



# 2016-17 Annual Report

*Dairy Authority of South Australia*

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**Date presented to Minister:**    29 September 2017

To:

Hon. Leon Bignell (MP)

Minister for Agriculture, Food and Fisheries, Forests, Tourism, Recreation and Sport, and Racing

This annual report is presented to Parliament to meet the statutory reporting requirements of the *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005* and meets the requirements of Premier and Cabinet Circular *PC013 Annual Reporting*.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

Submitted on behalf of Dairysafe by:

Brian Owens

Chief Executive Officer

A handwritten signature in dark ink, appearing to read 'Brian Owens', is positioned to the left of the date.

29<sup>th</sup> September 2017

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## **Section A: Reporting required under the *Public Sector Act 2009*, the *Public Sector Regulations 2010* and the *Public Finance and Audit Act 1987***

### **Agency purpose or role**

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.

### **Objectives**

- 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.

**Key strategies and their relationship to SA Government objectives**

<b>Key strategy</b>	<b>SA Government objective</b>
<b>To be the Benchmark and Leaders in Dairy Food Safety</b>	Premium food and wine produced in our clean environment and exported to the world.  Growth through innovation.  Opening doors for small business.
<b>To Protect the Food Safety Reputation of the Dairy Industry</b>	Premium food and wine produced in our clean environment and exported to the world.
<b>Collaborative in promoting Food Safety Culture</b>	Premium food and wine produced in our clean environment and exported to the world.
<b>Develop a Food Safety communication plan relevant to the South Australian Dairy Industry</b>	Premium food and wine produced in our clean environment and exported to the world.
<b>Modernise Dairysafe</b>	Premium food and wine produced in our clean environment and exported to the world.  Growth through innovation.  Opening doors for small business.

## Agency programs and initiatives and their effectiveness and efficiency

Program name	Indicators of performance/effectiveness/efficiency	Comments		
Dairy Food Safety	Efficiency, innovation and new methods in risk assessment fostered through collaboration with professional auditing peers and other state regulatory bodies	Dairysafe is increasing activity in sharing of knowledge between food safety bodies & industry representatives.		
	<b>Dairy Food Safety Incident Report 2016/2017</b>			
	<b>Category of incident</b>	<b>Number of incidents</b>	<b>Product type</b>	
	Physical contaminants	3	Milk	Increased dairy food safety awareness is supporting the protecting public health
	EColi - non pathogenic	1	Soft cheese	
	Antimicrobial contamination of milk	4	Milk	
	Staphylococcus Aureus	0	N/A	Promoting strong relationships with key stakeholders.
	Listeria	0	N/A	
	Yeast	0	N/A	
	Mould	0	N/A	Establishing a Food Safety information ‘hub’ for the South Australian Dairy Industry
	Allergen contamination	1	Gelati	
	<b>Total no. of incidents</b>	<b>9</b>		

Program name	Indicators of performance/effectiveness/efficiency	Comments
<b>Modernise Dairysafe</b>	<p>Dairysafe rebranding exercise completed</p> <p>Restructure of department resulting in;</p> <ul style="list-style-type: none"> <li>- wider access to auditing bodies</li> <li>- direct industry exposure to export regulatory body Department. of Agriculture, Water &amp; Resources</li> </ul> <p>Formulation of strategy identifying 5 key objectives</p> <p>Redevelopment of a user-friendly website – due for launch December 2017</p>	<p>2017/2018 focus is to build efficient data capture systems.</p> <p>Deliver improved information analysis and sharing.</p>

## Legislation administered by the agency

*Primary Produce (Food Safety Schemes) Act 2004*

*Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005*

## Organisation of the agency

### Staff

In 2015/2016 the Dairysafe team consisted of two full time roles and three part time roles.

Following a restructure the Dairysafe team, as of the 30th June 2017, consists of one fulltime role only and three part time roles.

Due to the small size of the Dairysafe team, there are no divisions or departments.

The team structure consists of the following roles: Chief Executive Officer (CEO) with three directs reports; an Executive Assistant, an Accountant and one Auditor.

The CEO reports to the Board of Dairysafe.

### Board

The Dairysafe Board consist of a Chair and two Board members.

The Board was in appointed as a new Board in July 2015 for a three-year term.

The Board elected Ms Roseanne Healy as Chair and Ms Gina Dal Santo and Ms Kay Matthias as Board members.

