



DAIRYSAFE
Leaders in dairy food safety

DAIRY AUTHORITY OF SOUTH AUSTRALIA

(t/a Dairysafe)

2018-19 Annual Report

DAIRY AUTHORITY OF SOUTH AUSTRALIA

(trading as 'Dairysafe')

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Date presented to Minister: **27 September 2019**

To:

Hon. Tim Whetstone MP

Minister for Primary Industries and Regional Development

This annual report is to be presented to Parliament to meet the statutory reporting requirements of the *Primary Produce (Food Safety Schemes) (Dairy) Regulations 2017*, the *Public Sector Act 2009* and 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 the Dairy Authority of South Australia (t/a 'Dairysafe') by:

Roseanne Healy

Dairysafe Presiding Member (Chair)

Date: **26 September 2019**

Signature

A handwritten signature in black ink, appearing to be 'RH', written over a faint circular stamp or watermark.

From the Dairysafe Chair

On behalf of the Dairysafe Board, it's a pleasure to present the Annual Report and financial accounts for 2018-2019.

Whilst South Australia's dairy industry continues to experience commercial challenges both locally and internationally Dairysafe continues to see a commitment to the production of safe food products.

Dairysafe is excited as we continue work towards not only facilitating best practices to help South Australia's dairy industry to be recognised internationally for food innovation and safety, but to also ensure we are responsive to the needs of the industry and stakeholders.

Dairysafe has progressed through significant change over the past 2 years, establishing the 2017-2020 Strategic Plan, introducing external approved auditors as part of our verification activities, enhancing stakeholder communication and the launch of our e-news, a change in Board members, a new CEO and a new technical officer.

We've focussed a lot on engagement to ensure we understand the key industry issues and can pass on targeted and appropriate information that meets the needs of dairy businesses. Positive results from our recent survey of accredited dairy businesses indicates this has been an effective engagement process. More broadly, the survey results indicate Dairysafe is moving in the right direction with all other aspects of our 2017-2020 Strategic Plan – the specific measures from the survey are presented elsewhere in this report.

In terms of industry compliance with food safety standards, audit results are now trended to identify common areas of non-conformance. We've subsequently built our engagement activities and messaging around common non-compliance themes. It's especially pleasing to see no 'critical' non-conformances recorded in 2018-2019, which is a valuable indicator of the South Australian dairy industry's positive food safety standards.

Knowledge and guidance is key to positive food safety outcomes. To this end Dairysafe commissioned a document, 'Guidelines for the safe manufacture of dairy products', which has been in development during 2018-2019. The Guideline is intended as a reference for existing dairy processing businesses and for those wanting to establish a dairy processing business. It provides essential food safety information detailing the food safety hazards and risks associated with dairy products, dairy microbiology and testing, hazard sheets for target bacteria, how to control target bacteria, process control, your food safety program, cleaning, and good manufacturing processes. We've gained positive feedback nationally and with our South Australian dairy processors, and I expect the Guideline will be an extremely useful and valid reference tool for the industry for many years. It will be printed and provided to dairy processors later this year.

The South Australian dairy industry's reputation for producing safe high-quality products has been supported by critical key performance outcomes in 2018-2019:

- No illnesses associated with SA dairy products
- No dairy product recalled
- No detections of antibiotic residue in processed dairy products
- No pathogen contamination in processed dairy products

These outcomes are expected, however they've been achieved at a time when industry has experienced significant stress through high input costs, shortage of supply and drought conditions in many parts of the country.

Dairysafe is an extremely small statutory authority. We're mindful, being funded solely by industry fees, that we must work smart and lean, and I'm pleased to report Dairysafe continues to satisfy its statutory obligations and perform at a high level with no increase in fees over the past two years.

The Dairysafe Board acknowledges the collaboration and support provided by South Australia's dairy industry and other stakeholders. The relationships and cooperation enables Dairysafe to continually improve our focus and services through information sharing and regular benchmarking of systems and processes across our dairy industry. The outcomes of this work directly benefit all stakeholders within our industry and community.

I'd like to extend my appreciation to the Dairysafe Board and officers for their outstanding contributions to the organisation and to the South Australian dairy industry throughout 2018-2019.



A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Roseanne Healy

Presiding Member

Dairy Authority of South Australia (t/a Dairysafe)

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Overview: about the Authority

'Dairysafe', is the trading name of the Dairy Authority of South Australia, the statutory authority responsible for accrediting South Australian dairy businesses and for ensuring dairy products are produced in accordance with an approved food safety arrangement that specifies compliance with Australia's food safety standards at each point in the production process.

The *Primary Produce Food Safety Schemes Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy) Regulations 2017* provide the legislative foundation from which Dairysafe obtains its powers. In accordance with the legislation, Dairysafe is responsible to the South Australian Parliament through the Minister for Primary Industries and Regional Development.

Dairysafe is committed to South Australia's dairy community embracing a positive and effective food safety culture with a focus on continual improvement by all people at all levels within each dairy business.

Our strategic focus

Our Purpose	<p>Dairysafe is an independent statutory authority established under regulation 7 of the <i>Primary Produce (Food Safety Schemes) (Dairy) Regulations 2017</i>.</p> <p>Dairysafe is the accreditation body for the dairy industry food safety scheme in South Australia and is funded by industry accreditation fees.</p> <p>The role of Dairysafe is to ensure that South Australian dairy products are produced in accordance with Australia's national food safety standards at each point along the supply chain.</p> <p>Dairysafe achieves this by accrediting dairy farmers, dairy transporters and dairy processors and verifying their capacity and performance in complying with food safety standards.</p> <p>Dairysafe's regulatory, verification and communication activities support the reputation of South Australia's dairy industry, and the State's enviable food safety and product integrity standards.</p>
Our Vision	To be a collaborative industry partner in the safe production of dairy products for all consumers.
Our Values	<p>Excellence</p> <p>Knowledge</p> <p>Independence</p> <p>Agility</p>
Our functions, objectives	<p>Legislative Functions:</p> <ol style="list-style-type: none"> 1. To administer the dairy industry food safety scheme.

