



**DAIRY AUTHORITY
OF
SOUTH AUSTRALIA**

ANNUAL REPORT 2015-2016

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ABN: 36 767 901 242

ISSN: 2205-6866 (Print)
ISSN: 2205-6874 (Online)

Letter of transmittal

28 September 2016

The Hon. Leon Bignell
Minister for Agriculture, Food and Fisheries
Parliament House
North Terrace
ADELAIDE SA 5000

Dear Minister,

Dairy Authority of South Australia Annual Report

In accordance with the *Primary Produce (Food Safety Schemes) Act 2004 and Regulation 14 of the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005*, it gives me great pleasure to present the Dairy Authority of South Australia's Annual Report and Annual Financial Accounts for the year ended 30 June 2016.

The Authority manages its governance role through a combination of assurance, education and engagement. Key to this is the sharing of knowledge and best practice so as to underpin a food safety culture that contributes to the State's strategic priority for our food industry to hold a competitive edge in both domestic and export markets through innovation and a strong reputation for being clean and safe.

I welcome any requests for further information should you have any questions regarding this report.

Yours sincerely,



Roseanne Healy
Chair
Dairy Authority of South Australia
28 September 2016

Chief Executive's Review

I am pleased to present the Annual report for 2015/2016 and Financial Accounts for the Dairy Authority of South Australia. The report covers the activities of the Authority in meeting its duty to ensure Public Health through, the application of its Food Safety Programs. I would like to thank my team and all industry participants for the welcome extended to me on joining the Dairy Authority in 2016.

Whilst the Dairy Industry has experienced commercial challenges both internationally and domestically the Authority continues to see a commitment to the production of Food Safe products.

During the year we have seen the successful accreditation of the Beston Pure Foods facility in Murray Bridge for both the domestic and exports market. Additionally, there continues to be a concentrated effort to support the proposed plans of the Midfield/Louis Dreyfuss joint venture and Blue Lake Dairy facility's in Penola. These new enterprises are to be commissioned in 2016/2017 and will provide further expansion of South Australia's processing capabilities.

The Authority has focussed its efforts on engaging with all Industry Stakeholders, across both regulatory and commercial establishments. Feedback by way of future needs and opportunities is being incorporated into future Strategic plans ensuring that we target areas of relevance to the Industry.

We continue to see growth in the value add areas of speciality cheeses, gelati and yogurt product ranges. Innovation in these areas is increasing and processors are seeking guidance from the Dairy Authority to assist with the establishment of Food Safety Programs. The Authority is committed to evolve with Industry and continues to position itself to support the Industry's requirements.

On behalf of The Dairy Authority of South Australia, I'd also like to thank all employees for their dedication and professionalism throughout the year.

For and on behalf of the Dairy Authority of South Australia

A handwritten signature in blue ink, appearing to read 'Brian Owens', with a stylized flourish above the name.

Chief Executive Officer
Brian Owens
28 September 2016

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Images used in this report courtesy of PIRSA AND Dairy SA

Twenty Third Report

of the

DAIRY AUTHORITY OF SOUTH AUSTRALIA

For the

Twelve months ended 30 June 2016

**PRIMARY PRODUCE
(FOOD SAFETY SCHEMES) ACT 2004
SOUTH AUSTRALIA**

1 .0 OVERVIEW

1.1 Introduction

The Dairy Authority of South Australia is an independent statutory authority fully financed by the dairy industry. The Authority was established on 1 July 1993. The Authority consists of three Members appointed by the Governor, one of whom is appointed as Chairperson.

The Dairy Authority of South Australia provides significant input to both Primary Industries and Regions South Australia (PIRSA) and the Department of State Development on the opportunity to significantly increase the size of the industry, particularly in the South East of the state as well as providing insight into the South Australian Dairy industry.

The following document includes information relevant to the Dairy Authority of South Australia Annual Report – as outlined in the legislative requirements, as well as key deliverables and some industry observations.

1.2 Mission Statement

To work in a successful partnership with the South Australian and National dairy industry ensuring production and distribution of high quality, food safe dairy products.

1.3 Key Objectives¹

- To implement and administer a Dairy Food Safety Scheme under the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005.
- To work at State and National levels to assist the development of a viable dairy industry producing safe dairy products, operating, where possible, in a uniform national regulatory framework.
- To provide efficient and accountable management of the Authority's financial affairs.
- To ensure the Authority possesses the skills and experience demanded by the Industry and that authorised persons and approved auditors under the Act are appropriately trained.
- To increase Food Safety Awareness across the Industry through its auditing approach.
- To encourage and promote a robust food safety culture that is supported through effective delivery of educational tools and media events.

1.4 Key Functions of the Dairy Authority of South Australia

The functions of the Dairy Authority of South Australia are defined in Regulation 12 of the *Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005* as follows:

- (1) The Authority is the accreditation body for the classes of activities to which the dairy industry food safety scheme applies.
- (2) The Authority has the following functions:
 - a. To administer the dairy industry food safety scheme;
 - b. To monitor the extent of compliance by accredited producers with Standard 4.2.4 of the Food Standards Code and to enforce the Standard;
 - c. To approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements;
 - d. To advise the Minister on matters relating to the administration of the dairy industry food safety scheme;
 - e. To carry out other functions assigned to the Authority by these regulations or the Minister.

¹ As outlined in the Strategic Plan

1.5 Strategic Plan

The objectives outlined in Section 1.3 also reflect those in the Authority's strategic plan. The Authority's strategies are predominantly determined by the legislation. The Authority works with all dairy production businesses to ensure they are accredited and to implement food safety programs that contribute to producing safe dairy products for domestic and export markets.

As the Authority nears the successful delivery of its 2013 – 2016 strategic plans, the Authority recognises the need to keep pace with the Industry and remain relevant for future challenges that the Industry and Authority will face in a commercially competitive environment.

We have consulted both internally with the Authority's team and more widely with key stakeholders, this process resulting in an informed basis on which our strategic plans have been set.

The updated strategic plans will be published during 2017 and it will ensure that the Authority continues to deliver on its core purposes of administering its legal obligations and ensuring it supports the food safety reputation of the dairy industry with credible support services and advice.

Fundamental to our strategy will be stakeholder engagement with a focus on capturing the needs of the Industry and the delivery of the value add activities of education.

The Dairy Authority is committed to delivering a quality service that supports the Dairy Industry in its continued fulfilment of a Food Safety Culture.

