

ANNUAL REPORT

2017–18



Food
Authority

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ABOUT US



Our Minister



The NSW Government is committed to ensuring that food produced and sold in NSW is safe for human consumption and that people have access to the information necessary to inform their choices about the food they eat.

I am always proud to highlight the fact NSW is the only state in Australia with a single oversight body, responsible for regulating and monitoring every stage of the food production chain.

This means that from paddock to plate consumers can be confident the NSW Government is working with industry and other stakeholders to minimise foodborne illness, undertake important compliance and enforcement work and be the providers of the most up-to-date food safety information.

This year we have continued to work towards achieving the goals of the NSW Government's Food Safety Strategy 2015–2021 which are to:

- **Increase** food businesses' contributions to NSW's economic growth and prosperity,
- **Mitigate** risks and protect the safety of NSW consumers,
- **Improve** the clarity and accessibility of food information provided to NSW consumers and industry.

Through partnerships with industry, local councils and the community we are working to ensure food businesses do the right thing and consumers are assisted to make informed and healthier choices.

Through partnerships with industry, local councils and the community we are working to ensure food businesses do the right thing and consumers are assisted to make informed and healthier choices.

The work undertaken by the NSW Food Authority delivers important and beneficial outcomes for businesses and the community. This includes:

- Maintaining the goal of a 95% compliance rate for NSW businesses including an average 95.1% audit and inspection compliance rate across food industry sectors,
- A 54% drop in foodborne illness caused by *Salmonella* Typhimurim,
- Our significant contribution to *Australia's Foodborne Illness Reduction Strategy 2018-2021+* endorsed by the Australia and New Zealand Forum on Food Regulation.

I acknowledge and thank the staff and management at the NSW Food Authority for their continued dedication and professionalism in consistently achieving such admirable results.

I invite you to read the NSW Food Authority's 2017–18 Annual Report to learn more about the positive outcomes the agency delivers for consumers and industry.



The Hon Niall Blair MLC

Minister for Primary Industries
Minister for Regional Water, and
Minister for Trade and Industry
Deputy Leader of the Government in the Legislative Council

Letter of submission



16 October 2018

The Hon. Niall Blair MLC

Minister for Primary Industries
Minister for Regional Water, and Minister for Trade and Industry
Deputy Leader of the Government in the Legislative Council
Level 19, 52 Martin Place
Sydney NSW 2000

Dear Minister

I am pleased to submit the Annual Report and the financial statements of the NSW Food Authority for the year ended 30 June 2018.

The report was prepared under the provisions of the *Food Act 2003* (NSW) and the *Annual Reports (Statutory Bodies) Act 1984*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lisa Szabo', written in a cursive style.

Lisa Szabo
Chief Executive Officer
NSW Food Authority

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Our charter

The NSW Food Authority contributes to the overall health and prosperity of the people of NSW because we work to ensure that food produced, manufactured and sold in NSW and exported is monitored and safe at each step it goes through from paddock to plate. Doing this keeps people safe, protected and knowledgeable about food safety and the potential risks to their health.

The Food Authority's primary objective is to provide consumers in NSW with safe and correctly labelled food, to inform and educate the state's food producers, manufacturers and retailers and to provide information and education to enable people to make informed choices about the food they eat.

We are responsible to the NSW Minister for Primary Industries, and we provide a single point of contact on food safety and regulation for industry, government and consumers.

Our objectives

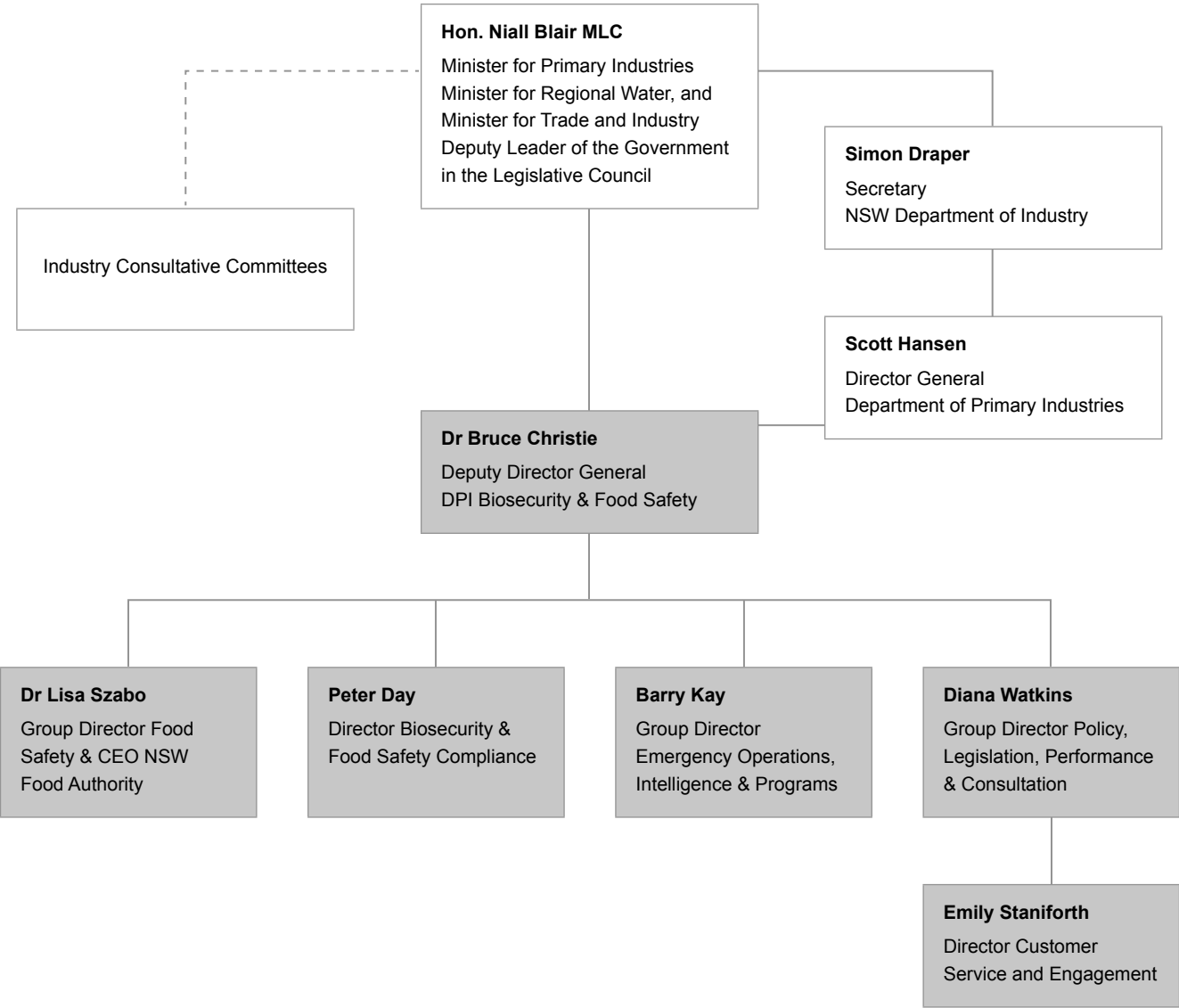
The NSW Food Authority has a coordinated and consistent approach to ensuring the people of NSW are safe and protected from risks to their health from food poisoning.

We work to protect NSW consumers by:

- monitoring food safety schemes for higher-risk foods and businesses through a process of evidence based science and risk analysis
- auditing and inspecting businesses to drive performance and compliance across the supply chain in partnership with local government
- educating consumers and businesses through easy to find information, advising them on good food handling practices and helping them understand their roles and responsibilities
- contributing to the development and implementation of trans-Tasman food standards, through Food Standards Australia New Zealand (FSANZ)
- actively reviewing applications and proposals to change the Food Standards Code
- leading the way on national policy initiatives such as reducing foodborne illness
- managing food related incidents such as food poisoning outbreaks to limit their impact and participating in safe food handling promotions – working hand in hand with other government agencies, industry and local councils.

Management & structure

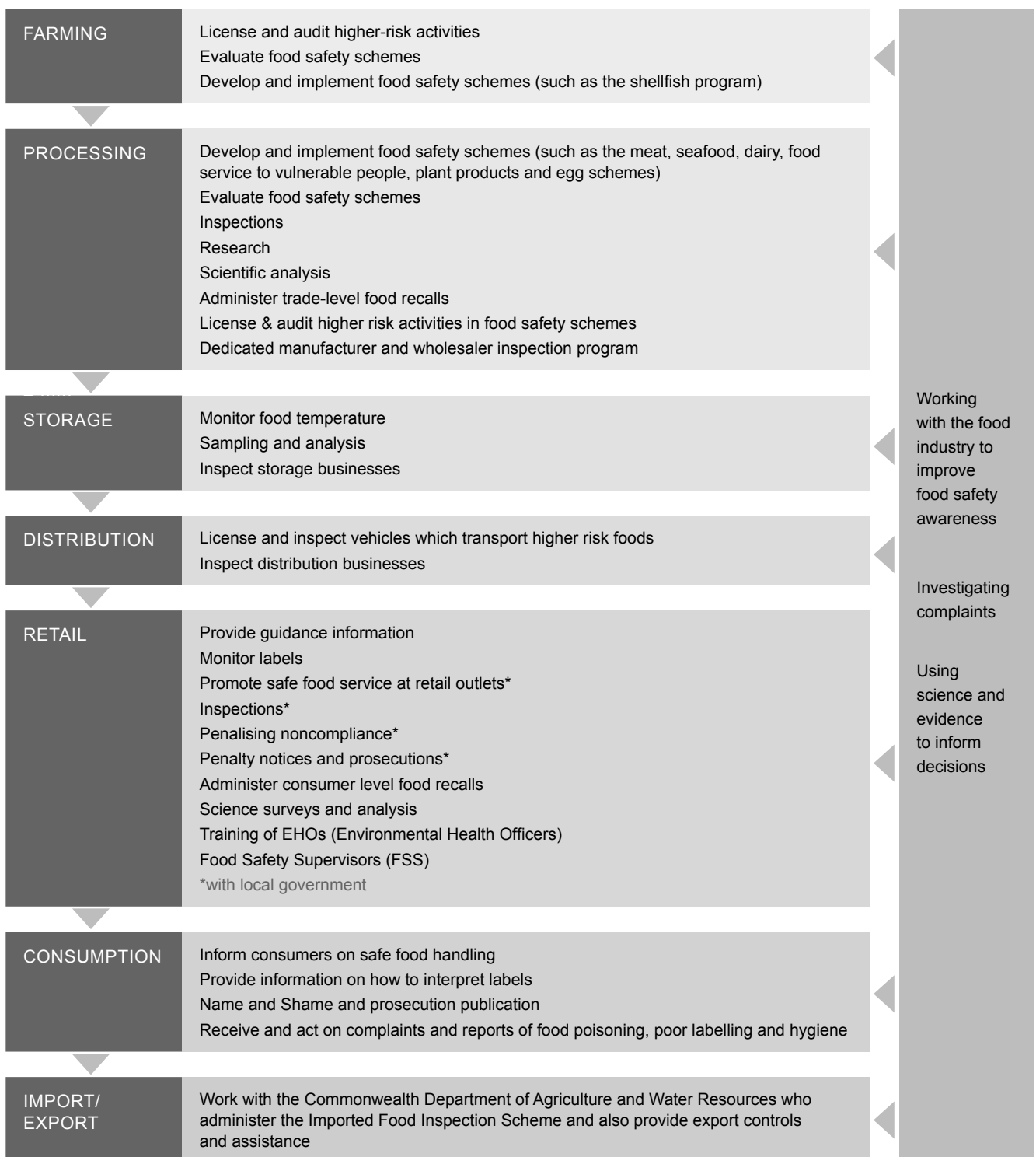
DPI Biosecurity & Food Safety Management Structure as at 30 June 2018



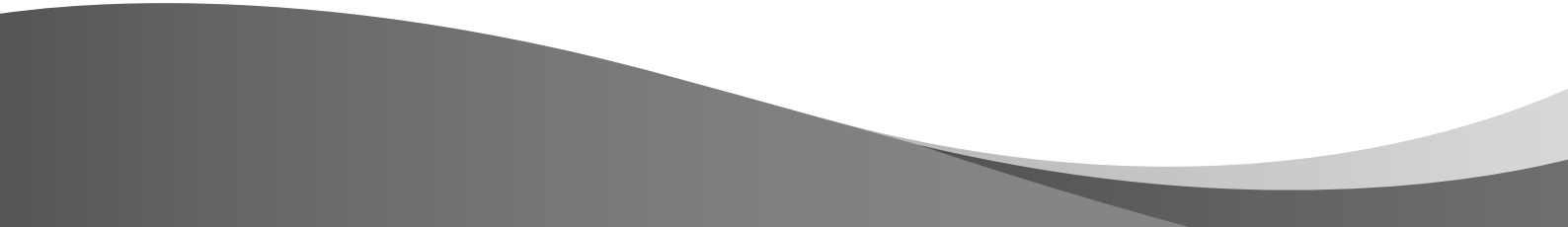
NB: shading indicates executive position funded by the NSW Food Authority

Our contribution to food safety

Keeping food safe is vital for NSW food businesses. At every stage to consumption, food safety is a serious matter. When food businesses don't do the right thing, the NSW Food Authority or local councils are there to act. Businesses that break the law can be fined or prosecuted.



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PERFORMANCE



Highlight summary

The Food Authority delivered confidence and certainty in the State's food safety to our stakeholders, the consumers of NSW, domestic and international markets during 2017–18. The NSW food industry contributes \$113 billion to the state's economy each year, accounting for 24% of the Gross State Product.

The Food Authority has worked in partnership with the food industry and the wider community to reduce food poisoning and its impacts on the health and economy of NSW communities. By doing this, the Food Authority has delivered multiple benefits to the people of NSW, helping food businesses contribute to the state's economic growth and prosperity.

Highlights:

The Food Authority has:

- continued to deliver on outcomes identified in the NSW Government Food Safety Strategy 2015–2021, a six-year plan to drive and further enhance NSW's reputation as a supplier of safe, quality food. The strategy, safe food from paddock to plate, has outlined priorities and opportunities for the state's food industry into the future including the reduction of foodborne illness by 30% by 2021 and a 95% compliance rate with food safety requirements by NSW businesses.
- supported the sector to achieve a 95% compliance goal in the 2017-18 financial year with an average 95.1% audit and inspection compliance rate across food industry sectors.
- achieved a reduction of food poisoning investigations during December/January, despite being the peak period for *Salmonella* incidents.
- continued to see a significant reduction of *Salmonella* Typhimurium notifications, which have decreased by 54% since 2014, and salmonellosis rates in general, which have also decreased by 17% since this time.
- made a significant contribution to the national work resulting in the launch of *Australia's Foodborne Illness Reduction Strategy 2018-2021+*, which was endorsed by the Australia and New Zealand Forum on Food Regulation at its meeting in June.

- taken a consultative approach with egg, dairy, meat, plants, vulnerable persons, retail, seafood and shellfish industries as part of our regulatory responsibilities and charter to inform and develop a food safety culture with industry.
- continued to play an advisory role in the NSW Environment Protection Authority led response to the presence of PFAS at various sites across NSW.
- issued all councils with new instruments of appointment as enforcement agencies under the *Food Act 2003* and updated Guidelines.
- delivered steady improvement in regulation, increasing efficiency and greater enforcement consistency via the NSW Food Regulation Partnership with local government.
- supported food safety compliance in the retail sector through its Food Safety Supervisor, Name and Shame and Scores on Doors initiatives.
- boosted food safety outcomes by introducing an additional training requirement for Food Safety Supervisors with a new focus area on Food Act Offences as well as updating the Allergen Management module following consultation with Registered Training Organisations.
- protected consumers by assisting product recalls to ensure the prompt removal of products from the market when they pose a food safety risk.
- delivered all scheduled audits and inspections of licensed businesses and monitored compliance to drive improved food safety outcomes.
- undertook targeted enforcement action with businesses that do the wrong thing to ensure food safety and product integrity are a priority for all businesses.

Meat

The NSW Food Authority licenses businesses across the supply chain in the meat sector.

