

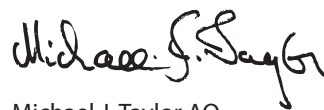


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In accordance with the *Financial Management Act 1994*, I am pleased to present Dairy Food Safety Victoria's Annual Report for the year ending 30 June 2017.

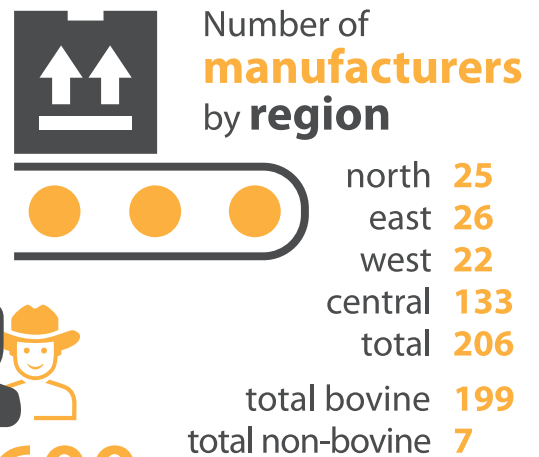


Michael J. Taylor AO
Chair

24 August 2017

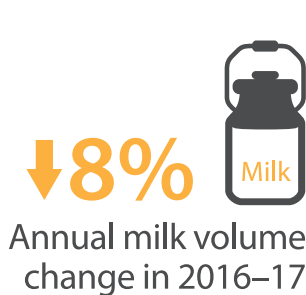
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INDUSTRY STATISTICS



Data supplied by Dairy Australia

Production volumes relate to the 2017 licence renewal data from the 2015–16 financial year

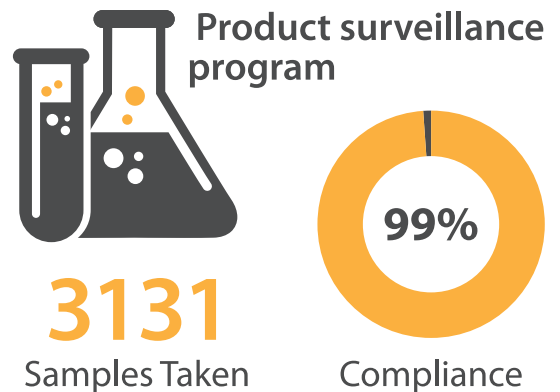
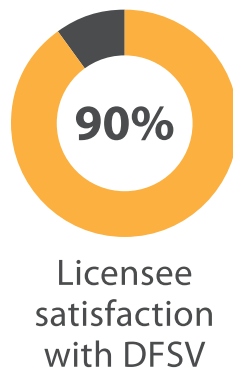


Data supplied by Dairy Australia

DFSV STATISTICS

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

farm	27
manufacturer	17
other	12



Data supplied by Department of Health and Human Services – Victoria



Chairs' foreword



This report marks the first full reporting year for both the current Board, and for me as Chair.

We continue to focus on delivering the 2015–20 Strategic Plan with a strong emphasis on supporting the dairy industry in the delivery of safe dairy food for consumers, thus protecting public health and the reputation and economic contribution of the Victorian dairy industry.

Victoria continues to be the pre-eminent dairy state in Australia. According to Dairy Australia's publication *Australian Dairy Industry in Focus 2016*, in 2015–16, nearly 68% of Australia's bovine dairy farms were located in Victoria. Victoria contributed 65% of national milk production; 80% of national cheese production and over 70% of Australian dairy exports.

Dairy remains a significant contributor to the Victorian economy and our dairy sector is the State's largest regional manufacturing industry.

The non-bovine sector of the industry, although small, is growing. A recent survey of the dairy goat industry indicates that whilst non-bovine dairy farms in Victoria make up less than 1% of all dairy farms, approximately 37% of all Australian dairy goat farms are located in Victoria.

The Victorian dairy industry, like the industry across Australia, faced significant challenges over the 2016–17 financial year and is likely to continue to experience challenging circumstances as we move into the new year. Dairy Food Safety Victoria (DFSV) monitored the impact on the industry to identify potential risks to food safety or the financial sustainability of the organisation. DFSV remains ready to respond not only to risks associated with the pressure on industry, but to the business innovations that are likely to emerge in response. Our risk based, outcomes focused approach means we are well placed to support industry to maintain its safe food reputation and to ensure public health is protected through this period of change.

During the year, the Board has actively increased its engagement with stakeholders with Board members attending a range of industry events and individual stakeholder attendance at Board events. I, along with the Chief Executive Officer (CEO) met with industry leaders and groups including the Australian Dairy Products Federation (ADPF) and United Dairyfarmers Victoria (UDV).

The Minister's Statement of Expectations, issued to DFSV in December 2016, clearly articulates the expectation that DFSV will deliver its regulatory remit efficiently as well as effectively and that we will work to reduce red tape, particularly as it impacts on small businesses, and improve regulatory practice. Across 2016–17, DFSV continued to work with fellow food regulators in Victoria and beyond to ensure a consistent experience for dairy businesses. We engaged directly with our licensees to understand their experience of regulation and the support they need to understand and meet regulatory requirements. We continue our work to review our regulatory framework and decision-making to ensure it is efficient and fit for purpose in the current business environment.

We continued the review of our regulatory framework to identify opportunities to streamline and reduce regulatory burden. A step forward in simplifying the regulatory framework was the work undertaken towards revoking the *Code of Practice for Dairy Food Safety 2002*, which was found to duplicate other primary legislation and the Australia New Zealand Food Standards Code. DFSV also continues to work collaboratively with the Commonwealth Department of Agriculture and Water Resources to ensure that domestic and export regulatory regimes operate seamlessly.

A handwritten signature in black ink that reads "Michael J. Taylor". The signature is written in a cursive, flowing style.

Michael J. Taylor AO
Chair

About Dairy Food Safety Victoria

Vision

Product safety and integrity locally and globally for Victoria's dairy industry.

Mission

To independently regulate dairy food safety.

Values

Respect

We recognise, value and capitalise on diversity.

Collaboration

We work actively and positively as a team and with stakeholders in the spirit of partnership and mutual regard.

Service

We will exceed expectations by always providing high quality services.

Excellence

We will consistently seek to improve what we do and how we do it.

Integrity & fairness

We will be honest, open and transparent and act consistently and without favouritism.

Charter and purpose

DFSV is a statutory authority established by the Victorian Parliament under the *Dairy Act 2000*. DFSV reports through its Board to the Victorian Minister for Agriculture.

The Hon. Jaala Pulford MP, Minister for Agriculture was the responsible minister during the period 1 July 2016 to 30 June 2017.

The objectives, functions and powers of DFSV are prescribed under Part 2, Sections 5–7 of the Dairy Act as follows:

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 of the Act;
- (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 charge fees for carrying out its functions, and for the provision of its services including the services of its authorised officers;
 - c. Expend its funds in carrying out its functions and powers or in paying remuneration and allowances to its members.

Report of operations

In 2016–17 DFSV implemented year two of its five-year strategic plan.



CEO's introduction

I am pleased to introduce the report of operations for the year ended 30 June 2017.

DFSV achieved a significant amount in the second year of our 2015–20 Strategic Plan.

DFSV continues to deliver its statutory responsibilities by effectively maintaining a high level of stakeholder confidence in the regulatory regime and ensuring there were no foodborne illness outbreaks attributed to Victorian dairy products across the year. Industry compliance remains high and we have not been required to take enforcement action in order to protect public health.

Over the reporting year DFSV has grown its industry advice and support activity, this is a key component of our strategic approach to ensure Victorian dairy food is safe and that industry complies with regulatory requirements.

DFSV is an active participant in forums that further the development of food safety science and in the evolution of regulatory practice in Victoria, nationally and internationally.

Internally we have significantly improved our administrative and governance practices, implementing an electronic document management system and building our capacity for interrogating our data for reporting and intelligence purposes. We remain financially stable and our licensees are confident that the DFSV workforce has the skills and authority to undertake their regulatory obligations.

In responding to the Ministerial Statement of Expectations we have specifically:

- continued to review our licensing, compliance and enforcement framework to identify opportunities for regulatory improvement and implement change where it enhances or does not compromise food safety;

- sought to understand how the dairy industry, and specifically small processors, would like to receive technical and compliance information through a focused survey;
- actively participated in the Forum of Victorian Food Regulators to ensure consistency in regulatory approach; and
- actively contributed to the national food regulatory framework by representing Victorian primary production regulation in the national Implementation Sub Committee for Food Regulation and by monitoring and providing input to standards review and development by Food Standards Australia New Zealand.

The breadth of activities undertaken by DFSV over the past year to 30 June 2017 has supported the Minister's expectations that DFSV work towards greater efficiency and effectiveness in the administration and enforcement of regulation, consistent with DFSV's commitment to reducing the impact of regulation on business and the Victorian community.

A handwritten signature in black ink, appearing to read 'Jennifer McDonald'.

Jennifer McDonald
Chief Executive Officer

1. Regulation objective

To maintain industry compliance with DFSV regulatory requirements

DFSV's core responsibility is to regulate the Victorian dairy industry to safeguard public health. This is achieved through the licensing of dairy businesses, including manufacturers and farmers. DFSV encourages and supports licensed businesses to comply with regulatory requirements; monitors compliance with regulatory requirements by approving and auditing food safety programs; and when necessary, enforces compliance.

Auditing and certification

Dairy manufacturer licensees are required to be audited at a minimum frequency of every six months and dairy farmer licensees at a minimum of every 24 months. During the reporting period 1850 farms and 374 manufacturer audits were completed. Audits are conducted to determine whether or not licensees have complied with the requirements of their approved food safety program, and if the program continues to be appropriate for achieving food safety in the business being conducted.

DFSV takes action proportionate to the seriousness of any legislative non-compliance identified and the level of risk to food safety. This resulted in an additional four enforcement audits, and ten visits to manufacturers outside of the regular audit program to close corrective actions required as a result of findings in audits. No enforcement action has been required at farm level.

DFSV continues to work with companies and auditors on farm-related food safety issues. Training and information sessions were held with auditors and manufacturer field staff on farm effluent management, and also the correct use of antibiotics.

DFSV is responsive to industry and community developments in food production, safety and public health, particularly recognition of the increased importance of managing allergenic substances in food. DFSV has strengthened its oversight of allergen management at dairy manufacturing premises. For example, as a result of audit findings, one manufacturer undertook a voluntary trade level withdrawal, and another initiated a product recall due to undeclared allergens in product.

DFSV successfully maintained its accreditation by the Commonwealth Department of Agriculture and Water Resources (DAWR) to undertake activities supporting streamlined export certification. DFSV has responded to changes in monitoring required by countries importing dairy products to ensure continued access to export markets for Victorian-produced dairy products. DFSV was also successful in negotiations to continue its coordination of the Australian Milk Residue Analysis (AMRA) survey across Australia on behalf of DAWR for the period 2017–2020.