2.0 PERFORMANCE: 2015-2016

Throughout the 2015-16 financial year, The Dairy Authority of South Australia (The Authority) continued its focus on effective operations and delivery of services under the *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005*.

2015-16 Focus:

- Continued application of its auditing of food safety programs, collaborating with the Industry to drive improvement of working practices.
- Assessing the Authority's positioning within the Industry, identifying a need to modernise and support the Industry.
- Implementation of the Authorities database, allowing a more efficient flow of information.
- Introduction of 'paperless' audits to provide audit efficiencies and effective trending of audit findings.
- The continuation of action to stop sales of raw milk due to the significant public health risk. These sales do not comply with the current regulatory requirements for milk to be pasteurised.

2.1 Production Summary

- The overall trends show a levelling off in milk production following a steady decline since 2000 when the peak production was 714 million litres.
- Milk production per cow increase with an average increase of 1.19% over the last year.
- The number of accredited dairy processors increased from 49 at 30 June 2015 to 54 at 30 June 2016.
- The demand for goat and sheep milk continues to increase with the numbers of farms increasing.

2.2 Changes with impact on the Industry

- The reopening of the Murray Bridge and Jervois dairy processing plants by Beston Global Foods Pty Ltd has been successful and the new investments at Penola by the Midfield/Louis Dreyfuss joint venture and Blue Lake Dairies at Tantanoola are underway. Both projects will drive demand for milk production in 2016/2017.
- As a result of the expansion in processing capacity, the Authority's focus is to ensure food safety programs are adequately implemented to support the industry food safe reputation. It will also focus on the environmental monitoring and microbiological safety of both premises and products.
- The Authority is experiencing an increased interest in export opportunities from existing and new processors; this activity is expected to continue into the next financial year.
- Three processors were accredited for the production of 'raw milk cheeses' in 2015, having met the requirements of Standard 4.2.4 as specified in the Food Standards Code. This method involved pre-heating the milk to a specific temperature during the processing. The Authority continues to work with these processors as they seek to expand their product offering.

2.3 Outlook - Production and Farming

Production by farm, cow and region over time as shown, in Appendix 1, Table 2 highlights the structural change between 1974, 1984 and the last three years. In forty years the South Australian dairy industry has gone from 1,397 cow dairies to 244, whereas cow numbers are almost identical at 80,000. Of note, milk production has risen from 255 million litres to 544 million litres.

Widely linked to improved genetics and supplementary feeding, the figures show the Dairy industry has doubled milk production per cow over the period such that South Australia has the highest milk yield per cow of any state. Notably, the south east has the highest milk yield of any substantial region in Australia and one of the highest anywhere in the world, from a grass based system.

South Australian dairy farms produce 12 times more milk now than the average farm did in 1974. This change is a natural result of increased efficiency and the need for economies of scale to survive. It has been aided by the move in technology to rotary dairies and more recently the advent of robotic milking systems.

Other advances including bulk milk tankers, improved refrigeration - both on farm and at factories - have all contributed to this transition to bigger farms producing more milk. It has also led to better quality milk with less contamination.

In the processing sector, South Australia has the highest proportion of small, innovative and boutique processors. These operators complement the large processors and produce a high quality, unique experience for their customers.

The Dairy industry continues its improvement in both productivity and performance, this is supported by investment being seen in product development and processing facility upgrades.

3.0 KEY STATISTICS

The South Australian Dairy Industry – 2015-16

○ Total milk production	544.3M litres	(excluding goats and sheep)
○ Farms	254	
○ Cow farms	244	
○ Processors of SA milk	54	
○ Factories in SA	52	(+6 increase on 2014-15)

During 2015-16 the South Australian dairy industry produced 544.3 million litres of cow's milk from 244 dairy farms. At June 30th 2016, the number of farms had reduced by 8 from June 2015, as a result of being consolidated into existing farms.

Milk production decreased by 0.56%. The average production per cow in 2015-16 was 6,718 litres, an increase of 0.25% from the previous year. Cow numbers as at 30 June 2016 decreased 0.92% to 81,140 compared with the previous year.

The dairy industry in South Australia is spread across the State with farms located in the Adelaide Hills and Fleurieu Peninsula, Lower Murray Swamps and Lakes, South East and Mid North. A breakdown of regional dairy farm statistics as at 30 June 2016 is shown in Appendix 1, Table 1.

South Australian dairy farmers supply milk to 18 large scale dairy processors. The balance is small dairy processors or processors who do not receive milk direct from farm but are supplied by another processor. As at 30 June 2016, a total of 36 processors do not get milk direct from farms.

A number of dairy farms are accredited to supply organic milk to B-d Farm Paris Creek Pty Ltd, which manufactures biodynamic products. One goat milk processor is accredited to supply raw goat's milk and, one farmer milks buffalo. The Authority is aware of one camel dairy operating under local government inspection within the Spencer Gulf and has included this species in a discussion paper pending regulatory updates.

There is increasing demand for goat and sheep milk products. For the period 2015-16 there were six processors of goat milk products and three processors of sheep milk products. There were six goat milk farmers, one buffalo farmer and three sheep milk farmers operating at the end of June 2016, an increase of one sheep milk farmer and one goat farmer.

Throughout 2015-16, dairy processors in South Australia produced a range of products including market milk products, cream, flavoured milk, UHT milk, butter, cheese, cream cheese, yoghurt, dairy desserts, dips, ice cream, soft serve, gelati, milk concentrates, whey powder and pharmaceutical products from the milk of cows, buffalo, goats and sheep.

The Authority accredited 17 dairy transport businesses at 30 June 2016.

4.0 COMPLIANCE GOVERNANCE

The following section provides a summary of the compliance processes of The Dairy Authority of South Australia.

4.1 Recalls and Food Safety

- No dairy product recall during the year.
- Moo View Milk proprietors were found guilty for the provision of raw milk to the public. They were prosecuted with financial penalties served in 2016.
- The Dairy Authority of South Australia has ceased its program of random microbiological testing of dairy products obtained from the retail shelf, switching its focus to working proactively with the Industry to implement environmental monitoring sampling and microbiological testing of products produced at source.
- The Dairy Authority of South Australia operates under a Quality Assurance and Procedures Manual which is annually updated. Authority staff members have worked with the Department of Health and Local Government Environmental Health Officers to respond to customer complaints concerning retail dairy products.
- The Authority works with interstate and national dairy regulators to ensure consistency of implementation of standards.