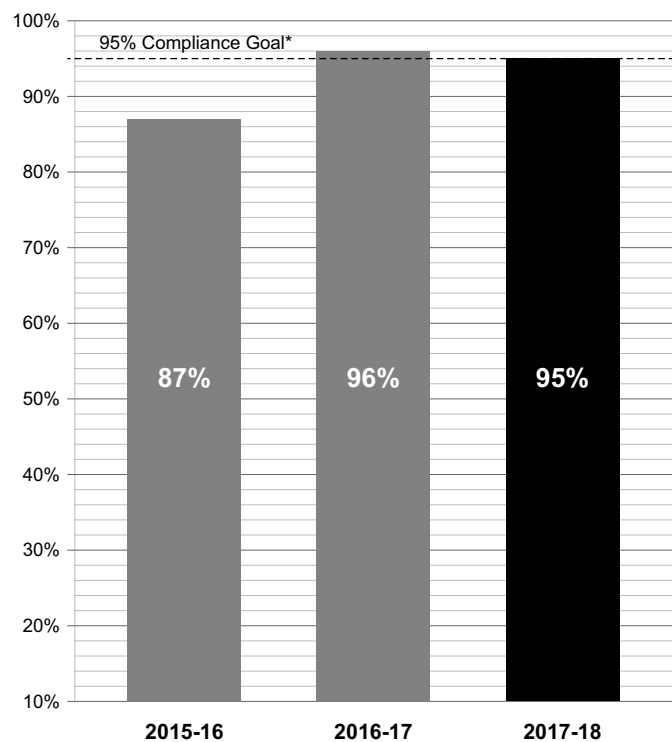
This includes:

- 35 poultry and rabbit abattoirs
- 30 red meat abattoirs
- 401 meat processing plants
- 393 poultry primary production premises
- 1,642 retail meat premises
- 469 game meat harvest vehicles and 83 field depots.

Of the 7,951 food transport vehicles licensed with the NSW Food Authority, approximately 5,960 are authorised to transport meat products.

Compliance across the sector with food safety program requirements for the 2017–18 financial period was 95%, an improvement in the average over the past three years.

Meat sector compliance rate



*NSW Food Safety Strategy 2015–21 target

Seized pigs

In May 2018, the Food Authority commenced a compliance investigation into the alleged illegal slaughter and sale of pigs from a pig farm on the outskirts of Sydney.

Through covert surveillance and investigation, it was determined that the unlicensed slaughter and sale of whole pigs was being conducted at the semi-rural property. Unannounced inspections of the premises resulted in the seizure of documentation, equipment (plucker/de-hairer), six pig carcasses, offal and meat products.

A prohibition order was issued in the field. All seized items were taken to waste management facilities and a rendering plant for disposal/destruction.

Retail meat food safety guidance translated

The Food Authority delivered the *Retail Meat Food Safety Program and Retail Diary* to retail meat businesses during 2016-17 as part of a successful training and implementation project which targeted compliance, skills and knowledge.

During 2017-18, this guidance document was translated into six languages; Chinese Simplified, Chinese Traditional, Vietnamese, Turkish, Arabic and Korean.

Making key food safety documents more accessible through translation assists industry to fully understand their food safety requirements, improving compliance outcomes.

The project has helped to better engage with culturally and linguistically diverse communities to achieve high and sustained outcomes for food safety.

Meat Industry Consultative Council

The Meat Industry Consultative Council (MICC) meets every six months or so and provides feedback to the NSW Food Authority and the Minister for Primary Industries on industry issues, including:

- meat and poultry meat food safety policy and practices
- discuss emerging food safety issues
- labelling, handling and hygiene
- investigating and prosecuting businesses and individuals engaged in deceptive or misleading conduct.

The MICC membership is designed to bring expertise and new ideas to enhance strategic focus and issue resolution across the red meat and poultry meat sectors.

Consultative Council representation:

Chair: Dr Lisa Szabo, NSW Food Authority

Australian Meat Industry Council

Australian Meat Industry Council (red meat processors)

Australian Pork Limited

NSW Farmers Association (livestock producers)

NSW Farmers Association (poultry meat producers)

Australian Chicken Meat Federation (poultry meat industry)

Pepe's Ducks Limited (duck meat industry)

Baiada Poultry Pty Ltd (poultry meat industry processors)

Inghams Enterprises Pty Ltd (poultry meat industry processors)

NSW Department of Primary Industries

Eggs

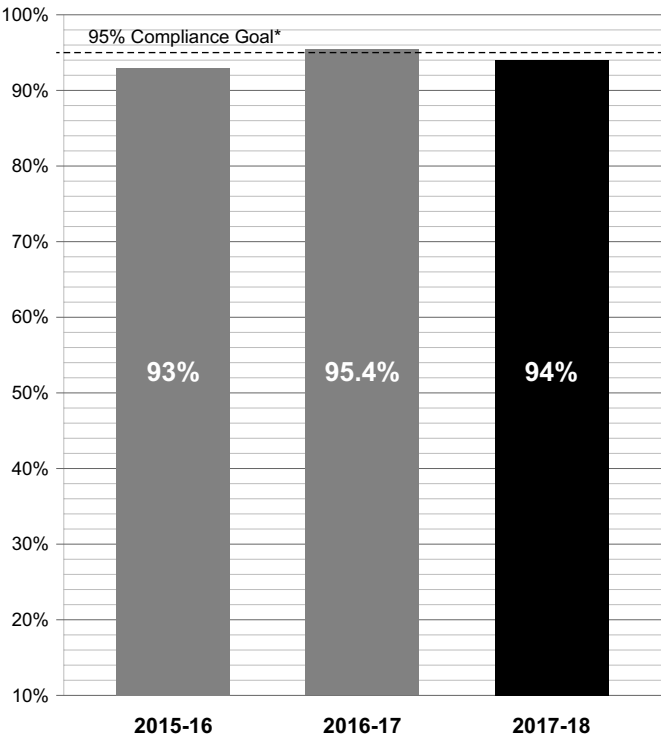
The NSW Food Authority licenses businesses across the supply chain in this sector. This includes:

- 10 egg processors
- 326 egg producers
- cold food stores.

Of the 7,951 food transport vehicles licensed with the NSW Food Authority, approximately 2,900 are authorised to transport egg products.

Compliance across the sector with food safety program requirements for the 2017–18 financial period was 94%, in line with the average over the past three years.

Egg sector compliance rate



*NSW Food Safety Strategy 2015–21 target

Egg Industry Consultative Committee

The Egg Industry Consultative Committee (EICC) meets every six months or so and provides feedback to the NSW Food Authority and the Minister for Primary Industries on issues relating to egg industries, including:

- food safety policy and practices
 - the Egg Food Safety Scheme
 - labelling, food handling and hygiene
-

Consultative Committee representation:

Chair: Dr Lisa Szabo, NSW Food Authority

Australian Eggs

NSW Farmers Association


Egg Farmers Australia

Pace Farm (representing large egg processors)

Pirovic Enterprises (representing large egg producers)

Manning Valley Free Range Eggs (representing free range egg producers)

NSW Department of Primary Industries

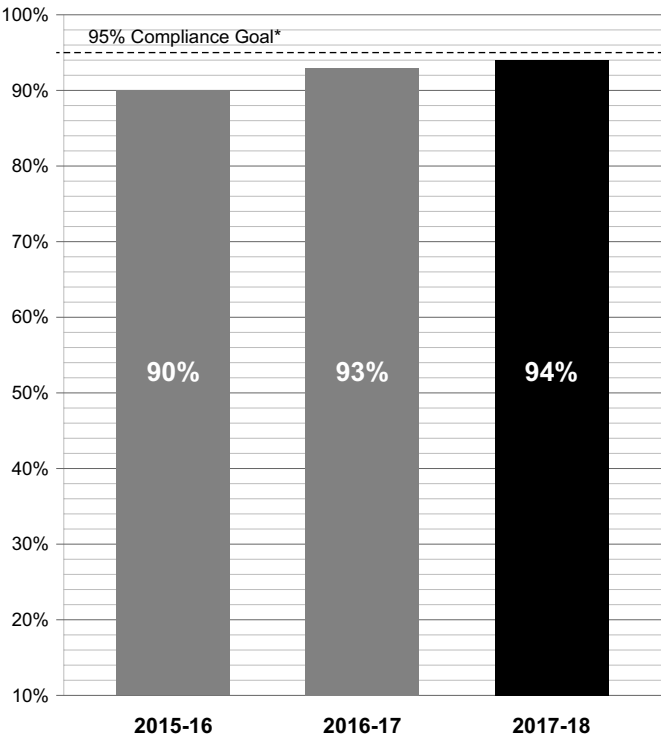


Shellfish

The NSW Food Authority licenses 302 businesses in this sector. This includes 251 oyster farmers and 51 shellfish wild harvest businesses.

Compliance across the sector with food safety program requirements for the 2017-18 financial period was 94%, an improvement on the average result over the past three years.

Shellfish sector compliance rate



*NSW Food Safety Strategy 2015-21 target

NSW Shellfish Program evaluation

The NSW Shellfish Program evaluation report was released in August 2017 and published on the Food Authority's website.

The evaluation found that the NSW Shellfish Program is operating effectively and achieving its objectives, although some improvements were recommended and will be/or have been actioned.

The report covered pre-harvest and harvest activities in the shellfish supply chain, excluding storage, transport, processing and retail operations and included oyster and mussel production and pipi and cockle collection.

Shellfish industry consultation revealed overwhelming support and appreciation for the program and staff, with all local area coordinators agreeing that the program provided good assurance of a safe product for human consumption.

The Food Authority sought feedback through face-to-face interviews with 25 harvest area coordinators and surveys completed by six shellfish industry representative members, four wild shellfish harvesters and 17 shellfish academics.

Shellfish producers recommended some changes to program management and delivery, water quality and shellfish meat monitoring, wild harvest shellfish reporting and general improvements in administration and communication.

Work is underway to implement the recommendations of the evaluation report. These include:

- developing a manual for the entire program
- assessing whether another survey for shellfish viral contamination should be initiated

- collaborating with the Food Agility Cooperative Research Centre (CRC) on real-time monitoring of environmental conditions to determine the potential to adjust management plans.

Food Agility CRC project

The NSW Shellfish Program provided technical and operational support to the oyster industry Food Agility CRC project which models the links between salinity, temperature, bacteria, harmful algal blooms and oyster diseases.

The project aims to provide a greater understanding of mortality issues, harmful algal blooms and to develop newer, simpler and faster ways of monitoring which will inform the development of a series of models for event prediction and risk management. All remote real-time environmental monitoring sensors are now operational and weekly collection of bacterial and algal samples has commenced.

A series of industry workshops were held in May and June to establish industry needs and potential outcomes of the project. The project commenced in December 2017 and will run for three years.

Shellfish safety workshop in Vietnam

The Food Authority's Shellfish Program ran a one week workshop on shellfish safety for 11 staff from the the Research Institute for Aquaculture No.1 based in northern Vietnam.

The workshop was part of the Australian Centre for International Agriculture Research Project 'Enhancing Bivalve Production in Northern Vietnam and Australia' and covered:

- international standards for shellfish quality assurance programs
- classification of shellfish harvest areas
- assessment and management of human pathogenic virus risk in shellfish harvest areas

- harmful algal blooms and biotoxin risk
- phytoplankton identification and enumeration with a hands on practical session on analysing phytoplankton samples.

As well as helping to improve knowledge, the workshop also promoted future collaboration between organisations within Vietnam.

Two new harvest areas approved for export

The Department of Agriculture and Water Resources this year approved the Goodnight Island harvest area in Shoalhaven River and Top Lake harvest area in Merimbula Lake for export. This approval allows shellfish from these areas to be exported overseas.

In order for these harvest areas to achieve export approval, they had to show an exemplary level of compliance with both the NSW Shellfish Program and the Australian Shellfish Quality Assurance Program requirements.

The new additions bring the total number of export approved harvest areas in the state to 26 in 2017-18, representing just over a third of the total number of harvest areas in NSW.

Peer-reviewed scientific papers

The Shellfish team contributed to three published papers during the year. These papers share information on topical issues important to the industry.

- Farrell H, Baker P, Webster G, Jansson E, Szabo L, Zammit A (2018). An assessment of potential heavy metal contaminants in bivalve shellfish from aquaculture zones along the coast of New South Wales, Australia. *Food Protection Trends*. 38:18-26.

- Farrell H, Murray SA, Zammit A, Edwards A. (2017). Management of ciguatera risk in Eastern Australia. *Toxins*. 367:E1-11.
- O'Connor WA, Zammit A, Dove MC, Stevenson G, Taylor, M. (2018). First observation of perfluorooctane sulfonate occurrence and depuration from Sydney Rock Oysters, *Saccostrea glomerata*, in Port Stephens NSW Australia. *Marine Pollution Bulletin*. 127:207-210.

NSW Shellfish Committee

The Shellfish Committee meets quarterly and provides advice to the Minister and the NSW Food Authority on the operation and administration of the NSW Shellfish Program, including local level operation.

The NSW Shellfish Committee membership is designed to bring expertise and new ideas to enhance strategic focus and issue resolution across the shellfish industry.

Consultative Committee representation:

Chair: Mark Boulter, Safe, Sustainable Seafood /
Lisa Szabo, CEO NSW Food Authority

Associate Professor Shauna Murray,
University of Technology Sydney
(independent technical representative)

NSW DPI Biosecurity & Food Safety

NSW DPI Fisheries

NSW Food Authority

Caroline Henry, Steve Verdich, Tony Troup and Sally Ritchie
(representing Industry – Aquaculture)

Andy Myers (representing Ocean Watch Australia)

Mario Puglisi (representing Industry – Wild Harvest)

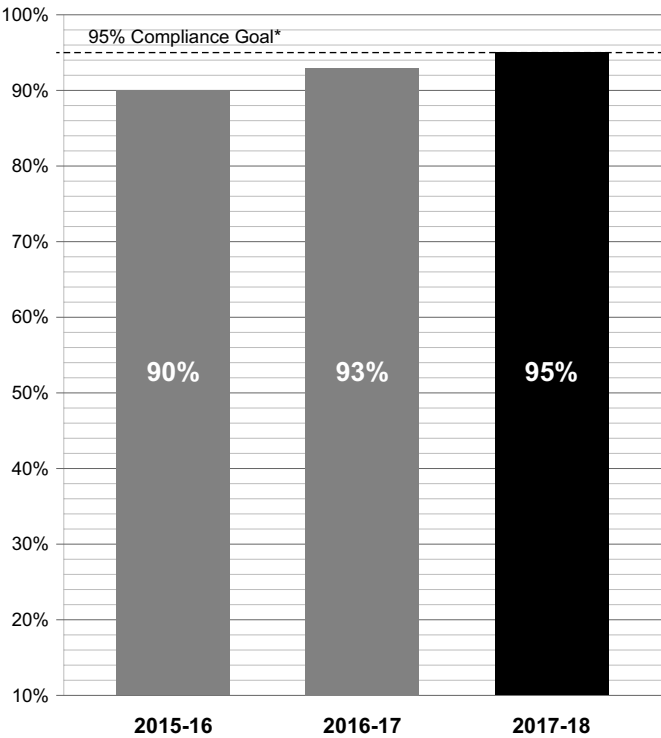
Seafood

The NSW Food Authority licenses businesses across the supply chain in this sector. This includes 214 seafood processing plants and 867 facilities that handle wild caught seafood as well as cold food stores.

Of the 7,951 vehicles licensed with the NSW Food Authority, approximately 4,100 are authorised to transport seafood products.

Compliance across the sector with food safety program requirements for the 2017–18 financial period was 95%, an improvement on the average over the past three years.

Seafood sector compliance rate



*NSW Food Safety Strategy 2015–21 target

Carbon monoxide in fish

During 2017-18, the Food Authority conducted an investigation into a complaint alleging that imported fillets of fish (Tuna and Barramundi) were treated with carbon monoxide (CO).

The Australia New Zealand Food Standards Code expressly prohibits the use of CO in the processing of fish, where its use results in a change or fixes the colour of fish flesh. CO treatment of fish can mislead consumers by hiding the age and condition of fish. The labelling of the fish must also be accurate and clearly labelled to identify that it has undergone a smoking process.