Results from DFSV's audit program and Product Surveillance Program demonstrated that Victorian dairy manufacturers continue to show high levels of compliance with regulatory obligations. For the 2016–17 period, 3131 dairy product samples were tested as part of the Product Surveillance Program. Of the products tested, five batches in 3131 samples were found to be positive for the *Escherichia coli* (*E. coli*) bacteria at a level greater than the limit in the Food Standards Code. This is a decrease from eight batches in 2975 samples in 2015–16.

Table 1: Total licences by type at 30 June 2017

Licence	2016	2017
Manufacturer (bovine)	190	199
Manufacturer (sheep, goat and buffalo)	8	7
Farmer (bovine)	4141	3889
Farmer (sheep, goat & buffalo)	33	31
Milk broker	2	3
Distributor	109	111
Carrier	45	44
Vendor	2	2
Total	4530	4286

In the financial year 2016–17 there has been a decline of 252 or 6% in the number of bovine dairy farmers licensed by DFSV. However, it is interesting to note that the net reduction in farm licence numbers was the result of a lower number of new licensees entering the industry with cancellations or farms exiting the industry consistent with the previous year.

Report of operations

Policy and code reviews

During 2016–17, a review of DFSV’s Licensing, Compliance and Enforcement Policy resulted in a new approach and separation of the policy into two distinct areas: the first area is licensing, and the second is now compliance and enforcement. Development of a new Licensing Policy has been finalised, with the policy approved by the Board in June 2017. Of particular note is the review and documentation of DFSV’s approach to exercising its power under Section 22A of the *Dairy Act 2000* to exempt a business that might otherwise be required to be licensed with DFSV, if that business is licensed with another Victorian food regulatory authority.

Based on work undertaken in late 2016 to assess DFSV’s compliance and enforcement approach against Victorian and national regulatory policy including a reassessment of regulatory risk, work continued towards development of a new compliance and enforcement policy, which will clearly show how DFSV applies a risk-based-approach to ensure minimum effective regulation.

DFSV also reviewed the *Code of Practice for Dairy Food Safety 2002* (the Code) and found that the Code references were out of date; superseded requirements; and duplicated regulatory requirements in legislation. On this basis, a proposal to revoke the Code was the subject of consultation, which received no adverse comment and a request is now with the Minister for Agriculture to approve revoking the Code. Removal of the Code will have only a minor impact on the regulatory requirements imposed on dairy industry licensees, reducing the regulatory burden on dairy distributors.

In preparation for potential Code revocation, guidance material is being developed in the form of a licensee handbook. The handbook will provide licensees (existing and new) with information on how DFSV applies regulation, and guide action they need to take to ensure compliance.

Key performance indicators

Success	Indicators	2015–16	2016–17
No foodborne illness outbreaks attributed to Victorian dairy products	Number of foodborne illness outbreaks	0 (zero)	0 (zero)
Licensees subject to compliance enforcement actions (Number/%)			
Industry compliance with regulatory requirements	Corrective action requests (critical) – presents an imminent risk to food safety	2 (0.05%) farmers 7 (3.5%) manufacturers	1 (0.3%) farmer 7 (3.5%) manufacturers
	Increased audit frequency (enforcement audit)	2 (1%) manufacturers	4 (2%) manufacturers
	Orders issued under the <i>Dairy Act 2000</i> or <i>Food Act 1984</i>	1 (0.03%) farmer 1 (0.5%) manufacturer	2 (unlicensed manufacturers)
	Food safety program suspended or withdrawn	0 (0.0%)	0 (0.0%)
	Dairy licence suspended or cancelled	0 (0.0%)	0 (0.0%)
	Prosecution under the <i>Dairy Act 2000</i> or <i>Food Act 1984</i>	0 (0.0%)	0 (0.0%)
	Licensees where at least one of their dairy products was found to have a non-compliant contaminant (Number/%)		
	Pathogen* (organisms that can cause illness)	19 (11%)	11 (5.5%)
	Chemical	0 (0.0%)	0 (0%)
	Allergens (undeclared)	1 (0.5%)	3 (1.5%)
	Physical	8 (4%)	8 (4%)

* All pathogen detections were appropriately managed by manufacturers with oversight by DFSV, and no risk to public health.

2. Management of food safety incidents objective

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

DFSV investigates pathogen notifications made under mandatory reporting requirements, as well as detections from DFSV's Product Surveillance Program. All pathogen detections were managed through clearance programs implemented by manufacturers within their approved food safety programs. This included a heightened testing regime for the pathogens in question to verify that corrective actions have been effective.

A total of 17 pathogen detections at 11 sites resulting in products not compliant with the Food Standards Code were managed in this way. In addition, two manufacturers initiated precautionary product recalls relating to *E. coli* in cheese, and two relating to the presence of undeclared allergens in product.

A total of 37 complaints were received and investigated during the year relating to 28 DFSV licensees. This included: one illness complaint, referred to the Victorian Department of Health and Human Services; ten extraneous matter (nine licensees) complaints; and ten complaints about labelling (ten licensees). The remaining non-regulatory complaints related to quality or handling issues and were referred to the respective licensees for follow-up.

Critical Incident Response framework

Throughout the year DFSV continued to refine its Critical Incident Response Plan, which outlines DFSV's approach to the management of food safety incidents and other emergencies beyond 'business as usual'. The framework incorporates the Business Continuity Plan and IT Disaster Recovery Plan, and includes tools to assist with a hands-on response to critical incidents. Using the revised framework, a desktop exercise was conducted in November 2016 to test activation and application of the plan through a mock scenario. The learnings from this exercise supported ongoing training of the critical incident response team and helped identify refinements to improve the Critical Incident Response Plan.



Key performance indicators

Success	Performance indicators	2015–16	2016–17
	Qualitative evaluation using licensee feedback*		
Timely and proportionate response to food safety incidents	DFSV response was timely given the level of risk involved	85%	-
	The actions needed to address the incident were proportionate to the risks	81%	-
	How strongly do you agree or disagree that DFSV manages food safety incidents well? **	-	82% agreement
	Qualitative evaluation using results of internal post-incident debrief		
		No incidents triggered implementation of the Critical Incident Response Plan	No incidents triggered implementation of the Critical Incident Response Plan

* DFSV Licensee surveys conducted in April 2016 and April 2017

** Questions from 2015–16 amalgamated in to single question

Report of operations

3. Reputation objective

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

In order to protect and build its reputation DFSV takes action to ensure awareness of the organisation, understanding of its work, and transparency among relevant government and industry bodies. This is implemented through professional development of staff; monitoring industry and regulatory developments; stakeholder engagement; and responding appropriately to feedback.

Staff professional development

It is vital that DFSV staff and approved auditors have the skills and knowledge to do their jobs efficiently and effectively, and the organisation ensures both training and monitoring of staff development.

Food Safety Managers (FSMs) play a critical role in protecting our reputation as they are the most recognised 'face' of DFSV and make key decisions about DFSV's regulatory response on a daily basis. They collaborate with each other to ensure a consistent and appropriate approach to compliance monitoring and enforcement. In collaboration with the Science and Industry Support team, they ensure our regulatory response is evidence based.

Staff undertake training and development to ensure they have up-to-date skills and knowledge. In 2016–17, this included courses in cheese making; high pressure processing; fermentation; managing in challenging circumstances; and allergen management. Field trips in 2016–17 to licensees included a goat farm and a robotic dairy, ensuring that staff have exposure to the broad range of dairy operations regulated by DFSV.

DFSV ensures that practice standards are maintained by undertaking verification of the work of both FSMs and farm auditors. DFSV has established a national Farm Auditor Working Group to ensure contract farm auditors maintain their skills, and in 2016 held a targeted effluent management training session.

Monitoring industry and regulatory developments

DFSV ensures that staff are up to date with developments in both the industry and regulatory space through events and monitoring of information updates.

During 2016–17, DFSV staff attended conferences, seminars and events that provided exposure to advances in food safety science and regulatory practice, as well as providing insights into the state of the industry. These included: the annual International Association for Food Protection meeting; Global Food Safety Initiative conference; the Food Allergen Management symposium held by the Allergen Bureau; the national Hazard Analysis and Critical Control Point (HACCP) conference; and Dairy Australia outlook events.

Media and academic articles were also monitored to identify local and global advances in the dairy industry and food safety and shared across the organisation.

Stakeholder engagement

DFSV has established a framework for stakeholder engagement and communication activities to understand the needs of licensees and communicate DFSV key messages to its broad range of stakeholders.

During the reporting period, DFSV maintained effective relationships with state and national government agencies; industry peak bodies; academic and training organisations; and service providers. This was carried out through an ongoing program of regular meetings with ADPF, Dairy Australia (DA), UDV and Department of Economic Development, Jobs, Transport and Resources (DEDJTR) staff.

In addition, DFSV staff participated in specific industry, regulatory and scientific forums, and the Board also engaged directly with stakeholders by inviting guest attendance at Board meetings and dinners. DFSV engaged regularly with licensees and stakeholders through social media and a regular newsletter, as well as continued delivery of industry seminars and learning network forums.

Responding appropriately to feedback

The DFSV complaints and feedback policy has recently been revised to encourage stakeholder feedback and provide greater transparency about how feedback will be used.

For the second year, DFSV undertook a survey of its licensees to understand their level of confidence in DFSV as a regulator and how they perceive the culture of DFSV. The survey, conducted in April 2017, invited licensees to participate in a telephone interview or to respond to survey questions online. A total of 271 responses were received, representing 44% of manufacturers, 20% of distributors and 5% of DFSV's farmer licensees.

It is satisfying to report that consistent with the 2016 results, licensees expressed a high degree of confidence in DFSV as a regulator to safeguard public health. Licensees, particularly manufacturers, said that DFSV supports them with appropriate levels of guidance to comply with food safety regulations and are very confident that DFSV staff have the appropriate skills to undertake their role and exercise their authority with confidence.

This feedback continued to support DFSV's communication and licensee engagement plans by informing how it can continue to build on its strengths, and also to focus on areas for incremental improvement where there are opportunities to do so.

Key performance indicators

Success	Performance indicators	2015–16	2016–17
	Qualitative evaluation using licensee feedback*		
High stakeholder confidence in DFSV's ability to deliver on its regulatory obligations	Confidence in DFSV as a regulator	88%	90%
	Confidence that DFSV activities adequately safeguard public health	92%	89%
	DFSV conducts audits frequently enough to ensure dairy safety laws are adhered to	97%	97%
	DFSV acts to address any identified non-compliance with dairy food safety laws	97%	97%
High proportion of external recipients of communications satisfied with the quality of communications that they received	Level of satisfaction with the quality of communications they received	95%	96%

* DFSV Licensee surveys conducted in April 2016 and April 2017

4. Advice and support objective

To provide existing licensees and new market entrants with useful credible advice, supporting them to meet dairy food regulatory requirements and to increase the knowledge base of DFSV to support our regulatory decision-making.

DFSV performs a wide range of industry support activities to enhance industry capability and competence. This includes the publishing of technical and scientific advice; interpretation and guidance on food standards and regulations; completing risk assessments; validation of food safety measures; and industry trouble shooting.

Information and guidance

A key focus for DFSV is to promote understanding of regulatory compliance requirements and providing information to support licensees in meeting the requirements. We do this through a range of information products designed to help build the technical knowledge and expertise necessary for production of dairy food that is safe for customers.

