

ANNUAL REPORT

2018–19



Food
Authority

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ABOUT US



Our Minister



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

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.

I am 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 year has seen a number of milestones for the Food Authority – first and foremost its 15th birthday, a tremendous achievement that deserves celebration and reflection. Since its inception on 5 April 2004, the Authority has led the way in food safety, working closely with industry and food businesses to identify risks and actively reduce them.

The renowned Name and Shame register also chalked up a milestone with 10 years of operation and more than 14 million hits on the site since it launched in July 2008. This is an exceptional service to the NSW community, providing them with easily accessible information about businesses that have failed to meet food safety standards and giving them the power of choice.

The antidote to Name and Shame – Scores on Doors, our food hygiene and safety program that promotes the rating businesses achieve also reached a significant birthday with eight years of promoting good compliance of NSW retail food businesses.

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.

This financial year also brought challenges, particularly in the egg sector with the emergence of *Salmonella* Enteritidis (SE) for the first time in local flocks. I am incredibly proud of the efforts of the Food Authority and other NSW agencies in their combined response to this issue, working to limit the spread of SE to protect NSW consumers and minimise the impact on the state's poultry industries.

We have continued to see excellent results in the reduction of *Salmonella* overall, particularly *Salmonella* Typhimurium which continues to decline, thanks to the Food Authority's *Salmonella* Reduction Strategy.

We successfully addressed all priorities identified for the 2018-19 period including:

- **reducing** foodborne illness
- **enhancing** technology systems
- **maintaining** an agile food regulatory system, and
- **supporting** through clear information efforts to reduce chronic diet related health issues

As we celebrate the achievements of the last 15 years and head into the next, 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 2018-19 Annual Report to learn more about the positive outcomes the agency delivers for consumers and industry.



Hon. Adam Marshall MP
Minister for Agriculture
Minister for Western NSW

Letter of submission



16 October 2019

The Hon. Adam Marshall MP
Minister for Agriculture and Western NSW
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 2019.

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'.

Dr 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 Agriculture and Western NSW, and we provide a single point of contact on food safety and regulation for industry, government and consumers.

Our objectives

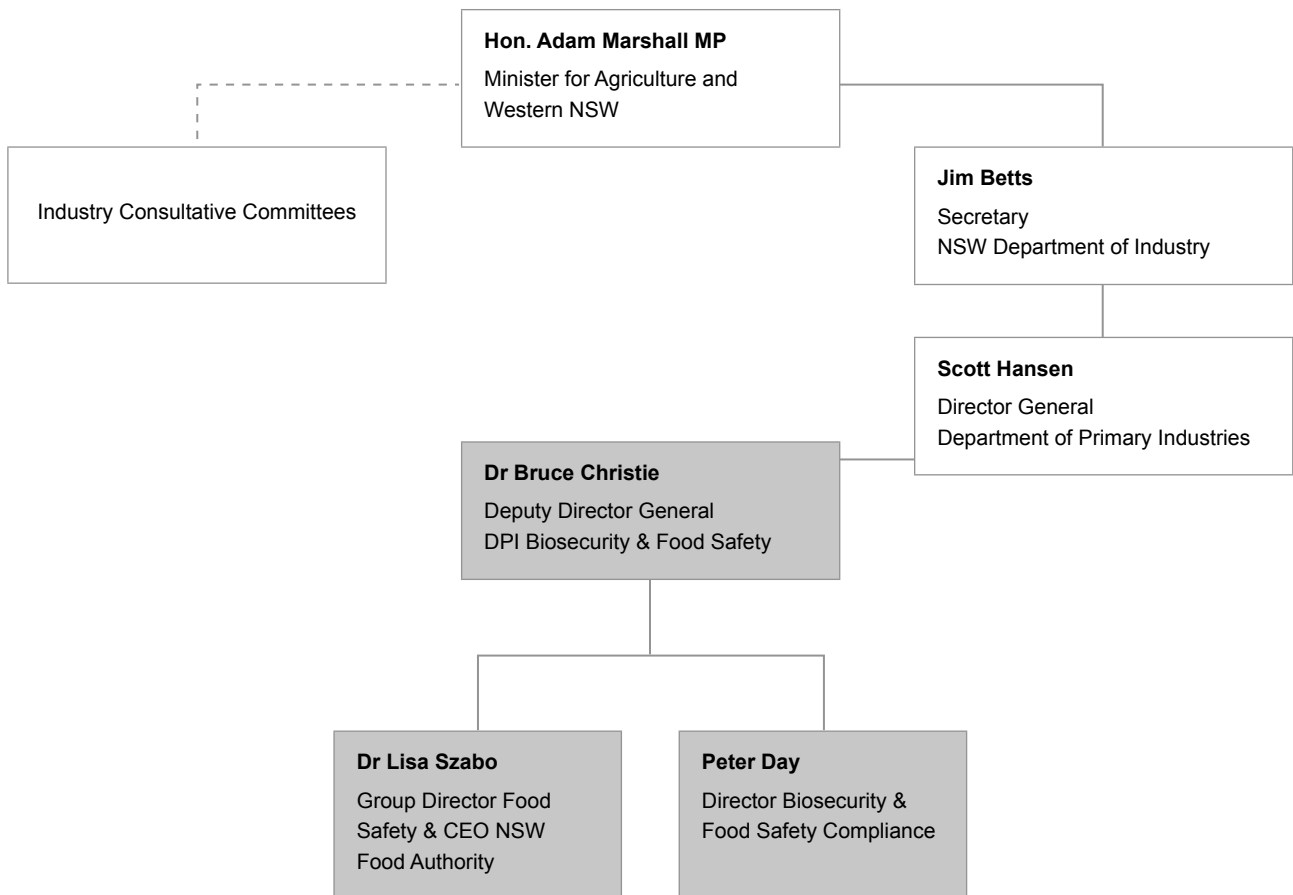
The NSW Food Authority has a coordinated and consistent approach to ensuring the people of NSW are safe and protected from risks to their health from food poisoning.

