



# ANNUAL REPORT

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Dairy Food Safety  
VICTORIA



# Contents

**Dairy Food Safety Victoria**

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## 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 2023.



Dr Anne Astin AM PSM

Chairperson  
25 August 2023

# 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 (the 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 Gayle Tierney MP was the responsible Minister from 1 July 2022 to 30 June 2023.

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

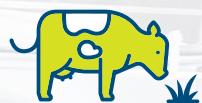
- 1. Subject to this Act, the Authority has all the powers necessary to enable it to perform its functions.
- 2. Without limiting its other powers, the Authority may
  - a. enter into agreements or arrangements with third parties for the provision of services to the Authority or for the provision of 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. Victorian dairy farms produce more than 63% of Australia's milk, underpinning supply for the majority of its dairy exports. DFSV has more than 3,100 licensees. Each year, DFSV conducts two verification audits of each manufacturing business, covering food safety requirements for both domestic and export markets. Through arrangements with contract auditors, approximately 823 farms have been audited this biennial licence period.

DFSV's *Dairy RegTech* service delivery model for manufacturers was implemented in 2021. It has been adopted by 17 manufacturing sites.

# At a glance

## Industry

**2796**

Number of farms

**200**

Number of manufacturers

**3,142**

Total number of licences

**63%**Australian milk produced  
in Victoria\***5.1b litres**Total volume of milk  
produced in Victoria\***5.9%**Annual milk volume  
change in Victoria —  
down\***18,900**Number people  
employed by the dairy  
industry\***78%**Victorian contribution  
to Australia's total  
dairy exports\*

\* Figures supplied by Dairy Australia, as at 30 June 2023

## DFSV performance



Number of manufacturer audits  
**423**  
audits conducted at  
**223**  
manufacturer sites



**823**  
Number of farm audits



**91%**  
Licensee satisfaction  
with DFSV's quality of  
communications



Number of new licensees by type  
**27**  
farm  
**13**  
manufacturer  
**13**  
other



**17**  
Number of *Dairy RegTech* Adopters



Microbiological compliance  
**99.99%**  
of dairy products sampled  
were compliant



**90**  
Number of responses to  
technical requests

# Chair's report



I am pleased to present Dairy Food Safety Victoria's 2022–23 Annual Report.

As we reflect on the period of 2022–23, there are several noteworthy accomplishments and challenges that have shaped our journey at Dairy Food Safety Victoria (DFSV).

We have navigated through a series of trials, emerging stronger and more determined to ensure the integrity and safety of dairy products across our state.

The dairy industry has been confronted with extreme events, including floods and fires, which have had a significant impact on producers, processors, and our wider community. Nevertheless, DFSV has remained steadfast in maintaining the highest standards despite these challenges. Our commitment to absolute consumer confidence has been unwavering — for that is how the dairy industry has always operated.

I am pleased to report that we have successfully maintained the support of the government and the Minister, thanks to our stakeholders' collective efforts. We have embraced novel approaches in our role as regulators, continuously striving to adapt to a changing external landscape.

Internally, our governance structures and the level of responsibility displayed by our team have been exemplary. We have exhibited both courage and quiet determination in building new ways of approaching regulation. Confidence in our leadership has fostered a sense of trust among our team, enabling them to carry out their responsibilities with utmost dedication. Throughout this period, we have protected the value chain and upheld the highest level of integrity, ensuring no disruptions in the delivery of dairy products.

One notable achievement has been our foray into embracing digital tools for regulation — *Dairy RegTech*. By upholding the integrity of the data we collect and manage, which stems from the trust placed in us by those we regulate, we have witnessed benefits to licensees materialise in the form of cost savings and enhanced engagement.

Our work in *Dairy RegTech* has attracted international attention, with Food Standards Scotland visiting us this year. DFSV has emerged as an international leader in harnessing new systems and processes for regulators. The principles

we have employed have garnered growing awareness and are applicable to multiple sectors.

The principles of strengthening food safety culture and driving maximum benefit from data underpin the *Dairy RegTech* approach. The potential for the principles of RegTech to be applied across various production sectors is significant.

Our collaboration with interstate counterparts has been instrumental in extending the approaches and lessons of *Dairy RegTech* to other states and jurisdictions. These partnerships have strengthened regulatory relationships through the Australian Dairy Regulators Forum, to improve consistency and benefit companies operating across state boundaries. Working in conjunction with our Commonwealth colleagues, we have assured overseas markets that our approach provides as much, if not more, assurance that Australia is producing safe dairy products. We strive not only to maintain but also to grow our presence in these markets.

Our shift from an inspectorial emphasis to trusted partnerships has paved the way for a more collaborative and efficient approach — with our focus on making it easier for stakeholders to engage with us marking the next stage in DFSV's evolution.

During the year, we implemented our revised funding model. This has resulted in little material impact, reflecting the confidence placed in the services DFSV provides. Our assurance, technical support, and guiding materials have demonstrated their value to our licensees. Furthermore, the sustainability of our learning networks is steadily growing.

Our ability to respond positively to incidents in the marketplace showcases our dynamic nature. Our trusted relationships with licensees, ensure we respond promptly and withdraw any nonconforming products to ensure public health remains uncompromised. The systems and relationships we have established are a testament to our commitment to consumer safety.

The dairy industry is seeing a growing desire among consumers for nontraditional dairy products. We have been actively accommodating and responding to this demand within our legislative remit, including products such as other

animal-based dairy alternatives, and fermented options. Legislative reform is always a topic for consideration to address these and similar evolving consumer preferences.

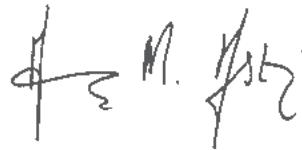
Amanda Hill has been a visionary and outstanding leader who retired from her CEO position with us in April this year. She has been an innovator in designing and executing regulatory transformation while retaining the respect of the industry, government and her peers. She leaves an enduring legacy — of which she can be proud. On behalf of the DFSV Board, I extend our gratitude to Amanda, our exceptional leader, for her unwavering support and dedication.

Andrew Wilson has seamlessly stepped into the position as Acting CEO ensuring a smooth transition for the DFSV team and while we are recruiting Amanda's successor.

All of what we have done has been achieved through the unwavering and diligent contribution from each of our professional and dedicated staff. The Victorian dairy industry's reputation as a producer of safe dairy foods is testament to their high standards of service and industry's commitment and trust in their regulator.

As we look to the future, we remain committed to serving our stakeholders, protecting consumer interests, and ensuring the continued success and safety of the dairy industry.

Thank you for your continued support.



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



# Chief Executive Officer's report

1 July 2022 – 6 April 2023



I am pleased to present my final annual report as CEO, highlighting our 2022–23 achievements and reflecting on the last five years. I have valued the remarkable opportunities I have had leading the DFSV team and working with the dairy industry to deliver safe dairy foods.

The Victorian dairy industry is a mature sector with food safety at the forefront of the minds of our producers and processors.

The 2022–23 period has been marked by significant achievements. We upgraded the licensing and compliance management system to streamline our services, identify and monitor trends and share information with our licensees. Using this system for renewing the 2,777 farm licences this year reduced administrative processing times by 90%. We have significantly progressed the next stage to enable licensee access.

*Dairy RegTech* remains a key focus for us. I am encouraged by the positive feedback from our *Dairy RegTech* adopters indicating that this approach is already demonstrating positive impacts. Over the past year, we have actively worked with our state and Commonwealth counterparts to trial various aspects of this approach for wider application for domestic and export markets. A pilot program will soon commence with the Tasmanian Dairy Industry Authority and some Tasmanian dairy manufacturers and we successfully completed a project in collaboration with the Commonwealth Department of Agriculture, Fisheries, and Forestry (DAFF), piloting *Dairy RegTech*'s application for exports. These initiatives have yielded important changes in food safety culture that will assist businesses in becoming export-ready much faster.

I am pleased to report that DFSV has operated within budget once again, demonstrating our commitment to sound financial management. This ensures that we can continue to deliver high-quality services to our stakeholders while maintaining our fiscal responsibility. As I reflect on the past five years, I am filled with appreciation for the DFSV Board. Throughout this period, we experienced the challenges of operating during the COVID-19 pandemic and many changes. I extend my deepest gratitude to Board members for their guidance, support, and willingness to embrace innovation.

In 2018, when we embarked on our journey of implementing *Dairy RegTech*, I was grateful for the Board's support in allowing us to explore new approaches. Based on user feedback, we have pivoted to create novel and enduring processes.

I also thank the Dairy Industry Consultative Forum for their guidance and support throughout my tenure at DFSV, particularly in the development, implementation, and sustainability of *Dairy RegTech* across the sector.

I leave DFSV with a deep sense of satisfaction, knowing that the organisation is ready to embrace and respond to future challenge. The past years, including the COVID-19 pandemic, have showcased both the industry's and regulators' ability to maintain safe food production despite external pressures.

The trust we have built with our industry and regulatory partners position us strongly to face whatever the future may bring for Victorian dairy. Looking ahead, DFSV's digital strategy over the next five years will leverage data and technology to predict challenges, ensuring resilience for both DFSV and the wider industry. This digital journey will be crucial in taking regulation to the next level.

I also acknowledge our senior management 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 — for their unwavering dedication and commitment. Their contributions have been instrumental in driving DFSV's success.

A special thank you goes to Andrew Wilson, who has stepped into the Acting CEO role following my retirement in April, ensuring a smooth transition and continued progress for DFSV. I look forward to reading DFSV's annual reports in the coming years, as the organisation continues from strength to strength.

A handwritten signature in black ink, appearing to read "A. S. Hill".

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

# Acting Chief Executive Officer's report

6 April 2023 – 30 June 2023



I have been honoured to step into the role of Acting CEO with Dairy Food Safety Victoria (DFSV). Amanda is an exceptional leader, and I am grateful for her vision to transform this organisation. I am excited and thankful to have the opportunity to continue this strategic approach — particularly *Dairy RegTech* and our ongoing digital journey.

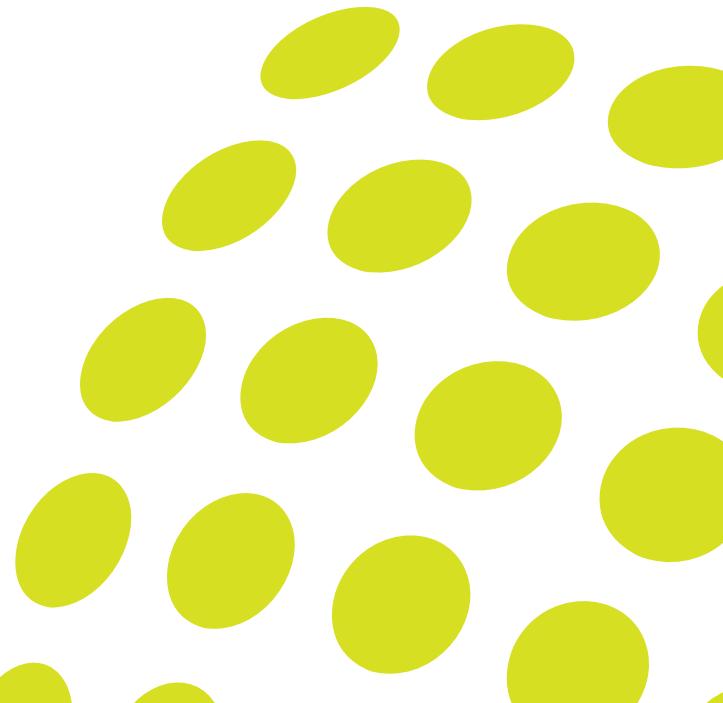
At the heart of all that we do are our people. Their passion and expertise drive us forward. Our achievements this year are a direct result of our amazing team's efforts and I wish to personally recognise their efforts in supporting both myself and each other during this transition.