<p>and deliverables</p>	<ol style="list-style-type: none"> 2. To monitor the extent of compliance by accredited dairy producers with 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 dairy 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. <p>Objectives:</p> <ol style="list-style-type: none"> 1. Implement and administer the Dairy Food Safety Scheme 2. Implement and maintain arrangements which support the production of safe South Australian dairy products. 3. Establish and maintain robust verification and compliance systems that are efficient, innovative and risk based. 4. Promote food safety culture throughout the dairy supply chain. 5. Maintain effective communication and messaging that is dynamically aware of stakeholder needs. 6. Increase the sharing of food safety knowledge between stakeholders. 7. Maintain efficient data capture systems that deliver improved information analysis and sharing. 8. Have high performing staff and appropriate corporate governance. <p>Deliverables:</p> <ol style="list-style-type: none"> 1. South Australia's dairy supply chain is compliant with national food standards and regulatory requirements. 2. There are minimal impacts on public health and the dairy sector from illnesses associated with South Australian dairy products, contaminated dairy products and product recalls. 3. We provide timely and appropriate management of food safety incidents. 4. There is a reduced audit burden for dairy farms and processors based on risk assessment. 5. We maintain qualified independent and objective audit delivery arrangements that enable auditor rotation. 6. Our data capture meets the need for strategic and operational decision making.
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	<p>7. Our stakeholders are informed of dairy food safety learnings via multiple mechanisms.</p> <p>8. Dairysafe is considered as a reliable source of food safety advice and is recognised as adding value to business.</p> <p>9. Our stakeholders are satisfied with the quality of communications.</p> <p>10. Completion of a successful Auditor General's Department financial audit and compliance with South Australian government regulatory reporting requirements.</p>
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Dairysafe organisational structure

Dairysafe is a small Authority consisting of a statutory Board of three (3) and small operational team comprising 3.4 fulltime equivalent staff.

Dairysafe Board

Pursuant to regulation 8 of the *Primary Produce (Food Safety Schemes) (Dairy) Regulations 2017* the Dairysafe Board consists of three (3) members appointed by the Governor, one of which is also appointed as the presiding member (Chair). Members are appointed for a three (3) year term. The procedures, functions and powers of the Authority are provided in regulations 10-13 of the *Primary Produce (Food Safety Schemes) (Dairy) Regulations 2017*.

The Board met on 9 occasions in 2018-2019.

The current Dairysafe Board consists of:

Presiding Member (Chair) – Ms Roseanne Healy

Member – Ms Kay Matthias

Member – Mr Michael Connor



Roseanne Healy has over 20 years corporate advisory experience in mergers, acquisitions and company turnarounds; which have been informed by expertise in strategy, investment evaluation and corporate governance. She has a background in economics and market research, and is a former CEO influencing South Australia's economic credentials across agriculture, aquaculture, food and wine, technology and infrastructure. She is an accomplished Director and trusted advisor with Directorships and Chair roles.



Kay Matthias has had a long career working in senior positions in the public, private and not for profit sectors. She was included in the top 100 Australian Women in Agriculture in 2015 and that same year was nominated to the SA Women's Honour Roll. Kay is currently a Director of a number of boards including Dairysafe, Energy and Water Ombudsman, Northern and Yorke NRM and a committee member of Rural Media SA. She has extensive experience in corporate governance and is a graduate of the Australian Company Directors. (GAICD). Kay is a strategic thinker and continues to work with regional communities, particularly focussing on older women.



Michael Connor has been involved in the dairy industry his entire life on a family farm at Mt Compass. He and his wife Jodie operate their mixed farming business 'Nangkita Dairies Pty Ltd', which consists of 4 Fleurieu Peninsula properties milking 700 cows. Michael is a member of the Mt Jagged Dairy discussion group, Chair of DairySA and on the Dairysafe Board. All the family have been involved in the farming business, and 3 children are now employed full time. Michael's maintains interests in career pathways to farming, sustainable, profitable farming on the Fleurieu Peninsula, and farming in an environmentally sensitive region.

Dairysafe Operational Team

Four Dairysafe employees make up the operational team as at 30 June 2019. Dairysafe has a mix of full time and part time staff, with 3.4 full-time equivalents in 2018-19.

The Dairysafe operational team includes the Chief Executive Officer, Accountant, Food Safety Officer and Food Standards and Accreditation Officer. The CEO reports to the Dairysafe Board.

There is significant capability amongst the team, both in terms of considerable working knowledge of South Australia's dairy industry as well as extensive food safety and food regulation experience across a range of primary industry sectors.

CEO – Mr Geoff Raven

Accountant – Mr Rocco Galluccio

Food Safety Officer – Ms Fiona Little

Food Standards and Accreditation Officer – Mr Craig Heard



Dairysafe's Operational team - Fiona Little, Geoff Raven, Craig Heard and Rocco Galluccio

Changes to Dairysafe

During 2018/19 there was one (1) change to the Dairysafe Board – Michael Connor replaced Gina Dal Santo as a Board member. There were also two (2) changes to Dairysafe's operational structure as a result of the resignation and subsequent

replacement of the CEO and the employment of a Food Standards and Accreditation Officer.

Our Minister

The Hon. Tim Whetstone MP was appointed as the Minister for Primary Industries and Regional Development in March 2018. The Minister's responsibilities extend to Agriculture, Food and Fisheries, Forests and Regional Development.

Legislation administered by the Authority

Primary Produce Food Safety Schemes Act 2004

Primary Produce (Food Safety Schemes) (Dairy) Regulations 2017

External Contractors

In addition to Dairysafe staff, specialist contractors are utilised to provide appropriate rotation of food safety auditors which ensures an objective audit of food safety arrangements is provided to each dairy business.