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

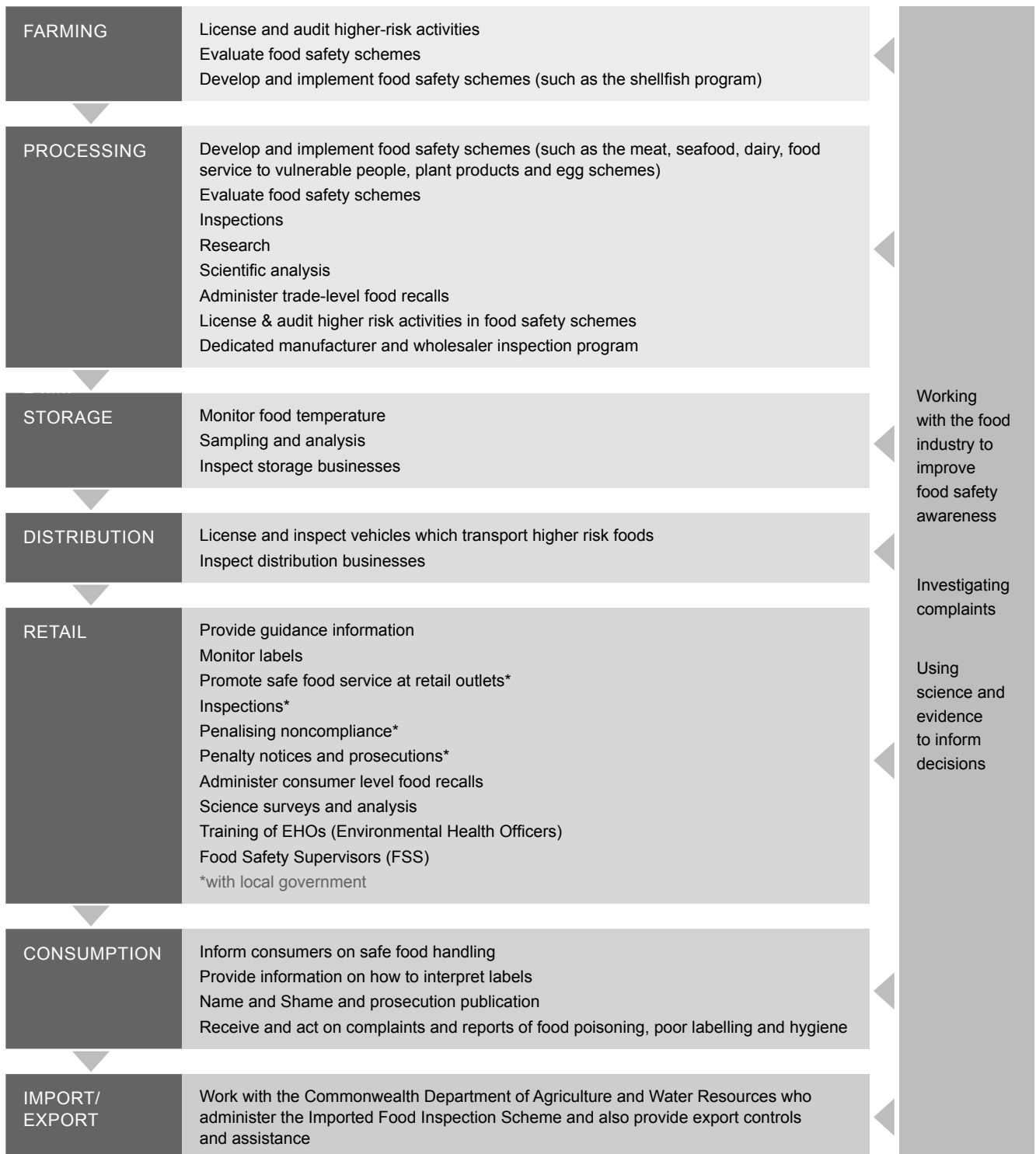
DPI Biosecurity & Food Safety Management Structure as at 30 June 2019



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 2018–19. The average compliance rate for NSW food businesses for the period was 95%, a slight improvement on the three year average.

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:

Reduced foodborne illness by:

- Maintaining the NSW Food Safety Strategy 2015-2021 goal of a 95% compliance rate for NSW food businesses
- Partnering with local government
 - rolled out a targeted *Campylobacter* reduction program and maintained our *Salmonella* reduction program in food service
- Growing the evidence base
 - developed evidence informing decisions about risk management of horticulture products
- Engaging with educators
 - developed food safety education resources and provide training for teachers who delivered the food technology school curriculum that was introduced in 2019 for year 8 and 9 NSW students
 - focused audits of registered training organisations on allergen training materials
- Enhanced incident response capability
 - reviewed current food incident response protocols to ensure ongoing effectiveness, including building staff capacity and capability

Enhanced technology systems through:

- Improving the use of digital technology
 - developed a business case for real time monitoring and surveillance in food service
 - collaborated with the Food Agility CRC on real-time monitoring of environmental conditions in shellfish harvest areas
 - new digital forms developed for engaging with stakeholders
- Working towards one health:
 - worked nationally to integrate data collected on humans, food and animals relating to the causes of foodborne illness
- Developed online training tools
 - rolled out online food safety training modules for authorised officers

Maintained an agile food regulatory system via:

- Assisting industries:
 - developed guidelines for small businesses to better understand their food safety obligation
 - assessed compliance with the new hemp food standard and raw milk regulation
 - enhanced the food labelling portal to assist with correct labelling
 - developed and implemented key food safety indicators for improved food safety management systems in the egg industry
- Food Fraud: Intelligence profile and targeted monitoring:
 - investigated and verified food composition and food safety practices in targeted industry sectors to detect and deter economically motivated adulteration

Reduced chronic diet related health issues by assisting in:

- Reviewing the Health Star Rating System
 - through representation on the national Health Star Rating Advisory Committee, overseeing the five-year review of the system so Ministers can make informed decisions about its future
- Evolved kJ menu labelling
 - Co-lead national consultation on enhancing and harmonising kJ menu labelling across jurisdictions

Meat

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

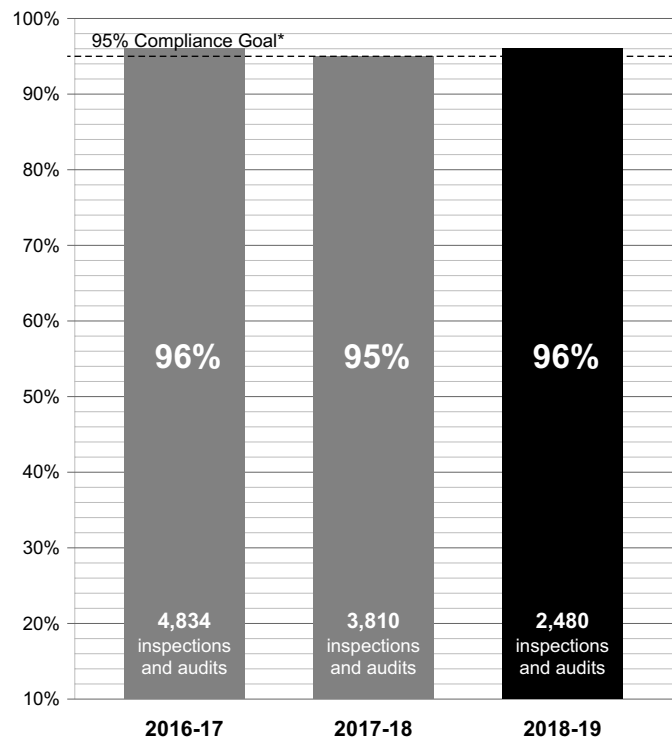
This includes:

- 34 poultry and rabbit abattoirs
- 32 red meat abattoirs
- 401 meat processing plants
- 372 poultry primary production premises
- 1,515 retail meat premises
- 576 game meat harvest vehicles and 88 field depots.

Of the 7,466 food transport vehicles licensed with the NSW Food Authority, approximately 5,600 are authorised to transport meat products.

Compliance across the sector with food safety program requirements for the 2018–19 financial period was 96%, consistent with the average over the past three years and exceeding the compliance goal of the NSW Food Safety Strategy 2015-21 target.

Meat sector compliance rate



*NSW Food Safety Strategy 2015–21 target

Increasing engagement to decrease risk in abattoirs and knackeries

As part of the NSW Food Authority's commitment to industry engagement and training and the early detection of food safety risks and animal disease outbreak management a training resource has been developed in conjunction with a number of other state and federal agencies to build the early identification and reporting capacity of abattoirs and knackeries.

The Emergency Animal Disease (EAD) Preparedness project was funded by the Department of Agriculture and Water Resources (DAWR) the Authority worked in conjunction with the broader NSW DPI, Local Land Services (LLS) and the National Meat Industry Training Advisory Council to protect the livestock industry from emergency animal disease and ensure food safety. The project focused particularly on small abattoirs and knackeries where staff had more capacity to engage with producers.

Biosecurity and Food Safety regulatory compliance priorities

One of the key priorities for the red meat sector in 2018/19 was the traceability.

During the period officers conducted a traceability project from property to property in order to enhance compliance and verification systems at key points in the supply chain for sheep, cattle, pigs and goats.