In February 2017, DFSV commissioned market research to better understand the information needs of our manufacturing licensees. In-depth interviews were conducted with the management and staff of manufacturing businesses of varying size and longevity in the industry. The aim was to explore levels of satisfaction with the communication and technical support currently provided by DFSV; identify any gaps; and understand

the specific information needs of manufacturers and the preferred methods of accessing it. The responses provide DFSV with direction on how to improve communications to dairy manufacturers, including the type of information, the best format for providing it and the most appropriate way to make it available.

In 2016–17, a raw milk cheese decision-support tool was developed by the University of Tasmania Food Safety Centre, with funding from DFSV, NSW Food Authority, and Food Standards Australia New Zealand (FSANZ). The tool was published in November 2016 and is hosted on the University of Tasmania website. It comprises downloadable software, which enables potential raw cheese manufacturers to determine if their designated cheese meets the requirements of the Food Standards Code.

Research

DFSV engaged the Microbiological Diagnostic Unit Public Health Laboratory (MDU PHL), at the University of Melbourne to retrospectively sequence an array of dairy isolates of the *Listeria monocytogenes* bacteria obtained by DFSV through monitoring of food safety programs. The output will enable DFSV to assess relationships between dairy isolates and further enhance risk management strategies for Listeria. DFSV also continued to track local and global scientific literature for new and emerging issues in food safety.

Report of operations

Events

DFSV hosted two major industry-support events in 2016–17, which attracted a wide cross-section of industry: the Allergen Management in the Dairy Industry seminar, and a workshop titled *Food Safety Culture – Starting the Journey*. All content was videoed and is now available on the DFSV website.

The Science and Industry Support team hosted a trade display at the Dairy Industry Association of Australia (DIAA) Victorian State conference, promoting our industry support activities. DFSV also sponsored the DIAA Victorian Awards luncheon. Staff attended national and international conferences during the reporting period to continue their professional development and maintain industry networks.

In addition, Learning Network forums were held in six regions of Victoria during the year. A longstanding feature of the DFSV calendar, these biannual sessions were attended by over 100 industry personnel, representing approximately 40% of manufacturing licensees.

Online support

There was continued support for the online discussion forums for both the Learning Network and the Australian Specialist Cheesemakers' Association. In early 2017, the online Learning Network Discussion forum was successfully migrated to a LinkedIn group and rebadged as the Dairy Industry Technical Support group. In addition, DFSV's Science and Industry Support team developed a range of technical content for the DFSV website, relevant to both consumers and industry.

Key performance indicators

Success	Performance indicators	2015–16	2016–17
Qualitative evaluation using licensee feedback*			
High stakeholder confidence in DFSV's ability to deliver on its regulatory obligations	Staff provide enough guidance to help dairy businesses comply with dairy food safety laws	95%	93%

* DFSV Licensee Surveys conducted in April 2016 and April 2017

5. Participation objective

To participate in the food regulatory system to ensure the interests of Victoria and the Victorian dairy industry are represented.

DFSV participates in the broader food regulatory system to ensure that the interests of the Victorian Government, the Victorian industry and DFSV itself are represented.

During 2016–17, DFSV contributed to the Victorian Food Regulators forum in two ways. First was the development of a submission to DAWR on imported food reforms. Second was DFSV's engagement in discussions around regulator responses to home-based/online business developments and consideration of risks shared by food regulators.

Ongoing participation in the national Implementation Subcommittee on Food Regulation provides the opportunity to share information; provide input to the broader food regulatory framework across Australia; and keep abreast of developments in other jurisdictions to support consistent implementation.

Engagement with FSANZ and monitoring decisions of the Ministers' Forum on Food Regulation ensures we keep up to date with policy direction and broader regulatory settings, including issues such as labelling concerns.

DFSV monitors FSANZ Food Standards development and provides input where new standards or amendments to standards are being considered. A current example is direct involvement in the review and revision of *Standard 1.6.1: Microbiological Criteria for Food*. DFSV has provided input into FSANZ drafting of the *Compendium of Microbiological Criteria for Food*. A working group to review microbiological criteria for dairy products was convened during the year to progress this work. DFSV has played an active role in scoping the review and providing input into the drafting of content.

DFSV also convened two meetings of national dairy regulators to discuss our approach to regulation, including proposals to produce raw milk cheese and the introduction of new technologies.

Liaison and collaboration with other Australian and Victorian regulators, particularly participation in the Commissioner for Better Regulation's Regulatory Community of Practice, provides the opportunity for learning and sharing experiences with other Victorian regulators about regulatory best practice, and responses to decisions of government with respect to reporting and governance.

6. Finance objective

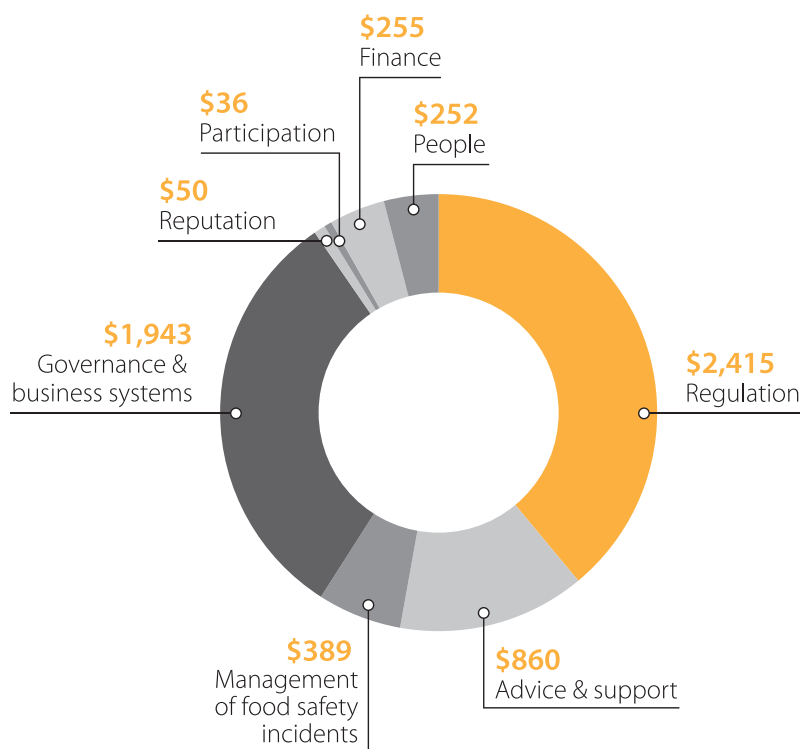
To be financially stable and responsible

In 2015–16 DFSV commenced a review of its funding model with the objective of ensuring that DFSV can sustainably raise sufficient funds to allow it to discharge its statutory obligations. The review has so far provided initial advice to the DFSV Board that allowed it to consider and approve a number of improvements to administration of the current

model with respect to fees and charges, to take effect in 2017–18. The DFSV Board will continue its deliberations in the 2017–18 year to support the objective for DFSV to be financially stable and responsible.

The allocation of budgetary resources across our strategic activities is shown in the chart below. Consistent with the prior year, DFSV allocated the largest component of its budget to activities under its Regulation objective, to maintain compliance with food safety requirements.

2016–17 Budget resource allocation (\$ thousands)



DFSV has maintained a financially stable position keeping expenditure for the year within budget. The DFSV Board has maintained its policy position to ensure total equity (net assets) are a minimum of 90 per cent of annual expenditure.

As a Victorian public sector agency, DFSV abides by the Victorian Financial Management Compliance framework, ensuring compliance with the Standing Directions for the Minister for Finance (Directions) to provide effective, efficient and responsible financial management of public resources.

A review of DFSV's policies and procedures was undertaken against the revised directions which resulted in the development of a Fraud, Control and Other Losses Management policy. DFSV implements appropriate systems and regularly reviews its accounting policies and procedures.

Report of operations

Table 2: Five-year financial summary*

Five-year financial summary	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Total income from transactions	5,974,788	5,848,805	5,789,923	5,373,608	5,180,359
Total expenses from transactions	(5,679,513)	(5,718,274)	(4,950,281)	(4,791,584)	(4,383,569)
Net result from transactions	295,275	130,531	839,642	582,024	796,790
Other economic flows	(14,631)	(121,693)	(20,181)	-	(3,124)
Net result for period	280,644	8,838	819,461	582,024	793,666
Net cashflow from operating activities	323,219	577,834	1,193,616	558,437	769,070
Total assets	7,157,153	7,203,464	6,842,473	5,885,182	5,836,065
Total liabilities	850,081	1,177,036	824,883	687,053	1,219,960

*Figures as at 30 June

The increase in income for 2017 compared to the previous year largely relates to the annual increase in fees and charges, offset by a reduction in dairy farm fees received. Total expenditure from transactions for 2017 remained consistent with a 1% reduction compared to 2016. The reduction in total assets is mostly attributable to reduced carrying values of non-financial assets, while a reduction in liabilities is mainly attributable to lower payables for supplies and services owing at year end, compared to 2016.

Whilst maintaining costs within budget, the favourable surplus result was achieved whilst continuing to meet the service delivery expected of the industry alongside increased industry-compliance product testing, on-going stakeholder engagement, communication and science-related support. This was despite revenue pressures from the dairy farm sector, which has been faced with a challenging environment in which to operate.

Key performance indicators

Success	Performance indicators	2015–16	2016–17
DFSV operates within budget	% and dollar value of actual expenditure compared with budget	Total expenditure \$5,840K (99% of budget)	Total expenditure \$5,694K (92% of budget)
	% and dollar value of actual licence fee revenue compared with revenue forecast	Total licence revenue \$5,848K (98% of forecast)	Total licence revenue \$5,974K (99% of forecast)

*DFSV Licensee Surveys conducted in April 2016 and April 2017

7. Governance and business systems objective

To maintain effective and efficient governance and business systems

DFSV continued to evolve its business intelligence reporting environment which commenced development in 2014. Source data derived from licencing, regulatory operations and corporate activities has supported the development of many customised reports which allow the organisation to understand and utilise data for planning, monitoring and tracking, and forecasting. During the year, the reporting system facilitated the establishment of a corporate performance reporting framework to allow DFSV to track achievement against its strategic and operational plans.

Transfer to digital data management

DFSV has continued on a planned and progressive program of utilising cloud-based services for management of business applications where a business case and risk assessment supports such development. During the year, this framework was used successfully to support the implementation of a cloud-hosted intranet and community portal.

Building on its revised governance framework for records management undertaken in 2015–2016, DFSV commissioned an electronic document record management system during the year. The system provides a user-friendly means to centralise all of DFSV's corporate records and supports a higher level of compliance with Public Records Office Victoria record-keeping requirements. DFSV will continue to progress a digital transition program for historical, permanent and long-term paper-based records into the new system.

Risk management

DFSV has a risk management framework in place that is consistent with the Australian/New Zealand Standard – Risk Management Principles and Guidelines AS/NZS ISO 31000:2009. DFSV has appropriate procedures for the effective identification, quantification and management of risk and review of its framework and process.