In the pursuit of progress, we are immensely grateful for the support of the dairy industry and our partners. Synergy between industry and regulator is invaluable, particularly as we continue to strive for improvement and embrace digital advancements and capacity-building.

Together, we are better equipped to navigate an ever-evolving landscape, and I look forward to continuing to ensure a secure and forward-looking future for all our stakeholders.

A handwritten signature in black ink, appearing to read "Andrew Wilson".

Andrew Wilson  
*Acting Chief Executive Officer, Dairy Food Safety Victoria*



# Performance report

This is DFSV's third 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 food safety regulation by continuing to implement *Dairy RegTech*.

DFSV's strategic direction and performance also reflects the Minister for Agriculture's expectation 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 2022–23.



## 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 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 detect and respond to 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 possess an adequate food safety program (as applicable), suitable premises or vehicles, and staff with the skills and knowledge to produce safe dairy food.

DFSV aims to process licence 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 2022–23 the average number of business days to process an application was:

- For farms, 14 days (2021–22: 13 days)
- For carriers, 26 days (2021–22: 30 days)
- For distributors, 19 days (2021–22: 14 days)
- For manufacturers, 48 days (2021–22: 53 days)

Additionally:

- DFSV processed 96% of new farm licence applications, 100% of new distributor applications, 100% of new manufacturer applications and 100% of new carrier applications within the relevant target timeframes.
- DFSV issued and/or renewed 3,142 licences in 2022–23, down 8% compared to the previous year (**Table 1**).

**TABLE 1. Total licences by type**

Licence	2020–21	2021–22	2022–23
Manufacturer	205	195	200
Farmer (bovine)	3,113	3,051	2,796
Milk broker	2	2	2
Distributor	105	102	90
Carrier	33	30	31
Integrated*	19	24	23
<b>Total</b>	<b>3,477</b>	<b>3,404</b>	<b>3,142</b>

\* Integrated relates to a licensee that undertakes more than one licensable activity.

In 2022–23 DFSV received applications for, and subsequently issued, 53 new licences across all licence categories, an increase in applications of 10.6% over the previous year.

The dairy farmer category saw the biggest contraction in licences with a reduction of 8.3% on the previous year. In comparison, total reported milk production only decreased slightly compared to the previous financial year (approximately 4%).

Factors reported as contributing to the reduction in dairy farmer licences included regional weather events, change of industry (e.g. dairy to beef cattle), industry retirements, farm consolidation and the ongoing impacts of the COVID-19 pandemic.

Total manufacturer licence numbers experienced a net decrease of 8.6% compared to the previous year. While a variety of reasons were cited as factors in the reduction of these licences, the most common were financial. It should also be noted that 13 new manufacturer licences were approved during 2022–23 period.

## Performance report (cont.)

### Compliance monitoring

DFSV undertakes regular verification 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, Fisheries and Forestry (DAFF).

Compliance monitoring undertaken directly by DFSV primarily involves twice-yearly audits of licensed dairy manufacturing businesses by authorised Food Safety Managers (FSMs). These audits verify businesses' compliance with regulatory requirements (as reflected in their approved food safety program), and their operational effectiveness in producing safe dairy food. Data shared by industry and verified by DFSV as part of the DFSV notification process, demonstrates high levels of compliance against Food Standards Code requirements and further supports audit observations and facilitates market access.

When a manufacturing business is first issued a dairy industry licence, it is audited within 30 days of starting operations. Subsequently, as a condition of licence and in compliance with the *Dairy Act 2000*, compliance audits are required twice a year — the first between January and June, and the second between July and December. Non-conformance with legislative requirements identified during these audits are addressed through the issuance of a corrective action request (CAR). A CAR directs a business review relevant elements of its operational food safety system to address the recognised failures.

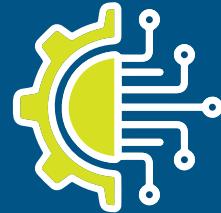
DFSV utilises CARs as a preliminary tool to address non-compliance. CARs are classified as minor, major or critical, according to risk, and timeframes to respond are adjusted accordingly. A minor CAR is generally raised when the non-conformance poses no immediate risk to food safety, and its potential impact is not likely to lead to production of unsafe food, whilst 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. A critical CAR is raised when an imminent and serious risk to food safety is detected.

During this annual reporting period, FSMs completed 423 compliance audits at 223 manufacturer sites. They raised a total of 595 CARs, 524 of which were minor, and 68 were major. Three critical CARs were raised during 2022–23.

Under certain circumstances, compliance audits may be completed from a remote location either in-part or in full. For example, this may occur where access to a site may be restricted due to environmental or operational circumstances (e.g. COVID 19-related policies). Remote or partially-remote audits involve licensees providing FSMs with evidence of compliance electronically (e.g. documents or records, accompanied by a site walk-through via video). Over the past year, DFSV has continued to refine its approach to remote audit, and integrate it into ongoing compliance monitoring arrangements. This is particularly true for licenced businesses identified as low risk during the DFSV funding model review completed in FY2021–22. Furthermore, DFSV has continued to contribute to a number of national and state-based initiatives to develop remote compliance monitoring. This includes nationally agreed principles of remote audit established through the Australian Dairy Regulators Forum.

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 three to six months after operations begin, and then at least once every licensing period (2 years). During the 2022–23 financial year, 823 farm audits were completed in this way.

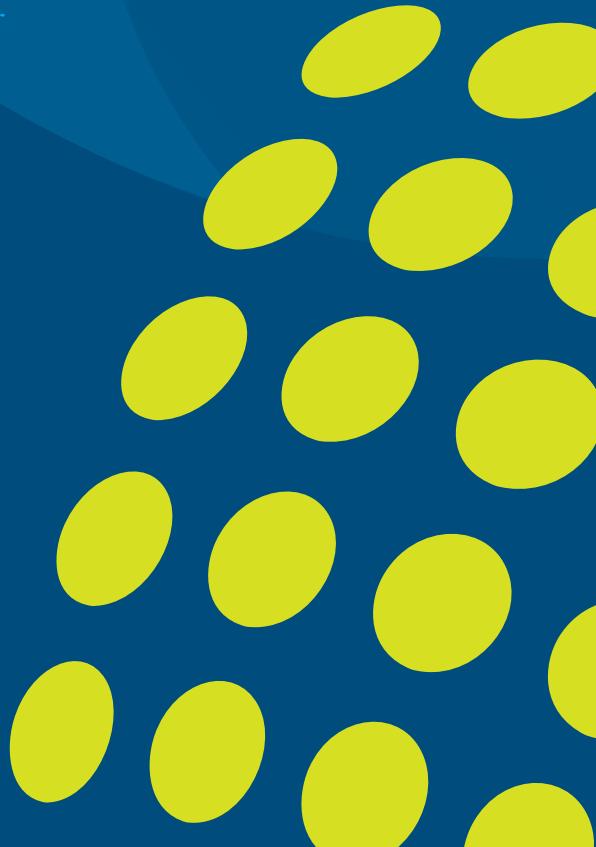
## Continuing DFSV's Digital Journey



**During 2022–23, DFSV finalised implementation of a cloud-based licensing and compliance management system. This work commenced in 2021 to replace legacy software that was no longer fit-for-purpose. The system was developed based on a Microsoft Dynamics 365 platform. It has allowed DFSV to introduce organisational efficiencies, and improve data structures, to strengthen information use in delivering an intelligence-led regulatory approach.**

The platform is designed to enhance DFSV's work across the full scope of operational activities. It combines all stakeholder management into a single database, including licensing, compliance management, surveillance, notifications, complaint management and industry support functions.

Combined with other digital tools (e.g. ongoing use of PicApply to receive farm licence applications), the system has delivered significant reductions in administrative effort for regulatory processes, improved reporting to identify and monitor trends, and enhanced stakeholder management. Further improvements, including the launch of a licensee engagement portal, are planned for release during the 2023–24 financial year as part of the DFSV Digital Strategy 2023–2027.



## Performance report (cont.)

### Approved auditor verification

It is DFSV policy that all approved auditors adhere to the principles established within 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 2022–23, all auditors were verified as competent against these requirements, and two 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 tools are available to DFSV. These include placing a licensee under increased oversight, providing education, issuing formal warnings or putting in place specific orders under the Act. Depending on the seriousness of the matter, further significant enforcement action (such as prosecution under the Act or the *Food Act 1984*) may be undertaken.

Formal enforcement action was required once during the 2022–23 financial year. This related to substantial failure of an existing licensed premises to implement an operational food safety system during production, as identified during a compliance audit.

### Dairy export

DFSV's compliance auditing of Victorian export-registered dairy manufacturers on behalf of DAFF is conducted according to a memorandum of understanding. In this way, DFSV supports a streamlined export certification system and contributes to reducing regulatory burden on industry. Currently 108 Victorian export-registered dairy manufacturers are audited by DFSV as part of regular compliance verification activities. In addition, DFSV supported DAFF during importing country reviews of Victorian dairy manufacturers, completed by the Republic of Korea (South Korea) Ministry of Food and Drug Safety, and the United States of America Food and Drug Administration.

DFSV coordinates the Australian Milk Residue Analysis (AMRA) Survey on behalf of DAFF. The AMRA Survey provides a national, independent monitoring program which verifies the effectiveness of the residue controls in place by monitoring the presence of agricultural and veterinary chemicals and environmental contaminants in raw milk. The annual results show a high level of compliance was achieved against the Australian Maximum Residue Limits (MRLs).

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

### Dairy RegTech — DFSV's new service delivery model

*Dairy RegTech* provides a means of acknowledging business who recognise the importance of food safety culture on food safety outcomes, and strive to improve their food safety culture. It facilitates a risk-based audit approach, allowing auditors to focus on assisting businesses to recognise and manage risk. This voluntary program for dairy manufacturers was developed in partnership with industry from 2018 to 2020.

Businesses who elect to participate in *Dairy RegTech* commit to improving food safety culture in their business, and providing data electronically to enable more efficient verification of their food safety program. 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.