National Foodborne Illness Reduction Strategy 2018-2021

As part of its broader commitment to the national strategy the meat industry's focus on risk reduction was on poultry meat.

The focus was the national implementation of poultry process hygiene criteria (chicken meat only) that was managed by the Australian Meat Regulators Working Group over the 2018/19 period. The working group promoted consistency in terms of application and response in poultry process hygiene.

Improved compliance powers for illegal slaughter

Compliance officers now have expanded responsibilities when it comes to the investigation of illegal slaughter activities. Officers are now authorised under both the *Food Act 2003* and the *Biosecurity Act 2015*, giving them greater flexibility, scope and powers to more comprehensively investigate reports of illegal slaughter and enforce biosecurity as well as food safety requirements.

Response to trespass disruption

During 2018/19 an increased number of disruptions of food businesses and processing plants by animal rights trespassers was reported across the sector.

The activity has ramifications for food safety as well as biosecurity with unauthorized access into facilities being the potential cause of the introduction of diseases.

The disruptions have included vigils, drone surveillance, break in, theft of animals and privacy breaches. The NSW DPI has announced a project designed to specifically look at the issues of increasing animal activism disruption and compliance officers will work with industry in addressing this emerging issue.

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 Agriculture and Western NSW 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)

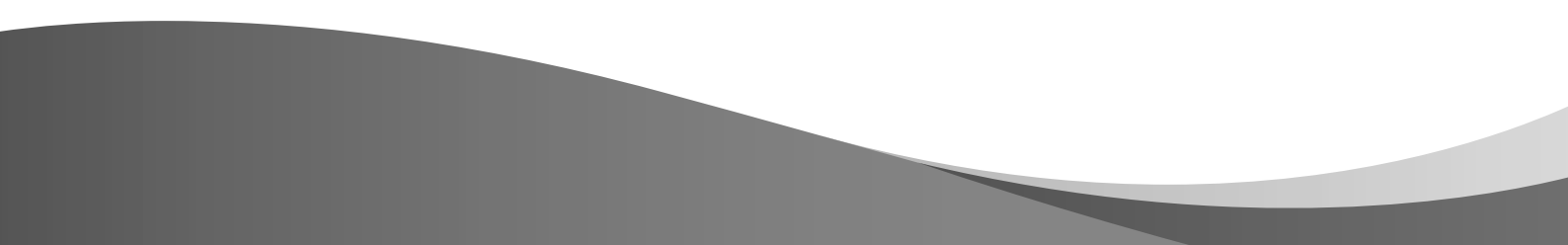
Australian Chicken Meat Federation (poultry meat industry)

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:

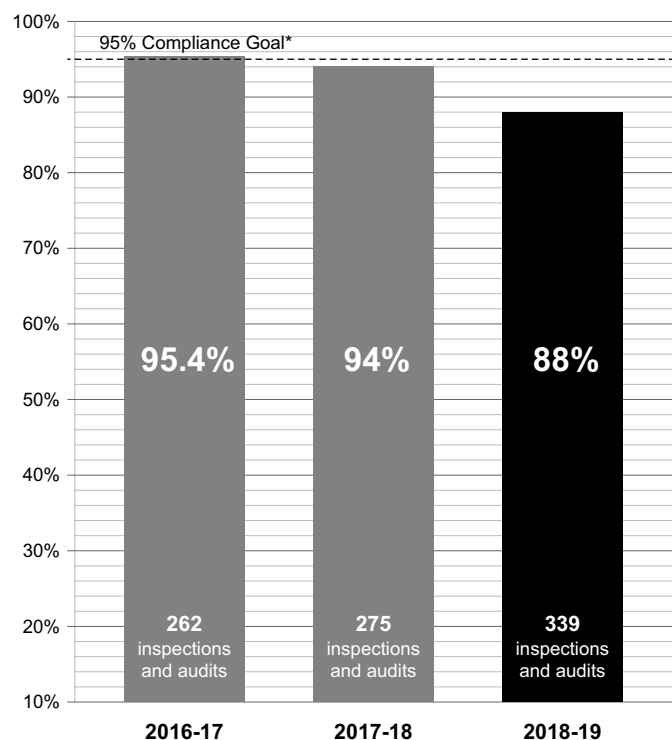
- 10 egg processors
- 312 egg producers
- cold food stores.

Of the 7,466 food transport vehicles licensed with the NSW Food Authority, approximately 2,600 are authorised to transport egg products.

Compliance across the sector with food safety program requirements for the 2018–19 financial period was 88%, slightly below the average over the past three years.

This result can be attributed to the detection of *Salmonella* Enteritidis (SE) in local flocks for the first time in NSW during the 2018/19 period. In response to the incident increased surveillance and monitoring of NSW poultry farms was implemented in order to detect and minimise spread of the disease. This subsequently resulted in increased enforcement activities by the NSW Food Authority including prohibition orders on food businesses and recall of product where necessary to protect public health and the state's poultry industries. These were done together with on-farm actions under the *Biosecurity Act 2015* such as Emergency Orders and Biosecurity Directions.

Egg sector compliance rate



*NSW Food Safety Strategy 2015–21 target

Response to *Salmonella* Enteritidis (SE)

The almost exclusive focus of the NSW Food Authority in this sector during the 2018/19 period was the response to, and control of, *Salmonella* Enteritidis (SE). The disease was detected in NSW poultry for the first time in September 2018. The NSW Food Authority was and remains an integral part of the broader NSW DPI response to the incident.

SE is a bacterial disease that can pass through eggs and can make people sick with gastroenteritis. More than 220 cases of illness reported in Australia (193 in NSW) were linked to the outbreak.

The NSW Food Authority worked in conjunction with other government agencies to identify the sources of these cases.

As a consequence, 13 NSW poultry egg facilities and one Victorian poultry egg facility were found to have detections of SE. All the properties confirmed to have had SE present were interconnected in that people, eggs or equipment were moving between them. SE is a notifiable disease under NSW legislation (public health and biosecurity).

In order to limit the spread of SE and protect the health of egg consumers various risk reduction measures were put in place including movement restrictions, farm depopulation, decontamination and education around improved biosecurity measures, implemented product recalls and withdrawals where required and issued consumer and industry advice.

The NSW Food Authority continues to work with other agencies and the egg and poultry industries in the ongoing management of SE.

National Foodborne Illness Reduction Strategy 2018-2021

Despite the challenges of the detection of SE in local flocks for the first time in NSW and associated illnesses with that particular strain, the trend towards a general decrease in salmonellosis outbreaks linked to raw egg foods in NSW continued during the 2018/19 period.

The NSW Food Authority undertook training of all Environmental Health Officers (EHOs) in NSW and implemented dedicated training modules in the NSW Food Safety Supervisor (FSS) program.

Data provided by NSW Health from January 2014 to July 2018 show that NSW has already achieved its 30% reduction target in foodborne salmonellosis as set out in the NSW Food Safety Strategy 2015-2021.