Residual CO that is present in fish as a result of being present in smoke that is used to process fish as a food is permitted, as is CO that is naturally present in the fish.

Samples of fish fillets were taken for analysis with results showing that the fish contained CO. A review of the manufacturer's Hazard Analysis and Critical Control Point (HACCP) Manual for the production of the fish fillets revealed that it was a wood smoked product.

Further investigation of the labelling of the fish fillets revealed that it did not indicate that the product had undergone a smoking process, and appropriate enforcement action was taken.

The Department of Agriculture and Water Resources was advised of the results of the investigation – to assist them in their compliance activities under the *Imported Food Control Act 1992*.

Seizure and disposal of frozen fish

In June 2018, the Food Authority received a complaint from the Australian Federal Police alleging temperature abuse of frozen imported fish by an unlicensed company.

Food Authority officers seized 18 tonnes of Mackerel and 18 tonnes of Hake from premises at Riverwood and Chipping Norton. No appeal was lodged to disallow the seizure.

Upon the expiration of the 10-day appeal period, the fish were transported by contractors to a facility that converts food waste into green electricity and fertilizer, for disposal.

Marine waters sustainable aquaculture strategy

In June 2018, a strategy aimed at providing clear direction on the sustainable development of the aquaculture industry in NSW was released for public comment.

The NSW Marine Waters Sustainable Aquaculture Strategy aims to ensure a strategic approach is taken for all aquaculture projects across NSW.

Global demand for seafood is rapidly expanding, primarily due to population growth and increased per capita seafood consumption. Close to 87 percent of seafood consumed in NSW is imported, so there is an opportunity to further develop sustainable seafood production to support future seafood demands of the State.

NSW has two other aquaculture strategies: the NSW Land Based Sustainable Aquaculture Strategy and the NSW Oyster Industry Sustainable Aquaculture Strategy.

Community input will help shape the NSW Marine Waters Sustainable Aquaculture Strategy. It was developed as a

whole of government initiative under the auspices of the State Aquaculture Steering Committee, which comprises representatives from 11 government agencies with responsibilities in the State's marine waters.

The public comment period closed in August 2018.

Peer-reviewed scientific papers

CEO Food Authority and Group Director Food Safety, Dr Lisa Szabo, along with members of the Food Science team contributed to *Foods*, a peer-reviewed, scientific online journal with a paper titled *An overview of Seafood Supply, Food Safety and Regulation in New South Wales, Australia*. These papers share information on topical issues important to the industry.

The article provided a brief overview of seafood sources, food safety concerns, foodborne illness outbreaks and regulation of the seafood industry in NSW.

NSW Seafood Industry Forum

The NSW Seafood Industry Forum (SIF) meets every six months or so and provides feedback to the Food Authority and the Minister for Primary Industries on issues relating to seafood industries, including:

- food safety policy and practices
- the Seafood Safety Scheme
- labelling, food handling and hygiene

The SIF membership is designed to bring expertise and new ideas to enhance strategic focus and issue resolution across the seafood industry sector.

Consultative Committee representation:

Chair: Dr Lisa Szabo, NSW Food Authority

Sydney Fish Market

Association of Fishermen's Cooperatives

Seafood Importers' Association

NSW Aquaculture Association

Professional Fishermen's Association

Seafood wholesale/processing sector

Master Fish Merchants Association of Australia

NSW Department of Primary Industries

Dairy

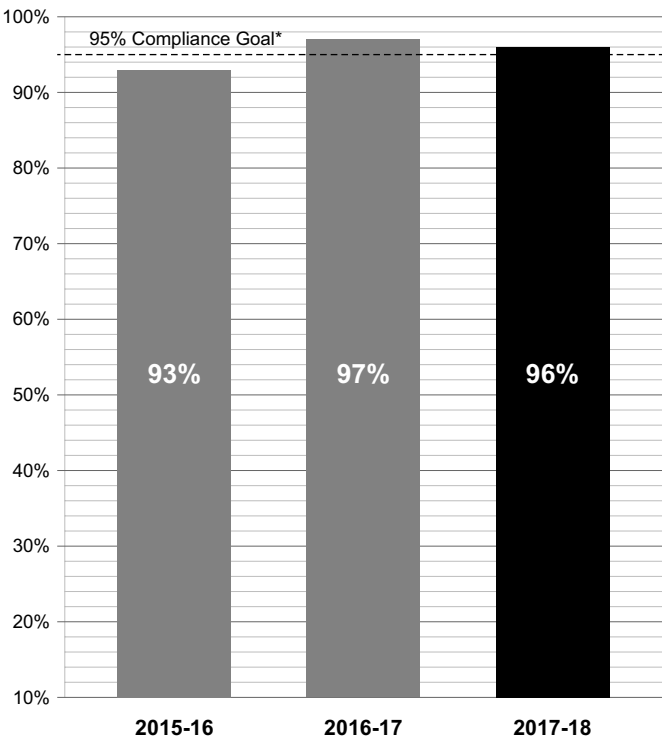
The NSW Food Authority licenses businesses across the supply chain in this sector. This includes:

- 653 dairy farms
- 215 dairy processing factories
- 158 farm milk collectors as well as cold food stores.

Of the 7,951 food transport vehicles licensed with the NSW Food Authority approximately 4,500 are authorised to transport dairy products.

Compliance across the sector with food safety program requirements for the 2017–18 financial period was 96%, in line with the average over the past three years.

Dairy sector compliance rate



*NSW Food Safety Strategy 2015–21 target

NSW Dairy Food Safety Scheme evaluation

A five year evaluation into the NSW Dairy Food Safety Scheme (the Scheme) was completed during 2017-18 and is now available on the Food Authority's website.

The Scheme details how the industry is regulated, providing a safety management framework to control the food safety risks associated with this high-risk product. It specifies controls for the safe handling of milk, and products made from milk, intended for human consumption – covering the milking of animals, through to collection, processing, storage and transport.

The data analysed for the evaluation focused on the period July 2011 to June 2016 and involved extensive consultation with the dairy industry.

The evaluation found that the Scheme had met its primary objective – to ensure that NSW dairy products sold for human consumption are safe to eat. There were no foodborne illness outbreaks in NSW linked to locally made dairy products and industry had fully complied with prescribed agricultural and chemical residue limits.

Suggestions for improvement included confirming that off-label veterinary chemicals in animals covered by the Scheme can only occur under the direction of a registered veterinarian and that minor changes be made to licensing renewal forms.

Raw milk cheese proforma launched

During 2017-18, a raw milk cheese proforma to assist potential raw cheesemakers comply with regulatory requirements was published for use.

To manufacture raw milk cheese in NSW, a business must be licensed, and must have their raw milk cheese process approved by the Food Authority before starting production.

The pro-forma provides an easy process for businesses to seek approval and demonstrate to the Food Authority that the production process used is effective in reducing the numbers of *L. monocytogenes* to a safe level.

Third Party Auditor workshop

A workshop was conducted in August 2017 to support education and training of Third Party Auditors (TPA) approved by the NSW Food Authority to conduct audits in the dairy sector.

The workshop focused on developments in food safety auditing of licensed food businesses in NSW. TPAs were encouraged to attend the workshop to better understand the process, expectations and requirements of third party auditing from a through-chain perspective, encompassing regulators, auditors, and industry.

Participation and engagement in the workshop was extremely high and feedback was very positive.

Dairy Australia 'PASE' initiative

The Package Assisting Small Exporters (PASE) is a grant program administered by the Department of Agriculture and Water Resources aimed at improving market access for small exporters.

During 2017-18, the Department of Agriculture and Water Resources funded a project for Dairy Australia to teach Australian dairy businesses about becoming a small exporter.

The Food Authority worked in collaboration with Dairy Australia and other state regulatory authorities to deliver workshops to share knowledge on what it takes to meet export food safety standards within the dairy industry.

Dairy Food Safety Consultative Committee

The NSW Dairy Food Safety Consultative Committee meets every six months or so and provides feedback to the NSW Food Authority and the NSW Minister for Primary Industries on industry issues including the dairy food safety scheme and management of food safety risks across the NSW dairy industry supply chain.

The committee includes representation from across the dairy production, processing and supply chain and is designed to bring expertise and new ideas to enhance strategic focus and issue resolution across the dairy sector.

Consultative Committee representation:

Chair: Dr Lisa Szabo, NSW Food Authority

Dairy Connect (representing dairy producers)

NSW Farmers Association (representing dairy producers)

Bega Cheese (representing dairy processors)

The Riverina Dairy (representing dairy processors)

Pecora Dairy (representing dairy processors)


Serendipity Ice Cream (representing dairy processors)

Norco (representing dairy processors)

Dairy NSW (representing dairy research)

Dairy Australia

NSW Department of Primary Industries



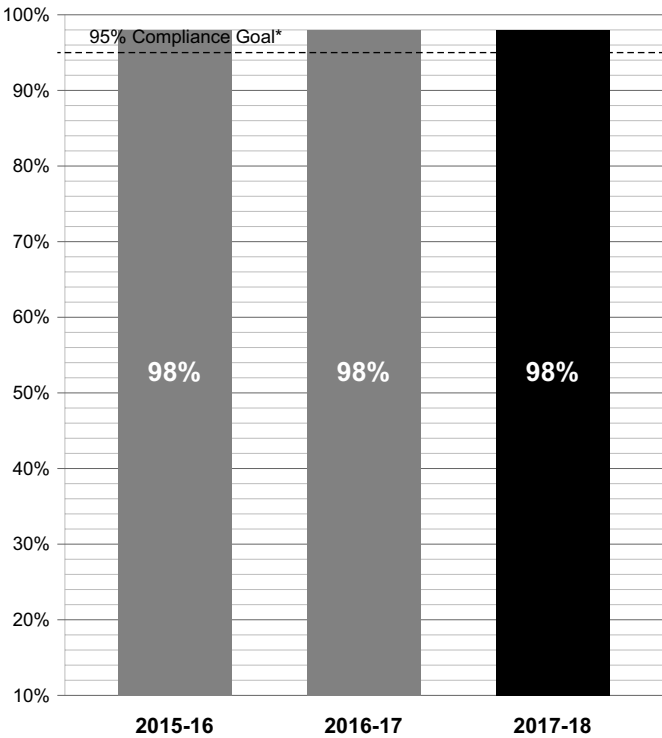
Vulnerable persons

The NSW Food Authority licenses 1,231 businesses in food service to the (VP) sector.

This includes hospitals, aged care facilities, same day aged care services, respite services and certain delivered meals organisations such as Meals on Wheels.

Compliance across the sector with food safety program requirements for the 2017–18 financial period was 98%, consistent with the average over the past years.

Vulnerable Persons sector compliance rate



*NSW Food Safety Strategy 2015–21 target

First audit for donated breast milk

The Food Authority this year audited and approved a licence for the first NSW-based milk bank for processing and pasteurising donated human breast milk.

This product is used in Neonatal Intensive Care Units for tiny babies born at approximately 28 weeks gestation. These babies are incredibly vulnerable. The pasteurised donated milk can be used when the mother does not have sufficient milk supply and where using formula may be troublesome.

The licensing and approval process was undertaken in conjunction with the licensee and NSW Health, which oversees the screening of donors and use within the hospitals. At the processing facility there is through-chain batch identification, testing of both raw and pasteurised milk and use of state of the art laminar flow cabinets and water bath pasteurisers for aliquoting and pasteurising the milk.

This type of product has been processed overseas for several years now and is currently being considered at a national level amongst the state health jurisdictions and Food Standards Australia New Zealand (FSANZ) for inclusion in the Food Standards Code.

Third Party Auditor workshop

A workshop was held in August 2017 to support education and training of Third Party Auditors (TPA) approved by the NSW Food Authority to conduct audits in the vulnerable persons sector.

The workshop focused on developments in food safety auditing of licensed food businesses in NSW. TPAs were encouraged to attend the workshop to better understand the process, expectations and requirements of third party auditing from a through-chain perspective, encompassing regulators, auditors, and industry.

Participation and engagement in the workshop was extremely high and feedback was very positive.

NSW Vulnerable Persons Food Safety Scheme Consultative Committee

The NSW Vulnerable Persons Food Safety Scheme Consultative Committee, or the VP Committee, membership is designed to bring expertise and new ideas to enhance strategic focus and issue resolution across the sector.

The Committee would usually meet approximately every six months to provide feedback to the NSW Food Authority and the Minister for Primary Industries on industry issues, including:

- consultation on emergency management preparedness for the sector
- consultation on emerging and contentious issues and risks for food safety
- seeking input for provision into the development and implementation of national food safety standards
- consultation on other issues in which the industry has an interest such as industry based education, food preparation, food storage and food delivery, and
- regulatory effectiveness.

However, on 16 November 2017, the Food Authority launched a new format for consultation, holding the first Vulnerable Persons Industry Forum in Sydney.

Vulnerable Persons Industry Forum

On 16 November 2017, the Food Authority held the first Vulnerable Persons (VP) Industry Forum in Sydney. This forum was designed to meet the requirements of the VP Committee.

More than 180 representatives from the VP sector – primarily managers with key roles in food safety management practices – attended the event.

Topics included the latest compliance trends and audit results, how validation works for higher risk foods, and how to avoid a foodborne illness outbreak. Attendees were also provided with an overview of the VP Food Safety Scheme Risk Assessment, which is regularly reviewed and updated.

Forum attendees provided feedback on and discussed important common issues such as new technologies, emergency preparedness, higher risk foods and other emerging issues. All questions raised were documented and made available on the Vulnerable Persons section of the Food Authority's website.

The Forum was well received by the attendees and offers a broader format for consultation with the vulnerable persons industry. Feedback from the participants indicated that they would attend similar events in the future.

Consultative Committee representation:

Chair: Dr Lisa Szabo, NSW Food Authority

Aged and Community Services Association of NSW & ACT

NSW Meals on Wheels Association

Private Hospitals Association of NSW

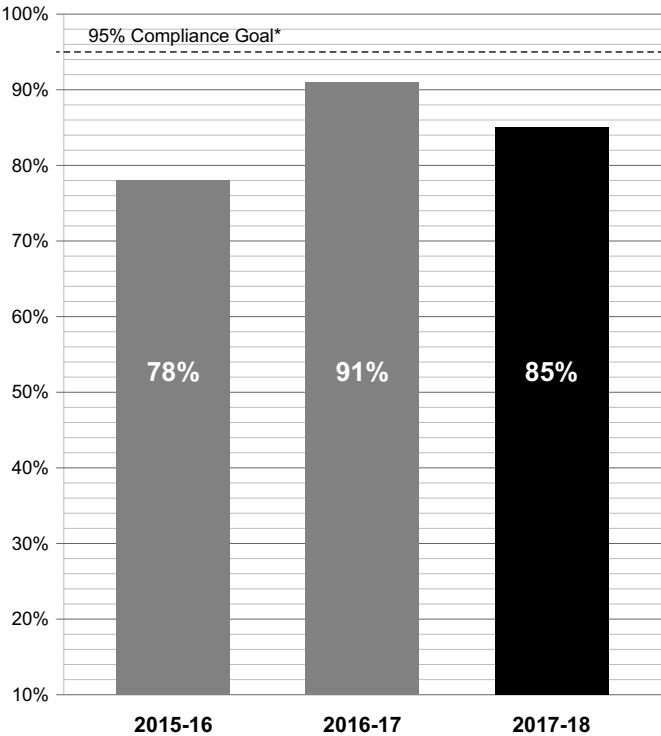
HealthShare NSW

Plant

The NSW Food Authority licenses 94 businesses in the plant processing sector as well as cold food stores. Of the 7,951 food transport vehicles licenses with the NSW Food Authority, approximately 3,100 transport vehicles are authorised to transport plant products.

Compliance across the sector with food safety program requirements for the 2017–18 financial period was 85%, slightly down from 91% in 2016-17 but consistent with the average of the past three years.

Plant sector compliance rate



*NSW Food Safety Strategy 2015–21 target

Listeria linked to rockmelons

Between January to March 2018, a national listeriosis outbreak affecting 22 people (including six from NSW) required a major investigation and response by the NSW Government. Tragically, this outbreak also included seven deaths and one miscarriage.