Dairysafe's performance

Performance at a glance

The following table summarises some of Dairysafe's key strategic goals, objectives and performance highlights for the 2018-2019 period.

Strategic Goals	Strategic Objectives	Key 2018-19 Highlights
To be the Benchmark and Leaders in Dairy Food Safety	<p>Efficiency, innovation and new methods in risk assessment to be fostered through collaboration with professional auditing peers</p> <p>Industry invests in food safety through capital improvements and people</p>	<ul style="list-style-type: none"> • Reduced audit burden for dairy processors based on risk and compliance outcomes • Dairysafe develops 'Guideline for safe manufacture of dairy products' • Dairy businesses successfully exporting • Positive economic investment in food safety by the SA dairy industry
To Protect the Food Safety Reputation of the Dairy Industry	<p>Safe SA dairy products</p> <p>Robust verification and compliance systems</p>	<ul style="list-style-type: none"> • Nil illnesses associated with SA dairy products • Nil dairy product recalls • Nil detections of antibiotic residue in processed dairy products • Nil pathogen contamination in processed dairy products • Qualified independent food safety audit delivery enabling auditor rotation • Industry compliant with regulatory standards • Nil critical non-conformance with food safety standards • Timely and appropriate response to food safety issues
Collaborative in promoting Food Safety Culture	<p>Promoting food safety culture through strong relationships with key stakeholders</p>	<ul style="list-style-type: none"> • Enhanced website, Bulletins and E-news all provide important

Strategic Goals	Strategic Objectives	Key 2018-19 Highlights
		information and updates to stakeholders
Develop a Food Safety communication plan relevant to the South Australian Dairy Industry	<p>Effective messaging that is dynamically aware of Industry and stakeholder needs</p> <p>Dairysafe to increase activity in sharing of knowledge between food safety bodies/industry, nationally and globally</p>	<ul style="list-style-type: none"> • Communication Plan endorsed and in place • Dairysafe website launched in 2018 and routinely reviewed • Quarterly e-news delivering up to date information • Stakeholders surveyed on effectiveness of communication channels • Focus groups utilised for development of industry guideline document
Modernise Dairysafe	<p>Efficient data capture systems that deliver improved information analysis and sharing</p> <p>High performing corporate governance</p> <p>Dairysafe maintains rigorous financial controls</p> <p>High performing staff</p>	<ul style="list-style-type: none"> • Internal systems reviewed and updated to enable digital real-time compliance auditing • Data capture and tracking meets the need for strategic and operational decision making • Dairysafe complies with SA government regulatory reporting requirements. • Successful Auditor General's Department audit of Dairysafe • Dairysafe operates within budget • No increase to industry accreditation fees • Dairysafe employs skilled & motivated staff

Dairysafe's contribution to whole of Government objectives

Dairysafe actively contributes to whole of Government objectives by:

- reducing duplication and red tape between food safety and biosecurity regulators
- maintaining operational costs, resulting in a nil increase to fees applicable to dairy businesses
- ensuring the dairy industry maintains robust food safety programs that minimise negative public health impacts
- providing food safety arrangements within the dairy industry that don't stifle innovation
- establishing and maintaining an operating environment which is responsive to the needs of South Australia's dairy industry
- adding value to dairy businesses through the delivery of Dairysafe's regulatory audit process
- being open, communicative and transparent

Snapshot - the South Australian Dairy Industry

The South Australian dairy farming industry 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.

The industry produced 489.3 million litres of milk from around 221 dairy (cow) farms during 2018-19, a decrease of 2.3% on 2017-18 production.

During 2018-19 cow dairy farm numbers decreased by 3.5%, from 230 at 30 June 2018 to 212 at 30 June 2019. In addition to the number of operating cow dairy farms, there were 2 sheep, 5 goat and 1 buffalo dairy in operation during 2018-2019. Camel milk production is also a regulated dairy product in South Australia, however there were no accredited camel dairies during this period.

The number of accredited dairy processors (manufacturers) increased from 52 at 30 June 2018 to 55 at 30 June 2019.

South Australian dairy processors produce market milk products, cream, flavoured milk, UHT milk, cheese, yoghurt, dairy desserts, dips, ice cream, gelati, milk concentrates, milk and whey powders, and butter from processed cow, goat, sheep and buffalo milk.

Dairysafe accredited 23 dairy transport businesses at 30 June 2019 compared to 24 accredited at 30 June 2018.

Milk Production Statistics

The South Australian milk production statistics by farm, cow and region over time are provided in the table below:

Industry Milk Production Statistics Production by farm, cow, and region over time – comparative data from 1974 to 2019 (NB: average of beginning and end of year)						
Region	Milk (litres)	Cows	Farms	Litres/farm	Cows/farm	Litres/cow
Mid North	17,381,936	3,433	19	914,839	181	5,063
Central	217,875,238	28,373	115	1,894,567	247	7,679
South East	254,026,177	39,848	87	2,919,841	458	6,375
2019	489,283,351	71,654	221	2,213,952	324	6,828
2017	500,805,339	73,977	240	2,086,688	308	6,769
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

Milk production statistics by farm, cow and region over time

Dairysafe's specific organisational deliverables and performance outcomes

The table below outlines Dairysafe's specific deliverables, the indicators of success and the 2018-19 performance results.