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 Agriculture and Western NSW 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

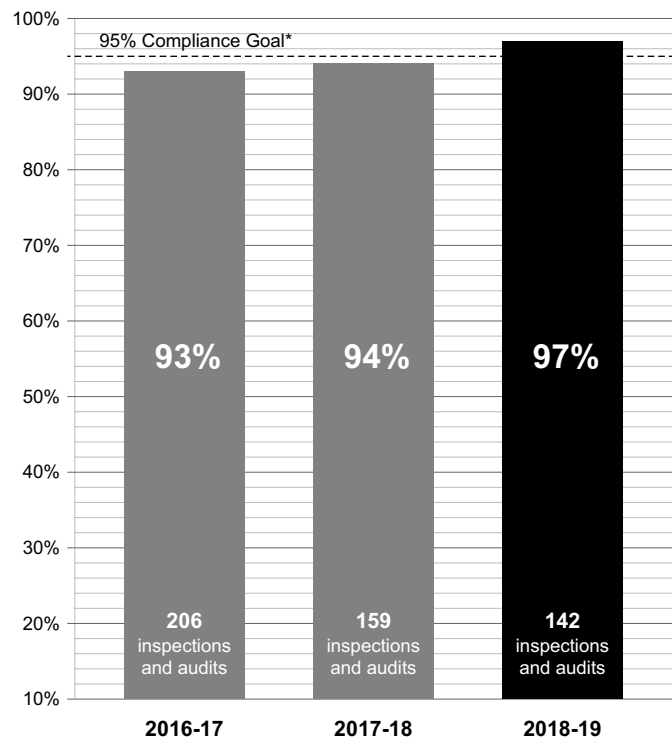


Shellfish

The NSW Food Authority licenses 286 businesses in this sector. This includes 241 oyster farmers and 45 shellfish wild harvest businesses.

Compliance across the sector with food safety program requirements for the 2018–19 financial period was 97%, an improvement on the average result over the past three years and exceeding the compliance goal of the NSW Food Safety Strategy 2015-21 target.

Shellfish sector compliance rate



*NSW Food Safety Strategy 2015–21 target

New shellfish relay procedures introduced

From 3 October 2018 changes to the requirements for the relay of shellfish in NSW were introduced.

The changes align NSW with the Australian Shellfish Quality Assurance Program Manual, simplify stock movements, and will provide operational advantages to some farmers.

Updated Food Safety Plans were developed to assist industry in the transition to the new requirements.

Dredge bed lease security exemption

Farmers will benefit from changes to dredge bed lease security rules. Under existing DPI Fisheries policy, there is no provision to exempt dredge bed leases from the lease security bond fee.

Dredge bed lease owners were contacted with the consensus in support of amending existing legislation to exempt these leases from the lease security bond due to the fact that they have no infrastructure and therefore limited to no cleanup cost.

DPI Fisheries have sought a policy amendment to exempt dredge bed leases from the lease security bond.

Biennial shellfish conference

The Food Authority was a proud sponsor of the Australian Shellfish Quality Assurance Program (ASQAP) Biennial Science Conference held in Sydney on 11 September 2018.

The conference was held in conjunction with the University of Technology (UTS) and is recognised as Australia's premier industry conference on research

in seafood safety with internationally respected experts in microbial, viral, algal and biotoxin fields, including speakers from the NSW Food Authority.

The development of guidance to support the national implementation of the ASQAP Manual was progressed at the meeting.

Management of oyster reefs

The NSW Shellfish committee is finalising a set of guidelines as to where both live oysters and shell materials can be sourced from in the creation and restoration of oyster reefs.

Oyster reefs, both natural and artificially created, have been identified as a key habitat for many marine species and multi agencies are involved in their creation and maintenance.

It is proposed that removal of shell and oysters from the following areas only are permitted:

- Post and rail scrape off
- Collapsed oyster cultivation, lightly encrusted

Removal of shell and oysters from the following areas are not permitted

- Oyster encrusted natural reef or rock
- Oyster encrusted traditional rock cultivation or shell bed (dredge beds)
- Collapsed oyster cultivation, heavily encrusted established reef

Food Agility CRC Project

The Shellfish Program has provided technical and operational support to the oyster industry Food Agility CRC project to increase the number of days that shellfish can be harvested by improving environmental monitoring of harvest areas.

All remote environmental monitoring sensors are now installed and operational. Sampling commenced in September 2018 and will run for two-and-a-half years.

Department of Agriculture and Water Resources (DAWR) – Bivalve Shellfish Training

Two officers from DAWR – one from the import branch and the other from the export branch – spent five days working with the NSW Shellfish Program team in Taree to improve their understanding of a shellfish quality assurance program.

Their role is to ensure that Australia's certification systems for imported and exported shellfish mean that only safe food is traded, protects the health of Australian consumers and Australia's reputation as a quality producer.

Oyster Industry Clean Up Week announced

Seventeen oyster farming estuaries in NSW have committed to be part of the national Oyster Industry Clean Up Week, scheduled to be held in February 2020.

The national initiative is designed to clean up estuaries of oyster farming materials that have escaped lease areas so as to improve the local community's amenity.

Published Papers

The Food Authority contributed to three published papers during the 2018-19 period. These papers share information on topical issues important to the industry.

- Ajani, P.A., Larsson, M.E., Woodcock, S., Rubio, A., Farrell, H., Brett, S., Murray, S.A., 2018. Bloom drivers of the potentially harmful dinoflagellate

Prorocentrum minimum (Pavillard) Schiller in a south eastern temperate Australian estuary. Estuarine, Coastal and Shelf Science 215 2018 161-171.
<https://doi.org/10.1016/j.ecss.2018.09.029>

- Farrell, H.; Ajani, P.; Murray, S.; Baker, P.; Webster, G.; Brett, S.; Zammit, A. Diarrhetic Shellfish Toxin Monitoring in Commercial Wild Harvest Bivalve Shellfish in New South Wales, Australia. Toxins 2018, 10, 446.
<https://www.mdpi.com/2072-6651/10/11/446>
- Edwards A., Zammit A., Farrell, H. (2018). Four recent ciguatera fish poisoning incidents in New South Wales, Australia linked to imported fish. Communicable Disease Intelligence 2019 vol. 43.

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

NSW Food Authority

NSW DPI Biosecurity & Food Safety

NSW DPI Fisheries

NSW DPI Aquatic Biosecurity

Industry – Aquaculture

Industry – Wild Harvest

NSW Farmers

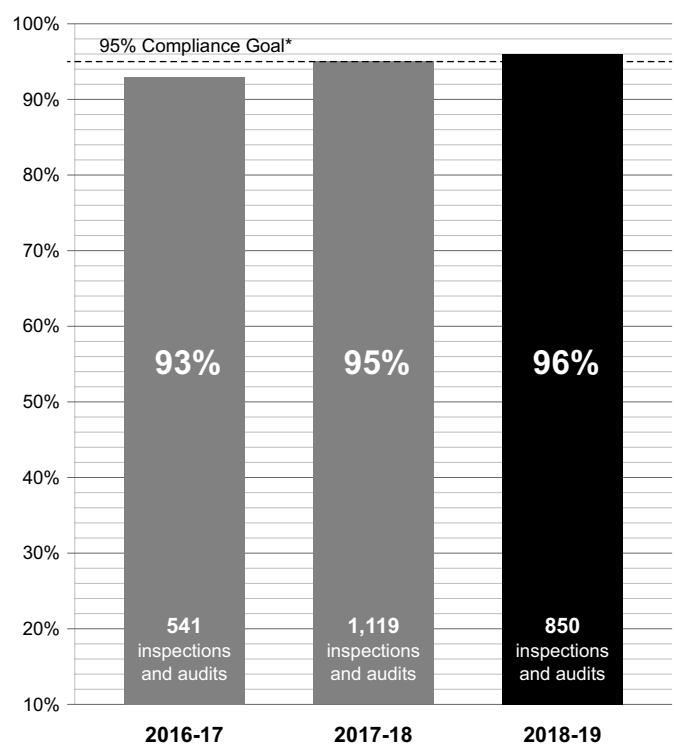
Seafood

The NSW Food Authority licenses businesses across the supply chain in this sector. This includes 215 seafood processing plants and 840 facilities that handle wild caught seafood as well as cold food stores.