### Other agencies related to this agency (within the Minister's area/s of responsibility)

Primary Industries and Regions South Australia (incorporating Biosecurity SA).

### Employment opportunity programs

Program name	Result of the program
N/A	Dairysafe did not recruit any employees through any public sector wide employment opportunity program.

### Agency performance management and development systems

Performance management and development system	Assessment of effectiveness and efficiency
To date there has been no formalised approach to the management or development of the Dairysafe team.	<p>The CEO is currently attending a HR Think Tank that has been established to assist small agencies to address and formalise the performance management and development systems.</p> <p>The Think Tank is facilitated by the Office of the Public Sector.</p>
	<p>It is determined that an employee performance and management system will be established allowing for all employees to be:</p> <ul style="list-style-type: none"> <li>- Performance reviewed;</li> <li>- Provides an opportunity to discuss future development;</li> <li>- Formalisation of training and development;</li> <li>- Encourage employee participation and ownership for own professional development.</li> </ul>



## Occupational health, safety and rehabilitation programs of the agency and their effectiveness

Occupational health, safety and rehabilitation programs	Effectiveness
Work Health & Safety Program	<p>Work, Health and Safety feature as an agenda item on our fortnightly staff meetings.</p> <p>Staff and Tenants are encouraged to report any WHS incidents to the CEO, Executive Assistant or Accountant.</p> <p>During 2016/2017 housekeeping improvements addressed included;</p> <ul style="list-style-type: none"> <li>- car parking identification, including high visibility trip points, i.e. steps</li> <li>- improved lighting</li> <li>- pedestrian safety mirrors for exiting building and driveway, installed.</li> </ul> <p>A review of safety risks determined that team members required remote driving awareness training. This was undertaken and successfully completed</p> <p>No injuries to staff or tenants reported.</p>
Policy Review	All Dairysafe policy and procedures inclusive of Work, Health and Safety have been reviewed and updated accordingly.

## Fraud detected in the agency

Category/nature of fraud	Number of instances
No fraud was detected in 2016-17	N/A

## Strategies implemented to control and prevent fraud

- A conflict of interest register features as a fixed agenda item at each Board meeting. Board members are required to provide an update at the commencement of the meeting.
- Delegations of authority policy reviewed and approved by the Board in 2016.
- Financial reports are updated on a weekly basis and reviewed monthly by the Chief Executive and Accountant.
- The monthly financial report is presented in the Board Papers and reviewed by Dairysafe's Chair and Board members. The report is formally acknowledged during each Board meeting.

- Board minutes and financial reports are logged and available for audit.
- The transaction process of receiving industry levies through banking transfers minimises the risk of a fraudulent practice occurring.
- The Chief Executive independently reviews all financial transactions prepared and presented by the Dairysafe Accountant.
- All expenditures require an authorisation signature by the Chief Executive.

Data for the past five years is available by contacting the Dairysafe office.

### Whistle-blowers' disclosure

There have been no disclosures of public interest information to the officer of Dairysafe under the *Whistleblowers Protection Act 1993* during this reporting period (1<sup>st</sup> July 2016 to 30 June 2017).

Data for the past five years is available by contacting the Dairysafe office.

### Executive employment in the agency

Executive classification	Number of executives
Term un-tenured	1

Data for the past five years is available at <http://www.daosa.net.au/resources/> annual reports.

For further information, the [Office for the Public Sector](#) has a [data dashboard](#) for further information on the breakdown of executive gender, salary and tenure by agency.

## Consultants

The following is a summary of external consultants that have been engaged by the agency, the nature of work undertaken and the total cost of the work undertaken.

Consultants	Purpose	Value
All consultancies below \$10,000 each	Expert advice sought for proposed regulatory changes to the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005	5,692
	Use of 3 external dairy auditors engaged during the utilisation of long service leave entitlements	19,000
<b>Consultancies above \$10,000 each</b>		
Business name	N/A	
<b>Total all consultancies</b>		<b>24,692</b>

Data for the past five years is available at: <http://www.daosa.net.au/>.

See also <https://www.tenders.sa.gov.au/tenders/index.do> for a list of all external consultancies, including nature of work and value.