The *Dairy RegTech* program has now been in operation for two and a half years, with 17 sites now participating. These businesses account for 23% of Victorian milk production. They are in various stages of implementing action plans to strengthen their food safety culture. Participants in the program attend a twice-yearly Community of Practice meeting. This allows them to share ideas, support each other to derive additional value from data they collect, and strengthen food safety culture in their businesses.

During 2022–23, a modified *Dairy RegTech* program has been developed specifically for small and very small dairy businesses. This is in response to feedback from small business that have participated in the program to date. The modified program provides more targeted, specific and relevant guidance for those businesses with a small number of employees, and few layers of management. It is undergoing a consultation phase, and will be rolled out to a number of small businesses in the second half of 2023. The *Dairy RegTech* portal also provides digital record management, which can be used by small businesses with limited digital capabilities for managing food safety. This assists them to analyse information for trends and insights relevant to food safety.

The current compliance monitoring approach remains available to licensees who elect not to participate in *Dairy RegTech*.

### Department of Agriculture, Fisheries and Forestry investment in *Dairy RegTech*

Over the past 18 months, DFSV has been working with the Dairy Export Assurance Team (a collaboration with the Department of Agriculture Fisheries and Forestry and the dairy industry) to examine a national approach to *Dairy RegTech*, and its potential as an export assurance tool.

*Export Dairy RegTech* was delivered by identifying and modifying the existing *Dairy RegTech* approach to provide an export-focus for food safety culture maturity assessments. It was informed by a pilot program undertaken with volunteer dairy manufacturers in South Australia and New South Wales. Key export food safety culture elements were verified by examining behaviours associated with food safety incidents at domestic and export dairy manufacturing businesses in Victoria from January 2022 to March 2023. The modifications were incorporated into the national food safety assurance data framework that was developed as part of the project. The final report delivered recommendations for using *Export Dairy RegTech* to assess export readiness, and to inform a Risk Assurance Diagnostic tool and training package (including assessment tools) for other regulators.

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 maintains regular engagement with other Victorian food regulators through the Victorian Food Regulators' Forum, and the broader Victorian government regulatory community through Better Regulation Victoria. The aim is to deliver consistent and best-practice regulatory approaches to all Victorian dairy businesses. These forums play an important role in sharing intelligence and facilitating cooperation on emerging risks and regulatory issues, new technologies and food incidents. This collaboration has helped promote DFSV's regulatory initiatives, particularly *Dairy RegTech*, and other work enhancing intelligence-led approaches to regulation and service delivery.

During 2022–23 DFSV participated in a review of the Victorian food safety regulatory system and its regulatory settings alongside Agriculture Victoria and other portfolio agencies.

Ongoing engagement with the Dairy Industry Consultative Forum informs and shapes DFSV's future strategic direction. This includes the nature and scope of information provided to the dairy industry. This forum is one of DFSV's primary industry engagement channels for feedback and consultation. The forum's continued support of *Dairy RegTech* has been integral to its early success, and DFSV acknowledges the critical role industry has played in delivering long-term sustainability for *Dairy RegTech*.

In addition to this forum, DFSV has established a Small Business Forum and the *Dairy RegTech* Community of Practice, to ensure these important stakeholder groups are also able to collaborate on specific initiatives, such as support and guidance programs.

#### 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 2023 to gauge licensees' perceptions of DFSV. A total of 299 (2022: 311) licensees were surveyed (excluding farms) with 102 (2022: 115) responses received (34% (2022: 37%) This represented a response rate of 50% for manufacturers (2022: 53%), 22% for carriers, (2022: 22%), 9% for distributors (2022: 7%) and 16% for licensees with integrated licences.

This year's survey included benchmarking questions to monitor future trends in licensees' experience with the licence applications process, and accessing online information.

A key performance indicator is whether DFSV's communications with licensees are accurate, timely and provide relevant information. Of survey respondents, 91% (2022: 91%) were satisfied with DFSV's overall quality of communications, with this sentiment evenly spread across licence types. In addition, 94% (2022: 94%) of respondents had a high level of confidence in DFSV's ability to deliver on its regulatory obligations. These results are consistent with previous years, and exceeds the target of 75% for each question.

## 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. DFSV reviews these risk assessments to verify manufacturers' decisions about suitability of milk for collection.

One chemical risk assessment was undertaken by industry in 2022–23. This was in response to milking cows being exposed to an agricultural chemical contaminant following treatment of a grazing pasture.

A food recall is the action taken by a food business to remove potentially unsafe food from the marketplace and 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 2022–23, five food recalls were initiated by DFSV-licensed manufacturers, for a range of dairy products. The recalls included:

- A washed rind cheese due to potential microbial (*E. Coli*) contamination on 26 December 2022.
- A variety of flavoured milks due to potential foreign object contamination on 5 October 2022.
- Cookies and cream ice-cream sandwiches due to metal contamination on 24 May 2023.
- Burrata cheese due to *Listeria Monocytogenes* contamination in June 2023.
- Yoghurt due to microbial contamination in June 2023.

## Emerging issues

DFSV acknowledges innovative food production methods, technologies and business models will potentially change the nature of the current system, and continue to challenge existing regulatory frameworks. Emerging local and global food safety issues, regulatory updates, and dairy industry news are monitored daily by the Science, Surveillance and Technical Services team, with fortnightly updates provided to DFSV management, staff and the Board. DFSV continues to monitor literature and other information to understand the potential impacts of climate change on dairy food safety.

The incursion of foot-and-mouth disease (FMD) and Lumpy Skin disease into Indonesia in 2022, and subsequent rising threat of incursion into Australia, represents a significant risk for the Victorian dairy industry. It has been estimated that an outbreak in Australia would cost the economy up to \$50 billion over 10 years, due to direct and indirect impacts on agricultural industries and trade, including the dairy industry. In recognition of this, DFSV was invited to join the Animal Health Australia AUSVETPLAN Technical Reference Group, consisting of representatives from each states Chief Veterinarian Officer's department, Dairy Australia, Australian Dairy Farmers and industry representatives. DFSV was brought on as a subject matter expert, to consider controls around milk movement in the event of an FMD outbreak. Specifically, DFSV was asked to provide the group with an overview of existing controls required under the Australia New Zealand Food Standards Code that may be valuable in controlling the spread of FMD, while still allowing the movement of milk from unaffected dairy farms and into the human supply chain. In late February 2023, draft guidance in the form of a milk movement matrix was finalised, along with supporting documentation. This has now progressed to the national Foot-and-Mouth Disease Writing Group for confirmation and incorporation into the AUSVETPLAN.

Throughout 2022–23, DFSV has worked with both state and national food safety regulators to address the risks associated with novel food production systems, such as cell-base or cultured primary produce. DFSV continues to engage with Agriculture Victoria, the Victorian Department of Health, other state food safety regulatory authorities, and Food Standards Australia New Zealand through both formal and informal channels to ensure regulatory frameworks remain contemporary and fit-for-purpose in addressing the challenges these novel foods present. As part of this response, DFSV has engaged a Strategic Advisor to report on approaches to regulating these systems that have already been implemented in other international jurisdictions (e.g. Singapore) to inform strategic discussions.

## Performance report (cont.)

### Surveillance and testing

The Product Surveillance Program is undertaken by DFSV to undertake surveillance across the Victorian dairy industry in areas of food safety risk identified through intelligence generated from compliance activities and broader food safety trends. In 2022–23 DFSV assessed the effectiveness of *Listeria monocytogenes* control programs at Victorian cheese manufacturing sites. The observation and interview data collected during the project was used to determine how many of the most recognised and established *Listeria* management practices were effectively implemented at each site.

Key findings were delivered at Learning Network Forums, where stakeholders were very keen to understand the project and its findings. Delivery of this material assisted manufacturers to identify *Listeria* contamination risk factors in their facility, and target interventions to reduce risk.

A training package about effective *Listeria* management has been designed, and will be delivered to stakeholders as a series of short videos. The package contains seven modules. It addresses the identified gaps in understanding — helping manufacturers to strengthen their *Listeria* management practices. These lessons will help manufacturers identify and implement best practice *Listeria* management.

### Pathogen investigations

During 2022–23, 60 microbiological contamination detections across 33 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.** 2022–23 microbiological detections in dairy products notified by type

Detections (species tested)	Number	Percentage
<i>Escherichia coli</i>	38	64
<i>Listeria monocytogenes</i>	5	8
Other <i>Listeria</i> species	2	3
<i>Cronobacter</i> species	7	12
<i>Salmonella</i> species	3	5
Coliforms	2	3
Coagulase-positive staphylococci	1	2
<i>Enterobacteriaceae</i>	2	3
<b>Total</b>	<b>60</b>	<b>100</b>

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, implementing corrective action such as cleaning and 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 the rare occasion compromised product enters the marketplace, affected product is managed through the food recall process to control further risk to public health.

### Consumer complaints

In 2022–23 DFSV received a total of 71 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.** 2022–23 complaints received by type

Complaint type	Number	Percentage
Physical	21	30
Quality	15	21
Operational	12	17
Other	10	14
Labelling	7	10
Chemical	3	4
Microbiological	3	4
<b>Total</b>	<b>71</b>	<b>100</b>

## Objective 3.

# Capabilities and capacity for performance



## Resourced, trained and engaged team

DFSV's people, and a positive engaged organisational culture which 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.

From February 2023 the staff forum took over organising and administering the monthly staff meeting, which is now known as The Hour of Power. The format changed, with different groups of employees now running the meeting each month in response to staff feedback.

Two training workshops were conducted organisation-wide with an organisational psychologist. These focused on connecting with team members, and establishing communication norms which was reported back from staff as being practical and instructive.

In May 2023, the annual staff engagement Pulse Survey was conducted to assess levels of engagement and alignment with DFSV's strategic direction. This year, DFSV also sought specific feedback on understanding of risk and data use in the organisation. Overall, staff engagement (i.e. level of motivation and connection with DFSV) continued to improve (up 3% overall since 2022). The 2023 engagement score remains in the top 25% for organisations in the benchmark group<sup>1</sup>. DFSV's engagement scores are shown in Figure 1.



**FIGURE 1.** Staff engagement survey result showed favourable percentage compared to prior years.

### 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:

- CSIRO Scientific Writing Workshops
- Dairy Industry Association of Australia Conference
- AHRI Human Resources Practitioner Certification
- Specialist IT training including Power BI and Cybersecurity
- SharePoint Training
- Organisational development training
- Internal education sessions on bullying and harassment, the Human Rights Charter and Psychosocial Hazards.
- Victorian Public Sector Commission, Integrity Matters Board Members and Senior Management Team.

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

## Performance report (*cont.*)

### Enhance scientific capabilities

DFSV undertakes a wide range of industry support activities to enhance understanding and competency in food safety for industry licensees and internal stakeholders. Activities include providing ad hoc advice to manufacturing licensees, development of guidance materials, assistance with incident investigations, conducting site visits, and hosting learning network forums.

DFSV hosted two rounds of Learning Networks, in October 2022 and May 2023. Sessions were held in-person in 5 locations across the state. The October session involved 48 attendees representing 36 different licensed manufacturing sites. The May session involved 69 attendees representing 39 licensed manufacturing sites. Feedback from attendees was positive, with the vast majority rating the sessions as ‘very good’ or ‘excellent’.

