005)	(86,135)	234,472	19,810
Assets under construction at cost	-	289,289	-	-	-	289,289
Furniture and fittings	126,178	36,480	(31,451)	(17,005)	94,727	19,475
Office equipment	319,909	251,732	(217,973)	(178,359)	101,936	73,373
Total plant and equipment	794,564	683,446	(363,429)	(281,499)	431,135	401,947
Right-of-Use assets						
Property	1,052,384	433,893	(464,818)	(315,559)	587,566	118,334
Vehicles	307,383	248,445	(210,885)	(143,627)	96,498	104,818
Total Right-of-Use assets	1,359,767	682,338	(675,703)	(459,186)	684,064	223,152
Total Property, plant and equipment	2,154,331	1,365,784	(1,039,132)	(740,685)	1,115,199	625,099

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.

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; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

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

	2022 \$	2021 \$
Leasehold improvements	27,870	6,609
Furniture and fittings	14,446	12,660
Office equipment	39,614	36,252
Amortisation of software	60,539	56,633
Right-of-Use assets — Property	149,259	160,617
Right-of-Use assets — Vehicles	67,258	74,439
Total depreciation and amortisation	358,986	347,210

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 the 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 plus 5 year renew option)
Furniture and fittings	5 to 10 years
Office equipment	3 to 10 years
Software	3 to 10 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 are made where appropriate.

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

Notes to financial statements (cont.)

4.1.2 Reconciliation of movement in carrying amounts

	Assets under construction at cost \$	Leasehold improve- ments \$	Furniture and fittings \$	Office equipment \$	Right-of -Use – Property \$	Right-of-Use - Vehicles \$	Total \$
Opening balance 1 July 2021	289,289	19,810	19,475	73,373	118,334	104,818	625,099
Additions	-	-	42,941	68,176	618,492	58,938	788,547
Disposals	-	-	-	-	-	-	-
Transfer to other categories	(289,289)	242,532	46,757	-	-	-	-
Depreciation	-	(27,870)	(14,446)	(39,614)	(149,259)	(67,258)	(298,447)
Closing balance 30 June 2022	-	234,472	94,727	101,936	587,566	96,498	1,115,199
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

4.2 Intangible assets

	2022 \$	2021 \$
Gross carrying amount		
Opening balance	1,186,863	1,086,557
Additions	40,959	104,106
Disposals	-	(3,800)
Closing balance of gross carrying amount	1,227,822	1,186,863
Accumulated depreciation		
Opening balance	(984,920)	(932,087)
Amortisation expense	(60,539)	(56,633)
Write-back of fully amortised assets no longer in use	-	3,800
Closing balance of accumulated depreciation	(1,045,459)	(984,920)
Net book value at end of financial year	182,363	201,943

Initial recognition

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

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

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

Subsequent measurement

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

Impairment of intangible assets

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

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

4.3 Investments and other financial assets

DFSV did not hold any current or non-current term deposits at 30 June 2022 (\$nil 2021).

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 (cont.)

5. Other assets and liabilities

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

5.1 Receivables

	2022 \$	2021 \$
Current receivables		
<i>Contractual</i>		
Trade debtors ^a	113,232	50,008
Accrued interest	453	93
Other receivables	20,116	200
Total receivables	133,801	50,301
<i>Statutory</i>		
GST input tax credits recoverable ^b	34,820	59,769
Total current receivables	168,621	110,070

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

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

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

Statutory receivables do not arise from contracts, though they are recognised and measured similarly to contractual receivables (except for impairment); but are not classified as financial instruments for disclosure purposes. DFSV applies AASB 9 for initial measurement of the statutory receivables, so they are initially recognised at fair value plus any directly attributable transaction costs.

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

5.1.1 Assets and liabilities related to contracts with customers

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

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

5.2 Prepayments

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

5.3 Payables

	2022 \$	2021 \$
Current payables		
<i>Contractual</i>		
Supplies and services ^a	199,297	258,114
Employee benefit accruals and on-costs	45,019	113,371
Total contractual payables	244,316	371,485
<i>Statutory</i>		
Taxes payable (FBT, PAYG, Payroll Tax)	128,980	110,152
Total current payables	373,296	481,637

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

Payables consist of:

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

Due to the short-term nature of current payables, their carrying value is assumed to approximate their fair value and maturity dates are one month or less.