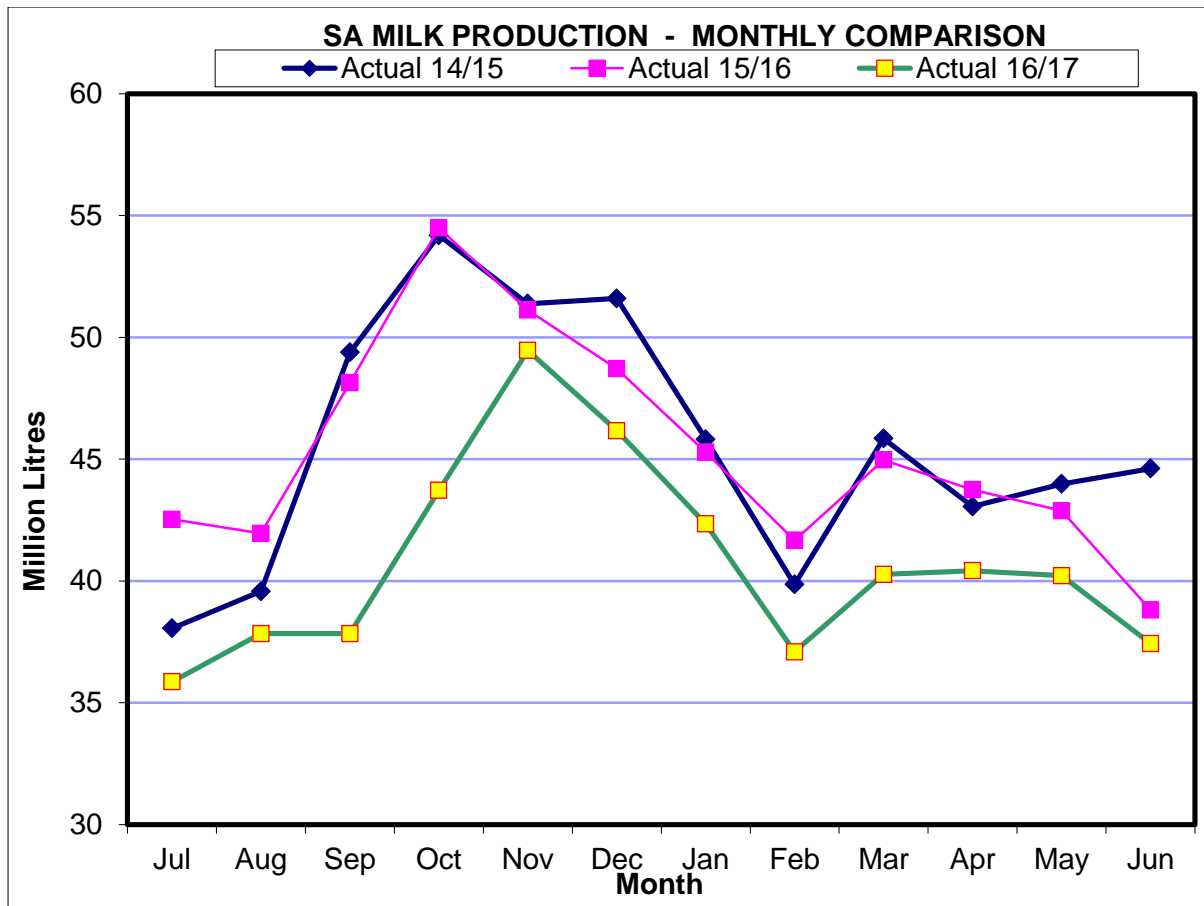
See also the Consolidated Financial Report of the Department of Treasury and Finance <http://treasury.sa.gov.au/> for total value of consultancy contracts across the SA Public Sector.

## Financial performance of the agency

The following is a brief summary of the overall financial position of the agency. The information is unaudited. Full audited financial statements for 2016-17 are attached to this report.

Results for the year ended 30 June 2017 conclude a significant decrease in milk volumes produced as a result the income from accreditation fees for 2016-17 was decreased.

It is noted with the reducing milk volumes and agency investment 2016 – 17 the budget has been managed accordingly and delivered a favourable outcome.



#### Other financial information

Not applicable to Dairysafe.

#### Other information requested by the Minister(s) or other significant issues affecting the agency or reporting pertaining to independent functions

Dairysafe is pleased to announce that no significant dairy food safety issues occurred and as a result did not affect the dairy industry's credibility.