DFSV's internal audit program contributes to evaluating and improving the effectiveness of risk management; internal controls; governance process; operational efficiency and compliance with applicable laws and regulations; government and DFSV policies and procedures.

RSM Australia Pty Ltd is DFSV's appointed internal audit provider, and during 2016–17, reviews were undertaken of DFSV processes around legal compliance; treasury management; provision of technical advice; manufacturer production volumes; and the business systems disaster recovery plan.

Key performance indicators

Success	Performance indicators	2015–16		2016–17	
Best practice corporate governance	Recommendations from reviews and audits implemented within agreed timeframes				
		Recommendations agreed	Implemented within timeframe	Recommendations agreed	Implemented within timeframe
	Internal reviews or audits	39	69%	22	64%
	External audit (Victorian Auditor General's Office)	1	100%	1	100%
	Full compliance with the Victorian public sector governance framework				
	DFSV complied with its reporting obligations to the Victorian Government in 2014–15 and 2015–16 including its annual reports (2014–15 and 2015–16), Financial Management Compliance Framework (FMCF), Treasury Management attestation, Freedom of Information report and gifts, benefits and hospitality attestation, with the exception of a partial compliance in 2015–16 with Standing Direction 17: IT Disaster Recovery of the FMCF.				

Report of operations

8. People objective

To have staff with an appropriate level of technical and interpersonal skills who are empowered to undertake their role, and exercise their authority with confidence

As part of an organisational restructure in late 2016 DFSV outsourced its human resources (HR) management function. In contracting these services, DFSV's aim was to ensure that it continues to operate within the required legislative industrial relations frameworks while meeting its ongoing HR servicing requirements.

DFSV remains committed to ensuring that it provides an employment culture that attracts, motivates and retains its employees. Key activities undertaken during the year included a review of relevant HR policies to align with amendments to the Victorian Government public sector industrial relations policies; review of employment contracts to ensure compliance with industrial relations requirements; and ensuring DFSV remuneration parameters are aligned with public sector and market expectations.

Throughout the year DFSV maintained a training program to support the ongoing professional development of staff. This involved staff attendance at a variety of formal courses, including those offered by the Institute of Public Administration Australia. Other training attended included occupational health and safety, financial management and leadership as well as in-house delivery of technical seminars (e.g. allergen management).

In addition, a competency framework was developed to support DFSV to recruit, develop and retain staff with the right qualities, skills and knowledge and the right level of competence in those attributes to deliver on our objectives.

Key performance indicators

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

* Staff surveys conducted in April 2016 and April 2017

Governance and organisational structure

The DFSV Board

The DFSV Board consists of seven members, appointed to ensure a balance of the required skills and expertise. The Minister for Agriculture appoints the Chair and may also appoint one member nominated by the Secretary of DEDJTR. The minister appoints the remaining five members acting upon the recommendations of an industry selection committee.

Board members are appointed with regard to their expertise in one or more of the following areas:

- on-farm milk production
- dairy food manufacturing
- public health

- food technology and safety
- business management
- consumer issues
- any other area the minister considers relevant to the Authority's functions or powers.

Each member holds office for a term not exceeding three years and is eligible for re-appointment. The current Board term commenced in October 2015.

The DFSV Board is empowered to set the strategic direction and oversee the management and performance of the organisation within the framework set by the *Dairy Act 2000* and is accountable to the Victorian Parliament through the Minister for Agriculture.

Table 3: Membership of DFSV Committees as at 30 June 2017

Risk Management & Audit (RM&A)	Assists the Board to fulfil its corporate governance and statutory responsibilities in relation to financial reporting, internal control, risk management systems and internal and external audit functions.	Peter Moloney, Committee Chair (independent non-executive) Helen Dornom (independent non-executive) Josephine Davey (independent non-executive)
Human Resources (HR)	Assists the Board in fulfilling its statutory responsibilities. The committee also assists the Board in the formulation of human resource management policies and procedures.	Peter Bailey, Committee Chair Michael Blake Julie Simons
Fees & Charges Consultative (FCC)	Facilitates consultation with the dairy industry to assist DFSV in the determination of the criteria and structure of licence fees. Representatives of the dairy industry are invited to participate on this committee.	Peter Moloney, Committee Chair Michael Blake

Eight Board meetings and seven committee meetings were held during the year. The number of meetings that each member attended is set out in the following table.

Table 4: Attendance at Board and Board Committee meetings during the year ended 30 June 2017

	Board	RM&A	HR	FCC
Total number of meetings for year	8	4	2	1
Board Member	No. of meetings attended/ No. of meetings eligible to attend			
Michael Taylor, Chair	8/8			
Peter Bailey	8/8		2/2	
Michael Blake	8/8		2/2	1/1
Josephine Davey	6/8	4/4		
Helen Dornom	7/8	2/4		
Peter Moloney	8/8	4/4		1/1
Julie Simons	8/8		2/2	

Governance and organisational structure

Board members



Michael Taylor AO FTSE – Chair

B Agr Sc, Dip. Agr Ec

Michael was appointed Chair in April 2016. His association with the dairy industry over four decades includes Director of the Victorian Dairy Industry Authority, Chief Executive of Australian Dairy Industry Council, Chair of the Geoffrey Gardiner Dairy Foundation, and in policy roles over two decades as Secretary to two Commonwealth and three State Government Departments. He is currently Chair of the Victorian Agricultural Advisory Council, a Principal of Foursight Associates, a director of the Australian Maritime Safety Authority and the Crawford Fund for International Agricultural Research. Previously he was the Chair of Murray Darling Basin Authority, a director of the Melbourne University-Melbourne Business School, the Public Transport Development Authority and numerous other boards.



Peter Bailey

M Agr Sc, B Agr Sc

Peter was appointed to the Board in October 2012. He has extensive experience working in animal biosecurity, animal welfare and food safety. Until retiring in 2009, Peter was Victoria's Executive Director of Biosecurity at the Victorian Department of Primary Industries. Peter has held several board positions including Deputy Chair of the Victorian Meat Authority from 1993 to 2003. He recently retired as a member of the Board of the Game Management Authority. Over the last eight years, Peter has been involved, on a part-time basis, on a range of projects relating to animal and plant biosecurity, invasive species control, food safety, animal welfare and game management.



Michael Blake

BSc, PhD, MBA, GAICD

Michael was appointed to the Board in October 2015. He is a highly-qualified senior manager with many years' experience in food, food packaging and agriculture organisations. He is the current Director, Biosecurity Centre of Excellence at Box Hill Institute and has previously served on the Food Safety Council of Victoria. He has a strong knowledge of commercial innovation and research development, and professional working knowledge of the dairy supply chain, having completed his PhD in dairy processing at Utah State University and previously led research and development at Bonlac Foods, and Dairy Australia's pre-farmgate research and development portfolio for animal performance.



Josephine Davey

BSc (Hons), MBA, FAICD, FAIFST, CFS

Josephine was appointed to the Board in October 2015. She is a company director and consultant experienced in general management, food safety, innovation and product development in the dairy and food manufacturing sectors. She was the Managing Director of Made for You Foods, has held senior commercial and technical roles in the Dairy Farmers Group and has served as President of the Dairy Industry Association of Australia and of the Australian Institute of Food Science and Technology. She was a Director of Dairy Innovation Australia Ltd and its predecessor organisations, and a member of the Industry Advisory Committee for CSIRO's Food Futures Flagship for 10 years. Josephine is presently a Director of Pirrama Consulting.



Helen Dornom

B Agr Sc (Hons), GAICD

Helen was appointed to the Board in October 2015. She is a senior executive with extensive experience in the dairy industry, including export reform, industry deregulation and restructure, issues management, industry reputation and quality assurance. In her current role with Dairy Australia, Helen focuses on sustainability, food safety and integrity. She has worked with CSIRO Dairy Research, the Australian Dairy Industry Council and the Australian Dairy Products Federation, and is currently Vice-president of the Sustainable Agriculture Initiative. Helen has served on a number of International Dairy Federation and FSANZ committees related to residues, animal health and welfare, farm management and food standards.



Peter Moloney

BEC, GAICD, Chartered Accountant

Peter was appointed to the Board in October 2012. He is an experienced risk and audit practitioner, working for over 35 years with a broad range of organisations across the public and private sectors. As a past Partner of Ernst & Young and William Buck, Peter was responsible for managing substantial risk practices in both organisations. Peter has held a number of board roles including William Buck and Friends of the Zoos; and is also an audit committee member for Department of Justice, Victorian Independent Broad-based Anti-Corruption Commission (IBAC), and VicHealth.



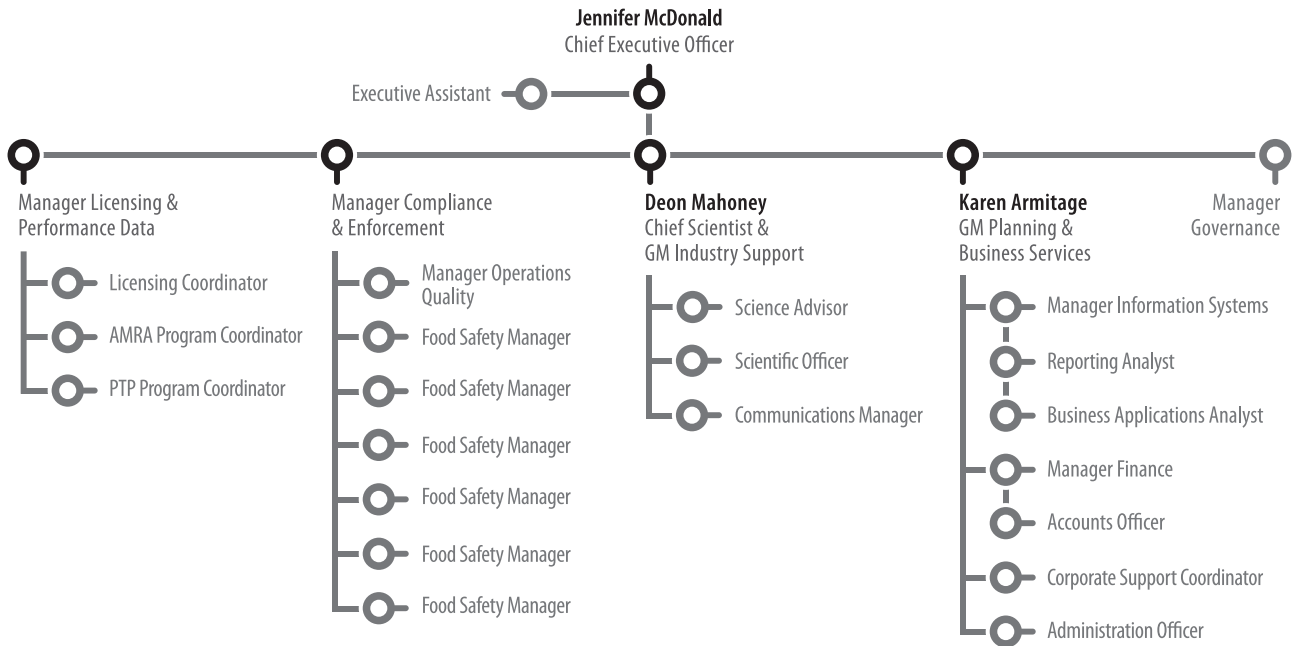
Julie Simons

BSc (Hons), PhD, GAICD

Julie was appointed to the Board in October 2015. She is an experienced representative of the Victorian Government and brings expertise in policy formulation and implementation, industry research and development, and agricultural and stakeholder engagement. Julie has worked for the Victorian Government since 1988 in various roles including as a senior research scientist and currently as Director of Drought and Major Projects in the Department of Economic Development, Jobs, Transport and Resources. She has led key rural industry achievements including recovery responses for farmers affected by drought, natural disasters and other shocks, and overseeing the State Government's partnership with the Rural Financial Counselling Service.