Of the 7,466 vehicles licensed with the NSW Food Authority, approximately 3,900 are authorised to transport seafood products.

Compliance across the sector with food safety program requirements for the 2018–19 financial period was 96%, an improvement on the average over the past three years.

Seafood sector compliance rate



*NSW Food Safety Strategy 2015–21 target

White Spot Disease update

The first and second stages of the NSW national proof of freedom surveillance for White Spot Syndrome Virus (WSSV) were completed during the 2018-19 period and found no evidence of WSSV in any NSW prawn fishery.

While not a disease of concern to public health, the Food Authority continues to assist with promoting NSW DPI's extensive advisory campaigns to key stakeholders of the formal restrictions that remain in place to prevent movement of product from the affected Queensland area.

Notification of changes to some imported fish products

New border controls for carbon monoxide (CO) treatment of tuna and barramundi were introduced on 1 November 2018.

The Department of Agriculture and Water Resources (DAWR) notified members of the new Imported Food Notice regarding the new controls that were amended to include barramundi.

It concerns the inspection and analysis of imported fresh, chilled or frozen tuna and barramundi treated with carbon monoxide.

New import conditions were also implemented by DAWR for breaded, battered and crumbed prawns, requiring that they be par-cooked prior to import to ensure coating remains attached.

PFAS in seafood update

During the 2018-19 period the NSW Food Authority continued its work in supporting the PFAS Taskforce and the NSW Expert Panel for PFAS in managing PFAS contamination.

PFAS (per- and poly-fluoroalkyl substances) are chemicals that have been widely used in industrial and consumer products since the mid-1900s.

The NSW EPA is leading an investigation program to assess the legacy of PFAS use across NSW. With the assistance of the NSW PFAS Taskforce, which also includes NSW Health, Department of Primary Industries and the Office of Environment and Heritage, the Authority assists in providing impacted residents with tailored, precautionary dietary advice to help them reduce any exposure to PFAS.

Seafood Excellence Awards

The NSW Food Authority again continued its support of industry through its sponsorship of the Seafood Excellence Awards Best Supplier (NSW) Award, a sponsorship that has been in place since 2011.

The NSW DPI is a gold sponsor of the Awards which are held biennially and honour the seafood industry's top achievers across ten award categories.

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 Agriculture and Western NSW 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

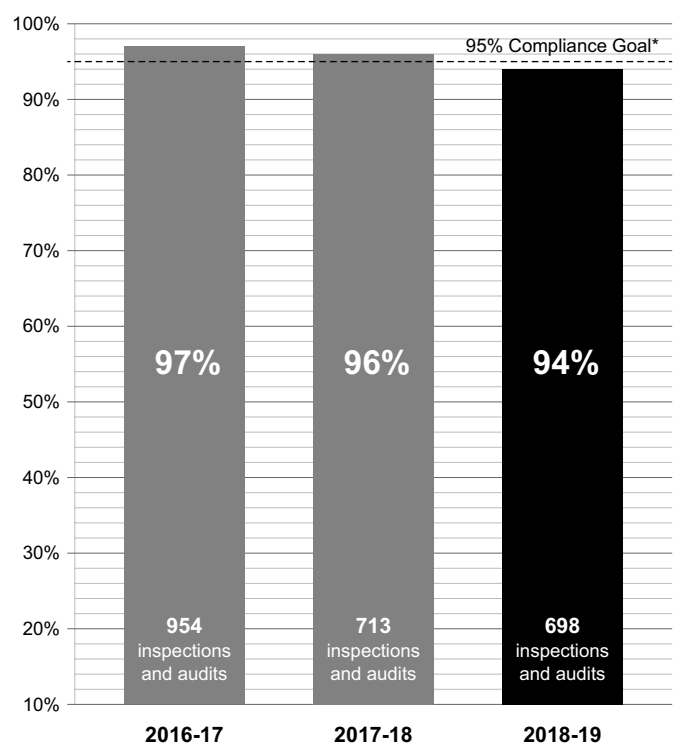
The NSW Food Authority licenses businesses across the supply chain in this sector. This includes:

- 602 dairy farms
- 199 dairy processing factories
- 155 farm milk collectors as well as cold food stores.

Of the 7,466 food transport vehicles licensed with the NSW Food Authority approximately 4,200 are authorised to transport dairy products.

Compliance across the sector with food safety program requirements for the 2018–19 financial period was 94%, in line with the average over the past three years.

Dairy sector compliance rate



*NSW Food Safety Strategy 2015–21 target

Food Amendment (Raw Milk Products) Regulation 2018

All jurisdictions currently prohibit the sale of raw milk as food, raw milk and raw milk products have been found to be sold under the guise of 'bath milk' or 'bath wash' and are packaged and labelled in-line with milk which is lawfully sold for human consumption and displayed in refrigerators alongside pasteurised products. This can lead to consumer confusion and purchase of the product believing that it is a food that can be safely consumed.

Regulatory amendments made this year allow officers to take preventative action on the sale and supply of raw milk as a food.

On 20 July, a new regulation was introduced requiring all raw milk activities to be licensed with the NSW Food Authority and creating an offence to supply raw milk products without one. Previously, only milk producers who supplied milk for human consumption were required to be licensed.

The change also creates an offence for any person to sell or supply raw milk products unless it has been treated, packaged, labelled and presented in a manner that deters human consumption and could not be reasonably mistaken for food. This offence can be applied to retailers.

A 2009 Food Standards Australia and New Zealand review of the risks associated with raw cow's milk as food concluded that it presented an unacceptable public health and safety risk. Raw milk provides an ideal environment for a range of pathogenic organisms and people who consume it are at an increased risk of infection - capable of causing severe illness and potentially death.

Following a three-month implementation period to allow for broader industry communication of the new licensing requirements is in place, from 20 October 2018 all persons involved in the production, manufacture and transport of raw milk products in NSW were required to hold a Food Authority licence.

Approval of raw milk cheese business in NSW

Following extensive work, consultation and support with a NSW dairy company, the NSW Food Authority approved the company to manufacture raw milk cheese under Standard 4.2.4 of the Dairy Standard.

This first for NSW was achieved after the manufacturer met all conditions set out in the Authority's checklist for raw milk cheese manufacture.

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 approval follows the Authority's development of a raw milk cheese pro forma to assist potential raw cheesemakers in NSW comply with regulatory requirements.

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.

Updated Food Safety Schemes Manual published

Following its review of the NSW Food Safety Schemes Manual (Manual) to incorporate all mandatory testing requirements for businesses included in the food safety schemes under the Food Regulation 2015, it was proposed that manufacturers of

infant formula be required to test for *Cronobacter* spp and *Salmonella* in powdered infant formula other than powdered follow-on formula.

Cronobacter spp (formerly *E. sakazakii*) and *Salmonella* have been identified as microorganisms that can cause illness if consumed in powdered infant formula. In the current Manual, there is only a mandatory testing for *Salmonella* in milk powder (including infant formula). A requirement for *Cronobacter* testing for infant formula products already exists in the Food Standards Code (the Code), so the change will bring the Manual in-line with the Code. All licensed businesses affected by this proposed change were consulted individually.

The implementation date of the new testing requirement commenced in October 2018 and the updated Food Safety Schemes Manual was published in October 2018.

Response to trespass disruption

During 2018/19 an increased number of disruptions of food businesses and processing plants by animal rights trespassers was reported across the sector.

The activity has ramifications for food safety as well as biosecurity with unauthorized access into facilities being the potential cause of the introduction of diseases.

The disruptions have included vigils, drone surveillance, break in, theft of animals and privacy breaches. The NSW DPI has announced a project designed to specifically look at the issues of increasing animal activism disruption and compliance officers will work with industry in addressing this emerging issue.