Organisational deliverables	Indicators	Performance
Safe South Australian dairy products.	Number of illnesses associated with dairy products.	Nil illnesses
	Minimal recalls of SA dairy products.	Nil recalls
Accreditation of dairy farms, dairy transporters and dairy processors / manufacturers.	All dairy businesses maintain accreditation – as at 30 June 2019. Note: some businesses held multiple accreditations.	- 224 dairy farms - 23 dairy transporters - 55 dairy processors / manufacturers
Audit of accredited businesses for compliance with food safety standards - FSANZ Standard 4.2.4 .	All accredited businesses audited against food safety standards.	283 audits completed
Industry is compliant with food safety standards - FSANZ Standard 4.2.4.	Year on year comparison of minor, major and critical non-conformances identified at audit .	Industry compliance rate has improved Non-conformance rates per audit have decreased 2017/18 vs 2018/19: Minor – 4.38 vs 2.11 Major – 1.08 vs 0.14 Critical – nil vs nil
Effective communication and messaging that is dynamically aware of stakeholder needs.	Positive stakeholder feedback.	86% of surveyed businesses are satisfied or very satisfied with Dairysafe's quality of communications.

Dairysafe to increase activity in sharing of knowledge between food safety bodies/industry, nationally and globally.	Positive stakeholder feedback.	78% of surveyed businesses agree or strongly agree that Dairysafe is a reliable source of food safety advice; no respondents disagreed.
Effective communication and messaging that is dynamically aware of stakeholder needs.	Positive stakeholder feedback.	81% of surveyed businesses have found the Dairysafe website useful to extremely useful.
Establish and maintain robust verification and compliance systems that are efficient, innovative and risk based.	Positive stakeholder feedback.	84% of surveyed businesses think the current Dairysafe audit frequency arrangements ensure industry adheres to food safety standards.
Establish and maintain robust verification and compliance systems that are efficient, innovative and risk based.	Industry compliant with regulatory standards.	Nil critical non-conformances identified at audit.
	Positive stakeholder feedback.	66% of surveyed businesses agree that the Dairysafe audit process adds value to their business.
To implement and administer the Dairy Food Safety Scheme.	Positive stakeholder feedback.	77% of surveyed businesses are very confident to extremely confident in Dairysafe as a food standards regulator.

Dairysafe's corporate performance summary

The following is a summary of Dairysafe's corporate performance for 2018-19:

1. Dairysafe Board outcomes

- 8 scheduled meetings completed / 1 out of session meeting
- Standing agenda items included:
 - Businesses seeking accreditation / revocation of accreditation
 - Finance reports
 - 3rd party compliance reporting
 - Work, Health & Safety
 - Chief Executives Report
 - Director Conflict of Interest
- 4 policies developed and endorsed
- 6 policies reviewed & endorsed
- 3 procedures developed and endorsed
- 10 Work, Health & Safety policies approved and/or reviewed and endorsed
- 2 reviews of progress made with the Dairysafe 2019-2020 Strategic Plan
- Development and endorsement of the Dairysafe communications plan
- Board performance review completed
- Budget strategy completed
- 2018-2019 stakeholder survey completed – 'how accredited businesses view Dairysafe's regulatory and communication services'
- 4 e-news editions published

2. Government regulatory reporting requirements:

- Full compliance with reporting requirements
- No matters brought to Dairysafe's attention

3. Financial management

- Monthly financial reporting to the Board

4. Auditor General's Department audit:

- Successful audit result
- No modification required to financial statements

5. Dairysafe operates within budget:

- Positive budget outcome
- Nil increase to industry fees

6. Skilled and motivated staff:

- 100% of staff with up to date Performance Management and Development Plans
- Two (2) staff completed a study tour of New Zealand dairy industry

7. Work, Health and Safety

- Active WH&S policy development and review program in place
- Nil workplace injury claims
- Three (3) improvement notices fully completed and closed out

Employment opportunity programs

Program name	Performance
N/A	Dairysafe did not recruit any employees through a public sector wide employment opportunity program.

Authority performance management and development systems

Performance management and development system	Performance
Performance management and development reviews commenced in 2018/19	100% of staff with completed reviews

Work health, safety and return to work programs

Program name	Performance
Work Health and Safety program	<p>WHS is a routine Board meeting agenda item</p> <p>WHS features as an agenda item on monthly staff meetings.</p> <p>WHS features as an agenda item on monthly operational meetings.</p> <p>Staff and tenants are encouraged to report any WHS incidents or issues to the CEO, Executive Assistant or Accountant.</p> <p>During 2018/19 building maintenance and improvements focussed on WH&S included:</p> <ul style="list-style-type: none"> - Scheduled gutter maintenance for improved roof drainage, preventing internal building flooding and slip hazards - Annual asbestos inspection and register update - Implementation of Asbestos Management Plan - Annual inspection of emergency lighting and fire extinguishers - Review of emergency evacuation facilities & arrangements by specialist third party
Policy and procedure review	<p>Dairysafe policies which impact on WHS, approved and reviewed during this period, included:</p> <ul style="list-style-type: none"> - Asbestos policy - CCTV policy - Contractor site induction policy - Electrical safety policy - Emergency & evacuation policy - Incident management policy - Security policy - WHS consultation policy - Workplace inspection policy - Work, health and safety policy

Workplace injury claims	Current year 2018-19	Past year 2017-18	% Change (+ / -)
Total new workplace injury claims	0	0	0%
Fatalities	0	0	0%
Seriously injured workers*	0	0	0%
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1000 FTE)	0	0	0%

*number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the Return to Work Act 2014 (Part 2 Division 5)

Work health and safety regulations	Current year 2018-19	Past year 2017-18	% Change (+ / -)
Number of notifiable incidents (<i>Work Health and Safety Act 2012, Part 3</i>)	0	0	0%
Number of provisional improvement, and prohibition notices (<i>Work Health and Safety Act 2012 Sections 90, 191 and 195</i>)	3	0	0

Return to work costs**	Current year 2018-19	Past year 2017-18	% Change (+ / -)
Total gross workers compensation expenditure (\$)	0	0	0
Income support payments – gross (\$)	0	0	0

**before third party recovery

Data for previous years is available at: <http://dairy-safe.com.au/>

Executive employment in the Authority

Executive classification	Number of executives
Term untenured	1

Data for previous years is available at: <http://dairy-safe.com.au/>

The [Office of the Commissioner for Public Sector Employment](#) has a [workforce information](#) page that provides further information on the breakdown of executive gender, salary and tenure by agency.