Governance and organisational structure

DFSV organisational chart



Occupational health and safety

During the reporting period DFSV has continued to improve and refine occupational health and safety (OH&S) initiatives. The biannual meeting of DFSV’s Health and Safety Wellbeing Committee has continued to monitor OH&S activities including a review of the hazard register. Areas in which improvements have been made are induction presentations and staff training. Improved staff training included a staff member who completed the WorkSafe approved Health and Safety Representative Initial Training course. Two further staff members completed Human Rights Commission training to become workplace Contact Officers. These officers provide advice to staff in relation to behavioural and conduct matters including discrimination, harassment and bullying.

DFSV undertakes a range of health and safety activities to ensure that the human and financial costs of occupational injury and illness are minimised. Initiatives during the year include:

- Providing vaccinations for influenza.
- Providing safety equipment to field staff.
- Ergonomic assessments of all workstations.
- Providing access to fresh fruit each week.
- Providing all staff with confidential access to an employee assistance program.
- Providing defensive driver training to field staff.

Incident management

There was one occupational health and safety incident reported during the 2016–17 period, this compares to five in the 2015–16 period. There were no WorkCover claims lodged by DFSV during the period 1 July 2016 to 30 June 2017.

Employment and conduct principles

DFSV is committed to applying merit and equity principles when appointing staff. Potential applicants are evaluated with fairness and equity during the selection process. The recruitment process complies with all current and relevant legislation relating to recruitment; and is conducted under the principles of fairness and equal opportunity.



Workforce data

Table 5: Summary of employment levels in June 2016 and June 2017

	Ongoing employees (i)				Fixed term and casual
	Employee (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE
June 2017	25	17	8	21.9 (ii)	0
June 2016	29	21	8	26.4	0

Table 6: Detail of employment levels in June 2016 and June 2017

	June 2017			June 2016		
	Ongoing (i)		Fixed and casual employees	Ongoing (i)		Fixed and casual employees
	Ongoing employee (Headcount)	FTE	FTE	Ongoing employee (Headcount)	FTE	FTE
Gender						
Male	10	10	-	11	11	-
Female	15	11.9	-	18	15.4	-
Total	25	21.9	-	29	26.4	-
Age						
Under 25	-	-	-	-	-	-
25–34	1	0.6	-	2	2	-
35–44	7	5.8	-	10	8.6	-
45–54	8	6.5	-	9	8	-
55–64	8	8	-	7	6.8	-
Over 64	1	1	-	1	1	-
Total	25	21.9	-	29	26.4	-
Position						
Executive	3	3	-	4	4	-
Corporate (iii)	11	9	-	12	10.5	-
Technical	11	9.9	-	13	11.9	-
Total	25	21.9	-	29	26.4	-

- i. All figures reflect employment levels during the last full pay period in June of each year and exclude employees on leave without pay. Ongoing employees include those engaged on a standard executive contract who were active in the last full pay period as at 30 June 2017.
- ii. The decrease in FTE levels between June 2016 and June 2017 can be attributed to changes in the organisational structure at the beginning of 2017 including HR services which are now contracted to an external company. A new staff member will commence work at DFSV in July 2017 and another role is currently being recruited.
- iii. The corporate category includes employees who work in information technology, finance, communications, occupational health and safety, performance reporting and governance.

Other disclosures

Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires public sector bodies to report on the implementation of the Victorian Industry Participation policy (VIPP). Public sector bodies are required to apply the VIPP in all procurement activities valued at \$3 million or more in metropolitan Melbourne and for statewide projects; or \$1 million or more for procurement activities in regional Victoria. DFSV has not undertaken any projects during the financial reporting period relevant to the VIPP.

Consultancy expenditure

In 2016–17, the total amount for consultancies engaged during the year greater than \$10,000 is as shown: All figures exclude GST.

Table 7: Disclosure of consultancy expenditure

Consultant	Purpose of consultancy	Total approved project fee	Expenditure 2016–17	Future expenditure
Maddock Lawyers	General advice	\$47,865	\$47,865	-
Mercer Consultancy	Organisational development and remuneration reviews	\$78,213	\$78,213	-
Nous Group	Board facilitation	\$16,450	\$16,450	-
Quantum Market Research (Aust) Pty Ltd	Stakeholder engagement survey and survey of manufacturer information needs	\$52,100	\$52,100	-
Socom Pty Ltd	Crisis ready plan	\$24,000	\$24,000	\$24,000
University of Tasmania	Raw milk cheese decision support tool	\$23,340	\$23,340	-
University of Melbourne	Whole genome sequencing of <i>Listeria monocytogenes</i>	\$40,000	\$40,000	-
Swinburne University of Technology	Food science projects	\$15,000	\$15,000	-
Minter Ellison	General advice	\$21,642	\$21,642	-
Marsden Jacob Consultancy	Funding model review	\$10,000	\$10,000	-
RSM Australia Pty Ltd	Internal audit	\$76,125	\$55,100	-
Totals		\$404,735	\$383,710	\$24,000

The total of all individual consultancy amounts that were less than \$10,000 was \$22,710.



Information and Communications Technology (ICT) expenditure

For the 2016–17 reporting period, DFSV had a total ICT expenditure of \$536,000 with the details shown below.

Table 8: ICT expenditure

			(\$ thousand)
All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
Business As Usual (BAU) ICT expenditure	Non-Business As Usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and capital expenditure)		
229	307	209	98

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

Freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by DFSV as the prescribed authority for the purposes of the Act. There were no freedom of information requests received by DFSV for the 12 months ended 30 June 2017.

Freedom of information requests must be made in writing identifying as clearly as possible the documents requested and including payment of the application fee of \$28.40. The fee may be waived if the payment is likely to cause hardship to the applicant. Assistance can be provided to applicants to help determine the type of documents being requested. Access charges may also apply once documents are processed and a decision on access is made; for example photocopying and search and retrieval charges.

Requests for documents in the possession of DFSV should be addressed to:

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

Further information regarding the Freedom of Information Act may be found at www.foi.vic.gov.au

Compliance with the Building Act

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

National Competition Policy

The Victorian government principally adopted the recommendations presented in July 1999 and incorporated them in to the *Dairy Act 2000*.

Compliance with the Protected Disclosure Act

DFSV is a public body subject to the *Protected Disclosure Act 2012*. The purpose of this Act is to encourage and facilitate the making of disclosures of corrupt or improper conduct by public officers and public bodies, including DFSV, its employees and directors, without the fear of reprisal.

DFSV recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal improper conduct. It does not tolerate improper conduct by the organisation, its employees, officers or Board members, nor the taking of detrimental action in reprisal against those who come forward to disclose such conduct.

DFSV has established procedures to facilitate and encourage the making of disclosures under this Act, and how DFSV will manage the welfare of persons connected with protected disclosures. DFSV's Protected Disclosure Procedures are available at www.dairysafe.vic.gov.au

Other disclosures

Disclosures under this Act about improper conduct of, or detrimental action taken in reprisal for a protected disclosure, by DFSV or its employees and Board members must be made to the Victorian Independent Broad-based Anti-corruption Commission (IBAC):

- In person at Level 1, North Tower, 459 Collins Street, Melbourne, Victoria.
- By online complaint form available at www.ibac.vic.gov.au
- By email by downloading the complaint form and forwarding to info@ibac.vic.gov.au
- In writing GPO Box 24234, Melbourne, Victoria, 3001.
- By telephone 1300 735 135.

Further information can be obtained from the:
DFSV Protected Disclosure Coordinator
(03) 9810 5900
PO Box 8221, Camberwell North, Victoria, 3124
info@dairysafe.vic.gov.au or at www.dairysafe.vic.gov.au

Office-based environmental impacts

DFSV continues to emphasise the importance of an office space which is environmentally friendly. In order to reduce the organisation's environmental footprint, DFSV implements the following initiatives within its office and field staff:

- Recycling waste materials including paper, cardboard, plastic bottles and cans, batteries and obsolete IT equipment and toner cartridges.
- Providing field staff with fuel efficient cars.
- Introduction of office based practices such as turning off light switches, computers and appliances when they are not needed or in use.
- Providing staff with cycle-friendly facilities.
- Encouraging the use of public transport where appropriate by providing MYKI cards to staff.
- Using energy efficient lighting and water efficient tap fittings and appliances.
- Minimising paper use by encouraging staff to print documents double-sided.

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 have been retained by DFSV and are available on request, subject to the provisions of the *Freedom of Information Act 1982*.

1. A statement that declarations of pecuniary interests have been duly completed by all relevant officers.
2. Details of shares held by a senior officer as nominee, or held beneficially in a statutory authority or subsidiary.
3. Details of publications produced by the entity about itself, and how these can be obtained.
4. Details of changes in prices, fees, charges, rates and levies charged by the entity.
5. Details of any major external reviews carried out on the entity.
6. Details of major research and development activities undertaken by the entity.
7. Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit.
8. Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services.
9. Details of assessments and measures undertaken to improve the occupational health and safety of employees.
10. A general statement on industrial relations within the entity, and details of time lost through industrial accidents and disputes.
11. A list of the major committees sponsored by the entity; the purposes of each committee; and the extent to which the purposes have been achieved.
12. Details of all consultancies and contractors including: consultants/contractors engaged; services provided; and expenditure committed for each engagement.

Attestation for compliance with Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes

I, **Michael Taylor** certify that Dairy Food Safety Victoria has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes. The Dairy Food Safety Victoria Risk Management and Audit Committee verifies this.