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 Agriculture and Western NSW 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

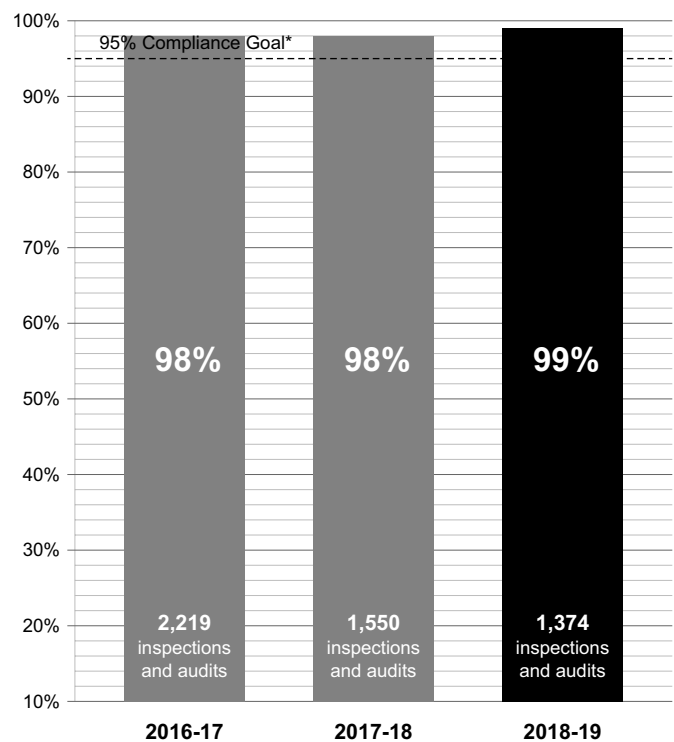
Vulnerable persons

The NSW Food Authority licenses 1,229 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 2018–19 financial period was 99%, consistent with the average over the past years.

Vulnerable Persons sector compliance rate



*NSW Food Safety Strategy 2015–21 target

Third Party Auditor training

The NSW Food Authority hosted a training opportunity in June 2019 to support education and ensuring the high standard and skill level of Third Party Auditors (TPA) approved by the Authority to conduct audits in the Vulnerable Persons sector.

Highly trained and skilled TPAs help to ensure compliance with Food Regulation 2015 and to protect public health and safety and provides a framework to help food businesses who service Vulnerable Persons to identify and manage potential hazards to food safety.

Third Party Auditor Annual Conference

In an effort to provide registered Third Party Auditors (TPA) an opportunity for professional development and ensure audit consistency across the state's VP sector, the NSW Food Authority hosts an annual TPA Conference.

This year's conference was held over two days in August 2018 and hosted 32 auditors, with a live streaming function enabling five attendees to participate remotely. The conference provides attendees with access to senior Authority staff who can provide expert advice and training in all operational matters, including use of electronic auditing systems.

Consultative Committee representation:

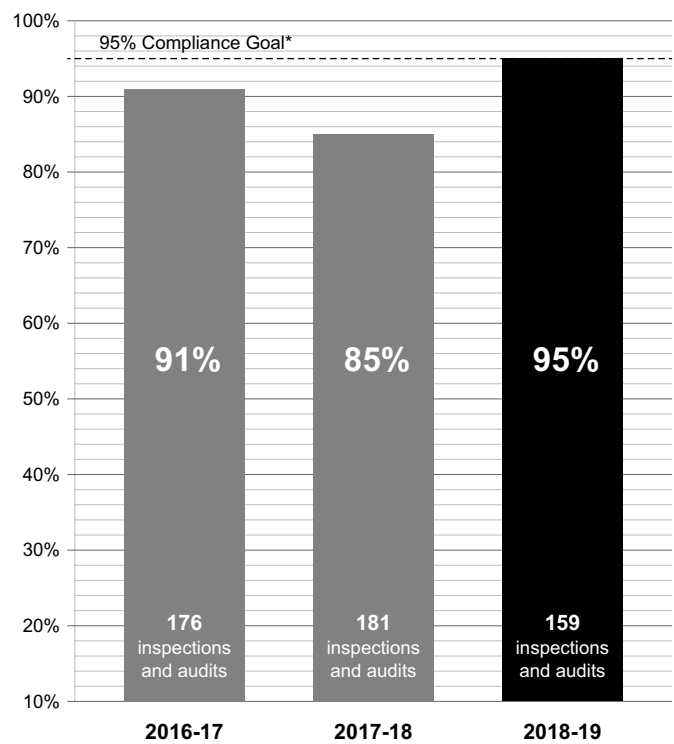
There are currently no formal appointments to this committee and consultation with the sector has been conducted directly with each license holder as required. The NSW Food Authority is currently working with the sector to determine an appropriate way forward in terms of the most effective method of consultation.

Plant

The NSW Food Authority licenses 89 businesses in the plant processing sector as well as cold food stores. Of the 7,466 food transport vehicles licenses with the NSW Food Authority, approximately 2,900 transport vehicles are authorised to transport plant products.

Compliance across the sector with food safety program requirements for the 2018–19 financial period was 95%, an improvement on the average of the past three years.

Plant sector compliance rate



*NSW Food Safety Strategy 2015–21 target

Listeria in rockmelon outbreak investigation – summary report released

Environmental and epidemiological investigations were conducted into the national listeriosis outbreak of early 2018 that was linked to rockmelons.

Twenty two people (6 from NSW) were affected by the incident, tragically, the outbreak also included 7 deaths and one miscarriage.

The Food Authority conducted the environmental investigation into the outbreak and causative factors which have been summarised into a report titled *Listeria Outbreak Investigation - Summary Report for the Melon Industry, October 2018*.

This report outlines the findings of the investigation into the food processing and handling practices on the farm implicated as the source of the outbreak.

As a result, it highlighted the need for improved control measures and awareness of external threats to food safety in the rockmelon industry (such as adverse environmental conditions like heavy rainfall and dust storms) as well as the possible impacts on the efficacy of established control measures and sanitising of fruit.

The report also contained recommendations for industry and growers on reducing food safety risks.

With funding from Horticulture Innovation Australia, NSW DPI developed a new resource for the industry that outlines the food safety principles and practices for pre and post-harvest handling of melons.

The Melon Food Safety Best Practice Guide and melon Safety Toolbox provide practical food safety resources for everyone involved in the melon supply chain.

Rockmelon industry training workshops

As a result of the outbreak, NSW DPI has conducted training workshops with rockmelon growers in NSW. This included face-to-face training and individual on-site food safety advice. Aspects of food safety covered by the training included:

- Awareness of external environmental factors
- Parameters for washing and sanitising of rockmelons; and
- Packhouse hygiene and cleaning

As part of this work, a best practice food safety guide will be developed for growers covering all aspects of farm management and washing and packing of melons. Training workshops for NSW growers were held in October, with on-site inspections commencing in November and December prior to harvest in December-January.

Food Standards Australia New Zealand have also been requested to review potential regulatory and non-regulatory measures to improve the food safety of high risk horticulture products. The training and education initiatives identified above will ensure that NSW growers are well placed to adapt to any new regulations in the future.

International Sprout Growers Association Convention a first for Australia

The International Sprout Growers Association (ISGA) Annual Convention was held in Sydney for the first time from 8 to 12 April 2019.

Co-sponsored by the NSW Food Authority, the Convention has previously been held in the US, Canada and Europe.

This year's theme was 'Quality Seed, Quality Product, Quality of Life', with participants learning about achieving quality seed and product, the latest techniques for sprout safety, marketing products, government policies and the benefits of eco friendly packaging.