Notes to financial statements (cont.)

6. Financing our operations

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

This section includes disclosures of balances that are financial instruments.

6.1 Cashflow information and balances

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

	2022 \$	2021 \$
(a) Cash and cash equivalents		
Cash on hand	300	300
Cash at bank	7,146,156	7,251,129
Total cash and deposits disclosed in the balance sheet	7,146,456	7,251,429
(b) Reconciliation of net result for the financial year to net cash flows from operating activities		
Net result for the financial year	(181,313)	(131,511)
<i>Non-cash movements:</i>		
Depreciation and amortisation of non-current assets	358,986	347,210
Written down value of assets disposed	-	10,011
<i>Movements in assets and liabilities:</i>		
Decrease/(Increase) in receivables	(58,554)	(40,145)
Decrease/(Increase) in prepayments	23,257	(43,243)
Increase/(Decrease) in payables	(108,341)	112,311
Increase/(Decrease) in provisions	59,832	61,754
Net cash flow from operating activities	93,867	316,388

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 the related liabilities are recognised in the balance sheet. DFSV did not have commitments at the reporting date.

6.3 Leases

DFSV's leasing activities

DFSV leases a property, IT equipment, and various motor vehicles. The lease contracts are typically made for fixed periods of 1–5 years with the exception of the property lease which has an option to renew for a further 5 years.

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

Property leases

DFSV holds one lease for premises at Camberwell is for a five-year term from 1 April 2022 to 31 March 2027, with fixed rate annual rental increases of 3 per cent. The incremental borrowing rate applicable to this lease, used to discount the future lease payments to present value, was determined as 4%.

Vehicle leases

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

	2022 \$	2021 \$
Amounts recognised in the comprehensive operating statement		
Interest on lease liabilities	9,579	3,983
Expenses relating to leases of low-value assets	10,089	33,563
	19,668	37,546
Maturity analysis — undiscounted contractual cash flows		
Less than one year	224,295	180,875
One to five years	713,516	49,618
Total undiscounted contractual cash flows	937,811	230,493
Lease liabilities recognised in the balance sheet		
Current	195,147	179,744
Non-current	663,836	48,576
Total	858,983	228,320
	2022 \$	2021 \$
Amounts recognised in cashflow statement		
Payments of interest on lease payments [operating cashflows]	9,579	3,983
Payments of principal on lease payments [financing cashflows]	223,864	238,250
Total cash outflow for leases	233,443	242,233

Notes to financial statements (cont.)

Lease liability

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

Lease payments included in the measurement of lease liabilities comprise:

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

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

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

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

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

Short-term leases and leases of low-value assets

DFSV has elected to account for short-term leases (i.e. of 12 months or less) 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 recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied.

7.1 Financial instruments specific disclosures

Introduction

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

Categories of financial assets

Financial assets at amortised cost

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

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

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

DFSV recognises the following assets in this category:

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

Categories of financial liabilities

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. DFSV recognises payables and lease liabilities (excluding statutory payables) as liabilities in this category and subsequently measured at amortised cost using the effective interest method less any impairment. The carrying amounts of DFSV's contractual financial assets and financial liabilities by category are disclosed in the table below (excluding statutory amounts i.e. GST recoverable and taxes payable).

Notes to financial statements (cont.)

Financial instruments: Categorisation	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
2022			
<i>Contractual financial assets:</i>			
Cash and deposits	7,146,456	-	7,146,456
Trade receivables	113,232	-	113,232
Accrued interest	453	-	453
Other debtors	20,116	-	20,116
Total contractual financial assets	7,280,257	-	7,280,257
<i>Contractual financial liabilities:</i>			
Supplies and services		199,297	199,297
Borrowings: lease liabilities		858,983	858,983
Total contractual financial liabilities		1,058,280	1,058,280
2021			
<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
Total contractual financial assets	7,301,730	-	7,301,730
<i>Contractual financial liabilities:</i>			
Supplies and services	-	258,114	258,114
Borrowings: lease liabilities	-	228,320	228,320
Total contractual financial liabilities	-	486,434	486,434

Financial risk management objectives and policies

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

DFSV's main financial risks include credit risk, liquidity risk and interest rate risk.