Michael J. Taylor AO
Chair
24 August 2017

Financial statements

for the financial year ended
30 June 2017



Comprehensive operating statement

For the financial year ended 30 June 2017

	Note	2017 \$	2016 \$
Continuing operations			
Income from transactions			
Licence and service fees	2(a)	5,840,384	5,701,224
Interest		133,904	147,142
Other income		500	439
Total income from transactions		5,974,788	5,848,805
Expenses from transactions			
Employee expenses	2(b)	3,284,458	3,151,088
Depreciation and amortisation	2(c)	276,888	268,592
Professional services		540,380	678,005
Product testing and laboratory evaluation costs		580,829	542,888
Information technology		229,534	277,631
Operating and rental leases		213,796	209,830
Other operating expenses	2(d)	553,628	590,240
Total expenses from transactions		5,679,513	5,718,274
Net result from transactions (net operating balance)		295,275	130,531
Other economic flows included in net result			
Net gain on disposal of non-financial assets	1(h)	2,136	682
Net gain/(loss) from revaluation of long service leave liability	1(h)	(16,767)	(122,375)
Total other economic flows included in net result		(14,631)	(121,693)
Comprehensive result		280,644	8,838

The comprehensive operating statement should be read in conjunction with the notes to the financial statements included on pages 30–51

Balance sheet

As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Financial assets			
Cash and deposits	10(a)	1,614,767	4,406,827
Receivables	3	161,525	226,173
Other financial assets	1(k)	5,000,000	2,000,000
Total financial assets		6,776,292	6,633,000
Non-financial assets			
Plant and equipment	4	118,523	186,169
Intangible assets	5	228,291	322,254
Prepayments		34,047	62,041
Total non-financial assets		380,861	570,464
Total assets		7,157,153	7,203,464
Liabilities			
Payables	6	268,214	563,394
Employee related provisions	7	581,867	613,642
Total liabilities		850,081	1,177,036
Net assets		6,307,072	6,026,428
Equity			
Contributed capital		1,800,000	1,800,000
Accumulated surplus (deficit)		4,507,072	4,226,428
Net worth		6,307,072	6,026,428
Commitments for expenditure	9		
Contingent assets and contingent liabilities	18		

The balance sheet should be read in conjunction with the notes to the financial statements included on pages 30–51

Statement of changes in equity

For the financial year ended 30 June 2017

	Contributed capital \$	Accumulated surplus \$	Total equity \$
Balance as at 1 July 2015	1,800,000	4,217,590	6,017,590
Net result for the year	-	8,838	8,838
Balance as at 30 June 2016	1,800,000	4,226,428	6,026,428
Net result for the year	-	280,644	280,644
Balance as at 30 June 2017	1,800,000	4,507,072	6,307,072

The statement of changes in equity should be read in conjunction with the notes to the financial statements included on pages 30–51

Cash flow statement

For the financial year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts			
Receipts received		5,860,523	5,666,139
Interest received		142,881	130,584
Goods and services tax received from the ATO (i)		147,934	138,305
Total receipts		6,151,338	5,935,028
Payments			
Payment to suppliers and employees		(5,828,119)	(5,357,194)
Total payments		(5,828,119)	(5,357,194)
Net cash flows from operating activities	10(b)	323,219	577,834
Cash flows from investing activities			
Payments for other financial assets	1(k)	(3,000,000)	(2,000,000)
Payments for plant and equipment	4(a)	(33,132)	(37,773)
Payments for intangible assets	5	(82,147)	(198,389)
Net cash flows used in investing activities		(3,115,279)	(2,236,162)
Net increase in cash and cash equivalents		(2,792,060)	(1,658,328)
Cash and deposits at the beginning of the financial year		4,406,827	6,065,155
Cash at the end of the financial year	10(a)	1,614,767	4,406,827

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

The cash flow statement should be read in conjunction with the notes to the financial statements included on pages 30–51

Notes to financial statements

For the financial year ended 30 June 2017

Note 1 – Significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Dairy Food Safety Victoria (DFSV) as an individual reporting entity for the financial year ended 30 June 2017.

a) Statement of compliance

These general purpose financial statements consist of a comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes accompanying these statements. These financial statements have been prepared in accordance with the Australian Accounting Standards (AASs), which include Interpretations, issued by the Australian Accounting Standards Board (AASB), the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

Where applicable, those paragraphs of the AASs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events reported.

The financial statements were authorised for issue by the Board on 24 August 2017.

The following is a summary of the accounting policies used by DFSV in the preparation of these financial statements.

b) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid, with the exception of specific sources of licence fee revenue. Revenue identification and recording for farm licence fees, distributor licence fees and carrier licence fees is upon receipt of cash.

The financial statements have been prepared in accordance with the historical cost convention, except for non-financial physical assets, being plant and equipment, including leasehold improvements. Plant and equipment is measured, subsequent to acquisition, at their fair value (refer to note 1m). Management evaluations of carrying amounts are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

Consistent with AASB 13 *Fair Value Measurement* ("AASB 13"), DFSV determines the policies and procedures for recurring fair value measurements such as plant and equipment in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions. DFSV does not hold any asset that is within the non-recurring fair value measurements category.

When measuring fair value of any asset or liability, DFSV uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the lowest level of inputs that is significant to the fair value measurement as a whole:

- Level 1 – fair value is determined by using quoted prices (unadjusted) 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 determined by using inputs which are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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).

For the purpose of fair value disclosures, DFSV has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, DFSV determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Critical accounting estimates and judgements

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The 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 the application of AASs that have significant effects on the financial statements and estimates relate to:

- The fair value of plant and equipment, intangible assets and non-financial assets (refer to note 1(m)).
- Superannuation expense (see note 1 g (ii)).
- Revenue and expenditure accruals (see note 1(f) and 1(g)).
- Employee leave provisions.

Functional and presentation currency

These financial statements are presented in Australian dollars, the functional and presentation currency of DFSV.

c) Reporting entity

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

Objectives and funding

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

DFSV fixes and charges fees for its services which covers annual licence fees, and audit and inspection fees. In addition, costs for the Australian Milk Residue Analysis (AMRA) survey are recovered from Dairy Australia.

d) New and amended standards adopted

DFSV has reviewed and applied all new accounting standards and amendments applicable for the first time in the annual reporting period commencing 1 July 2016, and determined that there was no material impact on its financial statements in the current reporting year.

e) Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises two components, being 'net result from transactions' (or termed as 'net operating balance') and 'other economic flows included in net result'. The sum of the two represents the net result.

The net result is equivalent to profit or loss derived in accordance with the AASs.

'Other economic flows' are changes arising from market re-measurements. They include:

- gains and losses from disposals of non-financial assets;
- revaluations and impairments of non-financial physical and intangible assets;
- re-measurement arising from defined benefit superannuation plans; and
- fair value changes of financial instruments.

This classification is consistent with the whole-of-government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

Notes to financial statements

For the financial year ended 30 June 2017

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

Statement of changes in equity

The statement of changes in equity presents reconciliations of owner equity from opening balances at the beginning of the year to the closing balances at the end of the year, showing separately movements due to amounts recognised in the comprehensive result and amounts recognised in equity related to transactions with owners in their capacity as owners.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing or financing activities in accordance with AASB 107 *Statement of Cash Flows*.

Rounding amounts

Amounts in the financial statements have been rounded to the nearest dollar unless otherwise stated.

f) Income from transactions

Amounts disclosed as revenue are, where applicable, net of returns, allowances, duties and taxes. Revenue is recognised for each of DFSV's major activities as follows:

(i) Licence and service fees

The identification and recording of revenue is at the time of generation of the invoice for manufacturers' licence fees, audit fees and distributors' and carriers' licence fees (upon request). Income relating to the Australian Milk Residue Analysis (AMRA) Survey is recognised when the right to receive payment from Dairy Australia is established. Revenue identification and recording for farm licence fees is upon receipt of cash.

(ii) Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iii) Other income

Other income consists of miscellaneous income on an accrual basis.

g) Expenses from transactions

(i) Employee benefits

Employee expense include all costs related to employment including wages and salaries, fringe benefits tax, WorkCover premiums, payroll tax, leave entitlements, termination payments and superannuation contributions.

(ii) Superannuation

The amount recognised in the comprehensive operating statement is the 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 in note 8.

(iii) Operating leases

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

(iv) Depreciation and amortisation

Depreciation is provided on plant and equipment and is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements and capitalised software are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation (no change from 2015–16):

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

(v) Product testing and laboratory evaluation costs

Comprises costs associated with the Australian Milk Residue Analysis (AMRA) survey and the Product Surveillance Program (PSP). The AMRA survey monitors raw milk for the potential presence of agricultural, veterinary and environmental chemical residues and the PSP monitors the safety and quality of dairy products manufactured in Victoria. Costs are recognised as an expense when incurred.

(vi) Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debts expense.

h) Other economic flows included in the net result

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

Net gain/ (loss) on disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting the proceeds from the carrying value of the asset at the time.

Net gain/ (loss) from revaluation of long service leave liability

Any gain or loss on the revaluation of long service leave liability is recognised at the end of the reporting period (see note 1 o (ii)).

i) Financial Instruments

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 financial assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments*.

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.

The following refers to financial instruments unless otherwise stated.

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, and for assets, less any impairment.

The loans and receivables category include term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Notes to financial statements

For the financial year ended 30 June 2017

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all payables (excluding statutory payables), deposits held and interest-bearing arrangements.

j) Cash and deposits

Cash and deposits comprise cash on hand, cash at bank and short-term deposits up to 90 days. They represent highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Cash and deposits is equivalent to cash and cash equivalents in accordance with the AASs.

For cash flow statement presentation purposes, cash and deposits includes bank overdrafts (if any) which are included as borrowings on the balance sheet.

k) Other financial assets

Comprises term deposits with maturities greater than 90 days placed with an Australian bank and/or Treasury Corporation of Victoria.

l) Receivables

Receivables consist predominantly of debtors in relation to services, accrued investment income and GST input tax credits recoverable.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less any accumulated impairment.

The difference between 'Contractual' and 'Statutory' receivables at note 3 is that Statutory relates to receivables from Government entities. Contractual relates to all other receivables.

A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

m) Non-Financial Assets

Plant and equipment

Plant and equipment, including leasehold improvements, are initially recognised at cost and subsequently revalued at fair value. Initial cost recognised less accumulated depreciation and impairment, has been assessed to reasonably represent the fair value of plant and equipment.

The leasehold improvements made to 'fit out' the office premises at Level 2, 969 Burke Road Camberwell were depreciated over the term of the lease.

Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. The threshold for recording assets is \$2,000.

Leases of plant and equipment are classified as finance leases whenever the terms of the lease transfers all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term.

Intangible Assets

Purchased intangible assets are initially recognised at cost. The threshold for recording assets is \$5,000. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the entity.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally-generated intangible assets are recognised and measured at cost less amortisation and impairment. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (ii) an intention to complete the intangible asset and use or sell it;
- (iii) the ability to use or sell the intangible asset;
- (iv) the intangible asset will generate probable future economic benefits;
- (v) the availability of adequate technical, financial and other resources to complete the development to use or sell the intangible asset; and
- (vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Impairment of non-financial assets

Intangible assets not yet available for use with indefinite useful lives are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other non-financial assets are assessed annually for indications of impairment. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Where, as a result of an impairment testing, an asset's carrying value exceeds its recoverable amount, the difference is written off as an 'other economic flow', except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amounts for assets held primarily to generate net cash flows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Prepayments

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

Notes to financial statements

For the financial year ended 30 June 2017

n) Payables

Payables consist of creditors and other sundry liabilities.

Payables are carried at amortised cost and represent 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 these goods and services.

'Statutory' payables disclosed in note 6, relates to payables to Government entities of either the Australian Taxation Office or the State Revenue Office of Victoria, while 'Contractual' payables relates to all other payables.

o) Employee benefits

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.

(i) Wages and salaries and annual leave

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

Depending on the expectation of the timing of settlement, liabilities for wages and salaries and annual leave are measured at:

- nominal value – if DFSV expects to wholly settle the liability within 12 months; or
- present value – if DFSV does not expect to wholly settle the liability within 12 months.