## Section B: Reporting required under any other act or regulation

### Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005

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

(2) *Averages calculated by taking 30 June figures for 2016 and 2017, and dividing by 2.*

#### **Industry Milk Production Statistics**

**PRODUCTION BY FARM, COW AND REGION OVER TIME** - comparative data from 1974 to 2017

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

Region	Milk (litres)	Cows	Farms	litres/farm	cows/farm	litres/cow
Mid North	15,999,508	4,524	19	842,079	238	3,536
Central	189,067,127	25,662	123	1,537,131	208	7,367
South East	295,738,704	43,791	98	3,017,741	446	6,753
<b>2017</b>	<b>500,805,339</b>	<b>73,977</b>	<b>240</b>	<b>2,086,688</b>	<b>308</b>	<b>6,769</b>
<b>2016</b>	544,297,211	80,134	244	2,230,726	328	6,792
<b>2015</b>	549,610,354	81,899	252	2,180,993	325	6,711
<b>2014</b>	536,573,563	83,370	264	2,032,476	316	6,436
<b>2013</b>	565,488,352	84,606	268	2,110,031	316	6,684
<b>2012</b>	597,404,939	86,171	275	2,172,382	313	6,933
<b>1984</b>	273,176,320	74,720	962	283,967	78	3,656
<b>1974</b>	255,591,000	81,140	1,397	182,957	58	3,150

#### **STATISTICS**

##### **ACCREDITATIONS CURRENT AS AT 30 JUNE:**

	<b>2015-16</b>	<b>2016-17</b>	<b>Change (%)</b>
Total number of accredited cow dairy farms (2)	244	240	-3.3%
Total number of accredited buffalo, sheep and goat dairy farms	10	10	0%

Total number of accredited dairy processors	54	56	3.7%
Total number of accredited dairy transport businesses	21	17	0.0%

**ANNUAL PRODUCTION STATISTICS – TOTALS:**

Annual production of milk – litres	544,297,211	500,800,339	-7.99%
Annual production of milk – kg butterfat	20,527,588	18,989,516	-7.49%
Annual production of milk – kg protein	17,904,240	16,360,124	-8.62%

**ANNUAL PRODUCTION STATISTICS - PER FARM:**

Average annual production per farm – litres	2,194,747	2,086,688	-4.92%
Average annual production per farm – kg butterfat	82,773	79,112	4.41%
Average annual production per farm – kg protein	72,195	68,167	5.57%

**ANNUAL PRODUCTION STATISTICS - PER COW:**

Average number of milk cows during the year	81,016	73,977	-8.68%
Average annual production per cow – litres	6,792	6,769	-0.33%
Average annual production per cow – kg butterfat	253	256	1.18%
Average annual production per cow – kg protein	221	221	0.0%

**PRODUCTION STATISTICS – PER DAY:**

Average production of milk per day – litres	1,487,151	1,372,069	-7.73%
Average production of milk per day – kg butterfat	56,086	52,026	-7.23%
Average production of milk per day – kg protein	48,919	48,822	-0.19%
Average production of milk per farm per day – litres	5,997	5716	-4.66%
Average production of milk per cow – per day - 300 day lactation – litres	22.64	22.56	-0.99%

## Section C: Reporting of public complaints as requested by the Ombudsman

### Summary of complaints by subject

Public complaints received by Dairysafe	
Category of complaints by subject	Number of instances
All categories	No public complaints received

Data for the past five years is available by contacting the Dairysafe office.

### Complaint outcomes

Nature of complaint or suggestion	Services improved or changes as a result of complaints or consumer suggestions
N/A	N/A

## Appendix 1: Audited financial statements 2016-17

### 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 2017 and the results of its operation and cash flows for the financial year.

We certify that 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 FCPA**  
Chief Financial Officer

Dated 28<sup>th</sup> August 2017



**STATEMENT OF COMPREHENSIVE INCOME**

For the Year Ended 30 June 2017

	Note	2017	2016
	No.	\$'000	\$'000
<b>Income</b>			
Revenues from fees and charges	5	592	551
Interest revenues	6	2	6
Other income	7	88	76
<b>Total income</b>		<b>682</b>	<b>633</b>
<b>Expenses</b>			
Employee benefits expenses	8	497	537
Property expenses	9	29	31
Supplies and services	10	50	86
Depreciation and amortisation expense	11	21	22
Travelling expenses		30	20
Other expenses	12	99	61
<b>Total expenses</b>		<b>726</b>	<b>757</b>
<b>Net Result</b>		<b>(44)</b>	<b>(124)</b>
<b>Total Comprehensive Result</b>		<b>(44)</b>	<b>(124)</b>