4.2 Regulatory Review

- The Dairy Authority of South Australia commenced a review of the regulations relating to dairy production and processing in South Australia. The *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005* need to reflect the changing structure of the industry.
- At the time the annual report issue, the Authority has generated a discussion paper that seeks to further protect public health, via;
 - accreditation of all commercial milk producers
 - accreditation of all species: i.e. camels
 - incorporate a list of all dairy products: gelato, soft serves and dairy based dips
- We have continued to focus on the implementation of best practice systems and support. Training support has included a seminar for processors centred on correct labelling, micro testing changes and training for dairy processing staff.

4.3 Industry Coordination and Development

The Dairy Authority of South Australia continues to work closely with the dairy industry, industry organisations, interstate dairy authorities, local councils, Department of Health, The Commonwealth Department of Agriculture Food Division, Food Standards Australia and New Zealand (FSANZ) and Primary Industries and Regions SA (PIRSA), to ensure all matters under its control are dealt with efficiently.

The Authority also participates at a national level on quality and food safety matters to ensure uniformity between the states and the Commonwealth. The Authority has Memorandums of Understanding (MoU) in place for co-operation with PIRSA Biosecurity and the Department of Health in SA and with The Commonwealth Department of Agriculture Food Division, Dairy Food Safety Victoria and the Tasmanian Dairy Industry Authority.

The Dairy Authority of South Australia remains focused on delivering the requirements of the industry and of the Government's Premium Food Strategy as outlined in the Authority's strategic plan. The Authority will continue to leverage its expertise and standing in the South Australian Dairy Industry to support industry participants to meet the necessary hygienic and operational standards. It also continues to support the growth and development of the industry and its participants from a regulatory perspective.

As the regulatory body, the Dairy Authority of South Australia remains focused on delivering a high quality, cost effective service.

To continue to keep abreast of industry knowledge, issues and initiatives, Authority Members and staff attend dairy industry forums and training sessions in South Australia and interstate.

The Authorities Board reflects both consumer and industry representation.

4.4 Technical Review

The Dairy Authority of South Australia has completed a review of its technical capability to ensure it remains relevant and meets the industry's future demands. The review has identified a need to recruit additional technical resource with industry experience. This has commenced with the recent appointment by the Board of the CEO who possesses an extensive background in food processing operations. The Authority also recognises the need to appoint a Food Safety Manager who will oversee the quality management systems, associated auditing functions and implementation of educational programs relevant to the industry. This role will be appointed in 2016/2017.

4.5 Ministerial Direction

The Dairy Authority of South Australia did not receive any Ministerial Directives during the 2015-16 financial year.

5.0 ACCREDITATION & AUDITS

5.1 Accreditation of Dairy Farmers

The Authority has continued to work with dairy processors to ensure dairy farms comply with their Food Safety Schemes and FSANZ Standard 4.2.4. The Authority receives and utilises monthly reports from the dairy processors detailing farmer compliance with the standards and quality test results. Farmers must comply with company quality standards for total plate count, antimicrobials and somatic cell count. Farmers supplying processors who are exporting to Europe must also comply with the European somatic cell count requirements. All dairy farms must pass an annual audit.

The Dairy Authority of South Australia plays a critical role in the auditing of accredited dairy farmers. Staff audit the on-farm Hazard Analysis Critical Control Point (HACCP) based food safety programs for all farmers except Murray Goulburn.

Dairy farmers supplying Murray Goulburn Co-operative Co. Ltd must comply with their company-specific HACCP based programs. The Authority accompanies company auditors on selected audits to monitor competency in their auditing practices and as part of the National Dairy Verification Program.

For those farmers not supplying major processors (including goat, buffalo and sheep milk dairy farmers) Authority staff work with individual dairy farmers to implement and audit the Authority's program *Quality Dairy* on their farms.

Dairy farmers encountering food safety problems such as cooling system failures, pesticide and antibiotic contamination of milk, are required to provide an incident report to company/authority staff which is dealt with immediately, in line with the agreed processes, to ensure that the problem is rectified as quickly as possible.

There have been some issues during the year involving antibiotic residues in milk at farm and dairy transport businesses level. Authority staff have worked with industry to strengthen requirements through the audit process to ensure the residue risk is minimised. Any milk confirmed as containing antibiotic is discarded.

5.2 Accreditation of Dairy Transport Businesses

The Dairy Authority of South Australia continues to work with the milk tanker collection companies to audit their HACCP-based food safety programs. More attention has been turned to transport operators to ensure that their drivers have a good understanding of the importance of hygiene and temperature control, and to ensure that no non-milk products are able to contaminate milk during transport.

Where a small dairy processor collects milk from its own dairy farm or from other accredited dairy farmers, a *food safety program* is required for their accreditation as a dairy transport business. This aspect of their business is audited at the same time as their dairy processor or dairy farm audit.

5.3 Accreditation of Dairy Processors

Dairy processors in South Australia are required to comply with Standard 4.2.4 of the Food Standards Code. Export registered premises are required to comply with the Export Control (Milk and Milk Products) Orders 2005.

The Dairy Authority of South Australia audits all export dairy processing premises in South Australia on behalf of The Commonwealth Department of Agriculture, Food Division, under an exchange of letters between the Authority and The Department. Authority staff have been trained by The Commonwealth Department of Agriculture, Food Division staff, and approved as Food Division Authorised Officers. Under the Export Control (Milk and Milk Products) Orders 2005 a dairy processor is required to implement an approved arrangement.

Authority staff audit South Australian dairy processors twice a year to assess their food safety program/approved arrangement for compliance against the Standard 4.2.4 of the Food Standard Code, and the Export Control Orders if they are export registered.

The Dairy Authority of South Australia monitors test results on liquid milk, cream, cheese, cheese dips, yoghurt and ice cream sampled from processors.

Any results outside the agreed specification must be actioned immediately following detection, with the Authority working directly with the organisation concerned. The Authority works with processors to ensure no sub-standard product reaches the market and that corrective action is implemented following any poor test results or detection of pathogens in the environment or the product. Pathogens are those bacteria or other organisms which can produce illness or death when ingested in sufficient numbers by people.

All new dairy processors must have approved premises and implement HACCP-based food safety programs. Existing processors must maintain their HACCP-based programs and appropriate records. New dairy processors are issued a probationary accreditation for up to six months. They receive full accreditation once their HACCP-based program has been implemented, satisfactorily audited and the end product test results are satisfactory.