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current Liability – unconditional LSL

Unconditional LSL represents the employees' entitlement after seven or more years of continuous service and is disclosed as a current liability, 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 current LSL liability is measured at:

- nominal value – if DFSV expects to wholly settle the liability within 12 months; or
- present value – if DFSV does not expect to wholly settle the liability within 12 months.

Non-Current Liability – conditional LSL

This liability represents the employee entitlements for less than seven years of continuous service, which DFSV has an unconditional right to defer the settlement of payment until the employee has completed the requisite years of service. This liability is measured at the present value.

Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date to estimate the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised in the 'comprehensive result' as an economic flow.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. DFSV recognises termination benefits when it is demonstrably committed to either 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. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Employee benefits on-cost

Provisions for on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

p) Provisions

Provisions are recognised when DFSV has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is estimated using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and rises specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be recognised from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

q) Equity

Contribution by Owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners. Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

r) Commitments

Commitments include those operating commitments arising from non-cancellable contractual or statutory sources not recognised in the financial statements. Commitments are disclosed by way of a note, and are measured at their nominal value inclusive of GST.

s) 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.

t) Goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from or payable to the taxation authority are classified as operating cash flows.

u) Income tax

DFSV is a statutory body that is exempt from income tax under the State and Territory Bodies provisions in Division 1AB of the *Income Tax Assessment Act 1936* section 24AR.

Notes to financial statements

For the financial year ended 30 June 2017

v) Subsequent events

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between DFSV and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the balance date and the date the statements are authorised for issue where the events relate to conditions which arose after the reporting date and which may have a material impact on the results of subsequent years.

w) New accounting standards and interpretations

Certain new AASs have been issued but were not mandatory for the 30 June 2017 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 2017. DFSV has not, and does not intend to, adopt these standards early.

Standard / Interpretation	Summary	Standard applicable to DFSV for annual reporting periods beginning on	Impact on DFSV financial statements
<i>AASB 9 Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	Preliminary assessment has not identified any material impact, it will continue to be monitored and assessed.
<i>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained.	1 Jan 2018	Preliminary assessment has not identified any material impact, it will continue to be monitored and assessed.
<i>AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This has no impact on DFSV.
<i>AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	This has no impact on DFSV.

Standard / Interpretation	Summary	Standard applicable to DFSV for annual reporting periods beginning on	Impact on DFSV financial statements
<i>AASB 15 Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	Preliminary assessment has not identified any material impact, it will continue to be monitored and assessed.
<i>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
<i>AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018	1 Jan 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.
<i>AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence.	1 Jan 2018	This has no impact on DFSV.
<i>AASB 16 Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	Impact to be assessed.
<i>AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 Jan 2019	Impact to be assessed.

Notes to financial statements

For the financial year ended 30 June 2017

	2017 \$	2016 \$
Note 2 – Net result from transactions		
Income from transactions		
(a) Licence and service fees		
Licence fees	4,835,537	4,743,574
Audit and inspection fees	515,462	482,507
Australian Milk Residue Analysis (AMRA) survey	489,385	475,143
Total income from transactions	5,840,384	5,701,224
Expenses from transactions		
(b) Employee expenses		
Post-employment benefits (refer Note 8):		
Defined benefit superannuation	8,870	9,398
Defined contribution superannuation	249,828	243,872
Salaries, wages and employee entitlements	2,614,272	2,630,390
Termination benefits	118,970	3,412
Board member fees	100,917	91,261
Other employee expenses (Payroll tax, WorkCover & FBT)	191,601	172,755
Total employee expenses	3,284,458	3,151,088
(c) Depreciation and amortisation		
Depreciation of plant and equipment (refer to Note 4 (a))	100,779	108,928
Amortisation expense (refer to Note 5)	176,109	159,664
Total depreciation and amortisation	276,888	268,592
(d) Other operating expenses		
<i>Supplies and services</i>		
Audit fees (refer to Note 14)	76,500	94,450
Communications	87,761	53,035
Occupancy (excludes rental lease)	60,253	58,501
General insurance	102,138	100,370
Motor vehicles & travel (excludes motor vehicle leases)	134,374	150,431
Other administration expenses	92,602	133,453
Total other operating expenses	553,628	590,240

	2017 \$	2016 \$
Note 3 – Receivables		
Current		
Contractual		
Trade debtors	129,040	148,679
Accrued interest	17,997	26,974
Other receivables	200	200
Total contractual receivables	147,237	175,853
Statutory		
GST input tax credits recoverable	14,288	50,320
Total current receivables	161,525	226,173

The average credit period for all receivables is 30 days. Refer to note 20 for an ageing analysis and the nature and extent of risk.

Note 4 – Plant and equipment

Non-current

(a) Carrying amounts

Leasehold improvements – at fair value	253,726	253,726
Less: Accumulated depreciation	(239,922)	(189,416)
	13,804	64,310
Furniture and fittings – at fair value	108,804	92,132
Less: Accumulated depreciation	(53,362)	(40,438)
	55,442	51,694
Office equipment – at fair value	284,981	328,625
Less: Accumulated depreciation	(235,704)	(258,460)
	49,277	70,165
Total plant and equipment – at fair value	647,511	674,483
Less: total accumulated depreciation	(528,988)	(488,314)
Total plant and equipment	118,523	186,169

	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
Opening balance as at 1 July 2015	115,194	60,496	81,634	257,324
Additions	-	-	37,773	37,773
Depreciation expense	(50,884)	(8,802)	(49,242)	(108,928)
Closing balance as at 30 June 2016	64,310	51,694	70,165	186,169
Additions	-	16,672	16,460	33,132
Disposals	-	-	-	-
Depreciation expense	(50,506)	(12,924)	(37,348)	(100,779)
Closing balance as at 30 June 2017	13,804	55,442	49,277	118,523

Notes to financial statements

For the financial year ended 30 June 2017

(b) Fair value measurement hierarchy:

30 June 2016:

	Carrying Amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
		Level 1 *	Level 2 *	Level 3 *
Leasehold improvements	64,310	-	-	64,310
Furniture and fittings	51,694	-	-	51,694
Office equipment	70,165	-	-	70,165
Total plant and equipment - at fair value	186,169	-	-	186,169

30 June 2017:

	Carrying Amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1 *	Level 2 *	Level 3 *
Leasehold improvements	13,804	-	-	13,804
Furniture and fittings	55,442	-	-	55,442
Office equipment	49,277	-	-	49,277
Total plant and equipment - at fair value	118,523	-	-	118,523

Note:

* Classified in accordance with the fair value hierarchy, see note 1(b).

There were no transfers between levels during the financial year.

Leasehold improvements, furniture and fittings and office equipment

Plant and equipment held by DFSV includes leasehold improvements, furniture and fittings and office equipment. Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the financial year ended 30 June 2017.

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

Reconciliation of Level 3 fair value

	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
Opening balance	64,310	51,694	70,165	186,169
Additions	-	16,672	16,460	33,132
Depreciation expense	(50,506)	(12,924)	(37,348)	(100,779)
Closing balance	13,804	55,442	49,277	118,523

The valuation technique applied to level 3 plant and equipment is depreciated replacement cost and the significant unobservable inputs are cost per unit and useful life of the assets which would result in a higher or lower valuation.

	2017 \$	2016 \$
Note 5 – Intangible assets		
Non-current		
Carrying amount – software development at cost		
Opening balance	936,827	738,438
Additions	82,147	198,389
Closing balance	1,018,974	936,827
Accumulated amortisation		
Opening balance	(614,573)	(454,908)
Amortisation expense	(176,109)	(159,664)
Closing balance	(790,682)	(614,573)
Total net book value at end of financial year	228,291	322,254

Note 6 – Payables

Current

Contractual

Supplies and services	138,016	403,904
Salary accruals & on-costs	84,770	87,445
	222,786	491,349

Statutory

Taxes payable	45,428	72,045
Total current payables	268,214	563,394

The average credit period of all payables is 30 days. No interest is charged on payables. Refer to note 20 for a maturity analysis and the nature and extent of risk.

Note 7 – Provisions

Current provisions

Employee benefits – annual leave:

Unconditional and expected to settle within 12 months	206,229	205,961
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Employee benefits – long service leave:

Unconditional and expected to settle wholly before 12 months	25,659	15,979
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Unconditional and expected to settle wholly after 12 months	205,454	244,256
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	437,342	466,196
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Provisions related to employee benefits on-costs:

Unconditional and expected to settle wholly before 12 months	3,899	2,414
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Unconditional and expected to settle wholly after 12 months	31,216	36,899
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Total current provisions	472,457	505,509
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Non-current provisions

Employee benefits – long service leave	94,979	93,942
--	--------	--------

Provisions related to employee benefits on-costs	14,431	14,191
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Total non-current provisions	109,410	108,133
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Total provisions	581,867	613,642
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Notes to financial statements

For the financial year ended 30 June 2017

Note 8 – Superannuation

Contributions

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

Superannuation contributions for the reporting period are included as part of employee benefits in the comprehensive operating statement.

DFSV does not recognise any defined benefit liability in respect of the defined benefit plan. Its only obligation is to pay any shortfall as and when it falls due.

A defined benefit liability is recognised by the Department of Treasury and Finance as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Department.

The name, details and amounts paid in relation to the major employee superannuation funds and contributions made by DFSV are as follows:

Fund	Paid contributions for the year		Contributions outstanding at year end	
	2017	2016	2017	2016
Defined benefit plans:				
Vision Super	-	1,152	-	-
Emergency Services Superannuation	8,870	8,915	-	-
Defined contribution plans:				
Vic Super	134,191	108,439	-	8,449
Australian Super	30,321	21,617	-	2,084
Other	105,554	105,861	-	9,637

Note 9 – Commitments for expenditure

The following commitments have not been recognised as liabilities in the financial statements.

a) Outsourcing commitments

There are no commitments under outsourcing contracts in existence and payable as at 30 June 2017 recognised as liabilities (2016: Nil).

b) Lease commitments

Operating leases relate to lease rental expense commitments as at 30 June 2017 and are in respect of premises at Camberwell, office equipment and motor vehicles. Operating leases generally provide DFSV with a right of renewal at which time all terms are renegotiated.

DFSV entered into the first term of the contract to lease premises at Level 2, 969 Burke Road, Camberwell, from 1 April 2012 for a period of five years with an option to renew on 1 April 2017 for the forthcoming five-year commitment. This option was taken up for a further five years and the operating commitment from 1 April 2017 to 31 March 2022 is \$851,526 inclusive of GST and an annual fixed rate increase of 3.5% is included in the following figures with office equipment and motor vehicles.