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 2017

	Note	2017	2016
	No.	\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents		149	190
Receivables	13	2	10
<b>Total current assets</b>		<b>151</b>	<b>200</b>
<b>Non-current assets</b>			
Property, plant and equipment	14	1874	1890
Intangible assets	15	8	13
<b>Total non-current assets</b>		<b>1882</b>	<b>1903</b>
<b>Total assets</b>		<b>2033</b>	<b>2103</b>
<b>Current liabilities</b>			
Payables	16	38	59
Employee benefits	17	29	35
Other liabilities	18	20	15
<b>Total current liabilities</b>		<b>87</b>	<b>109</b>
<b>Non-current liabilities</b>			
Payables	16	3	2
Employee benefits	17	46	51
<b>Total non-current liabilities</b>		<b>49</b>	<b>53</b>
<b>Total liabilities</b>		<b>136</b>	<b>162</b>
<b>Net Assets</b>		<b>1897</b>	<b>1941</b>
<b>Equity</b>			
Retained earnings		71	115
Asset revaluation surplus		1826	1826
<b>Total equity</b>	19	<b>1897</b>	<b>1941</b>

**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 2017

	<b>Asset</b>		
	<b>Revaluation surplus</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 30 June 2015	1826	239	2065
Net result for 2015-16	-	(124)	(124)
<b>Total comprehensive result for 2015-16</b>	<b>-</b>	<b>(124)</b>	<b>(124)</b>
Balance at 30 June 2016	<b>1826</b>	<b>115</b>	<b>1941</b>
Net result for 2016-17	-	(44)	(44)
<b>Total comprehensive result 2016-17</b>	<b>-</b>	<b>(44)</b>	<b>(44)</b>
Balance at 30 June 2017	<b>1826</b>	<b>71</b>	<b>1897</b>

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

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

<b>STATEMENT OF CASH FLOWS</b>			
For the Year Ended 30 June 2017			
	<b>Note</b>	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows from Operating Activities</b>			
<b>Cash inflows</b>			
Fees and charges		603	537
Interest received		2	6
GST recovered from the ATO		-	5
Other receipts		86	74
<b>Cash generated from operations</b>		<b>691</b>	<b>622</b>
<b>Cash outflows</b>			
Employee benefits payments		(507)	(559)
Payments for supplies and services		(225)	(170)
<b>Cash (used in) operations</b>		<b>(732)</b>	<b>(729)</b>
<b>Net cash provided by (used in) operating activities</b>		<b>(41)</b>	<b>(107)</b>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of property, plant and equipment		-	(4)
<b>Net cash (used in) investing activities</b>		<b>-</b>	<b>(4)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(41)</b>	<b>(111)</b>
Cash and cash equivalents at 1 July		190	301
<b>Cash and cash equivalents at 30 June</b>		<b>149</b>	<b>190</b>

The above statement should be read in conjunction with 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**

These 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 Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Dairy Authority of South Australia 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) expenses incurred as a result of engaging consultants;
  - b) employee targeted voluntary separation package information;
  - 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.

**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*.

The Dairy Authority does not control any other entity and has no interest in unconsolidated structural entities. The Authority has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

**d) 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.

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

**e) Rounding**

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

**f) 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 rate 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 (ATO), 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 ATO 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 ATO is classified as part of operating cash flows.

**g) 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.

**h) Current and non-current classification**

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.

**i) 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 assets with a value equal to or in excess of \$2 000 are capitalized.

#### Depreciation and Amortisation

All non-current assets, having a useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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, as appropriate, which is a change in accounting estimate.

Land and non-current assets held for sale are not depreciated.

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

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

#### 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.

Every four years the Authority revalues its land and buildings via an independent Certified Practising Valuer or internal estimates based on indices or recent transactions. A valuation appraisal by a Certified Practising Valuer is performed at least every five years.

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 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

The Authority holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would be rarely sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be close to or greater than fair value.

The Authority also expects for all other non-current tangible assets that any costs of disposal will be negligible and the recoverable amount to be close to or greater than fair value.

### Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. 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 (e.g. condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's 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.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

## **j) Liabilities**

### *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 is 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. However, the liability is classified as non-current if it is not expected to be settled wholly before twelve months after the reporting date.