5.4 Legislative Accreditation

All businesses accredited by the Dairy Authority of South Australia receive an annual accreditation certificate after receipt of their completed annual return and must satisfactorily complete an annual or bi-annual audit.

On 3 August 2005 the Minister delegated powers under the *Primary Produce (Food Safety Schemes) Act 2004* to the Authority for the appointment of authorised persons and approved auditors under the *Primary Produce (Food Safety Schemes) Act 2004*. The Authority has set conditions for these appointments and during 2015-16 has continued to approve dairy farm auditors for Murray Goulburn Co-operative Co Ltd. The Authority conducts farm audits for all other companies.

Accreditation and audit fees for dairy farmers supplying large scale dairy processors (defined by the Authority as receiving 1,000,000 litres of milk or more per annum) and for large scale dairy processors receiving milk direct from dairy farmers. These are summarised as follows:

Dairy Farmers

- The monthly fee for farmers supplying to large scale dairy processors was 0.0554 cents per litres.
- The fee for dairy farmers supplying small scale dairy was a flat fee of \$450 per annum.
- For new applications, an initial one-off fee of \$100 is payable on application.
- For all farmers, an additional fee of \$100 per hour will apply in the event an audit requires additional work necessitating follow-up visits.

Large Scale Dairy Processors

- The monthly accreditation fee for large scale dairy processors is 0.0529 cents per litre.
- For small scale dairy processors a flat fee of \$650 per annum is payable.
- For new applications, an initial one-off fee of \$100 is payable on application.
- For all processors, an additional fee of \$100 per hour will apply in the event an audit requires additional work necessitating follow-up visits.
- For export registered dairy processors a fee of \$300 per audit for all AQIS registered Export Dairy Processor establishments was invoiced at each audit.

Transporters

- The accreditation fee for dairy transport businesses was \$100 per tanker.
- The audit fee was \$400 per business.
- For new applications, an initial one-off fee of \$100 is payable on application.
- For all transporters, an additional fee of \$100 per hour will apply in the event an audit requires additional work necessitating follow-up visits.

5.5 Auditing

In order maintain its own standards and to be able to conduct audits on behalf of the Commonwealth, the Dairy Authority of South Australia is audited by The Commonwealth Department of Agriculture, Food Division each year in order to act for them in export dairy establishments in South Australia. All businesses accredited by the Dairy Authority of South Australia have been audited by the Dairy Authority with any non-conformances or product failures corrected in line with the agreed processes.

5.6 Financial Management

Audited financial statements and notes to the accounts are attached in accordance with relevant Treasurer's Instructions issued under section 41 of the Public Finance and Audit Act 1987. As requested by Treasurer's Instruction TI 11, details of account payment performance are shown in Appendix 1, Table 4.

6.0 CORPORATE GOVERNANCE

6.1 Board Membership

- As of July 2015, the new board is comprised of Roseanne Healy (Chair), Kay Matthias and Gina Dal Santo.

6.2 Governance Practices

- Documentation of financial practices and procedures are in place in accordance with the Financial Management Framework and the policy document "Role of the Chief Executive Officer and the Authority in Financial Management, Risk Management and Personnel Management".
- The Authority has in place its own Records Disposal Schedule.
- The Authority has a Freedom of Information Policy and Whistle-blowers Policy.
- The Authority met on seven occasions during the year.
- Conflicts of interest are declared, minuted and managed as standing items and in relation to individual agenda items.
- The Authority notes there have been no related party transactions in this reporting period.
- The Authority has operated in an efficient, relevant and cost effective manner and met its objectives.

6.3 Human Resource Management and Sustainability

Details relating to employment statistics are shown in Appendix 1, Table 5 as required by the Department of the Premier and Cabinet Circular PC013 - Annual Reporting Requirements 2011.

A total of \$6,746 was spent on staff training to improve the team's professional capabilities.

Staff changes during the year; The General Manager resigned his position, this position was reviewed by the Board and renewed with the appointment of a Chief Executive Officer, Brian Owens in June 2016.

The Board also appointed a part time role of Executive Assistant, Julie Arbery.

The Dairy Authority of South Australia operates under the Public Sector Act 2009 and an Administrative Arrangement between the Dairy Authority of South Australia and the Commissioner for Public Employment.

The Authority has in place Work, Health and Safety (WH&S) Policies and Standard Operating Procedures. The following issues were addressed during the year:

- There were no Work Health and Safety (WHS) incidents reported. The Authority recognises that their staff undertake a considerable amount of driving to and from audits as part of their core duties. The Authority has arranged for auditors to undergo a defensive driving course.
- There were no Work Cover claims.
- Servicing of fire equipment.
- Inspection by Pest Control Company.
- Compliance with legislation relating to asbestos, hazardous substances, electrical safety and fire safety.
- The Authority has in place ongoing policies relating to asbestos and procedures are in place to manage asbestos in the Authority's building.

The Authority is an equal opportunity employer. No equity complaints were received during the year.

The Dairy Authority of South Australia is committed to operating in an energy efficient manner. The Authority's office premises have a solar hot water system; all air conditioners have split system inverter units and efficient window furnishings.

6.4 External Consultants

Use of external consultants engaged during the year to cover farm auditing while a staff member was on long service leave.

6.5 Freedom of Information Statement

The Dairy Authority of South Australia has an information policy prepared under the *Freedom of Information Act 1991*, and the Freedom of Information (General) Regulations 2002. The Authority's Freedom of Information Statement, is included as Appendix 1 to this report.

There were no recorded Freedom of Information requests received during the year.