The Food Authority conducted the environmental investigation into the outbreak while NSW Health coordinated the epidemiological investigation across several jurisdictions.

Since the outbreak, the Food Authority, other areas within NSW DPI and other jurisdictions have been working closely with the melon industry to prevent any further cases and protect consumers. A national food safety regulator working group has been formed to develop consistent best practice across all growers and work in partnership with an industry development program.

As part of this industry program, a best practice food safety guide is being developed for growers covering all aspects of farm management and washing and packing of melons. Growers will be encouraged to utilise this guide to minimise any risk to consumers.

In addition, NSW DPI will provide training for all rockmelon growers in NSW. This will include face-to-face workshops and the provision of individual on-site food safety advice.

Food Standards Australia New Zealand has also been asked to review potential regulatory and non-regulatory measures to improve rockmelon food safety. The training and education initiatives being delivered by NSW DPI identified above will ensure that NSW growers are well placed to adapt to any new regulations in the future.

A summary report outlining the findings and making recommendations will be published in 2018-19.

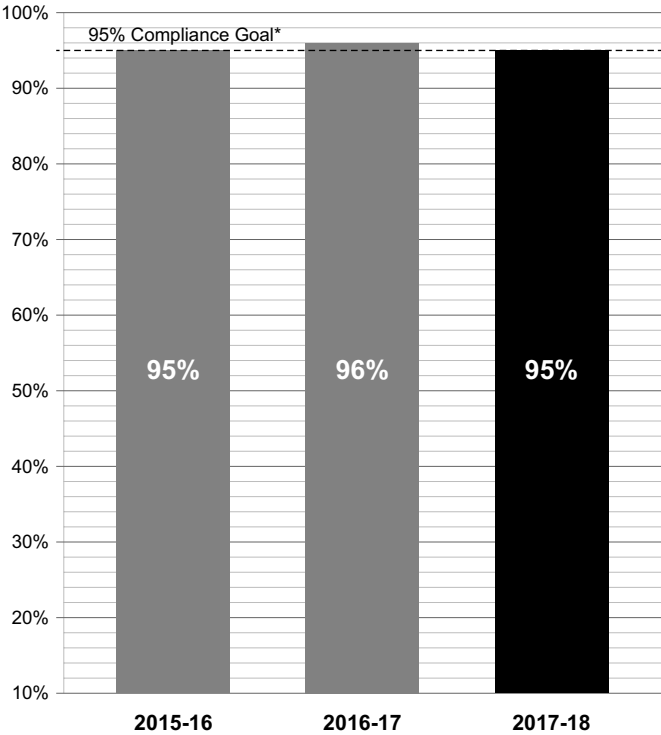
Consultation

The NSW Food Authority consults directly with each licence holder in the plant products industry.

Retail

Compliance across the retail food sector with food safety requirements for the 2017–18 financial period was 95%, consistent with the average over the last three years.

Retail sector compliance rate



*NSW Food Safety Strategy 2015–21 target

Forum for Registered Training Organisations (RTOs)

In October 2017 the Food Authority hosted its annual RTO forum for approved training organisations and their staff. The forum provided the opportunity to report the success of NSW specific training modules delivered by RTOs in assisting State reductions of *Salmonella* foodborne illness incidences and to invite feedback from RTOs on training materials in development relating to legal responsibilities of food businesses under the *Food Act 2003* as well as updates to the *Allergen Management* module.

It also provided an opportunity for the Food Authority to listen to current trends in the vocational education and training sector. The forum was attended by over 50 people representing approved RTOs at the time.

Food Safety Supervisor program

The Food Authority rolled out updates to the training and assessment modules in the NSW Food Safety Supervisor (FSS) program in May 2018.

The updates targeted new legal requirements for allergen management and a new module covering offences for food handlers in the *Food Act 2003*. These updates provide Food Safety Supervisors with practical skills and knowledge to control known commonly encountered high risk issues in the retail and food service sector.

The Food Authority also completed its annual audit of its approved RTOs during mid 2017. The 2017 audit targeted RTOs with known potential compliance issues following liaison with Training Services NSW.

All RTOs in the audit sample have since achieved satisfactory compliance with the Food Authority's FSS Conditions of Approval.

Scores on Doors

2017–18 continued to see positive growth for the NSW Food Authority's voluntary Scores on Doors program.

The initiative is designed to reduce foodborne illness in NSW by improving food safety in the retail sector through public display of food safety inspection results.

On 30 June 2018 there were 59 councils participating in the program, up from 55 in the previous financial year. These 59 councils represent 26,267 retail food businesses, capturing 59% of all eligible retail food businesses in NSW.

The NSW Food Authority will continue to work with councils to encourage the adoption of Scores on Doors, with a view to achieving a goal of 75% of NSW retail food business participating by 2021 as part of the NSW Government Food Safety Strategy 2015–2021.

Salmonella Reduction Strategy

The NSW Food Authority continued work in the 2017–18 period to reduce the rate of *Salmonella* outbreaks in the retail food sector through its *Salmonella* Reduction Strategy, specifically aimed at safe preparation of products containing raw egg.

The ongoing work aligns with the NSW Government Food Safety Strategy 2015–2021's goal to reduce foodborne illness including *Salmonella*, *Campylobacter*, *Listeria* and anaphylaxis across the food chain by 30% by 2021.

This reduction strategy has resulted in the development of various resources for local government and retailers, including

checklists and guidelines. Training has been delivered throughout the period to council Environmental Health Officers across the state and at regional consultative meetings with local businesses to raise awareness and competency in how to reduce the risk of *Salmonella* in restaurants and cafes.

Raw egg foods in high risk retail food premises

To help reduce the incidence of contamination through bacteria like *Salmonella*, the Food Authority conducted a pathogen reduction program during 2017-18 involving 25 'high risk' businesses handling raw eggs across NSW.

In conjunction with local councils (responsible for compliance activities in the retail food sector in NSW), the Food Authority inspected businesses to assess raw egg use in ready-to-eat foods and compliance with the guidelines – including cleaning and sanitation practices and food handler skills and knowledge.

The project found that many businesses (17 out of the 25) had ceased making raw egg products since their last council inspection. Of the eight businesses still processing raw egg products, there was evidence of limited knowledge of how to correctly measure the pH of final raw egg products. However, businesses were assessed as 'competent' with raw materials handling and staff personal hygiene.

The project resulted in six of the eight businesses still processing raw egg products (75%) volunteering to remove raw egg products immediately. The remaining two businesses continued to process ready-to-eat raw egg products, but strictly within the guidelines.

The Food Authority will continue to work with local councils to provide education and guidance to the retail sector. This includes developing fact sheets (in English and other languages) that detail pH meter calibration and cleaning, as well as the required frequency of pH meter calibration.

Projects such as this, along with targeted educational activities, have led to a significant drop of *Salmonella* Typhimurium cases by over 50% in NSW since 2014.

Listeria in delicatessens

Listeriosis is a preventable foodborne illness, commonly linked to delicatessen (deli) meats and soft cheeses. Cross-contamination is a major contributing factor to *Listeria monocytogenes* contamination of ready-to-eat foods. Control of *L. monocytogenes* cross contamination and adequate sanitation is essential to reduce the risk of listeriosis from the deli environment.

To monitor food safety practices and reduce the risk of *Listeria* contamination in food businesses in the Sydney metropolitan area, the Food Authority conducted a series of retail delicatessen investigations during the 2017 and 2018 calendar years.

The investigations involved two surveys –

- one following an outbreak investigation conducted in 2016, when a cluster of eight listeriosis cases attributed to ready-to-eat deli meats was detected
- one conducted between November 2017 and March 2018, involving inspections of 17 delicatessen businesses in the Campbelltown, Cumberland and Mosman City Council areas. This investigation sampled a total of 49 foods.

Of the 205 environmental swabs obtained, 18 had *L. monocytogenes* or non-pathogenic *Listeria* spp detected in six of the businesses. Again, detections of non-pathogenic

Listeria spp in food and food contact surfaces can suggest the possibility of potential future presence of *L. monocytogenes*.

It was also found during this survey that sanitising key areas of the delicatessen environment, particularly food contact surfaces, was important in the control of *Listeria*. Proper sanitation is considered a key way to prevent the movement of *Listeria* from one surface to another. Other hygiene factors such as personal hygiene, cross contamination and temperature control are still important factors.

Following the surveys, the Food Authority shared the results with the businesses involved and local government Environmental Health Officers. A fact sheet on sanitisers was also developed, with plans in place to revisit the lower performing businesses to monitor compliance.

Name and Shame

In 2017–18, 875 retail food business facilities appeared on the NSW Food Authority's Name and Shame register, a register which names businesses that fail to meet food safety standards, and a total of 1,640 penalty notices were published, representing less than three per cent of NSW retail food businesses.

The most common food safety breaches under the *Food Act 2003* in the retail sector during this period were:

- cleanliness of food premises (18%)
- improper food storage (13%)
- pest control (12%)
- poor handwashing facilities (12%)
- unclean fixtures and fittings (12%)

Name and Shame register			
	2015-16	2016-17	2017-18
No. of penalty notices published	1611	1575	1640
No. of facilities that had penalty notices published	882	828	875

Food Regulation Partnership

The Food Regulation Partnership is a joint initiative of the Food Authority and local councils to work together to ensure retail food service businesses in NSW are inspected and comply with food safety regulations.

Food Regulation Partnership portal revised

The Food Authority introduced a revised Food Regulation Partnership (information) portal in April 2018 following feedback from council officers.

The portal allows greater capacity for information sharing and collaboration between the 131 FRP members (which includes the NSW Food Authority).

Members can sign-in securely to the website and access a range of resources, including training materials designed specifically for local government. The portal is also used by the Food Authority to inform registered users of important news or updates. Feedback on the refreshed Portal has been very positive.

Performance audit conducted by NSW Auditor-General

The NSW Food Authority remained on track to address recommendations made by NSW Audit Office in the performance audit “Monitoring food safety practices in retail food businesses”, tabled in NSW Parliament on 15 September 2016.

In December 2017, NSW Food Authority issued new instruments of appointment to enforcement agencies, including all 128 councils. All the associated protocols and advisory guidelines were updated and include important changes to improve consistency and risk-based approach by food regulators. Changes include:

- Universal adoption of a standardised risk-based checklist
- Clarification of roles and responsibilities for regulating markets and home based businesses
- Expanded guidance on inspection frequency, focusing resources on poor performers.

The changes followed a review of roles and responsibilities of enforcement agencies in early 2017 with over half of councils participating in consultation workshops between May and July 2017.

In July 2017, a total of 48 submissions on the proposed changes were received leading to minor and valuable updates to the protocols and guidelines. The changes came into effect 1 July 2018.

In addition, the NSW Food Authority conducted a scoping exercise to inform a business case for a central database and inspection platform for councils. A range of council stakeholders helped co-design a solution between April and July 2018 and an advanced business case is being prepared. A central database and inspection platform will help:

- Reduce administration cost for councils
- Eliminate annual reporting requirements for council
- Eliminate unnecessary inspections for retail businesses that trade in multiple council areas, eg mobile food vans
- Allow publication of NSW Scores on Doors register for participating businesses

Subject to a successful business case, the NSW Food Authority will procure and support rollout of a central database and inspection platform in consultation with councils, businesses and other stakeholders.

Consultation with the retail industry

During the period the Food Regulation Partnership hosted three meetings with retail and food service businesses in Goulburn, Parramatta as well as Kiama.

These were well received averaging approximately 100 local food retail businesses attending each event where they had the opportunity for face to face engagement with local council, the Food Authority and other retailers, and learn about food safety and the resources available to them.

Each meeting has included a presentation on food safety issues such as safe egg preparation (as part of the broader *Salmonella* reduction strategy), an update on foodborne illness statistics, the importance of allergen management in the retail sector and the benefits of participation in Scores on Doors for food retail business.

Compliance activity

Data collected from councils for the 2017–18 period showed compliance levels in the retail food sector to be high as a result of the activities of the Food Regulation Partnership.

In the 2017–18 financial year 62,571 inspections were undertaken in the retail and food service sector and 93% of the high and medium risk food premises were inspected.

Supporting the sector through education and training for council officers

The Food Authority provides training to local councils' Environmental Health Officers (EHOs) to enhance skills and knowledge, address priority topics and promote consistency in inspection and enforcement action.

During 2017–18 the Food Authority conducted three rounds of Regional Food Group meetings in 16 regions across NSW. These meetings consisted of a training session as well as updates regarding topical food safety matters. Each meeting provides opportunities to problem solve and seek regionally consistent approaches to local issues.

In 2017-18 the training addressed:

- Effective enforcement
- Revision of the Food Regulation Partnership
- Council re-appointments under the *Food Act 2003*

The Food Authority continues to recognise that many EHOs throughout NSW are unable to attend all the training that is delivered throughout the year, at agreed times and locations. In response, all training materials are available online prior to each round, supplemented by delivery by means of a webinar for those who couldn't make the training in person.

Food Regulation Partnership workshop and awards presentation

In conjunction with Environmental Health Australia, the Food Authority hosted the Food Regulation Partnership (FRP) workshop 2017 and FRP Food Surveillance Champion Awards in Penrith in September 2017.

Themed *The Evolving Partnership*, the two-day biennial workshop was attended more than 120 officers from councils across NSW. The workshop aimed to promote the professional development of EHOs through education and networking opportunities.

Workshop topics included evolving food trends, the importance of safe private water supplies, how foodborne incidents are investigated, regulating home-based businesses, experiences in applying the home jurisdiction rule, and more.

Highlights included a keynote address on tackling food safety in partnership with councils by NSW Food Authority CEO, Dr Lisa Szabo, and a presentation by the CSIRO's Dr Kari Gobius on current and emerging food safety trends which impact research, consumers, business and government.

Food Regulation Partnership Forum Committee

The NSW Food Regulation Forum oversees the Food Regulation Partnership between councils and the Food Authority. The Food Regulation Forum brings expertise and new ideas to enhance strategic focus and issue resolution across the retail food industry sector.

The committee meets three times per year and provides advice to the NSW Food Authority on the regulation of the retail industry.

Committee representation:

Chair: Cr Paul Braybrooks OAM

NSW Food Authority – Dr Lisa Szabo and Peter Day

Robyn Hobbs OAM NSW Small Business

Commissioner (Independent)

Julie Kisa (representing the Development and Environmental Professionals' Association)

Corey Stoneham (representing the Development and Environmental Professionals' Association)

Alexandra Stengle (representing Local Government Professionals Australia)

Liz Gemes (representing Local Government NSW)

Scott Lloyd (representing Local Government NSW)

Jody Houston (representing Environmental Health Australia)

Manufacturing and wholesale businesses

The NSW Food Authority conducts a compliance inspection program of manufacturing and wholesale food businesses in NSW. These businesses are generally manufacturers or wholesalers that handle food not covered by current council inspection programs, as they have limited or no retail sales component.

During the 2017-18 period, the Food Authority conducted 463 inspections under this program. This included:

- 22 unacceptable inspection results were recorded (subsequent follow-up inspections conducted achieved acceptable inspection result)
- 15 warning letters were issued for labelling and licensing breaches
- 31 improvement notices were issued
- 44 penalty notices were issued for continued non-compliance
- nine prohibition orders were issued to the manufacturing sector for breaching hygiene and maintenance issues. These prohibition orders remained in place until sufficient corrective actions were taken by the licensees. These issues were subsequently rectified, and the orders were lifted.

Inspection frequency is based on risk and performance in terms of the type of food being handled and sold (e.g. pre-packaged vs freshly made) and the previous compliance history of the business.

Food importer allergen awareness compliance project

Susceptibility to allergens and rates of anaphylaxis are increasing in Australia. Undeclared allergens in food are a significant risk factor for anaphylaxis which often requires medical attention and may be life threatening.

In 2017, undeclared allergens accounted for 49% of all food recalls nationally and was the most common reason for conducting a recall. Importers of recalled foods are often small to medium sized companies that import specialty foods or ingredients.

To help prevent or mitigate risks to human health through undeclared allergens in imported food products, the Food

Authority conducted the Food Importer Compliance Project during 2017-18. This project aimed to develop a surveillance plan to monitor food importer compliance with the Food Standards Code allergen and food recall requirements.