Attendees included ISGA members from Australia, Japan, USA, Canada, Mexico and Europe.

Sprouts are a high-risk food, particularly for people with lower immunity. The production of sprouts in NSW was regulated in 2005 when the Food Authority introduced strict safety requirements to ensure sprouted foods were safe for human consumption.

FSANZ recommends new safeguards following strawberry tampering incident

Following a national incident in September 2018 involving the deliberate tampering of needles in punnets of strawberries in Queensland and subsequent multiple reports in other jurisdictions Food Standards Australia New Zealand (FSANZ) released its report into the matter and made a number of recommendations.


Key recommendations from its findings were:

- Strengthening of traceability measures within the horticulture sector
- Improving how police and food safety regulators work together to respond to incidents involving deliberate tampering of food
- Better preparedness across the horticulture industry to support response to a crisis.

The NSW Food Authority is working with food safety regulators and police across jurisdictions to assist in improved consistency and preparedness to support future responses.

Consultation

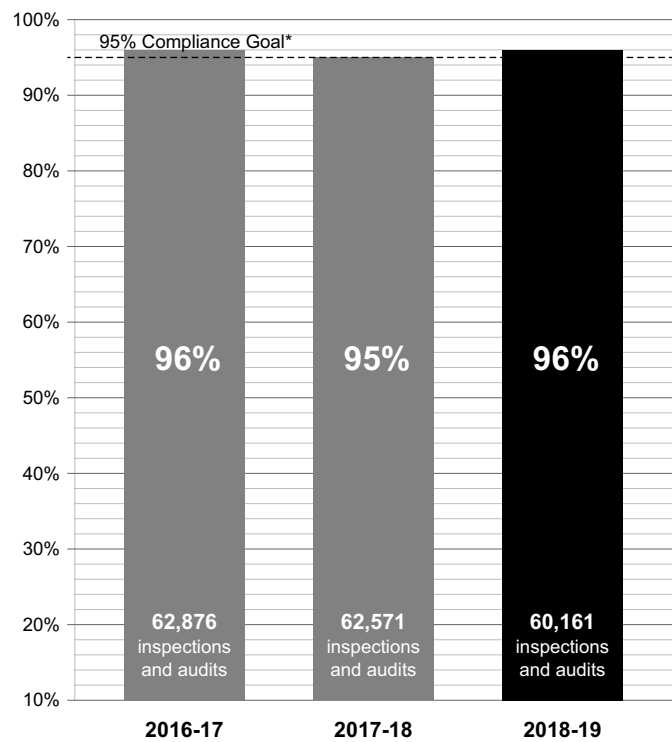
The NSW Food Authority consults directly with each licence holder in the plant products industry.



Retail

There are 53,411 retail food businesses in NSW. Compliance across the retail food sector with food safety requirements for the 2018–19 financial period was 96%, consistent with the average over the last three years.

Retail sector compliance rate



*NSW Food Safety Strategy 2015–21 target

Retail activity snap shot

Key Food Authority performance indicators			
	2016-17	2017-18	2018-19
Name & Shame listings	1,575	1,640	1,483
No. of retail food business inspections	62,876	62,571	60,161
No. of complaints about retail food businesses & % investigated	5,727	4863	5,339
Overall compliance rate for food businesses regulated by councils (retail)	96%	95%	96%
Warning letters issued by councils	14,190	11,962	11,394
Improvement notices issued by councils	1,526	1,836	1,846
Prohibition orders issued by councils	131	202	193
Prosecutions undertaken by councils	11	18	10
Penalty Infringement notices issued by councils	1,535	1,839	1,654

Registered Training Organisation (RTO) Forum

The NSW Food Authority hosted its annual RTO Forum in November 2018 delivering Food Safety Supervisor training (FSS) for RTOs in NSW. The FSS provides practical skills and knowledge on food safety for food handlers in the retail and food service sectors.

The RTO Forum is an important part of the Food Authority's engagement with training organisations. The event provides an opportunity for both the Food Authority and RTOs to learn from each other about the changing landscape for the vocational training sector.

This year the Authority provided an overview of the upcoming Pivotal UX platform, which will replace the existing smartform system for issuing FSS certificates.

The Pivotal UX has been rolled out over the 2018-19 period and will progressively consolidate all of the FSS functions into the digital platform.

Presentations also provided an overview of the NSW Food Authority's allergen strategy and the integral part food handler training in this area plays to help minimise the risk of anaphylaxis among sensitive consumers in the retail space. The Food Authority was also happy to report high compliance rates from its annual audit program for RTOs delivering the NSW FSS.

RTOs were also briefed on emerging work in the *National Foodborne Illness Reduction Strategy 2018-2021+* and how this is will filter down into the retail and food service sector over the coming years.

Food Safety Supervisor program

During 2018-19 NSW Food Authority continued its rolling update of the supplementary key focus areas training modules unique to the NSW FSS. This year the *Allergen Management* module was updated to reflect changes to the Food Standards Code, which included extending mandatory labelling requirements of allergens to Lupin. Lupin is a legume similar to peanut and soybean, with similar reactivity patterns and is being seen more often in domestic food products as a gluten free substitute for wheat flour.

A fourth, non-assessable module was also introduced. the *Food Act Offences* module was developed to provide a plain-English explanation of the offences found in Part 2 of the *Food Act 2003*. The offences include handling or sale of unsafe or unsuitable food, compliance with the Food Standards Code, and misconduct relating to labelling and compliance with purchaser's demands.

Following implementation of these new resources, the Food Authority completed its annual audit of approved RTOs. the 2018 audit focused on RTOs first approved in the preceding 12 months to test whether introductory guidance material for new RTOs was sufficient for them to comply with the FSS program Conditions of Approval. All audited RTOs have achieved satisfactory compliance with the Food Authority's Conditions of Approval.

Supporting the National Foodborne Illness Strategy through a *Campylobacter* Reduction Strategy in the retail sector

In July 2018 the NSW Food Authority commenced its "*Campylobacter* Education and Compliance Strategy at Retail" project with three rounds of EHO training with a view to reducing the incidence of *Campylobacter* as per the national goal of 30% reduction by 2021.

Twenty two councils from across NSW participated in the project, 169 targeted retail businesses were inspected, 281 food samples taken and 593 swabs reported.

Results showed *Campylobacter* was only detected in two food samples. Additionally, checks were also undertaken for *Salmonella* (no detections) and E.Coli (11 detections). Further work is being developed for the next stage of the project.

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 2018–19 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 2018-19 the training focused on the *Campylobacter* reduction strategy for the retail sector with a specific focus on better educating EHOs on foodborne illness in the retail and food service sector, specifically *Campylobacter* and how to take a risk-based approach to food inspections. This involved training in how to identify risks, in taking effective food samples and using results of sampling surveys to achieve better regulatory outcomes.

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. It continues to ensure all training materials are available online for each round, supplemented by delivery by means of a webinar for those who couldn't make the training in person. Feedback from users demonstrates the efficiencies and convenience afforded by this availability.

Authorised Officer (Local Government) Food Surveillance Training 2019

In July 2019 The NSW Food Authority hosted food safety training sessions for thirty authorised officers from councils across NSW to provide the latest information and skills for those officers who undertake or are learning to undertake food inspections at the retail level.

To appoint an authorised officer, NSW councils must be satisfied that prospective officers have the qualifications or work experience to carry out their duties as stipulated in the NSW *Food Act 2003*.

Councils must therefore make sure that anyone working in food surveillance gets adequate training in the inspection and regulation of retail food outlets – a condition of the council's appointment as an enforcement agency.