7.0 MEMBERS-DAIRY AUTHORITY OF SOUTH AUSTRALIA

DAIRY AUTHORITY MEMBERS (F2016)

Chair	Roseanne Healy
Member	Kay Matthias
Member	Gina Dal Santo

STAFF

Chief Executive Officer	B Owens
Accountant	R Galluccio
Executive Assistant	J Arbery
Food Safety Officer Dairy	F J Little
Food Safety Officer Dairy	J Ganczarczyk

DAIRY AUTHORITY OF SOUTH AUSTRALIA

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8.0 FINANCIAL STATEMENTS

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Dairy Authority of South Australia (the Authority):

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant *Australian Accounting Standards*;
- are in accordance with the accounts and records of the Authority;
and
- present a true and fair view of the financial position of the Authority as at 30 June 2016 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Dairy Authority of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Roseanne Healy
Chair



Brian Owens
Chief Executive Officer



Rocco Galluccio
Chief Financial Officer

Dated 19 September 2016

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Income			
Revenues from fees and charges	5	551	502
Interest revenues	6	6	9
Other income	7	76	72
Total income		633	583
Expenses			
Employee benefits expenses	8	537	431
Property expenses	10	31	30
Supplies and services	11	86	29
Depreciation and amortisation expense	12	22	23
Travelling expenses		20	24
Other expenses	13	61	43
Total expenses		757	580
Net Result		(124)	3
Other Comprehensive Income			
Change in property asset revaluation surplus		-	290
Total Comprehensive Result		(124)	293

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents		190	301
Receivables	14	10	1
Total current assets		200	302
Non-current assets			
Property, plant and equipment	15	1890	1905
Intangible assets	15	13	16
Total non-current assets		1903	1921
Total assets		2103	2223
Current liabilities			
Payables	16	59	28
Employee benefits	17	35	57
Other liabilities	18	15	24
Total current liabilities		109	109
Non-current liabilities			
Payables	16	2	1
Employee benefits	17	51	48
Total non-current liabilities		53	49
Total liabilities		162	158
Net Assets		1941	2065
Equity			
Retained earnings		115	239
Asset revaluation surplus		1826	1826
Total equity		1941	2065

The total equity is attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2016

	Asset Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2014	1536	236	1772
Net result for 2014-15	-	3	3
Gain on revaluation of land during 2014-15	290	-	290
Total comprehensive result for 2014-15	290	3	293
Balance at 30 June 2015	1826	239	2065
Net result for 2015-16	-	(124)	(124)
Total comprehensive result 2015-16	-	(124)	(124)
Balance at 30 June 2016	1826	115	1941

All changes in equity are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities			
Cash inflows			
Fees and charges		537	512
Interest received		6	9
GST recovered from the ATO		5	-
Other receipts		74	76
Cash generated from operations		622	597
Cash outflows			
Employee benefits		(559)	(421)
GST paid to the ATO		-	(5)
Supplies and services		(170)	(120)
Cash (used in) operations		(729)	(546)
Net cash provided (used in) operating activities		(107)	51
Cash flows from investing activities			
Cash inflows			
Proceeds from sale of plant and equipment		-	-
Cash outflows			
Purchase of property, plant and equipment		(4)	(17)
Net cash (used in) investing activities		(4)	(17)
Net increase (decrease) in cash and cash equivalents		(111)	34
Cash and cash equivalents at 1 July		301	267
Cash and cash equivalents at 30 June		190	301

The above statement should be read in conjunction with the accompanying notes

Note 1 Objectives of the Dairy Authority of South Australia

The Dairy Authority of South Australia (the Authority) is fully funded by the dairy industry and works within the *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005* to ensure the safety of South Australian dairy products.

The functions of the Authority as defined in *Regulation 12* are:

- 1 To administer the dairy industry food safety scheme.
- 2 To monitor the extent of compliance by accredited producers within Standard 4.2.4 of the *Food Standards Code* and to enforce the Standard.
- 3 To approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements.
- 4 To advise the Minister on matters relating to the administration of the dairy industry food safety scheme.
- 5 To carry out other functions assigned to the Authority by these regulations or the Minister.

Note 2 Summary of significant accounting policies

a) Statement of compliance

The financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Authority has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Authority is a not-for-profit entity.

b) Basis of preparation

The preparation of the financial statements requires:

- The use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concept of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:

- a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
- b) expenses incurred as a result of engaging consultants
- c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
- d) board member and remuneration information where a board member is entitled to receive income from membership other than a direct out-of-pocket reimbursement

The Authority's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30th June 2016 and the comparative information presented.

c) Reporting entity

The financial statements cover the Dairy Authority of South Australia as an individual reporting entity. The Dairy Authority is a Statutory Authority of the State of South Australia, established pursuant to the *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005*.

d) Segment Reporting

The Authority's operations are conducted in the one business and geographical segment.

e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

f) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

g) Taxation

The Authority is not subject to income tax. The Authority is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy and local government equivalents.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable.
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows.

h) Events after the reporting period

Adjustments are made to the amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provides information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Authority will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard or where offsetting reflects the substance of the transaction or another event.

The following are specific recognition criteria:

Fees and charges

Revenues from fees and charges are derived from the provision of services to participants in the South Australian dairy industry. This revenue is recognised upon delivery of the service.

Rental income

Rental income is accounted for on a straight line basis over the lease term.

Interest income

Interest income includes interest received on bank accounts. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

Gain from disposal of non-current assets

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and has been determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Gains/Losses on disposal of Dairy Authority assets are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the assets from the proceeds at that time.

j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Authority will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or the event.

The following are specific recognition criteria:

Employee benefits expenses

Employee benefits include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Authority to the superannuation plan in respect of current services of current Dairy Authority staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of- government financial statements.

Depreciation and amortisation

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment.

Assets' residual values, useful lives and amortization methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

Land is not depreciated.

Depreciation/Amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of asset as follows:

Class of assets	Useful life (years)
Plant and equipment	3-15
Intangibles	5

k) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

l) Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or another event.

The following are specific recognition criteria:

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash at bank and cash on hand.

Cash is measured at nominal values.

Receivables

Receivables arise in the normal course of providing services, GST input tax credits recoverable, prepayments and other accruals.

Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectivity of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Authority will not be able to collect the debt. Bad debts are written off when identified.

Non-current assets

Acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$2 000 are capitalised.

Revaluation of non-current assets

All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

The Authority revalues its land and buildings via a Certified Practicing Valuer.

A valuation appraisal by a Certified Practicing Valuer is performed at least every six years. The most recent valuation was undertaken at 30 June 2015. Refer to Note 15 for details. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in the revaluations surplus for that class of asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets, an impairment loss is offset against the respective asset revaluation surplus.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

The Authority only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis.

All intangible assets with a value equal to or in excess of \$2 000 are capitalised.

The Authority is not involved with the internal development of software.

Fair Value Measurement – Non-financial assets

In determining fair value, the Authority has taken into account the characteristic of the asset (eg condition and the assets highest and best use (that is physically possible, legally permissible, financially feasible)).

The Authority's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the Authority did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

m) Liabilities

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or another event.

Payables

Payables include creditors, accrued expenses, GST payable and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Authority.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employee benefits on-costs include Return to WorkSA levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

The Authority makes contributions to State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long term employee benefits are measured at present value and short term employee benefits are measured at nominal amounts.