Credit risk

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

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

Provision of impairment for contractual financial assets is recognised when there is objective evidence that DFSV will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts that are more than 90 days overdue, and changes in debtor credit ratings.

Credit quality of financial assets: 2022	Financial institution (AA credit rating) \$	Other \$	Total \$
Cash on hand (not subject to impairment losses)	-	300	300
Financial assets with loss allowance measured at 12 month expected credit loss:			
Cash and deposits (with no impairment loss recognised)	7,146,156	-	7,146,156
Statutory receivables (with no impairment loss recognised)	34,820	-	34,820
Financial assets with loss allowance measured at lifetime expected credit loss:			
Contractual receivables applying the simplified approach for impairment	453	133,348	133,801
Total	7,181,429	133,648	7,315,077

Credit quality of financial assets: 2021	Financial institution (AA credit rating) \$	Other \$	Total \$
Cash on hand (not subject to impairment losses)	-	300	300
Financial assets with loss allowance measured at 12 month expected credit loss:			
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
Financial assets with loss allowance measured at lifetime expected credit loss:			
Contractual receivables applying the simplified approach for impairment	93	50,208	50,301
Total	7,310,991	50,508	7,361,499

Impairment of financial assets under AASB 9

DFSV records allowances for expected credit losses on its contractual receivables, statutory receivables, and its 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 (cont.)

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 select the expected credit loss rate based on DFSV's past history, existing market conditions, as well as forwardlooking 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 has been recognised in 2021–22 (2020-21 nil).

Liquidity risk

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

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

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

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

Market risk

DFSV's exposure to market risk is through interest rate risk. Taking into account past performance, DFSV considers that a shift of +1.0 per cent in market interest rates (AUD) is 'reasonably possible' over the next 12 months. Management has assessed the impact that such shift in the interest rate would have on net operating result and equity on DFSV as immaterial if the above movements were to occur.

Interest rate risk

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

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

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

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

Interest rate exposure of financial instruments	Note	Weighted average interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
2022						
<i>Financial assets:</i>						
Cash at bank	6.1	1.0%	7,146,456	-	7,146,156	300
Receivables ^a	5.1		133,801	-	-	133,801
Total financial assets			7,280,257	-	7,146,156	134,101
<i>Financial liabilities:</i>						
Payables ^a	5.3		199,297	-	-	199,297
Lease liabilities	6.3	3.7%	858,983	-	-	858,983
Total financial liabilities			1,058,280	-	-	1,058,280
2021						
<i>Financial assets:</i>						
Cash at bank	6.1	0.24%	7,251,429	-	7,251,129	300
Receivables ^a	5.1		50,301	-	-	50,301
Total financial assets			7,301,730	-	7,251,129	50,601
<i>Financial liabilities:</i>						
Payables ^a	5.3		258,114	-	-	258,114
Lease liabilities	6.3	1.32%	228,320	-	-	228,320
Total financial liabilities			486,434	-	-	486,434

a. Amounts shown exclude statutory amounts.

Foreign currency risk

DFSV is not exposed to foreign exchange risk.

Notes to financial statements (cont.)

7.2 Contingent assets and contingent liabilities

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

DFSV currently has a Bank Guarantee facility with Commonwealth Bank of Australia for \$77,400 (2021: \$68,003) relating to the leased premises which expires 31 March 2027. Guarantees issued on behalf of DFSV are financial instruments because, although authorised under statutes terms and conditions for each financial guarantee, may vary and are subject to an agreement.

There are no legal or any other claims that creates a contingency for DFSV at the end of this reporting period (2021: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 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 (i.e. unobservable inputs).