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.

DFSV fields a wide range of technical requests from licensees, prospective licensees and other parties. During the reporting period DFSV responded to a total of 90 industry technical requests. Most enquiries related to microbiological/pathogens (17%), regulations/standards (14%) and test methods (11%).

### Continuously improve business processes and services

#### IT infrastructure

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

DFSV completed planned activities in its 2022–23 Protective Data Security Plan, as submitted to the Office of the Victorian Information Commissioner. These activities included uplifting application control systems and development of a cyber security strategy.

#### Strategic plan implementation

DFSV implemented actions from the independent strategic review of its information technology function and capability. This included updating and migrating on-premise business and ICT systems to cloud environments, enhancing the licensee experience through digital access, upgrading the organisation’s finance platform, and enhancing DFSV’s security posture with cyber response strategic planning. From 2023 onwards, this strategic plan has been integrated into the Digital Strategy 2023–27 (see Digital Strategy below).

#### Licensing management system replacement

The new licensing and compliance management system (otherwise known as The Vat) was initially released in June 2022. The final stages of development and initial deployment have been completed this year. This included creation of a digital access portal, as well as automating some workflow processes. DFSV will continue to further enhance this system under the Digital Strategy 2023–27.

## Digital Strategy

DFSV commenced drafting its Digital Strategy 2023–27 in late 2022, following recommendations from the Better Approvals for State Regulators (BAR) program. The recommendations were:

- enhanced online resources and information
- simplified digital application process via a stakeholder-centric portal
- streamlined and more transparent digital audit management process
- self-service licence management
- an integrated regulatory ecosystem
- a proactive approach to encouraging food safety culture using centrally-held performance data and supporting educational information.

In line with the Victorian Government's Digital Strategy 2021–26 "A Future-ready Victoria", the Digital Strategy 2023–27 will build on existing systems and technology investments to further develop processes and tools to improve regulatory outcomes, streamline service delivery, and position DFSV for future requirements.

Specific projects to address the above recommendations will focus on ways of working (people), enhancing regulatory practice (processes), and digital and data-driven services (technology). Namely DFSV will:

- Further develop key lead and lag performance indicator metrics for performance monitoring via dashboards.
- Improve internal business systems for efficiency and security gains, including implementing SharePoint for records management and moving other business systems to the cloud).
- Develop the Data Governance Framework and Cyber Security Strategy.
- Strengthen risk and data culture.
- Deliver a self-service licence management portal for licensees.
- Develop digital tools for licence applications and verification (including an implementation framework)
- Improved *Dairy RegTech* data submission, analysis and visualisation (dashboard) to quickly spot trends and anomalies.
- Implement stage 2 *Dairy RegTech* data, including identifying and prioritising data that provides most value to businesses and DFSV (including how best to collect, analyse and visualise it).
- Finding patterns and trends in DFSV's historical data using an artificial intelligence proof-of-concept model.

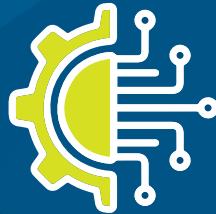
## Risk management framework

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 2022–23, 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 2022–23, the Board reviewed and approved revisions to DFSV's risk management processes and risk appetite. These changes sought to ensure:

- The right processes, procedures and culture are clearly articulated and promoted.
- The purpose and use of the policy, framework, risk appetite statement, risk register and risk profile is explained.
- Content and language are useful to DFSV staff, and therefore implemented.
- Content and language reflect the behaviors expected.

To support staff to implement these changes, and further enable a positive risk culture at DFSV, an all-staff workshop 'Getting to know DFSV's risk management framework' was held.

Performance report (*cont.*)



## Progress on the Digital Strategy in 2023

**DFSV prioritised and time-lined projects to map out implementation of the Digital Strategy projects over 2023–27. In 2023, work began on the below projects (which will continue into 2024).**

### *Performance monitoring through lead and lag indicators*

Management planning and engagement with the Board on appropriate strategic performance metrics against DFSV's Annual Operating Plan for biannual reporting. This project will lead to dashboard reporting capability to monitor performance at management (operational) and Board (strategic) levels.

### *Development of Data Governance Framework and Cyber Security Strategy*

DFSV's Cyber Security Strategy document has been completed and reviewed by the Board. The Data Governance Framework is scheduled for completion in the first half of 2023–24.

### *Implementation of SharePoint records management system*

In moving business applications to the cloud, planning to replace DFSV's legacy records management system with SharePoint began by updating DFSV's intranet, providing staff with SharePoint training, and planning migration of records from the existing legacy system.

### *Delivery of a self-service licensing portal for licensees*

Portal development for licensees to access information and reports on *Dairy RegTech*, view licence applications, audit reports and lodge information as part of license renewal process.

As the above projects are completed over 2024 and 2025, subsequent projects will proceed in accordance with the timeline to 2027.

## Legislative compliance

DFSV has compliance monitoring, management and reporting processes to meet its legislative obligations and responsibilities, manage related compliance risks, as well as conduct its activities and business lawfully and responsibly. DFSV also maintains a suite of internal policies and procedures covering 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 three year rolling period, and was developed through adopting a risk-based, pragmatic and forward-looking approach towards potential risks areas across governance, financial controls and information technology. During 2022–23, internal audit reviews were conducted against DFSV's compliance and processes on cyber security controls, and DFSV's risk management framework. No high-risk issues were identified.

## Complaints management

DFSV is committed to responding to and addressing any complaints received about its services or decisions within 20 business days. In 2022–23, DFSV received three complaints, which were investigated, responded to and closed within the 20 business day timeframe. Where a complaint may take longer to investigate, DFSV keeps the complainant informed of the investigation's progress.

**TABLE 4. Five-year financial summary**

	2022–23 \$	2021–22 \$	2020–21 \$	2019–20 \$	2018–19 \$
Total income from transactions	6,527,853	6,504,712	6,207,078	6,041,536	6,160,851
Total expenses from transactions	6,255,288	(6,733,871)	(6,343,413)	(5,891,055)	(5,982,435)
Net result from transactions	272,565	(229,159)	(136,335)	150,481	178,416
Other economic flows	10,769	47,846	4,824	(6,338)	(39,777)
Comprehensive result	283,334	(181,313)	(131,511)	144,143	138,639
Net cashflow from operating activities	411,026	93,503	316,388	605,257	298,882
<b>Total assets</b>	<b>8,547,938</b>	<b>8,665,850</b>	<b>8,265,009</b>	<b>8,394,557</b>	<b>7,863,540</b>
<b>Total liabilities</b>	<b>1,749,058</b>	<b>2,150,304</b>	<b>1,568,150</b>	<b>1,566,187</b>	<b>1,179,313</b>

## 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.

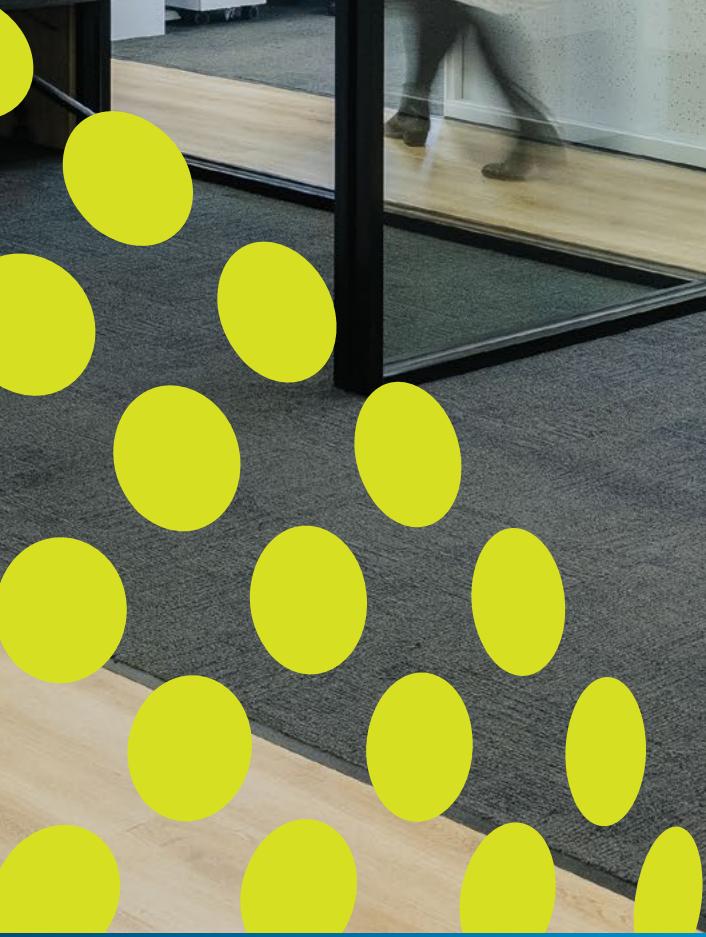
DFSV maintains appropriate financial systems, and regularly reviews its accounting policies and procedures, to ensure ongoing compliance with the Victorian Financial Management Compliance Framework.

Income for 2022–23 remained consistent with the prior year with a significant reduction in expenditure in 2022–23 compared to 2021–22. This reduction in expenditure was primarily due to completion of the Licence Management Database replacement project which predominately impacted expenditure in the 2021–22 year. Total liabilities in 2022–23 were down compared with 2021–22. This is a result of payments paid on lease liabilities and employee long service leave entitlements during 2022–23.

DFSV maintained a financially stable position, with expenditure for the year remaining within budget. This was achieved while continuing to meet regulatory service delivery requirements, including product testing to monitor industry compliance, ongoing stakeholder engagement, the *Dairy RegTech* program, completion of the Licence Management Database replacement project 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.

# Governance and organisational structure





► DFSV Board members, L-R Tracey Marsden, Nick Renyard, Dr Michele Allan, Dr Anne Astin, Peta Slack-Smith, Tania Luckin, Dr Joanna Wriedt.

## DFSV Board

The DFSV Board has seven 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 DEECA. The Minister appoints the remaining five 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.

## Governance and organisational structure (*cont.*)

### DFSV Board at 30 June 2023

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

Anne is currently Chair of the Food Agility Co-operative Research Centre, the 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 interim Chair of 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 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 a Director of the Australian Packaging Covenant Organisation on 30 June 2022 and Sheep Producers Australia Limited in November 2022. Previously, she has been Chair of Australian and New Zealand's SafeFish Partnership, a member of Australia's Health Star Rating Advisory Committee, and a member of CSIRO's Agriculture and Food Advisory Committee.

#### **Dr Michele Allan (Deputy Chair)**

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

#### **Tania Luckin**

Tania operates a dairy farming business milking 600 cows in South West Victoria. She has more than 25 years' experience in successfully operating small, medium and large-scale dairy farms in Victoria and South Australia. Tania has been involved in various industry organisations at regional and national levels, and has held a range of governance roles including a director of WestVic Dairy, Bonlac Supply Company, and is currently Deputy Chair at Dairy Australia.