Financial performance

Dairysafe's financial performance at a glance

The following is a brief summary of the overall financial position of the Authority. The information is unaudited. Full audited financial statements for 2018-19 are attached to this report.

Statement of Comprehensive Income	2018-19 Budget \$000s	2018-19 Actual \$000s	Variation \$000s	2017-18 Actual \$000s
Expenses	(679)	(700)	(21)	(595)
Revenues	752	833	81	812
Net cost of providing services	73	133	60	217
Net Revenue from SA Government	0	0	0	0
Net result	73	133	60	217
Total Comprehensive Result	73	133	60	217

Statement of Financial Position	2018-19 Budget \$000s	2018-19 Actual \$000s	Variation \$000s	2017-18 Actual \$000s
Current assets	413	523	110	373
Non-current assets	1870	2144	274	1863
Total assets	2283	2667	384	2236
Current liabilities	96	113	27	81
Non-current liabilities	65	47	18	41
Total liabilities	151	160	9	122
Net assets	2132	2507	375	2114
Equity	2132	2507	375	2114

Consultants disclosure

The following is a summary of external consultants that have been engaged by the Authority, the nature of work undertaken, and the actual payments made for the work undertaken during the financial year.

Consultancies with a contract value below \$10,000 each

Consultancies	Purpose	\$ Actual payment
All consultancies below \$10,000 each - combined	Various	\$11,488 (ex GST)
Crown Solicitors Office	Provision of legal counsel	

Consultancies	Purpose	\$ Actual payment
Colliers International	Property valuation	

Consultancies with a contract value above \$10,000 each

Consultancies	Purpose	\$ Actual payment
	Total	\$ nil

Data for previous years is available at: <http://dairy-safe.com.au/>

See also the [Consolidated Financial Report of the Department of Treasury and Finance](#) for total value of consultancy contracts across the South Australian Public Sector.

Contractors disclosure

The following is a summary of external contractors that have been engaged by the Authority, the nature of work undertaken, and the actual payments made for work undertaken during the financial year.

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
All contractors below \$10,000 each - combined	Various	\$ nil

Contractors with a contract value above \$10,000 each

Contractors	Purpose	\$ Actual payment
Cindie Smart Consulting	Communications – production of Dairysafe e-news	\$13,860
McMahon Services	Asbestos Remediation Works	\$16,539
HAYS Recruitment	Casual staff	\$12,465
QCONZ	Contract auditing	\$77,987
	Total	\$ 120,851 (ex GST)

Data for previous years is available at: <http://dairy-safe.com.au/>

The details of South Australian Government-awarded contracts for goods, services, and works are displayed on the SA Tenders and Contracts website. [View the agency list of contracts](#).

The website also provides details of [across government contracts](#).

Risk management

Risk and audit at a glance

Dairysafe maintains a risk management policy requiring the Board to endorse a risk management matrix and routinely review the performance of risk controls and treatments.

Fraud detected in the Authority

Category/nature of fraud	Number of instances
No fraud was detected in 2018/19	0

NB: Fraud reported includes actual and reasonably suspected incidents of fraud.

Strategies implemented by Dairysafe to control and prevent fraud

Dairysafe implements a number of strategies to control and prevent fraud within the organisation. These strategies include:

- Policies to assist in managing the risk of fraud include:
 - 'Board Charter and Code of Conduct'
 - 'Board Conflict of interest'
 - 'Staff Code of Conduct'
 - 'Financial Delegations and Credit Card Policy'
 - 'Risk management'
 - 'FOI and Confidentiality'
 - 'Privacy'
- A conflict of interest register features as a fixed agenda item for each Board meeting. Board members are required to provide an update to the register at the commencement of each meeting.
- Financial reports are updated monthly and reviewed by the Chief Executive and the Accountant.
- The monthly financial report is presented in the Dairysafe Board papers and reviewed by the Dairysafe 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 fees through banking transfers minimises the risk of a fraudulent practice occurring.
- The Chief Executive independently reviews all financial transactions prepared and presented by the Accountant.
- All expenditure requires an authorisation signature by the Chief Executive.

Data for previous years is available at: <http://dairy-safe.com.au/>

Whistle-blowers disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the Authority under the *Whistleblowers Protection Act 1993*:

Nil

Data for previous years is available at: <http://dairy-safe.com.au/>

Reporting required under any other act or regulation

Act or Regulation	Requirement
<i>Primary Produce (Food Safety Schemes) (Dairy) Regulations 2017</i>	Regulation 14 requires an Annual Report to be presented to the Minister on or before 30 September outlining administration of the regulations for the previous financial year. The report is to include an audited statement of accounts, and directions given to the Authority by the Minister during this period.

This report satisfies the above requirement.

Reporting required under the *Carers' Recognition Act 2005*

The *Carers' Recognition Act 2005* is deemed applicable for the following: Department of Human Services, Department for Education, Department for Health and Wellbeing, Department of State Development, Department of Planning, Transport and Infrastructure, South Australia Police and TAFE SA.

Section 7: Compliance or non-compliance with section 6 of the Carers Recognition Act 2005 and (b) if a person or body provides relevant services under a contract with the organisation (other than a contract of employment), that person's or body's compliance or non-compliance with section 6.