This plan improves management of the risk of susceptible consumers being exposed to life threatening reactions. It also reduces the risk of allergens not being correctly identified on a product label or the recalls of such products not being actioned in a timely manner.

During 2017-18, 59 businesses were advised or reminded of requirements to declare allergens in accordance with the Australian New Zealand Food Standards Code.

There was an improvement in businesses asking suppliers about ingredients and checking allergen labelling (89%, compared with 80% in 2016-17). In addition, 63% (up from 56% in 2016-17) of businesses could produce evidence that they had checked that the allergen labelling of their products was correct.

A detailed surveillance and compliance plan for food importers has been prepared and will be implemented during 2018-19.

Compliance and enforcement

Memorandum of Understanding audit with Department of Agriculture and Water Resources

In February 2018, the Food Authority successfully completed the Memorandum of Understanding (MoU) audit with the Department of Agriculture and Water Resources. This review provided a comprehensive assessment of the Food Authority compliance staff, audit procedures, audit management and reporting systems and includes assessments of export registered facilities under the control of the unit.

The Food Authority recorded an acceptable outcome at this audit and, for the third consecutive year, did not receive any corrective actions.

This result highlights the effectiveness of our compliance staff and management systems, with positive comments received from the Department of Agriculture and Water Resources auditing team on the quality of our systems.

TARGETED FOOD SAFETY AND COMPLIANCE PROJECTS

Food importer allergen awareness compliance project

See details in Manufacturing and Wholesale Businesses section on page 41.

Listeria in delicatessens project

See details in Retail section on page 36.

Raw egg foods in high risk retail food premises project

See details in Retail section on page 36.

SIGNIFICANT INVESTIGATIONS AND RESULTS

Listeria linked to rockmelons

See details in Plant section on page 33.

Prosecution of Sydney noodle manufacturer

In August 2017, a Sydney noodle manufacturer was convicted and fined a total of \$27,000 and ordered to pay professional costs of \$9,000 after pleading guilty to 13 charges relating to failures in hygiene, construction failures and harbouring pests on food premises.

Issues included the walls, floors and ceiling of the building not being sealed (allowing pests to get in) and pest, rodent and cockroach activity within the food processing and storage areas. Surfaces, fittings, fixtures and equipment were unclean with accumulation of food waste, grease, oil and other visible matter.

Noodle manufacturer prosecuted

In September 2017, a Sydney noodle manufacturer pleaded guilty to 19 offences under the *Food Act 2003* including failures in cleanliness, pest management and construction of the food premises.

The Sydney company was convicted and fined \$113,000 and order to pay \$4,700 in professional costs.

Since October 2016, this is the third prosecution relating to Sydney noodle manufacturers and follows a compliance project undertaken by the Food Authority between January and April 2016 which focussed on these businesses.

Sydney company prosecuted for failing to declare dairy

In September 2017, a Sydney beverage company was prosecuted and fined \$30,000 and ordered to pay more than \$25,000 in professional costs after they failed to declare the presence of dairy in their brand of flavoured coconut milk drinks.

A young child in Western Australia with a dairy allergy was hospitalised suffering anaphylaxis after consuming one of these drinks that was labelled 'Dairy Free'.

The company pleaded guilty to seven charges of breaching the *Food Act 2003*, including failing to declare the presence of milk, falsely labelling their product as dairy free and failing to implement an appropriate food recall plan.

Bakery prosecuted for food safety breaches

In December 2017, the owners of a Sylvania bakery at the centre of a *Salmonella* outbreak that affected more than 200 people in January 2016 were prosecuted and fined a total of \$122,000 and ordered to pay \$7,199 professional costs after each was convicted of 10 breaches of the *Food Act 2003*.

The owners pleaded guilty to five breaches of selling unsafe food, and five breaches of failing to meet food safety standards and were fined \$61,000 each.

The NSW Food Authority commenced investigation into the bakery after it was notified of an outbreak where each of the affected people had eaten from the premises.

There were 203 documented cases of people who had presented to hospitals and other health care providers with symptoms of gastroenteritis including vomiting, diarrhea and fever after consuming bakery items such as chicken rolls and salads that were linked back to the bakery.

During its investigation the NSW Food Authority issued a prohibition order requiring the business to cease operations.

The business was only permitted to reopen and trade after it completed extensive work to ensure the bakery had been thoroughly cleaned and fully compliant with food safety laws.

Unlicensed meat processor

An unlicensed meat processor was found to be processing sausages in the backyard of his business address in West Ryde. This was identified through a pollution complaint made to Ryde City Council.

Following an investigation, NSW Food Authority officers found the sausages were being sold at a Chinese restaurant in Haymarket. The sausages were seized from both Haymarket and West Ryde facilities at the time and prohibition orders issued for manufacture.

In July 2018, eight penalty notices were issued totalling \$3,960 for offences identified by NSW Food Authority and council officers over a two day period. A further two penalty notices totalling \$2,640 were issued to a retailer for the sale and storage of meat supplied by an unlicensed manufacturer.

2017–18 compliance and enforcement statistics (enforcement actions)

ACTIVITY	ACTUAL 2015-16	ACTUAL 2016-17	ACTUAL 2017-18
Audits	4884	4888	4528
Failed audits	429 (8.7%)	156 (3.2%)	142 (3.1%)
Inspections of food businesses	9328	7218	6590
Failed inspections of food businesses	718 (7.6%)	439 (6.1%)	334 (5.06%)
Complaint investigations	2123	1904	2169
Investigations of foodborne disease incident (two or more people)	294	288	297
Labelling Compliance Surveillance Program investigations	352	128	348
Labelling Compliance Surveillance Program investigations resulting in enforcement action	95	124	84
Investigations of unlicensed businesses (resulting in enforcement action)	142	98	124
Written warning	113	86	54
Improvement notices	578	344	330
Penalty notices	252	116	167
Prohibition orders	29	19	16
Product seizures	19	14	10
Licence cancellations	0	0	0
Use of emergency orders	0	0	0
Prosecutions (finalised after hearing or plea of guilty)	19	40	63
Company instigated food recalls (nationwide)	94	62	81
Company instigated food recalls (NSW companies)	23	24	22
Shellfish harvest area closures	588	473	431

2017–18 Summary of product seizures undertaken as enforcement action*

COMMODITY	Estimated quantity	Reasons for seizure
Meat products		
Raw meat	2 units	Non-Abattoir meat stored on the premises. Meat quarters not stamped/tagged.
Processed red meat	6 units	Evidence of unlicensed meat slaughter in contravention to the <i>Food Act 2003</i>
Processed red meat (various types)	31 units	Cross contamination and temperature control issues
Seafood products		
Frozen imported fish	36 tonnes	Evidence of operation of a seafood business in contravention to the <i>Food Act 2003</i> and handling the product in a manner likely to render the food unsafe or unsuitable
Other products		
Liquid preservative	4.18 kg	Evidence in connection to offence relating to preservative on raw meat
Caffeinated beverages	194 litres	Not complying with compositional requirements of the Food Standards Code
Bakery products (various flours, yeast)	1.29 tonnes	Evidence of food being produced and stored in commercial quantities that did not comply with the Food Safety Standards of the Food Standards Code

*Based on 10 individual seizures for 2017 – 2018 period.

2017–18 Licence numbers

BUSINESS ACTIVITIES	No. of licensed facilities 2017-18
Animal food field depot	10
Animal food field harvesting	13
Animal food processing plants	21
Animal food processing and rendering plant	1
Abattoir - poultry	19
Abattoir - poultry & game meat processing	2
Abattoir - poultry & poultry primary production	13
Abattoir - poultry & red meat	1
Abattoir - red meat	29
Rendering	6
Knackery	7
Game meat primary processing plants	4
Game meat field depot	83
Game meat field harvesting	469
Meat retail	1642
Meat processing plants	332
Meat & seafood processing plants	37
Meat & dairy processing plants	8
Meat, dairy & seafood processing plants	5
Meat, dairy & plant product processing plants	4
Meat, seafood & egg product processing plants	3
Meat, seafood & plant product processing plants	4
Meat & plant product processing plants	4
Meat, dairy, seafood & plant processing plants	2
Meat, dairy, seafood, plant & egg product processing plants	2
<i>Table continues over page</i>	

2017–18 Licence numbers (con't)

BUSINESS ACTIVITIES	No. of licensed facilities 2017-18
<i>continued from previous page</i>	
Dairy processing plants	161
Dairy & seafood processing plants	5
Dairy & plant product processing plants	9
Dairy & egg product processing plants	2
Plant Product processing plants	65
Seafood processing plants	120
Seafood & plant product processing plants	4
Oyster farmers	219
Oyster farmers & seafood processing	32
Shellfish wild harvest	51
Handling wild caught seafood	867
Egg Processing plants	3
Egg primary production	283
Egg & poultry primary production	42
Egg & dairy primary production	1
Poultry primary production	333
Poultry & dairy primary production	5
Dairy primary production	630
Dairy primary production and processings plants	17
Farm milk collectors (raw milk transport)	158
Food transport vehicles (meat, dairy,seafood, plant, egg products)	7951
Food storage not requiring temp control (dairy)	15
Cold food storage (meat, dairy, seafood, plant & egg products)	545
Food service to vulnerable persons	1231
TOTAL number of licensed facilities	15470

Working with our stakeholders

Royal Easter Show

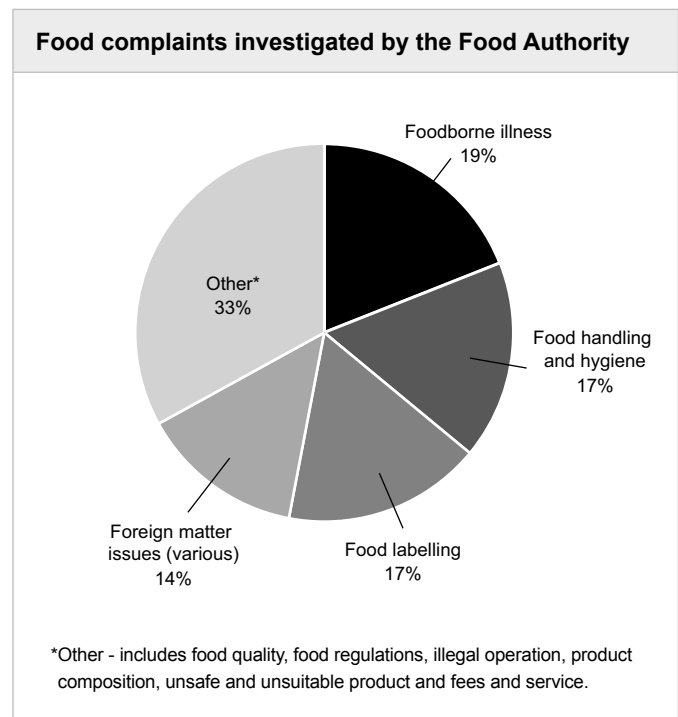
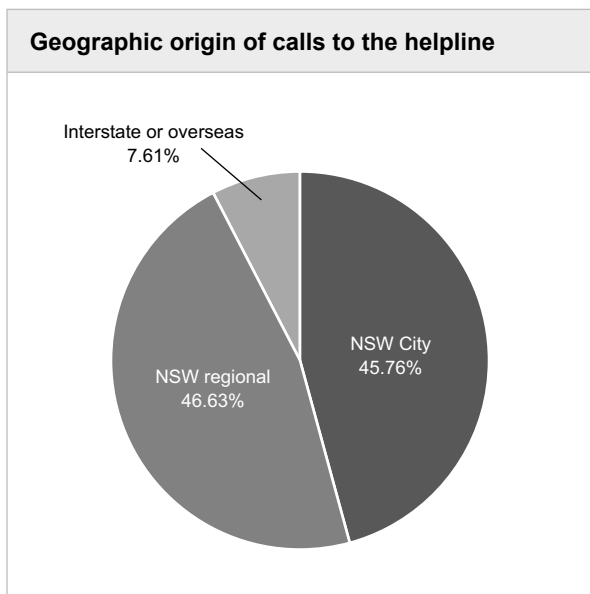
At the 2018 Sydney Royal Easter Show, the combined DPI Biosecurity and Food Safety stand once again proved to be a great success. With more than 780,000 visitors to the Show the interactive stand provided an excellent opportunity to engage directly with a large number of varied stakeholders.

Designed to represent the full 'paddock to plate' nature of food biosecurity and safety, the stand was designed to represent a suburban backyard and kitchen to promote the message that biosecurity and food safety starts at home.

NSW Food Authority customer helpline

Through the Food Authority's customer helpline we assisted 19,235 requests for advice, food complaints and transactions. Of those that were potentially resolvable by the helpline 86% were resolved during the first contact.

Some 2,246 calls were food complaints investigated by the Food Authority and 2,617 food complaints about retail outlets were referred to the relevant local council.



Educational and technical guidance materials

In 2017–18 the Food Authority identified a number of emerging issues requiring specific information targeting food businesses and consumers.

Retail food

- Edible insects
- Cooling potentially hazardous food
- Low THC hemp as food
- 4 hour / 2 hour rule (translated)
- Home-based food business
- Be Prepared. Be Allergy Aware (brochure - to include lupin)
- The Usual Suspects (poster - to include lupin)
- Allergy Aware checklist (poster - to include lupin)

Manufacturing and wholesale

- Manufacturing rice based desserts
- Rare roast beef
- Food recall plan

Meat

- Small meat processing facility - example plan
- Uncooked Comminuted Fermented Meat (UCFM) production process proforma
- Retail Meat Food Safety Program and Retail Diary (translated)

Dairy

- Raw milk cheese production process proforma
- NSW Dairy Food Safety Scheme Evaluation Report

Plant

- Rockmelon Listeriosis - Investigation Summary

Science and surveys

- Annual Food Testing Report 2016–2017
- *Campylobacter* in meat and offal
- *Campylobacter* in plants
- Allergen Survey

Compliance

- Fast Choices compliance report
- Project outcomes
 - Importer and Allergen Awareness - Food Importer Compliance Project
 - Reducing the risk of listeriosis in NSW - *Listeria* in Delicatessens Project
 - Pathogen reduction - Raw Egg Foods in High Risk Retail Food Premises Project

FOOD TESTING AND SURVEYS

The Food Authority regularly conducts testing of food products to ensure compliance to regulatory requirements, gather information to identify and respond to food safety issues and complaints, and as part of foodborne illness investigations. Appropriate actions were carried out to rectify any issues identified. From 1 July 2017 to 30 June 2018, 2,697 samples were submitted for testing.

Category	Number of samples
Verification programs	893
Research including targeted surveys	428
Food Safety Compliance	1,376
Total	2,697

Science based surveys to assist the food industry

The Food Authority undertakes scientific surveys in order to better understand, identify and respond to food safety issues and risks in NSW. The data obtained in the surveys allow the Food Authority to identify key food safety issues and develop systems and processes to manage the prevention of food poisoning effectively and maintain food safety. During 2017-18 this included:

- ***Campylobacter* in non-poultry**

The primary purpose of this survey was to gather information on the presence and level of *Campylobacter* in non-poultry food to inform the Food Authority's future risk assessment work. For this project, three reports were written and published on the Food Authority's website - *Campylobacter* in meat & offal, *Campylobacter* in plant products and *Campylobacter* in poultry liver.

- **Undeclared allergens in food**

The primary purpose of this survey was to gather information on the presence of undeclared allergens in packaged and unpackaged food. A report of the allergen survey was published on the Food Authority's web page in January 2018.

- ***Campylobacter* attribution study**

This project brings together *Campylobacter* isolates collected from humans, animals, and food sources in four states across Australia: NSW, ACT, Queensland and Victoria. Samples from food and animal sources are collected, tested for *Campylobacter*, and if positive, forwarded for whole genome sequencing to improve understanding on where *Campylobacter* came from and the relationship between food,

human and animal isolates. In NSW, 545 food samples are to be collected and tested by April 2019. To date, 450 samples have been tested.