#### **Dr Tracey Marsden**

Tracey has qualifications in veterinary science, business and public administration and adult education. She 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. She 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.

### Nick Renyard

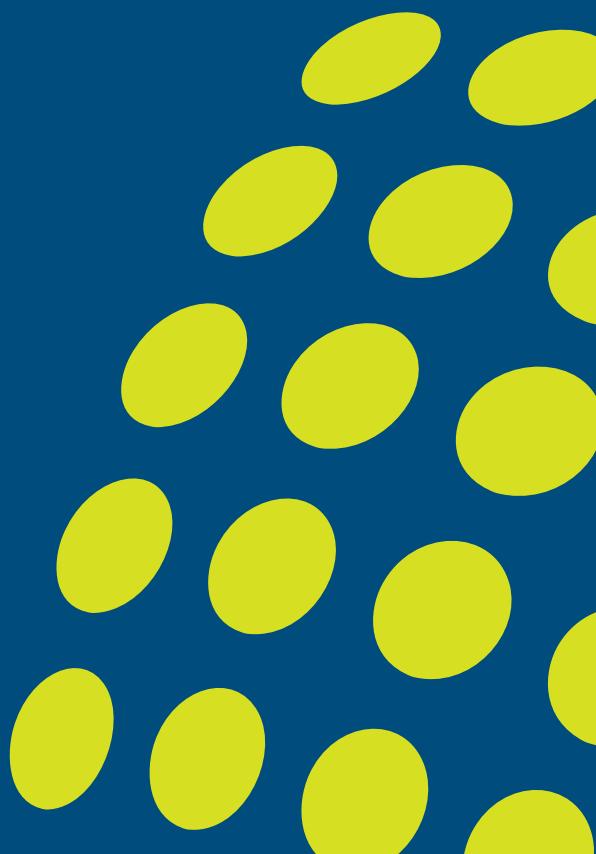
Nick operates a 400 hectare, 550 cow dairy farm with his family near Timboon. He has served on various boards, including three years with DemoDairy Co-operative, and five years with Australian Dairy Farmers Ltd. He has also been on the Board of Corangamite Catchment Management Authority since 2013. Nicholas has also served on the Policy Council of both United Dairy Farmers 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 companies, 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 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 was 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.



## Governance and organisational structure (*cont.*)

**TABLE 5.** Membership of DFSV committees at 30 June 2023 (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"> <li>• Michele Allan, Committee Chair</li> <li>• Nick Renyard</li> <li>• Peta Slack-Smith</li> </ul>
People and Culture	Assists the Board in fulfilling its statutory responsibilities in relation to people and culture, including occupational health and safety.	<ul style="list-style-type: none"> <li>• Joanna Wriedt, Committee Chair</li> <li>• Tania Luckin</li> <li>• Tracey Marsden</li> </ul>

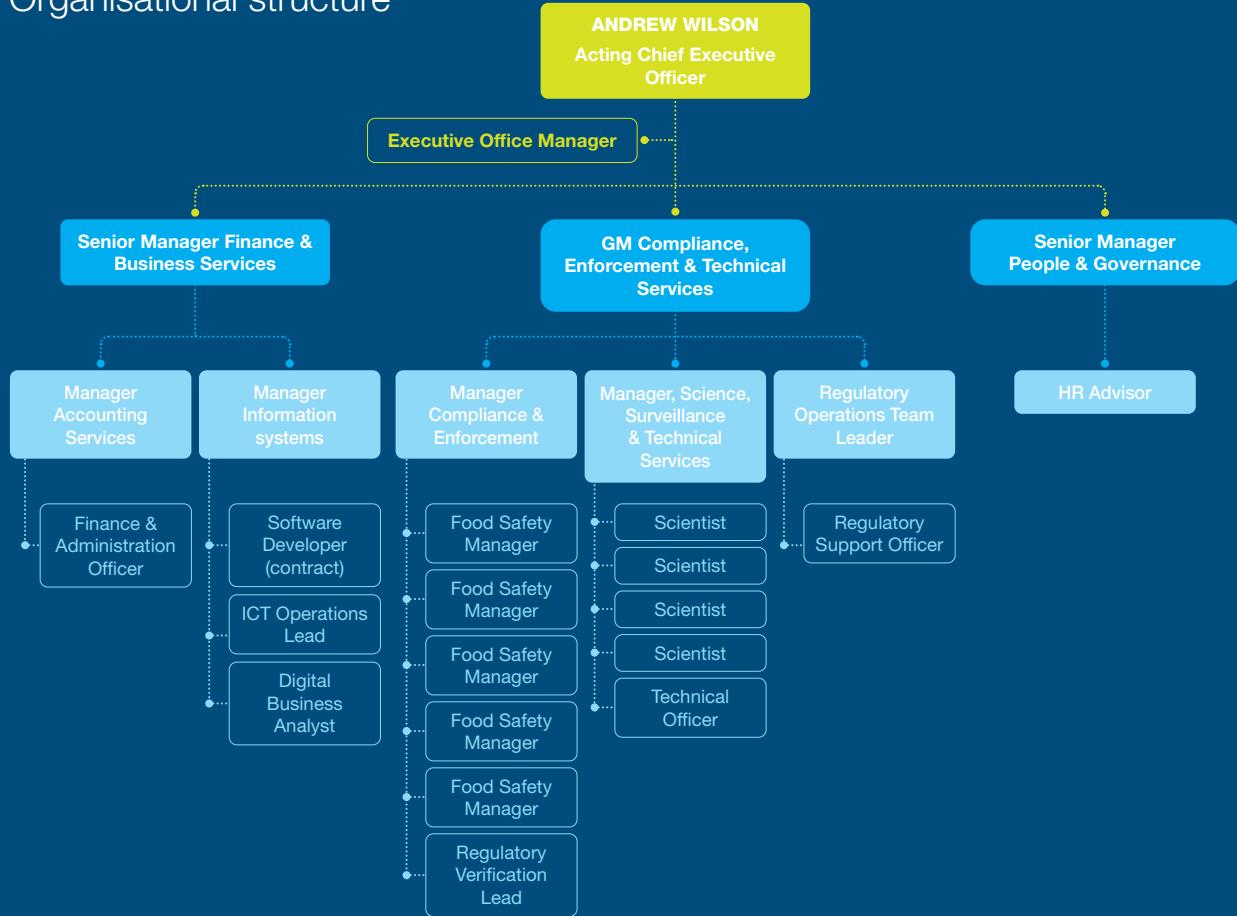
Five Board meetings and six Board Committee meetings were held during the year.

**TABLE 6.** Attendance at Board and Board committee meetings in 2022–23

Board member	Board	RMA Committee	People and Culture Committee
Anne Astin (Chair)	5/5	N/A	N/A
Michele Allan (Deputy Chair)	4/5	4/4	N/A
Tania Luckin	5/5	N/A	2/2
Tracey Marsden	5/5	N/A	2/2
Nick Renyard	5/5	4/4	N/A
Peta Slack-Smith	5/5	4/4	N/A
Joanna Wriedt	4/5	N/A	2/2



## Organisational structure



## Governance and organisational structure (cont.)

### Occupational health and safety

DFSV continues to implement its occupational health and safety (OHS) framework. The framework 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 has two trained contact officers (one male and one female) available to staff who can advise on issues relating to workplace behaviour and conduct such as discrimination, harassment and bullying.

In 2022–23, the main considerations for OHS shifted, with the focus on changes to the *Occupational Health and Safety Act 2004* (Vic) regarding monitoring and reporting psychosocial hazards. The People team ran an education session about this topic, and the organisation took part in the People at Work Survey. People at Work is a free and validated Australian psychosocial risk assessment survey developed by researchers at the University of Queensland and State Workplace Health Regulators. The survey assesses several of the most common psychosocial hazards and factors. This will be used as a baseline risk assessment for the organisation, and the results used to establish if and where further intervention is required.

DFSV offered various OHS-related activities to employees this year. These aimed to mitigate the risks associated with health, safety and wellbeing. These 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 2022–23, one occupational health and safety incident with no injury was reported in addition to an injury with no lost time.

# 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 completion of the probationary period, and during performance assessment.

## Comparative workforce data

**TABLE 7.** Summary of employment levels

	Ongoing employees		Fixed term and casual	
	Full time (HC)	Part time (HC)	FTE (full-time equivalent)	FTE
June 2023	23	17	21.6	3.4
June 2022	26	18	24.2	5.8

**TABLE 8.** Detail of employment levels at 30 June 2023

	June 2023			June 2022		
	Ongoing		Fixed-term and casual	Ongoing	Fixed-term and casual	
	Full and part-time (HC)	FTE	FTE	Full and part-time (HC)	FTE	FTE
<b>Gender</b>						
Male	5	4.8	0	6	5.8	1
Female	18	16.8	3.4	20	18.2	4.8
<b>Self-described</b>				-	-	-
<b>Total</b>	<b>23</b>	<b>21.6</b>	<b>3.4</b>	<b>26</b>	<b>24</b>	<b>5.8</b>
<b>Age</b>						
Under 25	0	0		0	0	0
25–34	4	4	2	5	4.8	2
35–44	4	3.8	0	5	4.4	0
45–54	10	9.4	0.8	10	9	2.8
55–64	4	3.6	0	5	5	1
Over 64	1	0.8	0.6	1	0.8	0
<b>Total</b>	<b>23</b>	<b>21.6</b>	<b>3.4</b>	<b>26</b>	<b>24</b>	<b>5.8</b>
<b>Position</b>						
Executive	1	1	0	2	2	0
Corporate	10	9.2	1.4	12	10.8	3.8
Technical	12	11.4	2	12	11.2	2
<b>Total</b>	<b>23</b>	<b>21.6</b>	<b>3.4</b>	<b>26</b>	<b>24</b>	<b>5.8</b>

# Other disclosures

## Local Jobs First

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

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

## Disclosure of consultancy expenditure

In 2022–23, there were consultancies engaged during the year, where the total fees payable to the individual consultancies was less than \$10,000. The total expenditure incurred during 2022–23 in relation to these consultancies was \$16,831 (excluding GST).

In 2022–23, there were consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2022–23 in relation to these consultancies was \$108,580 (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 2022–23 (\$)	Future expenditure (\$)
GovernWith Pty Ltd	Governance services	10,000	10,000	-
Minter Ellison	Legal services	55,000	54,355	50,000
HLB Mann Judd	Internal audit services	38,000	35,581	35,000
Quantum Market Research (Aust) Pty Ltd	Stakeholder engagement survey	25,000	24,225	25,000
<b>Totals</b>		<b>128,000</b>	<b>124,161</b>	<b>110,000</b>

## Information and communications technology (ICT) expenditure

**Table 10** shows that in 2022–23 DFSV's total ICT expenditure was \$740 (\$ thousands)

**TABLE 10.** ICT expenditure (\$thousands)

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities	Operational expenditure	Capital expenditure
Business as usual (BAU) ICT expenditure	Non-business as usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = operational expenditure and capital expenditure)		
474	266	266	-

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

## Disclosure of major contracts

DFSV did not enter into any major contracts during 2022–23. 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 2022–23.