N/A

Public complaints

Number of public complaints reported

Complaint categories	Sub-categories	Example	Number of Complaints 2018-19
Professional behaviour	Staff attitude	Failure to demonstrate values such as empathy, respect, fairness, courtesy, extra mile; cultural competency	0
Professional behaviour	Staff competency	Failure to action service request; poorly informed decisions; incorrect or incomplete service provided	0
Professional behaviour	Staff knowledge	Lack of service specific knowledge; incomplete or out-of-date knowledge	0
Communication	Communication quality	Inadequate, delayed or absent communication with customer	0
Communication	Confidentiality	Customer's confidentiality or privacy not respected; information shared incorrectly	0
Service delivery	Systems/technology	System offline; inaccessible to customer; incorrect result/information provided; poor system design	0
Service delivery	Access to services	Service difficult to find; location poor; facilities/ environment poor standard; not accessible to customers with disabilities	0
Service delivery	Process	Processing error; incorrect process used; delay in processing application; process not customer responsive	0
Policy	Policy application	Incorrect policy interpretation; incorrect policy applied; conflicting policy advice given	0
Policy	Policy content	Policy content difficult to understand; policy unreasonable or disadvantages customer	0

Complaint categories	Sub-categories	Example	Number of Complaints 2018-19
Service quality	Information	Incorrect, incomplete, out-dated or inadequate information; not fit for purpose	0
Service quality	Access to information	Information difficult to understand, hard to find or difficult to use; not plain English	0
Service quality	Timeliness	Lack of staff punctuality; excessive waiting times (outside of service standard); timelines not met	0
Service quality	Safety	Maintenance; personal or family safety; duty of care not shown; poor security service/ premises; poor cleanliness	0
Service quality	Service responsiveness	Service design doesn't meet customer needs; poor service fit with customer expectations	0
No case to answer	No case to answer	Third party; customer misunderstanding; redirected to another agency; insufficient information to investigate	0
		Total	0

Data for previous years is available at: <http://dairy-safe.com.au/>

Dairysafe 2018-2019 Stakeholder Survey

Dairysafe surveyed accredited dairy businesses in 2018-19 to source feedback and identify how accredited businesses view Dairysafe's regulatory and communication services.

The results indicate that Dairysafe is moving in the right direction with its Strategic Plan 2017-2020.

There was a significant response to the survey with the feedback indicating:

- 86% of respondents are satisfied or very satisfied with Dairysafe's quality of communications.
- 78% of respondents agree or strongly agree that Dairysafe is a reliable source of food safety advice; no respondents disagreed.
- 81% of respondents have found the Dairysafe website useful to extremely useful.
- 84% of respondents think the current audit frequency arrangements ensure industry adheres to food safety standards.
- 66% of respondents agree that the audit process adds value to their business; 3% disagreed.
- 77% of respondents are very confident to extremely confident in Dairysafe as a food standards regulator; no respondents indicated they weren't confident in the regulator.

Appendix: Audited financial statements 2018-19

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 the relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and the 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 2019
- 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



Geoff Raven
Chief Executive Officer



Rocco Galluccio FCPA
Chief Financial Officer

Dated 26 September 2019

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Expenses			
Employee benefits expenses	2.3	407	375
Supplies and services	3.1	127	90
Depreciation and amortisation	3.2	12	12
Property expenses	3.3	49	35
Travelling expenses		21	24
Other expenses	3.4	84	59
Total expenses		700	595
Income			
Fees and charges	4.1	747	725
Interest	4.2	10	4
Net gain from disposal of property, plant and equipment	4.3	-	1
Other income	4.4	76	82
Total income		833	812
Net Result		133	217
Other Comprehensive Income			
Change in property asset revaluation surplus		260	-
Total Comprehensive Result		393	217

The accompanying notes form part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	6.1	502	363
Receivables	6.2	21	10
Total current assets		523	373
Non-current assets			
Property, plant and equipment	5.1	2141	1860
Intangible assets	5.2	3	3
Total non-current assets		2144	1863
Total assets		2667	2236
Current liabilities			
Payables	7.1	56	34
Employee benefits	2.4	29	23
Other current liabilities	7.2	28	24
Total current liabilities		113	81
Non-current liabilities			
Payables	7.1	3	1
Employee benefits	2.4	44	40
Total non-current liabilities		47	41
Total liabilities		160	122
Net Assets		2507	2114
Equity			
Retained earnings		421	288
Asset revaluation surplus		2086	1826
Total equity	8.1	2507	2114

The accompanying notes form part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Asset Revaluation surplus \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2017	1826	71	1897
Net result for 2017-18	-	217	217
Total comprehensive result for 2017-18	-	217	217
Balance at 30 June 2018	1826	288	2114
Net result for 2018-19	-	133	133
Gain on revaluation of land during 2018-19	260	-	260
Total comprehensive result 2018-19	260	133	393
Balance at 30 June 2019	2086	421	2507

The accompanying notes form part of these financial statements.

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(394)	(384)
Payment for supplies and services		(262)	(212)
GST paid to ATO		-	(6)
Cash used in operations		(656)	(602)
Cash inflows			
Fees and charges		743	721
Interest received		10	4
Other receipts		75	83
Cash generated from operations		828	808
Net cash provided by operating activities		172	206
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(29)	(2)
Purchase of intangibles		(4)	-
Cash used in investing activities		(33)	(2)
Cash inflows			
Proceeds of sale of plant and equipment		-	10
Net cash generated from investing activities		-	10
Net increase in cash and cash equivalents		139	214
Cash and cash equivalents at 1 July		363	149
Cash and cash equivalents at 30 June	6.1	502	363

The accompanying notes form part of these financial statements.

1. About the Dairy Authority of South Australia

The Dairy Authority of South Australia trading as (Dairysafe) is a not for profit Statutory Authority fully funded by the dairy industry and is responsible for administering the dairy food safety scheme pursuant to the *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy) Regulations 2017*.

The Dairy Authority does not control any other entity and has no interest in unconsolidated structural entities.

1.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under The *Public Finance and Audit Act 1987*; and
- relevant Australia Accounting Standards

For the 2018-2019 financial statements the Authority adopted AASB9 – Financial Instruments and is required to comply with new Treasurer's Instructions (Accounting Policy Statements) issued on 22 March 2019.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

1.2 Objectives and activities

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

- To administer the dairy industry food safety scheme.
- To monitor the extent of compliance by accredited producers within Standard 4.2.4 of the *Food Standards Code* and enforce the Standard.
- To approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements.