- **Fermented beverages**

A fermented or brewed soft drink is defined in the Australia New Zealand Food Standards Code as a food that is prepared by a fermentation process from water with sugar and one or more of fruit or vegetable extractives or infusions and contains no more than 1.15% alcohol by volume.

The most common drinks in this category are kombucha, kefir and ginger beer. Inadequate control of fermentation can lead to high level of alcohol. A national survey led by Victoria was conducted to investigate the alcohol content in a range of brewed soft drinks. The survey report is currently being drafted.

Legislative changes and reduced regulatory burden

NSW food regulations are actively reviewed and updated to keep pace with changes in the food industry, and to minimise the burden of government regulation.

Food Regulation 2015

No changes to Food Regulation were made during 2017-18.

Food Amendment (Raw Milk Products) Regulation 2018

In November 2015, the Australia and New Zealand Ministerial Forum on Food Regulation noted that Australian jurisdictions had agreed to prevent the supply of raw cow's milk for human consumption through the supply chain using jurisdictional means.

In early 2018, the Food Authority developed the raw milk regulation to enable the Food Amendment (Raw Milk Products) Regulation 2018. This Amendment Regulation amends the NSW Dairy Food Safety Scheme in Food Regulation 2015 to require all raw milk activities to be licensed with the NSW Food Authority and creates an offence to supply raw milk products without one.

The Food Amendment (Raw Milk Products) Regulation 2018 was gazetted on 20 July 2018.

Participation in the national agenda

During 2017–18, the Food Authority contributed to the work of the Food Regulation Standing Committee, and supported participation by the Minister for Primary Industries in the Australia and New Zealand Ministerial Forum on Food Regulation.

Our bi-national food regulation framework operates with the support and cooperation of state and territory agencies responsible for food regulation.

Food Regulation System priorities for 2017–2021

In May 2017, Ministers identified three priority areas for 2017–2021 to further strengthen the food regulation system:

- **Reduce foodborne illness**, particularly related to *Campylobacter* and *Salmonella*, with a nationally-consistent approach.
- **Support the public health objectives** to reduce chronic disease related to overweight and obesity. This will include evaluating the effectiveness of existing initiatives and identify potential new initiatives, such as how the food regulation system can facilitate healthy food choices and positively influence the food environment.
- **Maintain a strong, robust and agile food regulation system** that gives confidence to consumers that their food is safe, and that the system can manage new and innovative industry approaches.

During 2017-18, progress was made on a number of activities that shape the implementation of these priority areas and the NSW Food Authority played a key role in coordinating NSW input and influencing national policy to enhance the food industry's reputation as producers of safe and sustainable food. These activities included:

Australia's Foodborne Illness Reduction Strategy 2018-2021+

The NSW Food Authority co-led the development of Australia's Foodborne Illness Reduction Strategy which was endorsed by the Australian and New Zealand Ministerial Forum on Food Regulation on 29 June 2018.

The Strategy focuses on food safety culture, sector based initiatives (horticulture, poultry, eggs and food service), consumer and industry information, research, monitoring and surveillance, and national engagement.

Health Star Rating – Front of pack labelling

The NSW Food Authority and NSW Health continue to work together to encourage NSW food manufacturers to adopt the national Health Star Rating (HSR) system. The HSR is a voluntary front-of-pack labelling scheme that displays an easy to compare interpretive health rating for packaged foods. HSR helps consumers to quickly identify foods that offer better nutritional choices within each grocery line.

As at 30 June 2018 it is estimated that at least 165 companies have adopted the HSR system in Australia, with more than 10,300 products displaying the label.

An Australian Survey was also considered by Food Ministers in June 2018. Key results indicate that 84%

of people are aware of the HSR system, 76% believe it is easy to use and understand, 63% said it makes choosing food easier and 71% agree that the HSR system helps consumers identify healthier options within the same food category.

The NSW Food Authority is a member of the HSR Advisory Committee, which oversees the implementation of the HSR system and through this representation, initiated the independent five-year review of the system. This review will inform Food Ministers if the system is meeting its objectives and of any necessary changes that may be required.

It is anticipated that a report will be provided to Australia and New Zealand Ministerial Forum on Food Regulation in June 2019.

Low THC Hemp as a food

The Low THC hemp as a food standard was gazetted on 3 May 2017, with a six-month transition period.

From 12 November 2017, hulled hemp seeds from low THC plants and food derived from hemp seeds, such as hemp seed oil, flour, protein powder or mixed foods was legally available for sale and consumption in NSW.

The NSW Food Authority provided guidance material and support to the NSW hemp industry and the retail sector to ensure requirements to comply with provisions contained in the Food Standards Code were well understood.

Country of origin labelling

On 30 June 2018, the NSW Food Authority ceased all regulatory responsibility for country of origin labelling. The Food Authority worked with the Australian Competition & Consumer Commission (ACCC) during 2017-18 to ensure a smooth transition of the arrangements for country of origin labelling to the ACCC from 1 July 2018.

STATUTORY REPORTING



Human resources

Since 1 July 2014 the NSW Food Authority has not directly employed staff: all staff are employed by the NSW Department of Industry.

In the financial year 2015-16, there were some changes to the internal structure within the Department of Primary Industries. This saw the NSW Food Authority and Biosecurity NSW come together in one branch, Biosecurity and Food Safety. As a result, the resource allocation and funding between the Department and the Food Authority was outlined in a *Shared Resources Agreement*, with the Food Authority retaining its statutory entity status under the *NSW Food Act 2003*.

In 2017-18, this agreement was renamed *Resources Agreement*.

Employee-related information on staff who provide services to the Food Authority is included in the Department of Primary Industries divisional section of the NSW Department of Industry's *Annual Report 2017–18*. This will be available from the [OpenGov NSW website](#) in November 2018.

Workforce diversity

Information relating to workforce diversity initiatives appear in the NSW Department of Industry's *Annual Report 2017-18*, which will be available from the [OpenGov NSW website](#) in November 2018.

Work health and safety

Information relating to work health and safety appear in the NSW Department of Industry's *Annual Report 2017-18*, which will be available from the [OpenGov NSW website](#) in November 2018.

Privacy management

The *Food Act 2003* imposes particular obligations on those administering or executing the Act not to disclose certain confidential information obtained by them in the course of their duties.

Other information collected and used by the Food Authority is managed according to the NSW Department of Industry's *Privacy Management Plan*.

Matters relating to more general collection, disclosure and use of personal information by the Food Authority are governed by provisions of the *Privacy and Personal Information Protection Act 1998*. Personal information which contains information or an opinion about an individual's health or disability is also subject to provisions of the *Health Records and Information Privacy Act 2002*.

More information on Privacy Management appears in the NSW Department of Industry's *Annual Report 2017-18*, which will be available from the [OpenGov NSW website](#) in November 2018.

Multicultural policies and services program

We have an ongoing commitment to the principles of multiculturalism, ensuring our services and facilities are accessible to everyone in New South Wales.

The Food Authority undertakes to:

- ensure our safety programs cater for the ethnic diversity of the state's consumers and food industry,
- service those from culturally and linguistically diverse (CALD) backgrounds,

This assists industry by ensuring that:

- food industry participants have appropriate access to the Food Authority's consultation processes, regulatory programs and advisory services,
- food industry participants have a better understanding of the Food Authority's role and practices relating to culturally diverse communities,
- our programs and services take account of culturally diverse and traditional methods of food preparation.

ACTIVITIES DURING 2017-18 INCLUDED:

Ongoing activities

The Food Authority provides an accredited interpreter service free of charge to CALD community members for on-demand calls with our helpline and during regulatory compliance interviews between food inspectors and food businesses. This is supported by staff accredited with language skills and access to the Community Language Allowance Scheme (CLAS) is also available to assist food inspection and customer helpline staff.

A range of food safety compliance information for food businesses and consumers is produced in a number of community languages - Arabic, Chinese simplified, Chinese traditional, Greek, Italian, Japanese, Khmer, Korean, Lao, Macedonian, Serbian, Spanish, Thai, Turkish and Vietnamese. Other resources are translated as needs are identified.

DEPARTMENTAL ACTIVITIES

Information relating to other departmental activities within the multicultural policies and services program appear in the NSW Department of Industry's *Annual Report 2017-18*, which will be available from the [OpenGov NSW website](#) in November 2018.

Consumer response

The Food Authority aims to maintain and improve the quality of the services we provide by identifying, addressing and resolving complaints about service delivery promptly, consistent with the NSW Department of Industry Complaint Handling Policy.

The Food Authority receives feedback and complaints through the primary contact point, the Food Authority Helpline (email/ phone/social media).

The table below includes complaints received by the Food Authority Helpline during 2017-18. Verbal complaints resolved at first contact are not included.

Nature of complaints	Number of complaints
Delay in service/service quality	7
Process	2
Other	4
Total	13

During 2017-18, the NSW Department of Industry Service-Related Complaints Policy and Procedures were revised to specially reference the six Complaint-Handling Commitments and support the implementation of Feedback Assist. More information on this appears in the NSW Department of Industry's *Annual Report 2017-18*, which will be available from the [OpenGov NSW website](#) in November 2018.

Other statutory requirements

Consultants

Seven consultants were engaged by the NSW Food Authority in 2017-18 for a total cost of \$42,249.

No consultants were engaged for more than \$50,000.

Risk Management and Insurance Activities

The NSW Food Authority is insured through the Treasury Managed Fund (TMF), a self-insurance scheme administered by the GIO (general insurance). The coverage provided by the scheme is all-inclusive and policies are held for motor vehicles, property, miscellaneous and public liability.

Risk management and all other insurance activities for the NSW Food Authority appear in the NSW Department of Industry's *Annual Report 2017-18*, which will be available from the [OpenGov NSW website](#) in November 2018.

Public Interest Disclosures

Public Interest Disclosures (PIDs) for the NSW Food Authority are managed centrally and are included in the consolidated PIDs information published in the NSW Department of Industry's *Annual Report 2017-18*, which will be available from the [OpenGov NSW website](#) in November 2018.

Overseas Travel

Information relating to overseas travel undertaken to promote investment in NSW and progress key business and research programs with global food safety partners, appear in the NSW Department of Industry's *Annual Report 2017-18*, which will be available from the [OpenGov NSW website](#) in November 2018.

Annual Report production

There was no external cost for the production of the NSW Food Authority Annual Report 2017–18. No hard copies were printed. This report is available for download from foodauthority.nsw.gov.au

Formal access requests

GIPA (Government Information Public Access) applications for the NSW Food Authority are managed centrally and are included in the consolidated GIPA information published in the NSW Department of Industry's *Annual Report 2017-18*. Further information about accessing documents under GIPA is on the Food Authority's website.

Digital Information Security Policy attestation

11 October 2018

ICT Board
c/- ICT Policy
Department of Finance & Services
Level 17, McKell Building
2-24 Rawson Place
SYDNEY NSW 2000



Digital Information Security Annual Attestation Statement for the 2017–2018 Financial Year for the NSW Food Authority

Information Security is important to the NSW Food Authority and a risk-based approach is taken with regards to the implementation of security controls. A forward program of work is ensuring a consistent approach to information security is applied across the Food Authority. Some of the systems used by the Food Authority are operated by the Department of Industry on behalf of the cluster agencies. Attesting to the security of these systems is the responsibility of the Department of Industry.

I, Lisa Szabo am of the opinion that the security controls in place to mitigate risks to the digital information of the NSW Department of Industry, as part of its ICT shared services for the past year were adequate. There has been continuous effort and targeted investment in Digital Information Security and digital transformation to ensure that the Department progresses its digital government agenda. Information security management arrangements, in place during the financial year, were consistent with the core elements set out in the Digital Information Security Policy for the NSW Public Sector and ISO 27001 Standard. Given the scale and complexity of new types of cyber threats that have become prevalent, effort and investment will need to be ongoing to ensure reliable, secure and cyber resilient digital information. The Department is reviewing current policies and developing a Cyber Risk and Information Management Plan to sustainably ensure capability and policy are kept in line with the evolving technology landscape. Specific work to address these areas is to be led by the NSW Department of Industry Chief Information Officer and the Office of the CIO.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lisa Szabo', is written over a light grey background.

Lisa Szabo
Chief Executive Officer
NSW Food Authority

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ABN: 47 080 404 416

Internal Audit and Risk Management attestation



Mr Sean Osborn
Director
Financial Management and Accounting Policy
The Treasury
PO Box 5469
SYDNEY NSW 2000

Dear Mr Osborn

**Internal Audit and Risk Management Attestation for the 2017–2018 Financial Year
for the NSW Food Authority**

Please find enclosed the abovementioned statement attesting compliance with *TPP15-03: Internal Audit and Risk Management Policy for the NSW Public Sector, July 2015*.

Should you wish to discuss this statement further please contact Effie Chen, Chief Audit Executive on tel. 9842 8034.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lisa Szabo'.

Lisa Szabo
Chief Executive Officer

Encl.



Internal Audit and Risk Management Attestation Statement for the 2017–2018 Financial Year for the NSW Food Authority

I, Lisa Szabo, Chief Executive, am of the opinion that the NSW Food Authority has internal audit and risk management processes in operation that are materially compliant with the Core Requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements	Compliant, non-compliant, or in transition
Risk Management Framework	
1.1 The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant*
Internal Audit Function	
2.1 An internal audit function has been established and maintained	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit and Risk Committee	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

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Membership

The Chair and members of the Audit and Risk Committee during the 2017–2018 financial year were:

- Mr Ken Barker - appointed as Independent Chair from 18 January 2016 until 17 January 2019, and as an Independent Member from 13 October 2011 until 17 January 2016;
- Mr Arthur Butler - appointed as an Independent Member from 25 November 2015 until 26 November 2018;
- Ms Victoria Weekes - initially appointed as an Independent Member on 8 April 2013 until 7 April 2016, subsequently re-appointed until 7 April 2021 and resigned from the committee in November 2017;
- Julie Elliot - initially appointed as an Independent Member (replacing Ms Weekes) from 22 February 2018 to 31 January 2022.

A handwritten signature in black ink, appearing to read 'Lisa Szabo'.

Lisa Szabo
Chief Executive Officer
NSW Food Authority

* The Audit and Risk Committee is closely monitoring activities to improve the maturity of the risk framework across the Department including greater consistency and sophistication of risk management, monitoring and reporting and deeper embedding of good risk practices beyond risk practitioners.

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Payment of accounts

The tables below summarise the NSW Food Authority's performance in paying accounts during 2017-18.

Aged analysis at the end of each quarter

Below is a schedule of the dollar amount of payment made during 2017-18 by the Food Authority.

Also included is the time these documents were paid, in relation to due date.