## 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.

Under the FOI Act, the FOI processing time for requests is 30 days. However, when external consultation is required under s 29, 29A, 31, 31A, 33, 34 or 35, processing time is 45 days. Processing times may also be extended by periods of 30 days in consultation with the applicant. However, obtaining an applicant's agreement for an extension(s) cannot occur after the expiry of the timeframe for deciding a request.

In 2022–23, 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 \$31.80 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](http://www.foi.vic.gov.au)

## Compliance with the Building Act

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

## National Competition Policy

Competitive neutrality requires government businesses to ensure that where services compete, or potentially compete, with the private sector, any advantage arising solely from their government ownership is removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned.

Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

DFSV fulfils its requirements on competitive neutrality reporting as required under the **Competition Principles Agreement** and **Competition and Infrastructure Reform Agreement**.

## 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 initiating any necessary rectifying action.

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

DFSV has established procedures to facilitate and encourage making disclosures under 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](http://www.dairysafe.vic.gov.au).

## Other disclosures (*cont.*)

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:

<https://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](mailto:info@ibac.vic.gov.au).

## Environmental reporting

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. DFSV's electricity consumption averaged 37.8 (kWh) per day which was an 8 per cent decrease compared to 2021–22.
- **Minimising energy, water and paper use:** including using 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 hybrid fuel efficient cars, 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.

As part of a tender process, potential suppliers to DFSV are required to provide information on their social and sustainability activities for assessment against the above objectives. 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

25 August 2023

# Financial statements

for the financial year as at 30 June 2023



## How this report is structured

Dairy Food Safety Victoria (DFSV) has presented its audited general purpose financial statements for the financial year as at 30 June 2023 in the following structure to provide users with the information about DFSV's stewardship of resources entrusted to it.

<b>Declaration by the chair, chief executive officer and chief finance and accounting officer</b>	<b>38</b>	<b>5. Other assets and liabilities</b>	<b>56</b>
<b>Independent Auditor's Report</b>	<b>39</b>	5.1 Receivables	56
<b>Comprehensive operating statement</b>	<b>41</b>	5.2 Prepayments	57
<b>Balance sheet</b>	<b>42</b>	5.3 Payables	57
<b>Cash flow statement</b>	<b>43</b>	<b>6. Financing our operations</b>	<b>58</b>
<b>Statement of changes in equity</b>	<b>44</b>	6.1 Cashflow information and balances	58
<b>Notes to financial statements</b>	<b>45</b>	6.2 Commitments for expenditure	58
<b>1. About this report</b>	<b>45</b>	6.3 Leases	59
<b>2. Funding delivery of our services</b>	<b>46</b>	<b>7. Risks, contingencies and valuation judgements</b>	<b>61</b>
2.1 Summary of revenue and income that funds the delivery of our services	46	7.1 Financial instruments specific disclosures	61
2.2 Licence and service fees revenue	47	7.2 Contingent assets and contingent liabilities	66
2.3 Grants and other government assistance	48	7.3 Fair value determination	66
2.4 Interest income	48	<b>8. Other disclosures</b>	<b>68</b>
<b>3. The cost of delivering services</b>	<b>49</b>	8.1 Ex-gratia expenses	68
3.1 Expenses incurred in delivery of services	49	8.2 Other economic flows included in the net result	68
3.2 Other operating expenses	52	8.3 Responsible persons	68
3.3 Accounting for Software as a Service Arrangement (SaaS)	52	8.4 Remuneration of executives	69
<b>4. Key assets available to support output delivery</b>	<b>53</b>	8.5 Related parties	70
4.1 Total property, plant and equipment	53	8.6 Remuneration of auditors	70
4.2 Intangible assets	55	8.7 Subsequent events	70
4.3 Investments and other financial assets	55	8.8 Australian accounting standards issued that are not yet effective	71
		8.9 Glossary of technical terms	72
		8.10 Style conventions	74

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

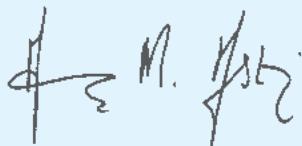
for the financial year as at 30 June 2023

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

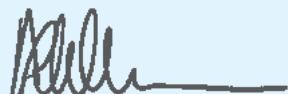
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes to the financial statements, presents fairly the financial transactions during the year as at 30 June 2023 and financial position of Dairy Food Safety Victoria at 30 June 2023.

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 25 August 2023.



Anne Astin  
Chair  
*Melbourne*  
25 August 2023



Andrew Wilson  
Acting Chief Executive Officer  
*Melbourne*  
25 August 2023



Daryl Glover  
Chief Finance and Accounting Officer  
*Melbourne*  
25 August 2023

## Independent Auditor's Report



### Independent Auditor's Report

*To the Board of Dairy Food Safety Victoria*

<b>Opinion</b>	I have audited the financial report of Dairy Food Safety Victoria (the entity) which comprises the:
	<ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2023</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• declaration by the Chair, Chief Executive Officer and Chief Finance and Accounting Officer.</li> </ul>
<p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>	
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

## Independent Auditor's Report (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.



Simone Bohan

*as delegate for the Auditor-General of Victoria*

MELBOURNE

27 August 2023

## Comprehensive operating statement

for the financial year ended 30 June 2023

	Notes	2023 \$	2022 \$
<b>Income and revenue from transactions</b>			
Licence and service fees revenue	2.2	5,878,557	5,989,286
Grants and other government assistance	2.3	381,093	487,016
Interest income	2.4	225,647	22,410
Other income		42,556	6,000
<b>Total income and revenue from transactions</b>		<b>6,527,853</b>	<b>6,504,712</b>
<b>Expenses from transactions</b>			
Employee expenses	3.1.1	3,915,453	4,007,997
Depreciation and amortisation	4.1.1	330,226	358,986
Product testing and laboratory evaluation costs		413,947	421,158
Other operating expenses	3.2	1,595,662	1,945,730
<b>Total expenses from transactions</b>		<b>6,255,288</b>	<b>6,733,871</b>
<b>Net result from transactions (net operating balance)</b>		<b>272,565</b>	<b>(229,159)</b>
<b>Other economic flows included in net result</b>			
Net gain on disposal of non-financial assets		2,335	364
Other gains from other economic flows		8,434	47,482
<b>Total other economic flows included in net result</b>		<b>10,769</b>	<b>47,846</b>
<b>Comprehensive result</b>		<b>283,334</b>	<b>(181,313)</b>

*The accompanying notes form part of these financial statements.*

Notes:

a. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

## Balance sheet

as at 30 June 2023

	Notes	2023 \$	2022 \$
<b>Assets</b>			
<i>Financial assets</i>			
Cash and deposits	6.1(a)	7,364,250	7,146,456
Receivables	5.1	126,505	168,621
<b>Total financial assets</b>		<b>7,490,755</b>	<b>7,315,077</b>
<i>Non-financial assets</i>			
Property, plant and equipment	4.1	855,211	1,115,199
Intangible assets	4.2	121,295	182,362
Prepayments		80,677	53,212
<b>Total non-financial assets</b>		<b>1,057,183</b>	<b>1,350,773</b>
<b>Total assets</b>		<b>8,547,938</b>	<b>8,665,850</b>
<b>Liabilities</b>			
Payables	5.3	299,391	373,296
Employee benefits	3.1.2	777,080	918,025
Lease liabilities	6.3	672,587	858,983
<b>Total liabilities</b>		<b>1,749,058</b>	<b>2,150,304</b>
<b>Net assets</b>		<b>6,798,880</b>	<b>6,515,546</b>
<b>Equity</b>			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		4,998,880	4,715,546
<b>Net worth</b>		<b>6,798,880</b>	<b>6,515,546</b>

*The accompanying notes form part of these financial statements.*

Notes:

a. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

## Cash flow statement

for the financial year ended 30 June 2023

	Notes	2023 \$	2022 \$
<b>Cashflow from operating activities</b>			
<i>Receipts</i>			
Receipts received from customers		5,979,384	5,912,146
Receipts from Government		381,093	487,016
Interest received		199,853	22,050
Goods and services tax received from the ATO <sup>b</sup>		124,583	156,434
<b>Total receipts</b>		<b>6,684,913</b>	<b>6,577,646</b>
<i>Payments</i>			
Payments to suppliers and employees		(6,244,719)	(6,474,564)
Interest and other costs of finance paid	6.3	(29,168)	(9,579)
<b>Total payments</b>		<b>(6,273,887)</b>	<b>(6,484,143)</b>
<b>Net cash flows from operating activities</b>	6.1(b)	<b>411,026</b>	<b>93,503</b>
<b>Cash flows from investing activities</b>			
Purchases of non-financial assets	4.1.2	-	(111,117)
Proceeds from sale of non-financial assets		2,335	364
Purchases of intangible assets	4.2	-	(40,959)
<b>Net cash flows from/(used in) investing activities</b>		<b>2,335</b>	<b>(151,712)</b>
<b>Cash flows from financing activities</b>			
Repayment of principal portion of lease liabilities	6.3	(195,567)	(223,864)
Inflows from leasehold improvement contribution		-	177,100
<b>Net cash flows used in financing activities</b>		<b>(195,567)</b>	<b>(46,764)</b>
Net increase/(decrease) in cash and cash equivalents		217,794	(104,973)
Cash and deposits at the beginning of the financial year		7,146,456	7,251,429
<b>Cash and deposits at the end of the financial year</b>	6.1(a)	<b>7,364,250</b>	<b>7,146,456</b>

*The accompanying notes form part of these financial statements.*

Notes:

- a. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.
- b. GST received from the Australian Taxation Office is presented on a net basis.

## Statement of changes in equity

for the financial year ended 30 June 2023

	Contributed capital \$	Accumulated surplus \$	Total equity \$
<b>Balance as at 1 July 2021</b>	1,800,000	4,896,859	6,696,859
Net result for the 2021/22 year	-	(181,313)	(181,313)
<b>Balance as at 30 June 2022</b>	1,800,000	4,715,546	6,515,546
Net result for the 2022/23 year	-	283,334	283,334
<b>Balance as at 30 June 2023</b>	1,800,000	4,998,880	6,798,880

*The accompanying notes form part of these financial statements.*

*Note:*

*a. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.*

## Notes to financial statements

for the financial year ended 30 June 2023

### 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 2023.

#### 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 under the heading: 'Significant judgement'.

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, Fisheries and Forestry.

### Significant judgement:

DFSV has made the judgement that amounts received in relation to Licence and Service fees revenue should be recognised under AASB 15 *Revenue from Contracts with Customers* (refer Note 2.2). And Grants revenue should be recognised under AASB 1058 *Income for Not-For-Profit* (refer Note 2.3).