- To advise the Minister on matters relating to the administration of the dairy industry food safety scheme.
- To carry out other functions assigned to the Authority by these regulations or the Minister.

2. Board, committees and employees

2.1. Key management personnel

Key management personnel include the Minister for Primary Industries and Regional Development, the Chief Executive Officer and the Board.

Total compensation for key management personnel was \$195 000 in 2018-19 and \$197 000 in 2017/18.

2.2. Board Members

Members during the 2019 financial year were:

Ms RC Healy

Ms K Matthias

Mr M Connor (Appointed 1 July 2018)

Board remuneration

	2019 \$'000	2018 \$'000
The number of members whose remuneration received or receivable falls within the following bands:		
\$0 - \$19 999	2	2
\$19 000 - \$39 999	1	1
Total number of members	3	3

The total remuneration received or receivable by members was \$47 000. Remuneration of members includes sitting fees and superannuation contributions.

2.3. Employee benefits expenses

	2019 \$'000	2018 \$'000
Salaries and wages	290	273
Long Service Leave	8	2
Annual leave	27	24
Skills and Experience Retention Leave	3	1
Employment on-costs-superannuation*	36	32
Board fees	43	43
Total employee benefits expenses	407	375

* Employment on-costs- superannuation

The superannuation employment on-cost charges represent the Authority's contributions to superannuation plans in respect of current services of current employees.

2.4. Employee benefits - liability	2019	2018
	\$'000	\$'000
Current		
Accrued salaries and wages	3	2
Annual leave	22	13
Long service leave	-	7
Skills and experience retention leave	4	1
Total current employee benefits	29	23
Non-current		
Long service leave	44	40
Total non-current employee benefits	44	40
Total employee benefits	73	63

Employee benefits accrue 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 and wages, annual leave, skills and experience retention 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 in full 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. Details about the measurement of long service leave liability is provided as note 11.1.

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2019	2018
	\$'000	\$'000
Computing and communications	9	15
External audit costs	72	47
Printing and stationery	25	9

Subscriptions	2	2
Staff recruitment	6	12
Legal fees	9	-
Other	4	5
Total supplies and services	127	90

3.2. Depreciation and amortisation

	2019	2018
	\$'000	\$'000
Plant and equipment	8	7
Intangible assets	4	5
Total depreciation and amortisation	12	12

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

Useful life

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

Class of asset	Useful life (years)
Property, plant and equipment	3-10
Intangibles	5

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

3.3. Property expenses

	2019	2018
	\$'000	\$'000
Repairs and maintenance	23	8
Rates and taxes	9	9
Other	17	18
Total property expenses	49	35

3.4. Other expenses

	2019	2018
	\$'000	\$'000
Audit fees	9	9
Consultancy fees*	30	-
Insurance	5	5
Staff training	7	10
Fringe benefits tax	3	12
Web maintenance	2	10
Workplace health and safety	6	1
Temporary staff	10	1
Other	12	11
Total other expenses	84	59

*Consultants

The number of consultancies and the dollar amount paid/payable (included in Other expenses) to consultants that fell within the following bands:

	No	2019 \$'000	No	2018 \$'000
\$ 10 000 or above	1	30	-	-
Total	1	30	-	-

4. Income

The Authority receives no Government funding and its sole source of income comprises accreditation fees from the South Australian dairy industry, rental income and a small amount of interest income.

4.1. Fees and charges

	2019 \$'000	2018 \$'000
Accreditation fees	747	725
Total fees and charges	747	725

4.2. Interest

	2019 \$'000	2018 \$'000
Interest	10	4
Total interest revenues	10	4

4.3. Net gain from the disposal of property, plant and equipment

	2019 \$'000	2018 \$'000
<u>Plant and equipment</u>		
Proceeds from sale	-	11
Less net book value of assets disposed	-	10
Net gain from disposal of plant and equipment	-	1

4.4. Other income

	2019 \$'000	2018 \$'000
Rental income	68	82
Other	8	-
Total other income	76	82

Rental income is recognised on a straight-line basis over the lease term.

5. Non-financial assets

The Authority owns its own building, plant and equipment.

5.1 Property, plant and equipment

	2019 \$'000	2018 \$'000
<u>Land and buildings</u>		
Land at fair value	2100	1 840
Buildings at fair value	-	-
Total land and buildings	2100	1840
<u>Plant and equipment</u>		
Plant and equipment at cost (deemed fair value)	178	149
Accumulated depreciation at the end of the period	(137)	(129)
Total plant and equipment at cost	41	20
Total property, plant and equipment	2141	1 860

Property, plant and equipment with a value equal to or in excess of \$2 000 is capitalised, otherwise it is expensed.

Property, plant and equipment is recorded at fair value.

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continued use of their service capacity and are subject to regular revaluation.

Reconciliation 2018-2019

	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
Carrying amount at 1 July 2018	1840	20	1860
Acquisitions	-	29	29
Asset revaluation	260	-	260
Depreciation	-	(8)	(8)
Carrying amount at 30 June 2019	2100	41	2141

5.2 Intangible assets

	2019 \$'000	2018 \$'000
Computer software		
Purchased computer software	35	31
Accumulated amortisation	(32)	(28)
Total computer software	3	3

Intangible asset are initially measured at cost and are tested for indication of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of software is capitalised only when the expenditure is greater or equal to \$2 000.