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

DFSV considers that the carrying amount of financial instrument assets and financial liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full. 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 2022.

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
As at 30 June 2022		-	-	
Leasehold improvements	234,472	-	-	234,472
Furniture and fittings	94,727	-	-	94,727
Office equipment	101,936	-	-	101,936
Total plant and equipment at fair value	431,135	-	-	431,135
As at 30 June 2021				
Leasehold improvements	19,810	-	-	19,810
Furniture and fittings	19,475	-	-	19,475
Office equipment	73,373	-	-	73,373
Total plant and equipment at fair value	112,658	-	-	112,658

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

	Leasehold improvements	Furniture and fittings	Office equipment	Total
	\$	\$	\$	\$
Reconciliation of level 3 fair values as at 30 June 2022				
Opening balance	19,810	19,475	73,373	112,658
Additions	-	42,941	68,176	111,117
Disposals	-	-	-	-
Transfers between categories	242,532	46,757	-	289,289
Depreciation	(27,870)	(14,446)	(39,614)	(81,930)
Closing balance	234,472	94,727	101,936	431,135

	Leasehold improvements	Furniture and fittings	Office equipment	Total
	\$	\$	\$	\$
Reconciliation of level 3 fair values as at 30 June 2021				
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)
Closing balance	19,810	19,475	73,373	112,658

Notes to financial statements (cont.)

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

DFSV waived debts to the value of \$2,367 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 Changes in accounting policies

As a result of changes in DFSV's accounting policies, prior year financial statements have been restated. The IFRS Interpretations Committee (IFRIC) has issued two final agenda decisions to provide clarity on the accounting treatment of cloud computing arrangements (refer Note 3.3).

IFRIC's decision regarding configuration or customisation costs in a cloud computing arrangement (April 2021) discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed. This decision results in changes in accounting policies and the accounting treatment.

DFSV's accounting policy has historically been to capitalise all costs related to SaaS arrangements as intangible assets in the Statement of Financial Position. The adoption of the above agenda decisions has result in a reclassification of some intangible assets as an expense in the Statement of Comprehensive Income, impacting both the current and prior periods presented.

In the prior 2020-21 year, DFSV had capitalised \$297,817 in cloud computing costs relating to its Licence Manager database replacement program under intangible assets. The changes resulting from IFRIC agenda decisions are accounted for as a change of accounting policy under AASB 108 and are required to be applied retrospectively.

The following tables show the adjustments recognised for each of the line items for prior year 2020-21. Line items that were not affected by the changes have not been included:

	30 June 2021 As Originally presented	Adjustment/ Reclassification	30 June 2021 Restated
	\$	\$	\$
Statement of profit or loss and other comprehensive income (Extract)			
Expenses from transactions			
Other operating expenses	1,527,158	297,817	1,824,975
Total expenses from transactions	6,042,595	297,817	6,343,412
Net result from transactions	161,482	297,817	(136,335)
Comprehensive Result	166,306	297,817	(131,511)

	30 June 2021 As Originally presented	Adjustment/ Reclassification	30 June 2021 Restated
	\$	\$	\$
Statement of financial position (Extract)			
Non-financial assets			
Intangible assets	499,759	(297,817)	201,942
Total non-financial assets	1,201,327	(297,817)	903,510
Total assets	8,562,826	(297,817)	8,265,009
Net assets	6,994,676	(297,817)	6,696,859
Equity			
Accumulated surplus	5,194,676	(297,817)	4,869,859
Net Worth	6,994,676	(297,817)	6,696,859

	30 June 2021 As Originally presented	Adjustment/ Reclassification	30 June 2021 Restated
	\$	\$	\$
Cashflow Statement (Extract)			
Payments			
Payments to suppliers and employees	(5,690,126)	(297,817)	(5,987,943)
Total payments	(5,694,109)	(297,817)	(5,991,926)
Net cashflows from operating activities	614,205	(297,817)	316,388
Cashflows from investing activities			
Purchases of intangible assets	(401,922)	297,817	(104,106)
Net cashflows from/(used in) investing activities	(701,013)	297,817	(403,197)

Notes to financial statements (cont.)