### 2.1 Summary of revenue and income that funds the delivery of our services

	Notes	2023 \$	2022 \$
Licence and service fees revenue	2.2	5,878,557	5,989,286
Grants and other government assistance	2.3	381,093	487,016
Interest income	2.4	225,647	22,410
Other income		42,556	6,000
<b>Total revenue and income from transactions</b>		<b>6,527,853</b>	<b>6,504,712</b>

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

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

## 2.2 Licence and service fees revenue

	2023 \$	2022 \$
Licence fees	4,878,111	4,991,017
Audit and inspection fees	469,455	463,801
Income relating to the AMRA survey	530,991	534,468
<b>Total licence and service fees</b>	<b>5,878,557</b>	<b>5,989,286</b>

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

### Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. DFSV recognises revenue when it transfers control of a service to the customer — 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.

## Notes to financial statements (*cont.*)

### 2.3 Grants and other government assistance

	2023 \$	2022 \$
Government grants: specific purpose	350,000	450,000
COVID-19 relief funding	31,093	37,016
<b>Total grants and other government assistance</b>	<b>381,093</b>	<b>487,016</b>

Government grants presented in the table above relates to funding from the Department of Energy, Environment and Climate Action (DEECA) under the Federation Funding Agreement (Environment), for the Dairy Sector Digital Export Risk Assurance Diagnostic Project 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:

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

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

	2023 \$	2022 \$
Interest on bank deposits	225,647	22,410
<b>Total interest income</b>	<b>225,647</b>	<b>22,410</b>

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

### 3. The cost of delivering services

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

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

#### 3.1 Expenses incurred in delivery of services

	Notes	2023 \$	2022 \$
Employee benefit expenses	3.1.1	3,915,453	4,007,997
Product testing and laboratory evaluation costs		413,947	421,158
Other operating expenses	3.2	1,595,662	1,945,730
<b>Total expenses incurred in delivery of services</b>		<b>5,925,062</b>	<b>6,374,885</b>

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

	2023 \$	2022 \$
Salaries and employee entitlements	3,223,178	3,359,122
Defined contribution superannuation expense	346,238	319,072
Defined benefits superannuation expense	7,447	9,898
Other employee-related costs (FBT, payroll tax and WorkCover)	213,471	211,383
Board and committee fees	112,706	108,522
Termination payments	12,413	-
<b>Total employee and Board member expenses</b>	<b>3,915,453</b>	<b>4,007,997</b>

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

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

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

## Notes to financial statements (*cont.*)

### 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.

	2023 \$	2022 \$
<b>Current provisions</b>		
<i>Annual leave:</i>		
Unconditional and expected to settle within 12 months	151,016	187,898
Unconditional and expected to settle after 12 months	41,336	69,631
<i>Long service leave:</i>		
Unconditional and expected to settle within 12 months	56,617	65,130
Unconditional and expected to settle after 12 months	290,279	352,677
<i>Provisions for on-costs:</i>		
Unconditional and expected to settle within 12 months	33,532	39,561
Unconditional and expected to settle after 12 months	54,655	66,864
<b>Total current provisions</b>	<b>627,435</b>	<b>781,761</b>
<b>Non-current provisions</b>		
Employee benefits — long service leave	128,395	117,444
On-costs	21,250	18,820
<b>Total non-current provisions</b>	<b>149,645</b>	<b>136,264</b>
<b>Total provisions for employee benefits</b>	<b>777,080</b>	<b>918,025</b>

### Reconciliation of movement in on-cost provisions

	2023 \$	2022 \$
<b>Opening balance</b>	<b>125,245</b>	<b>114,097</b>
Additional provisions recognised	50,438	60,129
Reductions arising from payments	(66,245)	(48,981)
<b>Closing balance</b>	<b>109,438</b>	<b>125,245</b>
Current	88,188	106,425
Non-current	21,249	18,820

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

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

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

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

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

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

The components of this current LSL liability are measured at:

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

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

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

### 3.1.3 Superannuation contributions

Employees of DFSV are entitled to receive superannuation benefits and DFSV contributes to both defined benefit and defined contribution plans. The defined benefit plan 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 \$	
	2023	2022	2023	2022
<b>Defined benefit plans:</b>				
Emergency Services Superannuation	7,447	9,848	-	469
<b>Defined contribution plans:</b>				
Aware Super	57,278	72,004	709	3,478
Australian Super	77,024	81,379	4,763	3,404
Other	195,337	162,273	11,127	8,538
<b>Total</b>	<b>337,086</b>	<b>325,504</b>	<b>16,599</b>	<b>15,889</b>

## Notes to financial statements (*cont.*)

### 3.2 Other operating expenses

	2023 \$	2022 \$
Audit fees (refer to Note 8.6)	63,581	93,513
General administration	136,448	97,488
General insurance	169,026	144,568
Information technology (refer to Note 3.3)	645,876	820,939
Interest and other costs of finance (refer to Note 6.3)	29,168	9,579
Occupancy (excluding operating rental lease)	63,824	52,787
Low value lease expenses	7,424	10,347
Professional services (consultancies, contractors, legal, recruitment)	375,775	647,841
Travel (excluding motor vehicle operating leases)	104,540	68,668
<b>Total other operating expenses</b>	<b>1,595,662</b>	<b>1,945,730</b>

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

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

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

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

### 3.3 Accounting for Software as a Service Arrangement (SaaS)

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.

## 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	
	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$
Leasehold improvements	348,477	348,477	(144,867)	(114,005)	203,610	234,472
Furniture and fittings	126,178	126,178	(46,411)	(31,451)	79,767	94,727
Office equipment	283,241	319,909	(224,102)	(217,973)	59,139	101,936
<b>Total plant and equipment</b>	<b>757,896</b>	<b>794,564</b>	<b>(415,380)</b>	<b>(363,429)</b>	<b>342,516</b>	<b>431,135</b>
<b>Right-of-Use assets</b>						
Property	618,491	1,052,384	(154,623)	(464,818)	463,868	587,566
Vehicles	187,595	307,383	(138,768)	(210,885)	48,827	96,498
<b>Total Right-of-Use assets</b>	<b>806,086</b>	<b>1,359,767</b>	<b>(293,391)</b>	<b>(675,703)</b>	<b>512,695</b>	<b>684,064</b>
<b>Total Property, plant and equipment</b>	<b>1,563,982</b>	<b>2,154,331</b>	<b>(708,771)</b>	<b>(1,039,132)</b>	<b>855,211</b>	<b>1,115,199</b>

### Recognition and measurement

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

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.

## Notes to financial statements (cont.)

### 4.1.1 Depreciation and amortisation

	2023 \$	2022 \$
Leasehold improvements	30,862	27,870
Furniture and fittings	14,960	14,446
Office equipment	42,797	39,614
Amortisation of software	61,068	60,539
Right-of-Use assets — Property	123,698	149,259
Right-of-Use assets — Vehicles	56,841	67,258
<b>Total depreciation and amortisation</b>	<b>330,226</b>	<b>358,986</b>

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

Depreciation is calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for 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; three years for vehicles, and five 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.

### 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 \$
<b>Opening balance 1 July 2022</b>	-	234,472	94,727	101,936	587,566	96,498	1,115,199
Additions		-	-	-	-	9,170	9,170
Depreciation		(30,862)	(14,960)	(42,797)	(123,698)	(56,841)	(269,158)
<b>Closing balance 30 June 2023</b>		<b>203,610</b>	<b>79,767</b>	<b>59,139</b>	<b>463,868</b>	<b>48,827</b>	<b>855,211</b>
<b>Opening balance 1 July 2021</b>	<b>289,289</b>	<b>19,810</b>	<b>19,475</b>	<b>73,373</b>	<b>118,334</b>	<b>104,818</b>	<b>625,099</b>
Additions		-	42,941	68,176	618,492	58,938	788,547
Transfer to other categories	(289,289)	242,532	46,757	-	-	-	-
Depreciation	-	(27,870)	(14,446)	(39,614)	(149,259)	(67,258)	(298,447)
<b>Closing balance 30 June 2022</b>	<b>-</b>	<b>234,472</b>	<b>94,727</b>	<b>101,936</b>	<b>587,566</b>	<b>96,498</b>	<b>1,115,199</b>

## 4.2 Intangible assets

	2023 \$	2022 \$
<b>Gross carrying amount</b>		
Opening balance	1,227,822	1,186,863
Additions	-	40,959
<b>Closing balance of gross carrying amount</b>	<b>1,227,822</b>	<b>1,227,822</b>
<b>Accumulated depreciation</b>		
Opening balance	(1,045,459)	(984,920)
Amortisation expense	(61,068)	(60,539)
<b>Closing balance of accumulated depreciation</b>	<b>(1,106,527)</b>	<b>(1,045,459)</b>
<b>Net book value at end of financial year</b>	<b>121,295</b>	<b>182,363</b>

### 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 availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- e. 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 2023 (\$nil 2022).

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

	2023 \$	2022 \$
<b>Current receivables</b>		
<i>Contractual</i>		
Trade debtors <sup>a</sup>	60,616	113,232
Accrued interest	26,247	453
Other receivables	14,461	20,116
<b>Total contractual receivables</b>	<b>101,324</b>	<b>133,801</b>
<i>Statutory</i>		
GST input tax credits recoverable <sup>b</sup>	25,181	34,820
<b>Total current receivables</b>	<b>126,505</b>	<b>168,621</b>

Notes:

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

	2023 \$	2022 \$
<b>Current payables</b>		
<i>Contractual</i>		
Supplies and services <sup>a</sup>	128,322	199,297
Employee benefit accruals and on-costs	52,900	45,019
<b>Total contractual payables</b>	<b>181,222</b>	<b>244,316</b>
<i>Statutory</i>		
Taxes payable (FBT, PAYG, Payroll Tax)	118,169	128,980
<b>Total current payables</b>	<b>299,391</b>	<b>373,296</b>

*Note:*

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. Notes 7.1 and 7.3 provide additional, specific financial instruments disclosures.

#### 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.

	2023 \$	2022 \$
<b>a) Cash and cash equivalents</b>		
Cash on hand	300	300
Cash at bank	7,363,950	7,146,156
<b>Total cash and deposits disclosed in the balance sheet</b>	<b>7,364,250</b>	<b>7,146,456</b>
 <b>b) Reconciliation of net result for the financial year to net cashflows from operating activities</b>		
Net result for the financial year	283,334	(181,313)
<i>Non-cash movements:</i>		
Depreciation and amortisation of non-current assets	330,226	358,986
<i>Movements included in investing activities:</i>		
Net loss/(gain) on disposal of non-financial assets	(2,335)	(364)
<i>Movements in assets and liabilities:</i>		
Decrease/(Increase) in receivables	42,116	(58,554)
Decrease/(Increase) in prepayments	(27,465)	23,257
Increase/(Decrease) in payables	(73,905)	(108,341)
Increase/(Decrease) in provisions	(140,945)	59,832
<b>Net cash flow from operating activities</b>	<b>411,026</b>	<b>93,503</b>

#### 6.2 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These future expenditures cease to be disclosed as commitments once 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 five 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 5-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.