Reconciliation 2018-2019

	Other computer software \$'000
Carrying amount at 1 July 2018	3
Additions at cost	4
Amortisation	(4)
Carrying amount at 30 June 2019	3

6. Financial assets

6.1. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank and on hand	502	363
Total cash and cash equivalents	502	363

6.2 Receivables

	2019 \$'000	2018 \$'000
Accreditation fees	17	8
Other receivables	4	2
Total current receivables	21	10

7. Liabilities

7.1. Payables

Current	2019 \$'000	2018 \$'000
Trade payables	44	23
Accrued expenses	9	9
Employment on- costs*	3	2
Total current payables	56	34
Non - Current		
Employment on- costs*	3	1
Total non-current payables	3	1
Total payables	59	35

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short term nature.

* Employment on-cost

Employment on-costs include Return to Work SA levies and superannuation

contributions and are settled when the respective employee benefits that they relate to are discharged.

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 schemes.

The only liability outstanding at reporting date relates to any contributions due but not yet paid to the various superannuation schemes.

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 constant at 41% and the average factor for calculation of employer superannuation on-costs has changed from the 9.9% in 2018 to 9.8% in 2019. These rates are used in the employment on-costs calculation. The net financial effect of the change in the superannuation on-cost rate on employment benefit expense is immaterial.

7.2 Other Liabilities

	2019 \$'000	2018 \$'000
<u>Current</u>		
Accreditation fees received in advance	28	23
Rent received in advance	-	1
Total current other liabilities	28	24

8. Other disclosures

8.1. Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of property and plant and equipment to the extent they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

	2019 \$'000	2018 \$'000
Accumulated surplus	421	288
Asset revaluation surplus	2086	1826
Total equity	2507	2114

8.2 Cash Flow

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

9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope.
- General Purpose Financial Statements Framework.
- Asset Accounting Framework.
- Financial Asset and Liability Framework.
- Income Framework.
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis.

Changes that impact on these financial statements are:

- removal of the additional requirements to report transactions with the SA Government.
- removal of the additional requirements to report a statement of equity for administered items.
- increased the bands from \$10,000 to \$20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

9.2 AASB 9 Financial instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the Authority adopted consequential amendments to other accounting standards and the Treasurer's Instructions (Accounting Policy Statements) arising from the issue of AASB 9 as follows:

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of

comprehensive income. In prior year, this information was presented as part of other expenses.

- *AASB 7 Financial Instruments*: Disclosures requires amended disclosures due to the changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have been restated.

In accordance with transitional provisions and the Treasurer's Instructions (Accounting Policy Statements) *AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of *AASB 9* has not had a significant effect on the recognition, measurement or classification of financial liabilities.

Reclassification of financial instruments on adoption of *AASB 9*

On the date of initial application, Authority's financial instruments were as follows, with any reclassifications noted.

	Measurement category		Carrying amount	
	AASB 139	AASB 9	AASB 139 30 June 2018 \$'000	AASB 9 1 July 2018 \$'000
Current financial assets				
Trade receivables	Receivables	Amortised cost	10	2
Current financial liabilities				
Trade payables	Amortised cost	Amortised cost	2	4

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only those receivables that are credit impaired. The Authority has adopted the simplified approach under *AASB 9 Financial Instruments* and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision. This resulted in no increase of the loss allowance on trade receivables external to Government.

There are no additional impairment provisions for State, Territory, or Commonwealth Government receivables due to the Government's high quality credit risk.

Trade and other receivables that were classified as loans and receivables under *AASB 139* are now classified at amortised cost as they meet the appropriate criteria under *AASB 9*.

10. Outlook

10.1. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The Authority is not aware of any contingent assets or contingent liabilities.

10.2. Events after balance date

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

11. Measurement and risk

11.1. Long Service leave liability - measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* 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 2018 (2.50%) to 2019 (1.25%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

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

The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

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

The Authority classifies a portion of long service leave as current based on leave to be taken in the next 12 months.

11.2. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as a part of a restructure of administrative arrangements, then the assets are recognized at book value (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when fair value at the time of acquisition is greater than \$1.5 million and useful life is greater than three years.

Revaluation is undertaken on a regular cycle as detailed below. 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.

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

Land and buildings

An independent valuation of land and buildings was performed in May 2019 by a Certified Practising Valuer from Colliers International, as at 30 June 2019.

Fair value has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustments for factors specific to the land such as size and location. For land classified as restricted in use, fair value was determined using adjustments to reflect the restrictions.

The fair value of buildings was determined using current replacement cost, due to there not being an active market. The current replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of assets, their size, condition and location.

Plant and equipment

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life of less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

11.3. Financial instruments

Financial risk management

Risk management is managed by the Authority's board. The Authority'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 Authority's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Categories of financial instruments

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

Classification applicable until 30 June 2018 under AASB 139 Financial Instruments:

Recognition and Measurement

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Held-to-maturity investments
- Loan and receivables
- Financial liabilities measured at cost

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument or fair value through profit and loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objectives is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest only on the principle amount outstanding.

The Authority measures all financial instruments at amortised cost.

Category of financial assets and financial liabilities	Note	2019 Carrying amount/ Fair value (\$'000)
<u>Financial assets</u>		
Cash and cash equivalents		
Cash and cash equivalents		502
Financial assets at amortised cost		
Receivables		17
Total financial assets		519
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Payables		47
Total financial liabilities		47
Category of financial assets and financial liabilities	Note	2018 Carrying amount/ Fair value (\$'000)
<u>Financial assets</u>		
Cash and cash equivalents		
Cash and cash equivalents		363
Financial assets at amortised cost		
Receivables		8
Total financial assets		371
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Payables		25
Total financial liabilities		25

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
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 for the financial year ended 30 June 2019.

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 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued 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 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising 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 Dairy Authority of South Australia. 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 Ethics 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 issued 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

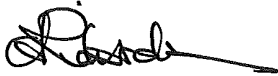
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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, but not for the purpose of expressing an opinion on the effectiveness of the Dairy Authority of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- 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.

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 and the members of the Authority about, 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

26 September 2019