**Note 3 New and revised accounting standards and policies**

The Authority did not voluntarily change any of its accounting policies during 2016-17.

**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 Assets**

<b>Financial Assets</b>	<b>Note</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Cash and cash equivalents			
- Cash and cash equivalents		149	190
Loans and receivables			
- Receivables (1)		-	-
<b>Total financial assets</b>		<b>149</b>	<b>190</b>
<b>Financial Liabilities</b>			
Financial liabilities at cost			
- Payables (1)	16	26	48
<b>Total financial liabilities</b>		<b>26</b>	<b>48</b>

(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 contracts as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

**Note 5 Revenues from fees and charges**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Accreditation Fees	592	551
<b>Total fees and charges</b>	<b>592</b>	<b>551</b>

**Note 6 Interest revenues**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest received	2	6
<b>Total interest received</b>	<b>2</b>	<b>6</b>

**Note 7 Other income**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental income	88	76
<b>Total Other income</b>	<b>88</b>	<b>76</b>

**Note 8 Employee benefits expenses**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	321	378
Long service leave	(3)	3
Annual leave	34	21

SERL	1	1
Employment on-costs –superannuation*	101	91
Board fees	43	43
<b>Total employee benefits</b>	<b>497</b>	<b>537</b>

\* The superannuation employment on-costs charge represents the Authority's contribution to superannuation plans in respect of current services of current employees.

Remuneration of employees	2017	2016
	Number of	Number of
	Employees	Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$147 001 to \$157 000	1	-
\$255 001 to \$265 000*	-	1
<b>Total</b>	<b>1</b>	<b>1</b>

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees 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 \$150 000 (\$258 000).

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

<b>Note 9 Property expenses</b>		
	2017	2016
	\$'000	\$'000
Repairs and maintenance	3	9
Rates and taxes	9	9
Other	17	13
<b>Total property expenses</b>	<b>29</b>	<b>31</b>

**Note 10 Supplies and services**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Product Testing	4	5
Computing and Communications	15	21
External Audit Costs	19	19
Legal Fees	5	3
Printing and Stationery	4	11
Staff Recruitment	-	22
Other	-	3
Subscriptions	3	2
<b>Total supplies and services</b>	<b>50</b>	<b>86</b>

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

**Note 11 Depreciation and amortisation expense**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Plant and equipment</b>		
Depreciation	16	17
<b>Intangible assets</b>		
Amortisation	5	5
<b>Total depreciation and amortisation</b>	<b>21</b>	<b>22</b>

**Note 12 Other expenses**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit Fees	9	8
Contractors	-	19
Insurance	5	5



Strategic Development	20	-
Staff Training	26	7
Fringe Benefits Tax	18	16
Other	21	6
<b>Total other expenses</b>	<b>99</b>	<b>61</b>

**Note 13 Receivables**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Accreditation fees	2	8
Other receivables	-	2
<b>Total receivables</b>	<b>2</b>	<b>10</b>

**Note 14 Property, plant and equipment**

<b>Land and buildings</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Land at fair value	1840	1840
Buildings at fair value	-	-
<b>Total land and buildings</b>	<b>1840</b>	<b>1840</b>
 <b>Plant and equipment</b>	 <b>2017</b>	 <b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Plant and equipment at cost (deemed fair value)	177	177
Accumulated depreciation at the end of the period	(143)	(127)
<b>Total plant and equipment at cost</b>	<b>34</b>	<b>50</b>
 <b>Total property, plant and equipment</b>	 <b>1874</b>	 <b>1890</b>

**Valuation of land and buildings**

An independent valuation of land and buildings was performed by Ryan L Mills, AAPI Certified Practising Valuer, an independent valuer with Colliers International as at 30 June 2015.

The valuer arrived at the fair value of unrestricted land using the market approach.

The valuation was based on recent market transactions for similar land and buildings in the area and includes adjustment for factors specific to the land such as size and location.

Fair value of land classified as restricted in use was determined using adjusted market price of surrounding unrestricted land.

The valuer used depreciated replacement cost for buildings, due to there not being an active market.

The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature and restricted use of the assets, their size, condition and location. The valuer assessed the value of building improvements at \$Nil.

**Carrying amount of plant and equipment**

All items of plant and equipment had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years, and have not been revalued in accordance with APF III. The carrying value of these items is deemed to approximate fair value.