	2023 \$	2022 \$
<b>Amounts recognised in the comprehensive operating statement</b>		
Interest on lease liabilities	29,168	9,579
Expenses relating to leases of low-value assets	7,424	10,089
	<b>36,592</b>	<b>19,668</b>
<b>Maturity analysis – undiscounted contractual cash flows</b>		
Less than one year	219,204	224,295
One to five years	517,951	713,516
<b>Total undiscounted contractual cash flows</b>	<b>737,155</b>	<b>937,811</b>
<b>Lease liabilities recognised in the balance sheet</b>		
Current	189,306	195,147
Non-current	483,281	663,836
<b>Total</b>	<b>672,587</b>	<b>858,983</b>
	2023 \$	2022 \$
<b>Amounts recognised in cashflow statement</b>		
Payments of interest on lease payments [operating cashflows]	29,168	9,579
Payments of principal on lease payments [financing cashflows]	195,567	223,864
<b>Total cash outflow for leases</b>	<b>224,735</b>	<b>233,443</b>

## Notes to financial statements (*cont.*)

### **Lease liability: initial measurement**

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.

### **Lease liability: subsequent measurement**

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

## Notes to financial statements (cont.)

### 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).

Financial instruments: Categorisation	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
<b>2023</b>			
<i>Contractual financial assets:</i>			
Cash and deposits	7,364,250	-	7,364,250
Trade receivables	60,616	-	60,616
Accrued interest	26,247.00	-	26,247
Other debtors	14,461	-	14,461
<b>Total contractual financial assets</b>	<b>7,465,574</b>	-	<b>7,465,574</b>
<i>Contractual financial liabilities:</i>			
Supplies and services	-	128,322	128,322
Borrowings: lease liabilities	-	672,587	672,587
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>800,909</b>	<b>800,909</b>
 <b>Financial instruments: Categorisation</b>			
<b>2022</b>			
<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
<b>Total contractual financial assets</b>	<b>7,280,257</b>	-	<b>7,280,257</b>
<i>Contractual financial liabilities:</i>			
Supplies and services	-	199,297	199,297
Borrowings: lease liabilities	-	858,983	858,983
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>1,058,280</b>	<b>1,058,280</b>

### Financial risk management objectives and policies

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

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

#### Credit risk

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

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

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

	Financial institution (AA credit rating)	Other	Total
Credit quality of financial assets: 2023	\$	\$	\$
Cash on hand (not subject to impairment losses)	-	300	300
<b>Financial assets with loss allowance measured at 12 month expected credit loss:</b>			
Cash and deposits (with no impairment loss recognised)	7,363,950	-	7,363,950
Statutory receivables (with no impairment loss recognised)	25,181	-	25,181
<b>Financial assets with loss allowance measured at lifetime expected credit loss:</b>			
Contractual receivables applying the simplified approach for impairment	26,247	75,077	101,324
<b>Total</b>	<b>7,415,378</b>	<b>75,377</b>	<b>7,490,755</b>

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

## Notes to financial statements (*cont.*)

### **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.

#### **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 2022–23 (2021–22 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 \$
<b>2023</b>						
<i>Financial assets:</i>						
Cash at bank	6.1	3.08%	7,364,250	-	7,363,950	300
Receivables <sup>a</sup>	5.1	-	101,324	-	-	101,324
<b>Total financial assets</b>			<b>7,465,574</b>	-	<b>7,363,950</b>	<b>101,624</b>
<i>Financial liabilities:</i>						
Payables <sup>a</sup>	5.3	-	128,322	-	-	128,322
Lease liabilities	6.3	3.80%	672,587	-	-	672,587
<b>Total financial liabilities</b>			<b>800,909</b>	-	-	<b>800,909</b>
Interest rate exposure of financial instruments	Note	Weighted average interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
<b>2022</b>						
<i>Financial assets:</i>						
Cash at bank	6.1	1.00%	7,146,456	-	7,146,156	300
Receivables <sup>a</sup>	5.1		133,801	-	-	133,801
<b>Total financial assets</b>			<b>7,280,257</b>	-	<b>7,146,156</b>	<b>134,101</b>
<i>Financial liabilities:</i>						
Payables <sup>a</sup>	5.3		199,297	-	-	199,297
Lease liabilities	6.3	3.70%	858,983	-	-	858,983
<b>Total financial liabilities</b>			<b>1,058,280</b>	-	-	<b>1,058,280</b>

Note: 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 (2022: \$77,400) 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 (2022: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	Financial liabilities
<b>Cash and deposits</b>	<b>Payables:</b>
<i>Receivables:</i>	<ul style="list-style-type: none"> <li>• For supplies and services</li> <li>• Amounts payable to government and agencies</li> </ul>
<ul style="list-style-type: none"> <li>• Sale of goods and services</li> <li>• Accrued investment income</li> <li>• Other receivables</li> </ul>	

### 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 2023.

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

Fair value measurement hierarchy	Carrying amount	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
<b>As at 30 June 2023</b>				
Leasehold improvements	203,610	-	-	203,610
Furniture and fittings	79,767	-	-	79,767
Office equipment	59,139	-	-	59,139
<b>Total plant and equipment at fair value</b>	<b>342,516</b>	-	-	<b>342,516</b>
<b>As at 30 June 2022</b>				
Leasehold improvements	234,472	-	-	234,472
Furniture and fittings	94,727	-	-	94,727
Office equipment	101,936	-	-	101,936
<b>Total plant and equipment at fair value</b>	<b>431,135</b>	-	-	<b>431,135</b>

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

Reconciliation of level 3 fair values as at 30 June 2023	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
<b>Opening balance</b>	234,472	94,727	101,936	431,135
Depreciation	(30,862)	(14,960)	(42,797)	(88,619)
<b>Closing balance</b>	<b>203,610</b>	<b>79,767</b>	<b>59,139</b>	<b>342,516</b>

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

## 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.

There were no ex-gratia expenses incurred during the financial year ended 30 June 2023 (2022: \$2,376).

#### 8.2 Other economic flows included in the net result

Other economic flows are changes in the value of an asset or liability that do not result from transactions.

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

Other gains/(losses) from other economic flows include the gains or losses from the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

#### 8.3 Responsible persons

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

##### Responsible Minister

Minister for Agriculture, the Hon. Gayle Tierney was the responsible Minister from 1 July 2022 to 30 June 2023.

##### Board members

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

Anne Astin (Chair)	1 July 2022 – 30 June 2023
Peta Slack-Smith	1 July 2022 – 30 June 2023
Tania Luckin	1 July 2022 – 30 June 2023
Nicholas Renyard	1 July 2022 – 30 June 2023
Tracey Marsden	1 July 2022 – 30 June 2023
Michele Allan	1 July 2022 – 30 June 2023
Joanna Wriedt	1 July 2022 – 30 June 2023

##### Accountable officers

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

Amanda Hill	1 July 2022 – 6 April 2023
Andrew Wilson	7 April 2023 – 30 June 2023

Total remuneration of the Accountable Officers in connection with the management of DFSV during the reporting period was in the range: \$360,000–\$369,999 (2022: \$330,000–\$339,999).

### Insurance premiums

During the financial year, DFSV paid an insurance premium inclusive of GST of \$41,805 (2022: \$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:

	2023 No.	2022 No.
<b>Income band</b>		
\$0–\$9,999	-	3
\$10,000–\$19,999	5	5
\$40,000–\$49,999	1	1
\$60,000–\$69,999	1	-
\$300,000–\$309,999	1	-
\$330,000–\$339,999	-	1
<b>Total numbers</b>	<b>8</b>	<b>10</b>
<b>Total remuneration</b>	<b>\$491,389</b>	<b>\$463,035</b>

Note: The above table excludes Board member Tracey Marsden who is remunerated by the Department of Energy, Environment and Climate Action.

### 8.4 Remuneration of executives

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

Remuneration comprises employee benefits (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 8.5)	2023 \$	2022 \$
Short-term benefits	157,593	194,923
Post-employment benefits	16,352	19,257
Other long-term benefits	4,884	8,586
Termination benefits	-	-
<b>Total remuneration<sup>a</sup></b>	<b>\$178,829</b>	<b>222,766</b>
<b>Total number of executives</b>	<b>1</b>	<b>1</b>
<b>Total annualised employee equivalents<sup>b</sup></b>	<b>0.8</b>	<b>1</b>

Notes:

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 8.5).

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

## Notes to financial statements (cont.)

### 8.5 Related parties

Related parties of DFSV include all key management personnel and their close family members and personal business interests, the Department of Energy, Environment and Climate Action (DEECA) and Treasury Corporation Victoria (TCV).

Key management personnel of DFSV includes the Portfolio Minister, the Hon. Gayle Tierney (1 July 2022 – 30 June 2023), Board members, the accountable officer (ref Note 8.3 Responsible persons), and a member of the executive team as follows:

- General Manager, Compliance, Enforcement and Technical Services — Andrew Wilson (1 July 2022 – 30 June 2023)

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 DEECA as Director, Pets and Animal Welfare. As a representative of DEECA, 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 DEECA (see Note 2.3).

**Key Management Personnel** of DFSV includes an executive officer, 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 is reported within the States Annual Financial Report.

	2023 \$	2022 \$
<b>Total compensation of key management personnel</b>		
Short-term employee benefits	595,717	608,857
Post-employment benefits	55,739	55,117
Other long-term benefits	6,349	21,826
Termination benefits	12,413	-
<b>Total</b>	<b>\$670,218</b>	<b>685,801</b>

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

### 8.6 Remuneration of auditors

	2023 \$	2022 \$
Internal audit fees	35,581	65,513
External audit fees (Victorian Auditor General's Office)	28,000	28,000
<b>Total remuneration of auditors</b>	<b>63,581</b>	<b>93,513</b>

### 8.7 Subsequent events

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

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

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

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

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2023 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 2023. DFSV has not, and does not intend to, adopt these standards early.

<b>Standard / Interpretation</b>	<b>Summary</b>	<b>Standard applicable to DFSV for annual reporting periods beginning on</b>	<b>Impact on DFSV financial statements</b>
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
AASB 2022-10 Amendments to Australian Accounting Standards — Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities.	AASB 2022-10 amends AASB 13 <i>Fair Value Measurement</i> by adding authoritative implementation guidance and illustrative examples for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.	1 January 2024	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.*)

### 8.9 Glossary of technical terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Financial statements** comprise:

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

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

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

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

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

#### **Net operating balance or net result from transactions**

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

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

**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.

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

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

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

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

### 8.10 Style conventions

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

The financial statements and notes are presented based on the illustration in the 2022–23 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
<b>MINISTERIAL DIRECTIONS &amp; FINANCIAL REPORTING DIRECTIONS</b>		
<b>Report of operations</b>		
<i>Charter and purpose</i>		
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FRD 22	Purpose, functions, powers and duties	3
FRD 8	Objectives, indicators and outputs	11-23
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### *Declaration*

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