	2017 \$	2016 \$
Non-cancellable operating lease payables (includes GST)		
Not longer than one year	225,606	192,610
Longer than one year and not longer than five years	715,924	103,130
Total operating leasing	941,530	295,740

Note 10 – Cash flow information

(a) Cash and cash equivalents

Cash on hand	300	300
Cash at bank	1,614,467	1,106,527
Term deposits (less than 3 months)	-	3,300,000
Total cash and deposits disclosed in the balance sheet	1,614,767	4,406,827
Cash and cash equivalents as per cash flow statement	1,614,767	4,406,827

(b) Reconciliation of net result for the financial year to net cash flows from operating activities

Net result for the financial year	280,644	8,838
<i>Non-cash movements:</i>		
Depreciation and amortisation of non-current assets	276,888	268,592
Movements in assets and liabilities:		
<i>(Increase)/decrease in assets:</i>		
Receivables	64,648	(46,988)
Pre-payments	27,994	(4,762)
<i>Increase/(decrease) in liabilities:</i>		
Payables	(295,180)	184,656
Provisions	(31,775)	167,498
Net cash from operating activities	323,219	577,834

Note 11 – Responsible persons

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

Responsible Ministers:

Minister for Agriculture. The Honourable Jaala Pulford MP, 1 July 2016 - 30 June 2017.

a) Board members

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

Michael Taylor
Peter Bailey
Helen Dornom
Peter Moloney
Julie Simons
Josephine Davey
Michael Blake

Notes to financial statements

For the financial year ended 30 June 2017

b) Accountable officer

Jennifer McDonald held the position of Accountable Officer from 1 July 2016 to 30 June 2017.

Remuneration of Responsible Persons

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

	Total remuneration	
	2017 No.	2016 No.
Income band		
\$0–\$9,999	-	7
\$10,000–\$19,999	5	2
\$20,000–\$29,999	-	1
\$30,000–\$39,999	1	-
\$90,000–\$99,999	-	-
\$220,000–\$229,999	-	-
\$240,000–\$249,999	-	1
\$250,000–\$259,999	1	-
Total numbers	7	11
Total amount	\$370,611	\$341,966

c) Insurance premiums

During the financial year, DFSV paid an insurance premium of \$32,343 (2016: \$30,292) in respect of a contract insuring the Board members and executive officers of DFSV against a liability arising as a result of work performed in their capacity as Board members or executive officers.

Note 12 – 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 provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by DFSV in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits: includes wages, salaries, paid annual leave, paid personal leave and allowances that are usually paid or payable on a regular basis.

Post-employment benefits: superannuation entitlements.

Other long-term benefits: long service leave entitled during the reporting period.

Termination benefits: termination of employment payments, such as severance packages.

	Total remuneration	
	2017 \$	2016 (a) \$
Remuneration of executives		
Short-term benefits	381,294	-
Post-employment benefits	41,369	-
Other long-term benefits	7,914	-
Termination benefits	71,083	-
Total remuneration	501,660	-
Total number executives	3	-
Total annualised executives equivalents	2.3	-

(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period

Note 13 – Related parties

Related parties of DFSV include all key management personnel and their close family members and personal business interests.

Key management personnel of DFSV includes the Portfolio Minister, the Hon. Jaala Pulford MLC, Board members and the accountable officer (ref Note 11 Responsible persons), and members of the executive team, which includes:

- General Manager, Science and Industry Support, Deon Mahoney;
- General Manager, Planning and Business Services, Karen Armitage; and
- General Manager, Operations, Craig Miller (employment ceased 28 October 2016).

Key management personnel 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.

Related party transactions

During the year, DFSV received reimbursement of costs from Dairy Australia associated with the Australian Milk Residue Analysis (AMRA) survey on standard terms and conditions equivalent to those that prevail at arm's length transactions totalling \$538,323 of which \$71,412 was owing to DFSV as at 30 June 2017. DFSV Board member Helen Dornom in her role as Manager, Sustainability at Dairy Australia has budgetary responsibility for the AMRA survey.

Board member Julie Simons is employed by the Department of Economic, Development, Jobs, Transport and Resources (DEDJTR) as Director, Drought and Major Projects. As a representative of DEDJTR, Julie Simons can support the Board with knowledge of the Department's priorities and activities where appropriate. Julie Simons is not remunerated by DFSV but the dollar value of attending DFSV board meetings would be equivalent to the standard remuneration amount that a Board member receives set by the Department of Premier and Cabinet.

DFSV has deposits with Treasury Corporation of Victoria refer Note 1(k). As at 30 June 2017, \$3,000,000 was on term deposit with Treasury Corporation of Victoria.

Notes to financial statements

For the financial year ended 30 June 2017

Key Management Personnel of DFSV includes executive officers, board members and the accountable officer (other than ministers). The total remuneration during the reporting period is shown in the following table. Total annualised employee equivalents provides 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 is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by DFSV in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits: includes wages, salaries, 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.

	Total remuneration	
	2017	2016 (a)
	\$	\$
Remuneration of key management personnel		
Short-term benefits	717,237	-
Post-employment benefits	71,057	-
Other long-term benefits	13,684	-
Termination benefits	71,083	-
Total remuneration	873,061	-
Total number of key management personnel	11	-
Total annualised executives equivalents	2.3	-

(a) *No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period*

Note 14 – Remuneration of auditors

	2017	2016
	\$	\$
Internal audit fees	55,100	73,650
External audit fees (Victorian Auditor General's Office)	21,400	20,800
Total audit fees	76,500	94,450

Note 15 – Ex-gratia expenses

There were no ex-gratia expenses incurred during the financial year ended 30 June 2017 (2016: Nil).

Note 16 – Charge over assets

There are no liabilities secured by a charge over the assets of DFSV.

Note 17 – Segment information

DFSV operates predominantly in one business and geographical segment. DFSV is responsible for regulating the safety of all dairy foods produced in Victoria for domestic and export markets.

Note 18 – Contingent assets and contingent liabilities

There were no contingent assets or liabilities at the reporting date (2016: Nil).

Note 19 – Subsequent events

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

Note 20 – Financial instruments

a) Significant accounting policies

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

b) Categorisation of financial instruments

	Note	Carrying amount 2017 \$	Carrying amount 2016 \$
Contractual financial assets:			
Cash and deposits	10(a)	1,614,767	4,406,827
Other financial assets	1(k)	5,000,000	2,000,000
Receivables	3	147,237	175,853
Total contractual financial assets		6,762,004	6,582,680
Contractual financial liabilities:			
Payables	6	222,786	491,349
Total contractual financial liabilities		222,786	491,349

c) Credit Risk

The maximum exposure to credit risk at balance date to each class of financial assets is the carrying amount as disclosed in the balance sheet.

DFSV does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by DFSV.

Notes to financial statements

For the financial year ended 30 June 2017

Financial assets that are either past due or impaired

DFSV currently has a Bank Guarantee facility with Commonwealth Bank of Australia for \$68,003 (\$54,400 2015-2016).

As at the reporting date, there is no evidence to indicate that any of the financial assets were impaired.

The following table outlines DFSV's exposure to credit risk:

2017	Note	Weighted average interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$	Not past due and not impaired \$	Less than one month \$	1-3 Months \$	3 months to one year \$	1-5 years \$
Financial assets											
Cash and deposits	10(a)	1.60%	1,614,767	-	1,614,467	300	-	-	-	-	-
Other financial assets	1(k)	2.08%	5,000,000	5,000,000	-	-	-	-	-	-	-
Receivables			147,237	-	-	147,237	147,237	-	-	-	-
Total financial assets			6,762,004	5,000,000	1,614,467	147,537	147,237	-	-	-	-
2016											
Financial assets											
Cash and deposits	10(a)	2.36%	4,406,827	3,300,000	1,106,527	300	-	-	-	-	-
Other financial assets	1(k)	2.41%	2,000,000	2,000,000	-	-	-	-	-	-	-
Receivables			175,853	-	-	175,853	155,718	18,793	1,342	-	-
Total financial assets			6,582,680	5,300,000	1,106,527	176,153	155,718	18,793	1,342	-	-

d) Liquidity risk

Liquidity risk arises when DFSV is unable to meet its financial obligations as they fall due. DFSV operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets.

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

The following table discloses the contractual maturity analysis for DFSV's financial liabilities:

2017	Note	Weighted average interest rate %	Carrying amount \$	Interest rate exposure			Maturity dates			
				Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$	Less than one month \$	1-3 Months \$	3 months to one year \$	1-5 years \$
Financial liabilities										
Payables	6	0.00%	222,786	-	-	222,786	-	-	-	-
Total financial liabilities			222,786	-	-	222,786	-	-	-	-
2016										
Financial liabilities										
Payables	6	0.00%	491,349	-	-	491,349	-	-	-	-
Total financial liabilities			491,349	-	-	491,349	-	-	-	-

e) Market risk

DFSV's exposure to market risk is through interest rate risk.

Interest rate risk

DFSV's exposure to interest rate risk on its cash and term deposits is minimal. Risk minimisation is achieved by undertaking fixed rate financial instruments with relatively even maturity profiles. For financial liabilities, DFSV mainly undertakes financial liabilities with relatively even maturity profiles.

Sensitivity disclosure analysis

Taking into account past performance, DFSV considers that a shift of +0.50 per cent or -0.50 per cent in market interest rates (AUD) is 'reasonably possible' over the next twelve months. Management has assessed as insignificant the impact that such shift in the interest rate would have on net operating result and equity of DFSV, if the above movements were to occur.

		Interest rate risk				
		-0.5% (-50 basis points)		0.5% (+50 basis points)		
2017	Note	Carrying amount \$	Equity \$	Net result \$	Equity \$	Net result \$
Contractual financial assets:						
Cash and deposits						
	10(a)	1,614,467	(8,072)	(8,072)	8,072	8,072
Total impact		1,614,467	(8,072)	(8,072)	8,072	8,072
2016						
Contractual financial assets:						
Cash and deposits						
	10(a)	1,106,527	(5,533)	(5,533)	5,533	5,533
Total impact		1,106,527	(5,533)	(5,533)	5,533	5,533

f) Fair Value

The aggregate net fair values of financial assets and liabilities approximate their carrying values in the balance sheet and notes to the financial statements.

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

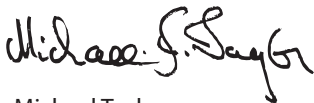
For the financial year ended 30 June 2017

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes to the financial statements, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of Dairy Food Safety Victoria as at 30 June 2017.

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

We authorise the attached financial statements for issue on 24 August 2017.



Michael Taylor
Chair



Jennifer McDonald
Chief Executive Officer



Daryl Glover
Chief Finance and Accounting Officer

Melbourne
24 August 2017

Independent Auditor's Report

To the Board of Dairy Food Safety Victoria

Opinion	<p>I have audited the financial report of Dairy Food Safety Victoria which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2017 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including a summary of significant accounting policies • Declarations by the Chair, Chief Executive Officer and Chief Finance & Accounting Officer. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of Dairy Food Safety Victoria as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of Dairy Food Safety Victoria in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of Dairy Food Safety Victoria is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing Dairy Food Safety Victoria's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Dairy Food Safety Victoria's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Dairy Food Safety Victoria
- conclude on the appropriateness of Dairy Food Safety Victoria's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Dairy Food Safety Victoria's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Dairy Food Safety Victoria to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
28 August 2017



Anna Higgs
as delegate for the Auditor-General of Victoria

Disclosure index

The annual report of DFSV 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.

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Dairy Food Safety Victoria



Dairy Food Safety Victoria

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