QUARTER	Current Within Date	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	Greater than 90 days overdue
All suppliers	\$	\$	\$	\$	\$
September 2017	1,121,390	13,626	-	1,500	1,000
December 2017	318,557	23,818	7,258	16,693	-
March 2018	145,929	37,766	3,220	-	-
June 2018	124,024	-	-	-	-
Total all suppliers	1,709,900	75,211	10,478	18,193	1,000

QUARTER	Current Within Date	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	Greater than 90 days overdue
Small Business	\$	\$	\$	\$	\$
September 2017	-	-	-	-	-
December 2017	-	-	-	-	-
March 2018	-	-	-	-	-
June 2018	-	-	-	-	-
Total small business	-	-	-	-	-

Accounts paid on time within each quarter

Measure	September 2017	December 2017	March 2018	June 2018	Full Year
Total number of accounts due for payment	189	78	61	43	371
Number of accounts paid on time	164	72	54	43	333
% of account paid on time (based on number of accounts)	86.8%	92.3%	88.5%	100.0%	89.8%
\$ amount of accounts due for payment	1,137,516	366,326	186,915	124,024	1,814,782
\$ amount of accounts paid on time	1,121,390	318,557	145,929	124,024	1,709,900
% of accounts paid on time (based on \$ amount of accounts)	98.6%	87.0%	78.1%	100.0%	94.22%
Number of payment for interest on overdue accounts	-	-	-	-	-
Interest paid on overdue accounts	-	-	-	-	-

Small Business	September 2017	December 2017	March 2018	June 2018	Full Year
Total number of accounts due for payment	-	-	-	-	-
Number of accounts paid on time	-	-	-	-	-
% of account paid on time (based on number of accounts)	N/A	N/A	N/A	N/A	N/A
\$ amount of accounts due for payment	-	-	-	-	-
\$ amount of accounts paid on time	-	-	-	-	-
% of accounts paid on time (based on \$ amount of accounts)	0.0%	N/A	N/A	N/A	N/A
Number of payment for interest on overdue accounts	-	-	-	-	-
Interest paid on overdue accounts	-	-	-	-	-

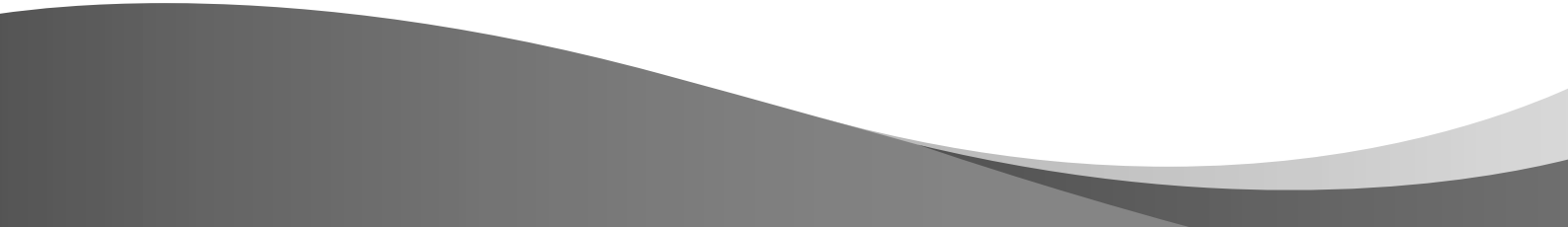
For the full 2017-18 financial year 94.22% (based on \$ amount) of all accounts were paid on time.

All accounts for payment are directed to and processed in the Food Authority's outsourced service provider, NSW Department of Primary Industry.

In addition:

- There were no instances of penalty interest being paid or incurred during 2017-18.

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FINANCIAL INFORMATION



Financial Information 2017–18

Statement by the Group Director Food Safety & CEO Food Authority

Pursuant to section 41C (1C) of the *Public Finance and Audit Act 1983*, and in relation to the NSW Food Authority, I state that:

- a) The accompanying financial statements and notes to the financial statements have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the provisions of the *Public Finance and Audit Act 1983*, the applicable clauses of the *Public Finance and Audit Regulation 2015*, and the financial reporting directions mandated by the Treasurer;
- b) The financial statements exhibit a true and fair view of the financial position of the NSW Food Authority as at 30 June 2018, and of its financial performance and its cash flows for the period then ended; and
- c) At the date on which the statement is signed, I am not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.



Lisa Szabo
Group Director Food Safety & CEO Food Authority
11 October 2018

Financial Information 2017–18



INDEPENDENT AUDITOR'S REPORT

NSW Food Authority

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of NSW Food Authority (the Authority), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Authority in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Financial Information 2017–18

Other Information

Other information comprises the information included in the Authority's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Chief Executive Officer of the Authority is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Chief Executive Officer.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive Officer's Responsibilities for the Financial Statements

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Authority will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

Financial Information 2017–18

My opinion does *not* provide assurance:

- that the Authority carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



C J Giumelli
Director, Financial Audit Services

11 October 2018
SYDNEY

Financial Information 2017–18

Beginning of audited financial statements

NSW FOOD AUTHORITY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Expenses excluding losses				
Operating expenses				
Personnel services*	2(a)	-	-	2,811
Other operating expenses	2(b)	16,705	19,832	5,466
Depreciation and amortisation	2(c)	822	1,250	918
Grants and subsidies		425	560	418
Total expenses excluding losses		17,952	21,642	9,613
Revenue				
Industry levies and license fees	3(a)	8,312	7,854	8,291
Grants and contributions	3(b)	-	11,152	9,056
Investment revenue	3(c)	360	370	333
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	-	-	481
Miscellaneous income and fees for services	3(e)	4,038	2,169	2,548
Total revenue		12,710	21,545	20,709
Gain / (loss) on disposal				
Gain / (loss) on disposal & impairments	4	318	-	-
Net Result		(4,924)	(97)	11,096
Other comprehensive income/(loss)				
Net increase/(decrease) in property, plant and equipment asset revaluation reserve	7	-	-	(876)
Total other comprehensive income		-	-	(876)
TOTAL COMPREHENSIVE INCOME		(4,924)	(97)	10,220

The accompanying notes form part of these financial statements.

Refer Note 15 for budget v. actual variance analysis.

* The NSW Food Authority entered into the Biosecurity and Food Safety Resources Agreement with the Department of Industry, effective from 1 July 2017. This agreement resulted in employee-related costs (personnel services) being replaced by a fee for service, which is recognised in operating expenses. Refer Note 21 for details.

Financial Information 2017–18

NSW FOOD AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
ASSETS				
Current Assets				
Cash and cash equivalents	5	38,940	25,092	26,132
Receivables	6	1,048	1,504	2,485
Total Current Assets		39,988	26,596	28,617
Non-Current Assets				
Property, plant and equipment	7			
Land and buildings		8,328	8,258	9,874
Plant and equipment		332	368	473
Total property, plant and equipment		8,660	8,626	10,347
Intangible assets	8	2,511	2,465	2,488
Total Non-Current Assets		11,171	11,091	12,835
Total Assets		51,159	37,687	41,452
LIABILITIES				
Current Liabilities				
Payables	10(a)	17,709	2,373	1,472
Provisions	10(b)	-	-	1,554
Total Current Liabilities		17,709	2,373	3,026
Non-Current Liabilities				
Provisions	11	-	-	20,029
Total Non-Current Liabilities		-	-	20,029
Total Liabilities		17,709	2,373	23,055
Net Assets		33,450	35,314	18,397
EQUITY				
Accumulated funds		30,028	31,889	14,975
Reserves		3,422	3,425	3,422
Total Equity		33,450	35,314	18,397

The accompanying notes form part of these financial statements.

Refer Note 15 for budget v. actual variance analysis.

Financial Information 2017–18

NSW FOOD AUTHORITY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Accumulated Funds \$000	Asset Revaluation Reserve \$000	Total \$000
Balance at 1 July 2017		14,975	3,422	18,397
Net result for the year		(4,924)	-	(4,924)
Other comprehensive income				
Net increase / (decrease) in property, plant and equipment		-	-	-
Total comprehensive income for the year		(4,924)	-	(4,924)
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	20	19,977	-	19,977
Balance at 30 JUNE 2018		30,028	3,422	33,450
Balance at 1 July 2016		(238)	4,298	4,060
Net result for the year		11,096	-	11,096
Total other comprehensive income				
Net increase / (decrease) in property, plant and equipment		-	(876)	(876)
Total comprehensive income for the year		11,096	(876)	10,220
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers		4,117	-	4,117
Balance at 30 June 2017		14,975	3,422	18,397

The accompanying notes form part of these financial statements.

Financial Information 2017–18

NSW FOOD AUTHORITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Payments to suppliers and employees		(435)	(22,017)	(21,523)
Grants and subsidies		(425)	(560)	(418)
Total Payments		(860)	(22,577)	(21,941)
Receipts				
Industry levies, licenses and other		12,148	11,823	13,947
Grants and contributions received		-	11,152	9,056
Interest received		360	370	333
Total Receipts		12,508	23,345	23,336
NET CASH FLOWS FROM OPERATING ACTIVITIES	13	11,648	768	1,395
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	4	1,670	1,350	-
Payment for property, plant and equipment	7	-	(200)	(566)
Payment for intangible assets	8	(510)	(900)	(845)
NET CASH FLOWS FROM INVESTING ACTIVITIES		1,160	250	(1,411)
CASH FLOWS FROM FINANCING ACTIVITIES				
		-	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-	-
NET INCREASE/(DECREASE) IN CASH		12,808	1,018	(16)
Opening cash and cash equivalents		26,132	24,074	26,148
CLOSING CASH AND CASH EQUIVALENTS	5	38,940	25,092	26,132

The accompanying notes form part of these financial statements.

The Budget statement of cash flows was not reported to parliament in 2017-18 Budget Paper No.3 and instead published online at www.budget.nsw.gov.au.

Refer Note 15 for budget v. actual variance analysis.

Financial Information 2017–18

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

The NSW Food Authority ('the Authority') was established on 5 April 2004 as a result of the proclamation of the *Food Legislation Amendment Act 2004*. It was established by merging Safe Food Production NSW (Safe Food) with the food regulatory activities of the NSW Department of Health. It is responsible for ensuring that food safety standards are implemented in an integrated and consistent way at all points in the food supply chain. The Authority is a statutory body under Schedule 2 of the *Public Finance and Audit Act 1983* and is a not-for-profit entity as profit is not its principal objective.

These financial statements for the period ended 30 June 2018 have been authorised for issue by the Group Director Food Safety & CEO Food Authority on the date on which the accompanying statement by the Group Director Food Safety & CEO Food Authority was signed.

(b) Basis of preparation

The Authority's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- the Financial Reporting Directions mandated by the Treasurer.

Property, plant and equipment, assets held for sale and financial assets at 'fair value through profit and loss' and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key report assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Grants and subsidies paid

Grants and subsidies are generally recognised as an expense when the Authority relinquishes control over the assets comprising the grant/subsidies.

(e) Insurance

The Authority's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

(f) Fee expense

In accordance with the Biosecurity and Food Safety Resources Agreement (RA) for financial year 2017-18, the Authority reimburses the NSW Department of Industry (the Department) a fee for service as well as operating expenses incurred by the Department on behalf of the Authority.

(g) Accounting for the Goods and Services Tax (GST)

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

- the amount of GST incurred by the Authority as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Tax Office are classified as operating cash flows.

Financial Information 2017–18

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

- (i) **Government grants**
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Authority will comply with all attached conditions.
- (ii) **Contributions and grants from other bodies**
Grants and contributions from other bodies are generally recognised as revenues when the Authority obtains control over the asset comprising the contribution. Control over grants and contributions are normally obtained upon receipt of the cash.
- (iii) **Investment revenue**
Interest revenue is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.
- (iv) **Sale of goods and services**
Revenue from the sale of goods is recognised as revenue when the Authority transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods. Revenue from services rendered is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).
- (v) **Levies and licenses revenue**
Meat levies are recognised as revenue over the period of the levy. Industry levies and licence fees are recognised when invoiced and expected to receive the money before the year end or expiry of their current licence.
- (vi) **Infringement charges and fines**
Infringement charges and fines are recognised as revenue when the revenue is received.

(i) Property, Plant and Equipment

- (i) **Acquisition of property, plant and equipment**
Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.
Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. deferred payment amount is effectively discounted over the period of credit.
Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.
- (ii) **Capitalisation thresholds**
Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.
- (iii) **Maintenance**
Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Financial Information 2017–18

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, Plant and Equipment (Continued)

(iv) Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Authority.

All material identifiable components of assets are depreciated separately over their useful lives.

Land is not a depreciable asset.

The depreciation rates the Authority uses are:

Plant and Equipment	10% to 25%
Buildings	2% to 7%

(v) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with *AASB 13 Fair Value Measurement* and *AASB 116 Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any sociopolitical restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs.

Revaluations shall be made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Authority conducts a comprehensive revaluation at least every three years for its land and buildings where the market or income approach is the most appropriate valuation technique and at least every five years for other classes of property, plant and equipment. The last comprehensive revaluation was completed on 31 March 2017 and was based on an independent assessment.

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. The Authority has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

Financial Information 2017–18

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, Plant and Equipment (Continued)

(vi) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under *AASB 136 Impairment of Assets* is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal is material. Specially, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash-generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement costs, where depreciated replacement cost is also fair value.

The Authority assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

(j) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(k) Intangible assets

The Authority recognises intangible assets only if it is probable that future economic benefits will flow to the Authority and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

Following initial recognition intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Authority's intangible software assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. The Authority's intangible assets are amortised using the straight line method over their estimated useful lives. The rate the Authority uses are 20% to 50%. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

(l) Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in net result.

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial Instruments (continued)

The Authority determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(i) Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of discounting is material.

Impairment of financial assets

All financial assets, except those at fair value through profit and loss, are subject to an annual review for impairment. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

For certain categories of financial assets, such as trade receivables, the Authority first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

When an available-for-sale financial asset is considered to be impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. However, reversals of impairment losses on an investment in an equity instrument classified as 'available-for-sale' must be made through the revaluation surplus. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(ii) Financial liabilities

Payables represent liabilities for goods and services provided to the Authority and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Financial Information 2017–18

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Instruments (continued)

(iii) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or if the Authority transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the Authority has not transferred substantially all the risks and rewards, if the Authority has not retained control.

Where the Authority has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Authority's continuing involvement in the asset. In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Authority could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(m) Provisions

(i) Personnel services

From 1 July 2017, the Authority entered into the "Biosecurity and Food Safety Resources Agreement" (RA) with the Department. The fee for service that is paid by the Authority includes settlement of employee-related liabilities as they are incurred. Consequently, personnel services expenses and liabilities are not recognised by the Authority. In 2016-17, personnel services included all applicable employee benefits such as salaries and wages, recreation leave, long service leave, superannuation, workers' compensation insurance and payroll tax.

The Authority's liabilities for long service leave were assumed by the Crown Entity through Department of Industry from 1 April 2017. In addition, from 1 July 2017, the Authority's defined benefit superannuation liabilities were assumed by the Crown Entity through the Department and all other personnel services provisions and costs were transferred to the Department.

(ii) Other Provisions

Other provisions exist when the Authority has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

(n) Equity and Reserves

(i) Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Authority's policy on the revaluation of property, plant and equipment as discussed in note 1(i) (v).

(ii) Accumulated Funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

(iii) Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. revaluation surplus and foreign currency translation reserve).

Financial Information 2017–18

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Equity and Reserves (Continued)

(iv) Equity Transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities and 'equity appropriations' are designated or required by Australian Accounting Standards to be treated as contributions by owners and recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the Authority recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Authority does not recognise that asset.

(o) Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

A number of the Authority's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 *Fair Value Measurement*, the Authority categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- (i) Level 1 - quoted (unadjusted) prices in active markets for identical assets / liabilities that the Authority can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- (iii) Level 3 - inputs that are not based on observable market data (unobservable inputs).

The Authority recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Note 9 and Note 19 for further disclosures regarding fair value measurements of financial and non-financial assets.

(p) Budgeted Amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 15.

(q) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements

Financial Information 2017–18

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2017-18

The accounting policies applied in 2016-17 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have been applied for the first time in 2017-18:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

(ii) New Australian Accounting Standards issued but not effective

The following new Australian Accounting Standards have been issued but are not yet effective. The Authority has not early adopted any of these new standards or amendments. When applied in future periods, they are not expected to have a material impact on the financial position or performance of the Authority.