Salaries, annual leave, SERL and sick leave.

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and SERL liability is expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Long Service Leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and period of service. These assumptions are based on employee data over SA Government entities.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The unconditional portion of long service leave is classified as current as the Dairy Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

n) Insurance

The Authority has arranged, through SA Government Captive Insurance Corporation (SAICORP), to insure all major risks of the Authority. The excess payable under this arrangement varies depending on each class of insurance held.

o) Other liabilities

The Authority receives from time to time accreditation fees in advance. These fees are classed as other liabilities.

Note 3 New and revised accounting standards and policies

The Authority did not voluntarily change any of its accounting policies during 2015-16.

Note 4 Financial risk management

Risk management is managed by the Board, and the Board's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Dairy Authority's exposure to financial risk (liquidity, credit and market) is insignificant based on past experience and current assessment of risk. The Authority is totally self-funded from receipt of accreditation fees and rental income.

There have been no changes in risk exposure since the last reporting period.

Categories of financial instruments**Financial Assets**

	Note	2016 \$'000	2015 \$'000
Cash and cash equivalents			
- Cash and cash equivalents		190	301
Loans and receivables			
- Receivables (1)		-	-
Total financial assets		190	301

Financial Liabilities

Financial liabilities at cost

Payables (1)	16	40	4
Total financial liabilities		40	4

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

Note 5 Revenues from Fees and charges

	2016 \$'000	2015 \$'000
Dairy Farmer - Accreditation fees	265	239
Dairy Processor - Accreditation fees	282	259
Dairy Transport Business - Accreditation fees	4	4
Total revenues from fees and charges	551	502

Note 6 Interest Revenues

	2016 \$'000	2015 \$'000
Interest revenue	6	9
Total interest revenues	6	9

Note 7 Other income

	2016 \$'000	2015 \$'000
Other income	76	72
Total other income	76	72

Note 8 Employee benefits expenses

	2016 \$'000	2015 \$'000
Salaries and wages	378	286
Long service leave	3	6
Annual leave	21	17
Skills and experience retention leave	1	2
Superannuation	91	89
Board fees	43	31
Total employee benefits	537	431

Remuneration of employees

	2016 Number of Employees	2015 Number of Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$141 500 to \$145 000	-	1
\$255 001 to \$265 000*	1	-
Total	1	1

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration reflects all cost of employment including salaries and wages, payment in lieu of leave, superannuation contributions, fringe benefits and any other salary sacrifice benefits. The total remuneration received by the employee for the year was \$258 000 (\$141 000).

* Includes payments made on cessation of employment including outstanding leave balances.

Note 9 Remuneration of board members

Members during the 2016 financial year were:

Board Members

Ms R C Healey

Ms K Matthias

Ms G Dal Santo

The number of members whose remuneration received or receivable falls within the following bands:

	2016	2015
\$10 000 - \$19 999	2	2
\$20 000 - \$29 999	1	1
Total number of members	3	3

Remuneration of members reflects all costs of performing board member duties including sitting fee, superannuation contributions and salary sacrifice benefits. The total remuneration received or receivable by members was \$47 000 (\$47 000).

Unless otherwise disclosed, transactions between members are on conditions no more favorable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

Note 10 Property Expenses

	2016 \$'000	2015 \$'000
Repairs and Maintenance	9	8
Rates and Taxes	9	9
Other	13	13
Total property expenses	31	30

Note 11 Supplies and services

	2016	2015
	\$'000	\$'000
Product Testing	5	5
Computing and Communications	21	11
External Audit Costs	19	4
Legal Fees	3	-
Printing and Stationery	11	2
Staff Recruitment	22	-
Other	3	5
Subscriptions	2	2
Total supplies and services	86	29

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the Dairy Authority not holding a tax invoice or payments relating to third party arrangements.

Note 12 Depreciation and amortisation expense

	2016	2015
	\$'000	\$'000
Plant and equipment		
Depreciation	17	21
Intangible assets		
Amortisation	5	2
Total depreciation and amortisation	22	23

Note 13 Other expenses

	2016	2015
	\$'000	\$'000
Audit Fees	8	8
Contractors	19	-
Insurance	5	5
Staff Training	7	7
Fringe Benefits Tax	16	15
Other	6	8
Total other expenses	61	43

Note 14 Receivables

	2016	2015
	\$'000	\$'000
Accreditation Fees	8	-
Other Receivables	2	1
Total receivables	10	1

Note 15 Property, intangible assets, plant and equipment

The Dairy Authority classifies fair value measurement using Level 2 hierarchy for its property plant and equipment

Land and buildings

	2016	2015
	\$'000	\$'000
Land at Fair Value	1840	1840
Building at Fair Value	-	-

Total Land and Buildings	1840	1840
Plant and equipment	2016	2015
	\$'000	\$'000
Plant and Equipment at cost (deemed fair value)	175	175
Additions at cost	2	-
Total Plant & Equipment at Cost	177	175
Accumulated Depreciation at end of the period	(127)	(110)
Total Plant and Equipment	50	65
Total Property Plant and Equipment	1890	1905
Intangible assets		
Intangible assets at cost	29	29
Additions at cost	2	-
Total Intangible assets at cost	31	29
Less accumulated amortisation	(18)	(13)
Total intangible Assets	13	16
Total property/intangible assets/plant and equipment	1903	1921

RECONCILIATION OF PROPERTY, INTANGIBLE ASSETS, PLANT AND EQUIPMENT

The following table shows the movement of Property, Intangible Assets, Plant and Equipment during:

2015-2016	Land and Buildings \$'000	Plant and Equipment \$'000	Intangible Assets \$'000	Total \$'000
Carrying Amount at 1 July	1840	65	16	1921
Additions	-	2	2	4
Disposals/Sales/write off	-	-	-	-
Asset Revaluation	-	-	-	
Depreciation/amortisation	-	(17)	(5)	(22)
Carrying Amount at 30 June	1840	50	13	1903

The valuation of land and buildings was performed by Ryan L Mills, AAPI Certified Practising Valuer, independent valuer with Colliers International as at 30 June 2015. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use. The valuer assessed fair value of building improvements at \$Nil.

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2015.