8.4 Responsible persons

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

Responsible Ministers

Minister for Agriculture, the Hon. Mary-Anne Thomas MP was the responsible minister from 1 July 2021 to 26 June 2022 and the Hon. Gayle Tierney was the responsible Minister from 27 June 2022 to 30 June 2022.

Board members

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

- Anne Astin (Chair) 1 July 2021 – 30 June 2022
- Peter Moloney 1 July 2021 – 11 October 2021
- Julie Simons 1 July 2021 – 11 October 2021
- Julie Johnson 1 July 2021 – 11 October 2021
- Noel Campbell 1 July 2021 – 11 October 2021
- Peta Slack-Smith 12 October 2021 – 30 June 2022
- Tania Luckin 12 October 2021 – 30 June 2022
- Nick Renyard 12 October 2021 – 30 June 2022
- Tracey Marsden 12 October 2021 – 30 June 2022
- Michele Allan 1 July 2021 – 30 June 2022
- Joanna Wriedt 1 July 2021 – 30 June 2022

Accountable officers

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

- Amanda Hill 1 July 2021 – 30 June 2022

Total remuneration of the Accountable Officer in connection with the management of DFSV during the reporting period was in the range: \$330,000 – \$339,999 (2021: \$260,000 – \$269,999).

Insurance premiums

During the financial year, DFSV paid an insurance premium inclusive of GST of \$41,805 (2020 - 21: \$41,805) insuring the Board members and executive officers against a liability arising as a result of work performed in their capacity as Board members or executive officers.

Remuneration of responsible persons

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

	2022 No.	2021 No.
Income band		
\$0–\$9,999	3	-
\$10,000–\$19,999	5	5
\$40,000–\$49,999	1	1
\$260,000–\$269,999	-	1
\$330,000–\$339,999	1	-
Total numbers	10	7
Total remuneration	\$463,035	\$382,180

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

8.5 Remuneration of executives

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

Remuneration comprises employee benefits (as defined in *AASB 119 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 8.4)	2022 \$	2021 \$
Short-term benefits	194,923	337,318
Post-employment benefits	19,257	31,703
Other long-term benefits	8,586	4,412
Termination benefits	-	-
Total remuneration^a	222,766	373,433
Total number of executives	1	2
Total annualised employee equivalents^b	1	1.7

a. The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.6).

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

8.6 Related parties

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

Key management personnel of DFSV includes the Portfolio Minister, the Hon. Mary-Anne Thomas from 1 July 2021 to 26 June 2022 and the Hon. Gayle Tierney from 27 June 2022 to 30 June 2022, board members, the accountable officer (ref Note 8.4 Responsible persons), and a member of the executive team as follows:

- General Manager, Compliance, Enforcement and Technical Services — Andrew Wilson (1 July 2021 – 30 June 2022).

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

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

Board member Tracey Marsden is employed by the DJPR as Director, Pets and Animal Welfare. As a representative of DJPR, Tracey Marsden can support the Board with knowledge of the Department's priorities and activities where appropriate. Tracey Marsden 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 government grants received from DJPR (see Note 2.3).

Notes to financial statements (cont.)

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.

	2022 \$	2021 \$
Total compensation of key management personnel		
Short-term employee benefits	608,857	680,825
Post-employment benefits	55,117	63,849
Other long-term benefits	21,826	10,939
Termination benefits	-	-
Total	685,801	755,613

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

8.7 Remuneration of auditors

	2022 \$	2021 \$
Internal audit fees	65,513	63,719
External audit fees (Victorian Auditor General's Office)	28,000	31,700
Total remuneration of auditors	93,513	95,419

8.8 Subsequent events

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

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

There were no material events subsequent to balance date (including an assessment of any impact of COVID-19) that have significantly affected the operation, results or the state of affairs of DFSV.

8.9 Australian accounting standards issued that are not yet effective

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2022 reporting period. DFSV's management assess the impact of these new standards, their applicability to the entity and early adoption where applicable.