- AASB 9 Financial Instruments (1 July 2018)
- AASB 16 Leases (1 July 2019)
- AASB 15 Revenue from Contracts with Customers - the mandatory application date has been deferred for not-for-profit entities.
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 - the mandatory application date has been deferred for not-for-profit entities (1 July 2019)
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (1 July 2019)
- AASB 1058 Income of Not-for-profit Entities (1 July 2019)
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation (1 July 2019)

Financial Information 2017–18

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. EXPENSES EXCLUDING LOSSES

	2018	2017
	\$000	\$000
(a) Personnel services (refer also note 21)		
Salaries and wages (including recreation leave)	-	9,915
Superannuation - defined benefit plans	-	(9,591)
Superannuation - defined contribution plans	-	1,072
Long service leave	-	714
Workers compensation insurance	-	32
Payroll tax and fringe benefits tax	-	669
Redundancy payments	-	-
	<u>-</u>	<u>2,811</u>
(b) Other operating expenses include the following:		
Advertising & promotion	1	203
Audit Fees	95	100
Consultants	42	162
Contract laboratory services	459	812
Contractors	758	879
Information Technology costs	3	623
Legal Fees	75	200
Occupancy & maintenance	151	806
Fee for staffing resources - Resources Agreement (refer also note 21)	11,954	-
Fee for service - Resources Agreement (refer also note 21)	2,330	-
Other fees	16	228
Other operating expenses	138	215
Printing, consumable & stores	25	289
Training & development	2	87
Travel & entertainment	656	862
	<u>16,705</u>	<u>5,466</u>
(c) Depreciation and Amortisation		
Depreciation expense		
Buildings	199	196
Plant and equipment	136	200
Total Depreciation expense	<u>335</u>	<u>396</u>
Amortisation Expense		
Intangibles	487	522
Amortisation expense	<u>487</u>	<u>522</u>
Total Depreciation and Amortisation Expense	<u>822</u>	<u>918</u>

3. REVENUE

	2018	2017
	\$000	\$000
(a) Industry levies and license fees		
Industry Levies	1,049	1,049
License Fees	7,263	7,242
	<u>8,312</u>	<u>8,291</u>
(b) Grants and contributions		
Grants from NSW Department of Industry	-	9,056
	<u>-</u>	<u>9,056</u>
(c) Investment revenue		
Interest revenue	360	333
	<u>360</u>	<u>333</u>
(d) Acceptance by the Crown Entity of employee benefits and other liabilities		
The following expenses have been assumed by the Crown Entity:		
Long service leave	-	481
	<u>-</u>	<u>481</u>

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

3. REVENUE (CONTINUED)

	2018	2017
	\$000	\$000
(e) Miscellaneous income and fees for services		
Audit and inspection fees (from the food industry)	1,918	1,961
Rent and property income (from sub-tenants)	138	123
Infringement charges and fines	123	193
Assumption of personnel services liabilities by Department of Industry	1,639	-
Other income	220	271
	4,038	2,548

4. GAIN / LOSS ON DISPOSAL & IMPAIRMENTS

	2018	2017
	\$000	\$000
Gain / (loss) on disposal of property, plant and equipment		
Proceeds from disposal	1,670	-
Written down value of assets disposed	(1,352)	-
Gain / (loss) on disposal	318	-

5. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2018	2017
	\$000	\$000
Cash at bank and on hand	38,940	26,132
	38,940	26,132

For the purposes of the Statement of Cash Flows, the Authority considers cash to be cash at bank, cash advances and short term deposits.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per statement of financial position)	38,940	26,132
Closing cash and cash equivalents (per statement of cash flows)	38,940	26,132

Refer Note 19 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. CURRENT ASSETS - RECEIVABLES

	2018	2017
	\$000	\$000
CURRENT		
Receivables	1,093	2,537
Allowance for impairment of receivables	(45)	(52)
	1,048	2,485
Movement in the allowance for impairment		
Balance at 1 July	52	259
Amounts written off during the year	(44)	(31)
Increase/(decrease) in allowance recognised in profit or loss	37	(176)
Balance at 30 June	45	52

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

7. NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT

	2018	2017
	\$000	\$000
Land at fair value		
At fair value	2,630	2,978
Net carrying amount	2,630	2,978
Buildings at fair value		
Gross carrying amount	6,416	7,598
Accumulated depreciation and impairment	(718)	(702)
Net carrying amount	5,698	6,896
Total Land and Buildings at fair value		
Gross carrying amount	9,046	10,576
Accumulated depreciation and impairment	(718)	(702)
Net carrying amount	8,328	9,874
Plant and Equipment at fair value		
Gross carrying amount	1,396	1,533
Accumulated depreciation and impairment	(1,064)	(1,060)
Net carrying amount	332	473
Total Property, Plant and Equipment net carrying amount	8,660	10,347

Reconciliation

The following table shows reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current and previous financial years.

30 June 2018	Land and Buildings \$000	Plant and Equipment \$000	Total \$000
Net carrying amount at 1 July 2017	9,874	473	10,347
Written down value of assets disposed	(1,347)	(5)	(1,352)
Depreciation expense	(199)	(136)	(335)
Net carrying amount at end of period	8,328	332	8,660
30 June 2017	Land and Buildings \$000	Plant and Equipment \$000	Total \$000
Net carrying amount at 1 July 2016	10,385	668	11,053
Additions	561	5	566
Net revaluation increment less revaluation decrement	(876)	-	(876)
Depreciation expense	(196)	(200)	(396)
Net carrying amount at 30 June 2017	9,874	473	10,347

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8. INTANGIBLE ASSETS

	2018	2017
	\$000	\$000

Intangible Assets

Software		
Gross carrying amount	5,126	4,648
Accumulated amortisation and impairment	(2,615)	(2,160)
Net Carrying amount	<u>2,511</u>	<u>2,488</u>

Reconciliation

	2018	2017
	\$000	\$000
Opening net carrying amount	2,488	2,164
Additions	510	845
Amortisation expense	(487)	(521)
Net carrying amount at end of period	<u>2,511</u>	2488

9. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

Valuation of Land and Buildings as at 31 March 2017 was performed by Opteon Property Group (OPG).

The Fair Value of non-financial assets has been measured in accordance with AASB 13 *Fair Value Measurement*. Under AASB 13, fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

To increase consistency and comparability in fair value measurements and related disclosures, AASB 13 establishes a fair value hierarchy that categorises into three levels aligned to the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for asset or liability. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for asset or liability at the measurement date. Where Level 3 is adopted a sensitivity analysis shall be included in the assessment of value.

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
At 30 June 2018				
Property, plant and equipment				
Land and buildings (Note 7)	-	8,328	-	8,328
At 30 June 2017				
Property, plant and equipment				
Land and buildings (Note 7)	-	9,874	-	9,874

There were no transfers between level 1 or 2 during the period. Property, plant and equipment have been valued using market evidence taking into account condition, location and comparability and is therefore categorised as Level 2.

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9. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (CONTINUED)

(b) Valuation techniques, inputs and processes

OPG have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties that have occurred in the subject market. A variety of approaches have been considered and details of principal approaches to value was provided. For Newington land and building, Direct comparison approach was the primary method of valuation used. The property is compared directly with sales of other properties in similar locations with reference to the rate per square metre of lettable area, and adjustments made for small points of difference. OPG also considered the Capitalisation approach as a check method. This method takes into account not only the initial return from the property but also rental growth and risk to income and capital value. The Depreciated Cost method has been used as a check method in deriving the valuation basis.

10. CURRENT LIABILITIES

	2018	2017
	\$000	\$000
(a) Payables		
Creditors - trade & accruals*	17,709	1,236
Accrued salaries, wages, on-costs and payroll tax - payable to the Department	-	236
	<u>17,709</u>	<u>1,472</u>

*The significant increase in the amount of creditors - trade & accruals is due to the fee for service and fee for resources accruals made throughout the year in accordance with the Resources Agreement.

(b) Provisions

Annual leave	-	1,006
Long service leave	-	548
	<u>-</u>	<u>1,554</u>

11. NON-CURRENT LIABILITIES

	2018	2017
	\$000	\$000
Provisions		
Other personnel services payable		
Superannuation	-	19,977
Non-current long service leave	-	52
	<u>-</u>	<u>20,029</u>

The Authority's superannuation provisions and expenses were assumed by the Crown Entity through the Department and all other personnel services provisions were assumed by the Department from 1 July 2017 (refer also to Note 21).

12. PERSONNEL SERVICES LIABILITIES

The outstanding balances with the Department are for the supply of personnel services to the Authority as at the end of period:

	2018	2017
	\$000	\$000
<i>Current liabilities</i>		
Accrued salaries, wages, on-costs, payroll tax & GST on personnel services	-	236
Current provisions - personnel services	-	1,554
	<u>-</u>	<u>1,790</u>
<i>Non-current liabilities</i>		
Non-current provisions - personnel services	-	20,029
	<u>-</u>	<u>20,029</u>

The Authority's superannuation provisions and expenses were assumed by the Crown Entity through the Department and all other personnel services provisions were assumed by the Department from 1 July 2017 (refer also to Note 21).

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13. RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING RESULT

	2018	2017
	\$000	\$000
Net cashflows from operating activities	11,648	1,395
Depreciation and amortisation	(822)	(918)
(Loss)/gain on disposal & impairments of Non-Current Assets	318	-
Movement in allowance for impairment	7	207
Increase/(Decrease) in Receivables	(1,444)	(120)
Decrease/(Increase) in Payables	(16,237)	1,030
Decrease/(Increase) in Current Provisions	1,554	3,743
Decrease/(Increase) in Non-Current Provisions	20,029	9,876
(Increase)/Decrease in Net Assets from Equity Transfers	(19,977)	(4,117)
Net Result for the year	(4,924)	11,096

14. EXPENDITURE COMMITMENTS

	2018	2017
	\$000	\$000
Operating lease commitments		
Future non-cancellable operating lease rentals not provided for and payable		
Not later than one year	61	15
Later than one year and not later than five years	255	-
Later than five years	-	-
Total (excluding GST)	316	15
Representing non cancellable leases:		
Premises	316	15
Total (excluding GST)	316	15

15. BUDGET REVIEW

The budget process is finalised prior to the beginning of each financial year. Events can arise after that date that necessitate variations to the planned activities of the Authority. This in turn may cause variations to the financial activities.

Net result

Net result budgeted for the year 2017-18 was a deficit of \$97,000. Actual net result for the year was a deficit of \$4.9 million. The unfavourable variance of \$4.8 million is primarily attributable to a decrease in grant revenue received from the Department (\$11.2 million). In accordance with NSW Treasury policy, the Authority is funded on a cash needs basis. The Authority had sufficient cash to meet its operational requirements during 2017-18 and did not require grant funding. This was partially offset by increased revenue from assumption of personnel services by the Department (\$1.6 million) and lower than budgeted expenditure under the Resources Agreement (\$3.1 million).

Assets and Liabilities

Currents assets and current payables are higher than budgeted primarily due to outstanding balances with the Department under the Resources Agreement.

Cash flows

Net cashflows from operating activities were lower than the budgeted due to pending payments to the Department under the Resources Agreement. Net cash inflows were also lower than budgeted as the Authority did not receive grant funding from the Department.

Net cashflows from investing activities were higher than the budgeted amounts due to higher than expected sale proceeds, and an underspend in asset purchases.

16. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Authority has no contingent assets or contingent liabilities at 30 June 2018 (2017: Nil)

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NSW FOOD AUTHORITY

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17. SEGMENT INFORMATION

The Authority operates predominantly in one industry, being the food safety industry and in one geographical location, being New South Wales.

18. RELATED PARTY DISCLOSURES

During the year, the Authority incurred \$234,321 (2017: \$235,625) in respect of the key management personnel services that were provided by the Department.

During the year, the Authority did not enter into transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year, the Authority entered into transactions with other entities that are controlled / jointly controlled / significantly influenced by NSW Government. The following transactions are in aggregate a significant portion of the Authority's rendering of services/receiving of services:

- The Authority's superannuation provisions and expenses were assumed by the Crown Entity through the Department and all other personnel services provisions were assumed by the Department from 1 July 2017.

Following are the list of NSW Government entities with whom the Authority had collectively, but not individually, significant transactions during financial year 2017-2018.

Entity	Nature of Transaction
Audit Office NSW	Provides independent audit services on the Authority's financial statements.
Department of Industry	Service fees expenses for operational expenses. The Authority's recurrent grants are also received through the Department.
NSW Self Insurance	Provides insurance services to the Authority.
Local Land Services	Collection of meat levy on behalf of NSW Food Authority

19. FINANCIAL INSTRUMENTS

The Authority's principal financial instruments are outlined below. These financial instruments arise directly from the Authority's operations or are required to finance the Authority's operations. The Authority does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Authority's main risks arising from financial instruments are outlined below, together with the Authority's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Authority's Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Authority, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Audit and Risk Committee.

(a) Financial Instrument Categories

Financial Assets	Notes	Category	Carrying Amount 2018	Carrying Amount 2017
Class:			\$000	\$000
Cash and cash equivalents	5	N/A	38,940	26,132
Receivables ¹	6	Loans and receivables (at amortised cost)	1,033	2,495
Financial Liabilities	Notes	Category	Carrying Amount 2018	Carrying Amount 2017
Class:			\$000	\$000
Payables ²	10(a)	Financial liabilities measured at amortised cost	17,709	1,472

Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit Risk

Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations, resulting in a financial loss to the Authority. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Authority, including cash, receivables and authority deposits. No collateral is held by the Authority. The Authority has not granted any financial guarantees. Credit risk associated with the Authority's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp Hour Glass cash facility is discussed in paragraph (d) below

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions and the *Food Act 2003* are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Authority will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

The Authority is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due 2018: \$498,702 (2017: \$2,004,574) and less than 3 months past due 2018: \$219,660 (2017: \$232,291) are not considered impaired and together these represent 69% of the total trade debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

	Total \$000	Past due but not impaired \$000	Considered impaired \$000
2018			
< 3 months overdue	220	220	-
3 months - 6 months overdue	29	29	-
> 6 months overdue	330	285	45
2017			
< 3 months overdue	232	232	-
3 months - 6 months overdue	25	25	-
> 6 months overdue	284	232	52

Notes

- Each column in the table reports 'gross receivables'.
- The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the Statement of Financial Position.

(c) Liquidity risk

Liquidity risk is the risk that the Authority will be unable to meet its payment obligations when they fall due. The Authority continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior year, there were no defaults or breaches of loans payable. No assets have been pledged as collateral. The Authority's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. The rate of interest applied during the year was Nil (2017: Nil)

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19. FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarises the maturity profile of the Authority's financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	\$000 Interest Rate Exposure			\$000 Maturity Dates			
		Nominal Amount	Fixed Interest Rate	Variable Interest Rate	Non- interest bearing	< 1 yr	1-5 yrs	> 5 yrs
2018								
<i>Payables</i>		17,709	-	-	17,709	17,709	-	-
		17,709	-	-	17,709	17,709	-	-
2017								
<i>Payables</i>		1,472	-	-	1,472	1,472	-	-
		1,472	-	-	1,472	1,472	-	-

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority's exposure to market risk is very limited as it has no borrowings and all its deposits are at call. The Authority has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Authority operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposure in existence at the year end. The analysis is performed on the same basis as for 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk is minimal as the Authority has no interest bearing liabilities or borrowings. The Authority does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Authority's exposure to interest rate risk is set out below:

	Carrying Amount Net Result		Equity \$000	Net Result		Equity \$000
	\$000	\$000		\$000	\$000	
		-1%		+1%		
2018						
Financial Assets						
Cash and cash equivalents	38,940	(389)	(389)	389	389	
Receivables	1,033	-	-	-	-	
Financial Liabilities						
Payables	17,709	-	-	-	-	
2017						
Financial Assets						
Cash and cash equivalents	26,132	(261)	(261)	261	261	
Receivables	2,495	-	-	-	-	
Financial Liabilities						
Payables	1,472	-	-	-	-	

Other price risk - Tcorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The Authority has no direct equity investments. The Authority holds no units in the TCorp Hour-Glass investment trusts.

(e) Fair value measurement

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

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20. INCREASE IN NET ASSETS FROM EQUITY TRANSFERS

From 1 July 2017, the Authority's liabilities for defined benefit superannuation of \$19,977,000 were assumed by the Crown Entity through the Department of Industry. The Authority accounted for the liability as having been extinguished resulting in the amount assumed being shown as part of non-monetary Equity Transfers in the Statement of Changes in Equity.

21. RESOURCES AGREEMENT

The Authority entered into the Biosecurity and Food Safety Resources Agreement with the Department, effective from 1 July 2017. The agreement includes a fee for staffing resources and reimbursement of operating expenses for activities undertaken by Department staff relating to the Authority's statutory functions. As a result of this agreement, all personnel services liabilities not assumed by the Crown Entity were transferred to the Department. The Authority accounted for all personnel services liabilities as having been extinguished as at 1 July 2017 and does not recognise any personnel services expenses for the year ended 30 June 2018.

22. EVENTS AFTER THE REPORTING PERIOD

On 30 July 2018, the NSW Government announced additional drought assistance measures for farmers. These measures include waiving Local Land Services (LLS) annual rates for 2019, which includes the Meat Industry Levy paid to the Authority. There is no impact on the Authority's revenue for 2019 as the NSW Government will contribute additional funding for this waiver.

Other than the event noted above, there are no events subsequent to the balance that affect the financial information disclosed in these financial statements.

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