Note 16 Payables

	2016 \$'000	2015 \$'000
Current		
Creditors	48	13
Accrued expenses	8	9
Employment on-costs	3	6
Total current payables	59	28
Non Current		
Employment on-costs	2	1
Total non current payables	2	1
Total payables	61	29

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2015 rate (37%) to 40% and the average factor for the calculation of employer superannuation cost on-cost has also changed from the 2015 rate of (10.3%) to 10.2%. These rates are used in the employment on-cost calculations. These changes have no financial impact in the current financial year.

Note 17 Employee benefits

	2016	2015
Current	\$'000	\$'000
Annual leave	21	30
Skills and experience retention leave	1	2
Long service leave	10	14
Accrued salaries and wages	3	11
Total current employee benefits	35	57
<hr/>		
Non-current		
Long service leave	51	48
Total non-current employee benefits	51	48
Total employee benefits	86	105

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability for the measurement of long service leave. AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2015 (3.00%) to 2016 (2.00%).

The net financial effect of the changes in the current financial year is immaterial.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4 percent. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Note 18 Other liabilities

	2016	2015
Current:	\$'000	\$'000
Accreditation Fees received in advance	14	20
Rent received in advance	1	4
Total other liabilities	15	24

Note 19 Events after the reporting period

There have been no significant events occurring after the reporting period.

INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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To the Chair Dairy Authority of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Dairy Authority of South Australia for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, the Chief Executive Officer and the Chief Financial Officer.

The Authority's responsibility for the financial report

The members of the Authority are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Authority determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

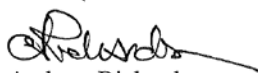
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Authority, as well as the overall presentation of the financial report.

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

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Dairy Authority of South Australia's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Dairy Authority of South Australia as at 30 June 2016, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



Andrew Richardson

Auditor-General

26 September 2016

9.0 APPENDICES

APPENDIX 1 - ADDITIONAL STATISTICS

TABLE 1: REGIONAL DAIRY FARMS as at 30 June 2016

REGION	2015 FARMS	2016 FARMS	CHANGE (%)	2015 COWS	2016 COWS	CHANGE (%)
Central-Adelaide Hills	22	20	-9.09%	3,369	2,834	-15.79%
Fleurieu Peninsula	59	57	-3.39%	13,940	13,654	-1.97%
Upper South East	12	11	-8.33%	5,040	4,795	-4.86%
Lower South East	93	89	-4.30%	39,748	38,996	1.89%
Murray Swamps	30	31	+3.33%	7,823	7,873	0.64%
Meningie Lakes	16	16	0.00%	7,458	7,458	0.00%
Mid North	20	20	0.00%	4,521	4,524	0.07%
TOTALS	252	244	-3.17%	81,899	80,134	-2.15%

Production by region

A breakdown of production by type, region and number of farms is provided in the data above and below.

The South East region of South Australia produced 7,516 litres/cow against the central region 6,201 and the mid north 3,948. All areas except the Mid North increased production per farm and per cow. The South East continues to be significant in both milk production per farm and per cow.

Statistics in Table 2 show comparative data from 1974 to 2016. Note the production per cow has increased by 116% over this period. Production per farm has increased by twelve fold from just 0.183 million litres to 2.23 million litres over this time.

TABLE 2: PRODUCTION BY FARM, COW AND REGION OVER TIME

(NB. Average of beginning and end of year statistics)

Region	Milk (litres)	Cows	Farms	litres/farm	cows/farm	litres/cow
Mid North	17,862,826	4,524	20	893,141	226	3,948
Central	197,295,547	31,819	124	1,591,093	257	6,201
South East	329,138,838	43,791	100	3,291,388	438	7,516
2016	544,297,211	80,134	244	2,230,726	328	6,792
2015	549,610,354	81,899	252	2,180,993	325	6,711
2014	536,573,563	83,370	264	2,032,476	316	6,436
2013	565,488,352	84,606	268	2,110,031	316	6,684
2012	597,404,939	86,171	275	2,172,382	313	6,933
1984	273,176,320	74,720	962	283,967	78	3,656
1974	255,591,000	81,140	1,397	182,957	58	3,150

TABLE 3: STATISTICS

	2014-15	2015-6	Change (%)
ACCREDITATIONS CURRENT AS AT 30 JUNE:			
Total number of accredited cow dairy farms (2)	252	244	-3.17%
Total number of accredited buffalo, sheep and goat dairy farms	8	10	25.00%
Total number of accredited dairy processors	49	54	0.0%
Total number of accredited dairy transport businesses	21	17	0.0%
STOCK STATISTICS AS AT 30 JUNE: (cows)			
Total number of milk cows (excluding heifers)	81,899	81,140	-0.92%
Total number of heifers	35,787	35,364	-1.18%
Average number of milking cows per farm	325	328	0.92%
Average number of heifers per farm	142	145	2.11%
ANNUAL PRODUCTION STATISTICS – TOTALS: (cows)			
(NB. only milk delivered to large processors)			
Annual production of milk – litres	547,341,729	544,297,211	-0.56%
Annual production of milk – kg butterfat	20,765,494	20,527,588	-1.15%
Annual production of milk – kg protein	17,959,210	17,904,240	-0.31%
ANNUAL PRODUCTION STATISTICS - PER FARM: (cows)			
Average no. of accredited dairy farms during the year	256	248	-3.13%
Average annual production per farm – litres	2,146,915	2,194,747	-2.22%
Average annual production per farm – kg butterfat	81,115	82,773	2.04%
Average annual production per farm – kg protein	70,153	72,195	2.91%
ANNUAL PRODUCTION STATISTICS - PER COW: (2)(3)			
Average number of milk cows during the year	82,016	81,016	-1.22%
Average annual production per cow – litres	6,701	6,718	0.25%
Average annual production per cow – kg butterfat	253	253	0.0%
Average annual production per cow – kg protein	219	221	0.91%
PRODUCTION STATISTICS – PER DAY: (2)			
Average production of milk per day – litres	1,499,566	1,487,151	-0.83%
Average production of milk per day – kg butterfat	56,892	56,086	-1.42%
Average production of milk per day – kg protein	49,203	48,919	-0.58%
Average production of milk per farm per day – litres	5,858	5,997	2.37%
Average production of milk per cow – per day - 300 day lactation – litres	22.24	22.39	0.67%

(1) *Statistics are based on figures returned by dairy farmers, and major dairy processors for cow's milk only.*

(2) *Dairy farmer and processor statistics represent suppliers of cow's milk only.*

(3) *Averages calculated by taking 30 June figures for 2015 and 2016, and dividing by 2.*

TABLE 4: ACCOUNT PAYMENT PERFORMANCE

The Table below reports the number and value of creditor’s accounts paid, and the extent to which those accounts have been paid in accordance with the Treasurer’s Instruction.