The following table shows the applicable issued AASs but not yet mandatory for the financial year ended 30 June 2022. 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 early adopt the Standard.	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 2020-3 *Amendments to Australian Accounting Standards — Annual Improvements 2018-2020 and Other Amendments*.
- AASB 2021-2 *Amendments to Australian Accounting Standards — Disclosure of Accounting Policies and Definitions of Accounting Estimates*.
- AASB 2021-5 *Amendments to Australian Accounting Standards — Deferred Tax related to Assets and Liabilities arising from a Single Transaction*.
- AASB 2021-6 *Amendments to Australian Accounting Standards — Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*.
- AASB 2021-7 *Amendments to Australian Accounting Standards — Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*.

Notes to financial statements (cont.)

8.10 Glossary of technical terms

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

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

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

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

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

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

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

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

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

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

Financial asset is any asset that is:

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

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

Financial liability is any liability that is:

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

Financial statements comprise:

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

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

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

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

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

Net operating balance or net result from transactions

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

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

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

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

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

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

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

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

Notes to financial statements (cont.)

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

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

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

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

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

8.11 Style conventions

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

The financial statements and notes are presented based on the illustration in the 2021–22 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier published DFSV annual reports.

Appendix 1: Disclosure index

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

Legislation	Requirement	Page reference
Ministerial Directions & Financial Reporting Directions		
Report of operations		
<i>Charter and purpose</i>		
FRD 22	Manner of establishment and the relevant Ministers	3
FRD 22	Purpose, functions, powers and duties	3
FRD 8	Objectives, indicators and outputs	8–19
FRD 22	Key initiatives and projects	8–19
FRD 22	Nature and range of services provided	8–19
<i>Management and structure</i>		
FRD 22	Organisational structure	23
<i>Financial and other information</i>		
FRD 10	Disclosure index	71
FRD 17	Wage inflation and discount rates for employee benefits	43
FRD 22	Employment and conduct principles	25
FRD 22	Occupational health and safety policy	24
FRD 22	Summary of the financial results for the year	19
FRD 22	Significant changes in financial position during the year	19
FRD 22	Governance and organisational structure	20
FRD 22	Subsequent events	66
FRD 22	Application and operation of <i>Freedom of Information Act 1982</i>	27
FRD 22	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	27
FRD 22	Statement on National Competition Policy	27
FRD 22	Application and operation of the <i>Public Interest Disclosure Act 2012</i>	27
FRD 22	Details of consultancies over \$10,000	26
FRD 22	Details of consultancies under \$10,000	26
FRD 22	Disclosure of ICT expenditure	26
FRD 22	Statement of availability of other information	29
FRD 24	Reporting of office based environmental impacts	28
FRD 25	Local Jobs First Disclosure	26
FRD 29	Workforce Data disclosures	25
SD 5.2	Specific requirements under Standing Direction 5.2	32
<i>Compliance attestation and declaration</i>		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	29
SD 5.2.3	Declaration in report of operations	1
Financial statements		
<i>Declaration</i>		
SD 5.2.2	Declaration in financial statements	32
<i>Other requirements under Standing Directions 5.2</i>		

Appendix 1: Disclosure index (cont.)

SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	39
SD 5.2.1(a)	Compliance with Ministerial Directions	32
SD 5.2.1(b)	Compliance with Model Financial Report	70
<i>Other disclosures as required by FRDs in notes to the financial statements</i>		
FRD 11	Disclosure of ex gratia Expenses	62
FRD 21	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	64
FRD 110	Cash Flow Statements.....	37
FRD 112	Defined Benefit Superannuation Obligations	44
FRD 114	Financial Instruments	55
Legislation		
<i>Dairy Act 2000</i>	.....	3
<i>Food Act 1984</i>	.....	9
<i>Freedom of Information Act 1982</i>	.....	27
<i>Building Act 1993</i>	.....	27
<i>Public Interest Disclosure Act 2012</i>	.....	27
<i>Local Jobs First Act 2003</i>	.....	26
<i>Financial Management Act 1994</i>	.....	1



Dairy Food Safety
VICTORIA

dairysafe.vic.gov.au