<b>Note 15 Intangible assets</b>		
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Intangible assets at cost (deemed fair value)	31	31
Accumulated amortization at the end of the period	(23)	(18)
<b>Total intangible assets at cost</b>	<b>8</b>	<b>13</b>

**RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

The following table shows the movement of Property, Plant and Equipment and Intangible Assets, during 2016-17

	Land and Buildings \$'000	Plant and Equipment \$'000	Intangible Assets \$'000	Total \$'000
<b>Carrying Amount at the Beginning of the period</b>	1840	50	13	1903
Depreciation/amortisation	-	(16)	(5)	(21)
<b>Carrying Amount at the end of the period</b>	<b>1840</b>	<b>34</b>	<b>8</b>	<b>1882</b>

**Note 16 Payables**

	2017 \$'000	2016 \$'000
<b>Current</b>		
Creditors	26	48
Accrued expenses	9	8
Employment on-costs*	3	3
<b>Total current payables</b>	<b>38</b>	<b>59</b>
<b>Non- Current</b>		
Employment on-costs	3	2
<b>Total non-current payables</b>	<b>3</b>	<b>2</b>
<b>Total payables</b>	<b>41</b>	<b>61</b>

\* Employment on-costs include Return to Work levies and superannuation contributions. The Authority makes contributions to several 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.

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 remained at 40% and the average factor for calculation of employer superannuation cost on-cost has changed from the 2016 rate of (10.3%) to 10.1%. These rates are used in the employment on-costs calculations. These rates have no financial impact in the current financial year.

**Note 17 Employee benefits**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Accrued salaries and wages	3	3
Annual leave	20	21
Long service leave	4	10
Skills and experience retention leave	2	1
<b>Total current employee benefits</b>	<b>29</b>	<b>35</b>
<b>Non-current</b>		
Long service leave	46	51
<b>Total non-current employee benefits</b>	<b>46</b>	<b>51</b>
<b>Total employee benefits</b>	<b>75</b>	<b>86</b>

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 increased from 2016 (2.00%) to 2017 (2.50%).

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 for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

**Note 18 Other Liabilities**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current:</b>		
Accreditation Fees received in advance	20	14
Rent received in advance	-	1
<b>Total current other liabilities</b>	<b>20</b>	<b>15</b>

**Note 19 Equity**

	2017	2016
Current:	\$'000	\$'000
Accumulated surplus	71	115
Asset revaluation surplus	1826	1826
<b>Total equity</b>	<b>1897</b>	<b>1941</b>

#### Note 20 Remuneration of board members

Members during 2017 financial year were:

##### Board Members

Ms. RC Healy

Ms. K Matthias

Ms. G Dal Santo

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

	2017	2016
\$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 and superannuation contributions. The total remuneration received or receivable by members was \$47 000 (\$47 000).

Unless otherwise disclosed, transactions between members are on conditions no more favourable 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 21 Related Party Transactions

The Dairy Authority of South Australia is a public authority and is a wholly owned and controlled entity of the Crown.

Related parties of the board include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are

controlled and consolidated into the whole of government financial statements and other interests of the Government.

### **Key Management Personnel**

Key management personnel of the Authority include the Minister, the Chief Executive Officer and the three members of the Board who have responsibility for the strategic direction and management of the Authority.

Total compensation for the Authority's key management personnel was \$197 000. Salaries and other benefits the Minister of Agriculture, Food and Fisheries receives are excluded from this total.

The Minister's remuneration and allowances are set by the *Parliamentary Remunerations Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remunerations Act 1990*.

Unless otherwise disclosed, transactions between key management personnel and other related parties are on condition 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 22 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 financial report of the Dairy Authority of South Australia (the Authority) for the financial year ended 30 June 2017.

### Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Dairy Authority of South Australia as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, Chief Executive Officer and the Chief Financial Officer.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Authority. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Conduct for Professional Accountants have been met.

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

## **Responsibilities of the Chief Executive Officer and the members of the Authority for the financial report**

The Chief Executive Officer is 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 the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the Authority are responsible for overseeing the entity's financial reporting process.

## **Auditor's responsibilities for the audit of the financial report**

My objectives 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 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 Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members of the Authority
- 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.



Appendix 1:

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer 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 the audit.

A handwritten signature in black ink, appearing to read 'A Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

**Auditor-General**

5 September 2017