Particulars	Number of Accounts Paid		Value in \$A of Accounts Paid	
	Number	%	Value	%
Paid by the due date *				
Paid 30 days or less from due date	172	100%	\$164,067	100%
Paid more than 30 days from due date	-	-	0	-

**Note: The due date is as defined in TI 11.2 of Treasurer’s Instruction 11 Payment of Accounts. Unless there is a discount or a written agreement between the Authority and the creditor, payment should be within thirty days of the date of the invoice or claim.*

TABLE 5: EMPLOYMENT STATISTICS (JUNE 2016)

<u>Classification Level</u>	<u>Number of Employees</u> (FTE)	<u>Gender</u>
ExA	1.00	M
ASO8	0.60	M
PO2	0.80	F
PO2	1.00	F
ASO4	0.40	F
Total	3.80	

<u>Employment Status</u>	<u>Number of Employees</u> (FTE)
Permanent full time employee	1.00
Permanent part time employee	0.60
Permanent part time employee	0.80
Permanent full time employee	1.00
Permanent part time employee	0.40
Total	3.80

APPENDIX 2 - FREEDOM OF INFORMATION ACT

INFORMATION STATEMENT OF THE DAIRY AUTHORITY OF SOUTH AUSTRALIA

Introduction

This Statement is published in accordance with Section 9(2) of the Freedom of Information (FOI) Act 1991.

The Freedom of Information Act gives any member of the general public right of access to information held by the Dairy Authority of South Australia.

Agency's Structure and Function

The Dairy Authority of South Australia was established under the Dairy Industry Act 1992 on 1 July 1993. On 1 August 2005 the Dairy Industry Act 1992 was repealed and replaced by the Primary Produce (Food Safety Schemes) Act 2004 and Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005. The Dairy Authority of South Australia was continued as a body corporate under Schedule 1, Clause 5, of the Primary Produce (Food Safety Schemes) Act 2004.

The Authority consists of three members appointed by the Governor, one of whom is appointed to preside at meetings of the Authority.

Sections 7(2) (a) and (d) and 7(5) of the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005 state:

“7(2) The Authority –

- (a) is a body corporate with perpetual succession and a common seal; and
- (d) has the functions and powers assigned or conferred by or under these Regulations”

“7(5) in the performance and exercise of its functions and powers, the Authority is subject to the direction of the Minister except in relation to the making of a recommendation or report to the Minister”

The functions of the Authority as defined in Section 12 of the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005 are:

“12 Functions of Authority

- (1) The Authority is the accreditation body for the classes of activities to which the dairy industry food safety scheme applies.
- (2) The Authority has the following functions:
 - (a) to administer the dairy industry food safety scheme;

- (b) to establish, maintain and improve, for incorporation in the Dairy Industry Food Safety Code
 - (i) food safety standards for dairy produce; and
 - (ii) food safety standards for the construction, maintenance and hygiene of dairy farms or dairy manufacturing premises and plant and equipment on dairy farms or dairy manufacturing premises; and
 - (iii) food safety standards for the construction, maintenance and hygiene of dairy transport vehicles and dairy distributor vehicles;
- (c) to monitor the extent of compliance by accredited producers with the Dairy Industry Food Safety Code and to review and enforce the Code;
- (d) to approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements;
- (e) to advise the Minister on matters relating to the administration of the dairy industry food safety scheme;
- (f) To carry out other functions assigned to the Authority by these regulations or the Minister.”

Effect of the Agency’s Functions on Members of the Public

The Authority has a direct effect on the dairy industry and the public through:

- a) Ensuring dairy food safety schemes are implemented by dairy farmers, dairy manufacturers, dairy distributors and dairy produce carriers;
- b) Ensuring businesses are accredited and that milk and dairy product food safety standards are maintained.

Arrangements for Public Participation in Policy Formulation

Policy formulation is influenced by Government Policy and meetings with representatives from the South Australian Dairy Farmers Association, dairy company representatives, and representatives of the milk transport industry.

Description of the Kinds of Documents Held by the Agency

The following documents have been prepared by the Authority:

- Annual Reports
- Occupational Health, Safety and Welfare Policy
- Corporate Plan
- Code of Practice for Dairy Food Safety
- Guidelines for Raw or Unpasteurised Goat Milk
- Freedom of Information Policy
- Sexual Harassment Policy
- Whistle-blowers Policy
- Guidelines for Food Safety – Dairy Farms
- Guidelines for the Development of a Food Safety Program for Dairy Food Transportation

The following files are held by the Authority:

a) Dairy Farmer Files

Specific files are held on all dairy farmers selling raw milk previously licensed and currently accredited by the Dairy Authority of South Australia, and any past dairy farmers who were licensed by the Authority to sell unpasteurised milk since 1 July 1993. These files include licence/accreditation applications, annual licence/accreditation renewals, reports of inspections, test results and correspondence.

Authority records include licence/accreditation applications from all dairy farmers, and copies of annual licence/accreditation renewals for all dairy farmers licensed by the Dairy Authority since 1 July 1993. Copies of any inspections, test results and correspondence from specific dairy farmers are kept on file.

b) Dairy Processor/Manufacturer Files

Specific files are held on all dairy processors/manufacturers currently licensed/accredited by the Dairy Authority of South Australia and any past dairy processor/manufacturers that were licensed/accredited by the Authority since 1 July 1993. Authority files include licence/accreditation applications, annual licence/accreditation renewals, and reports of inspections, test results and correspondence on all licensed/accredited dairy processors/manufacturers.

c) Dairy Produce Carriers

Information on dairy produce carrier's accreditation has been held by the Authority since 1 August 2005.

d) Administration Files

These files contain all documents concerned with the day to day management of the Authority, including Authority minutes, financial information, correspondence, reports and policy documents.

All of these documents are located at the Authority's offices at 33 Hutt Street, Adelaide.

Access Arrangements, Procedures and Points of Contact

To access documents, it is necessary to apply in writing under the Freedom of Information Act to:

Chief Executive Officer
Dairy Authority of South Australia
33 Hutt Street
Adelaide SA 5000
Telephone: (08) 8223 2277
Facsimile: (08) 8232 2463
Email: admin@daosa.net.au

Revised: 19th September 2016