The authorised officer training course helps local councils provide a clear pathway for new officers, trainees or anyone wanting refresher training to gain the appropriate skills and knowledge to conduct food surveillance activities on behalf of their council.

Specifically, the course aims to:

- educate and train council staff responsible for carrying out food inspection duties under the NSW *Food Act 2003*, in accordance with the Food Regulation Partnership Protocols and Advisory Guidelines, and NSW Food Authority policies and guidelines
- promote consistency between councils
- provide a workforce continuity strategy to cover skills shortages in the EHO field.

Scores on Doors

2018–19 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 2019 there were 59 councils participating in the program, consistent with the previous financial year. These 59 councils represent 25,065 eligible food businesses, capturing 64% 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 2018–19 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 NSW Food Authority continues to promote vigilance in enforcing these standards by EHOs in the retail sector through ongoing and consistent training and messaging.

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.

Data provided by NSW Health from January 2014 to July 2018 show that NSW has already achieved its 30% reduction target in foodborne salmonellosis as set out in the NSW Food Safety Strategy 2015–2021.

Name and Shame

In 2018–19, 817 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 1483 penalty notices were published, representing less than 3% per cent of NSW retail food businesses.

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

- unclean food premises (18%)
- improper food storage (12%)
- poor handwashing facilities (12%)
- pest control (11%)
- unclean fixtures and fittings and equipment (11%)

Name and Shame register			
	2016-17	2017-18	2018-19
No. of penalty notices published	1,575	1,640	1,483
No. of facilities that had penalty notices published	828	875	817

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 single electronic platform

A scoping study to determine the requirements of a single electronic platform of council inspection results was completed in July 2018. In August work commenced on preparing the business case and consulting with stakeholders on the scoping study.

The business case was approved by NSW DPI in September 2018 and submitted to the Department of Industry for funding consideration. Stakeholder consultation is continuing in order to inform the project and seek opportunities for more widespread use of the solution.

Consultation with the retail industry

During the period the Food Regulation Partnership hosted four Food Service Information Sessions with retail and food service businesses in Ballina, Camden, Griffith and Byron Bay.

These were well received averaging approximately 52 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 a promotion of the Food Authority retail sector initiatives and programs such as Scores on Doors, Food Safety Supervisor and the 'Name and Shame' Register.

Compliance activity

Data collected from councils for the 2018–19 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 2018–19 financial year 60,161 inspections were undertaken in the retail and food service sector and 92% of the high and medium risk food premises were inspected.

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 met twice during 2018-19, at Camden in November 2018 and Griffith in April 2019, 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)

Fiona Stalgis (representing the Development and Environmental Professionals' Association)

Gina McConkey (representing Local Government Professionals Australia)

Ruth Fagan (representing Local Government NSW)

Damien Thomas (representing Local Government NSW)

Paul Harmon (representing Local Government NSW)

Sarah Flowers (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 2018-19 period, the Food Authority conducted 162 inspections under this program with the following outcomes noted:

- 5 unacceptable inspection results were recorded (subsequent follow-up inspections conducted achieved acceptable inspection result)
- 6 warning letters were issued for labelling and licensing breaches
- 18 improvement notices were issued
- 24 penalty notices were issued
- two prohibition orders were issued to the manufacturing sector for breaching hygiene and maintenance issues. These prohibition orders remained in place until sufficient corrective actions implemented by the businesses and the Authority was satisfied that compliance had been achieved.

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.

Compliance and enforcement

SIGNIFICANT INVESTIGATIONS AND RESULTS

Prosecution of Sydney dumpling manufacturer

A Sydney based dumpling business was convicted and fined following a labelling complaint from a consumer that led to an inspection of the premises. The charges against the company related to various hygiene and pest control offences, the breach of a Prohibition Order and providing false and misleading information to authorised officers. Total fines issued by the court amounted to \$78,300 with professional costs of \$30,000.

Noodle manufacturer prosecuted

A fresh noodle manufacturer was charged with 21 offences which included failure to declare the presence of wheat, egg and tartrazine (food additive). Total fines issued by the court amounted to \$21,000 with professional costs of \$7,000.

Tofu manufacturer prosecuted

A tofu manufacturing facility was charged with 19 offences relating to unsuitable food, hygiene, pest control, skills and knowledge and construction issues. Total fines issued by the court amounted to \$105,500 with professional costs of \$15,947.75.

Sydney caterer prosecuted for allergy offences

A Sydney based caterer was convicted, fined and ordered to pay costs totalling \$15,000 following a food-related anaphylaxis incident. The court deemed that the food sold did not comply with the purchaser's demand (that the meals supplied be free from allergens such as nuts and sesame) and that the caterer ought reasonably to have known this would have resulted in physical harm to the consumer.

2018–19 compliance and enforcement statistics (enforcement actions)

ACTIVITY	ACTUAL 2016-17	ACTUAL 2017-18	ACTUAL 2018-19
Audits	4,888	4,528	4,070
Failed audits	156 (3.2%)	142 (3.1%)	85 (2.1%)
Inspections of food businesses	7,218	6,590	4,928
Failed inspections of food businesses	439 (6.1%)	334 (5.06%)	194 (3.9%)
Complaint investigations	1,904	2,169	2,375
Investigations of foodborne disease incident (two or more people)	288	297	297
Labelling Compliance Surveillance Program investigations	128	348	260
Labelling Compliance Surveillance Program investigations resulting in enforcement action	124	84	53
Investigations of unlicensed businesses (resulting in enforcement action)	98	124	133
Written warning	86	54	48
Improvement notices	344	330	211
Penalty notices	116	167	127
Prohibition orders	19	16	12
Product seizures	14	10	5
Licence cancellations	0	0	0
Use of emergency orders	0	0	0
Prosecutions (finalised after hearing or plea of guilty)	40	63	97
Company instigated food recalls (nationwide)	62	81	105
Company instigated food recalls (NSW companies)	24	22	29
Shellfish harvest area closures	473	431	374

2018–19 Summary of product seizures undertaken as enforcement action*

COMMODITY	Estimated quantity	Reasons for seizure
Meat products		
Raw red meat	600 kg	Evidence of conducting an unlicensed abattoir business
Egg products		
Egg	720 eggs	Egg carton labelling did not comply with the Food Standards Code. Name and address of supplier not listed on carton.
Other products		
Equipment	Various National Vendor Declaration (Pig Pass) documents Steel Bleeding Cones (2 units) Steel Knife (1 unit)	Evidence that the equipment was used to conduct slaughtering activities, in an unlicensed abattoir
Raw bath milk	8.54 litres	Sale of unsuitable food not suitable for human consumption and evidence that food sold is falsely described as cosmetic skin treatment product
Alcoholic beverages	2.1 litres	Counterfeit liquor product with potential chemical contamination

*Based on 5 individual seizures for 2018 – 2019 period.

2018–19 Licence numbers

BUSINESS ACTIVITIES	No. of licensed facilities 2018-19
Animal food field depot	23
Animal food field harvesting	14
Animal food processing plants	23
Animal food processing and rendering plant	1
Abattoir - poultry	19
Abattoir - poultry & game meat processing	1
Abattoir - poultry & poultry primary production	13
Abattoir - poultry & red meat	1
Abattoir - red meat	31
Rendering	6
Knackery	7
Game meat primary processing plants	5
Game meat field depot	88
Game meat field harvesting	576
Meat retail	1,515
Meat processing plants	334
Food processing facilities that carry out 2 or more processing activities that include, meat, seafood, dairy, plant and or egg processing	105
Dairy processing plants	164
Plant Product processing plants	64
Seafood processing plants	124
Oyster farmers	209
Oyster farmers & seafood processing	32
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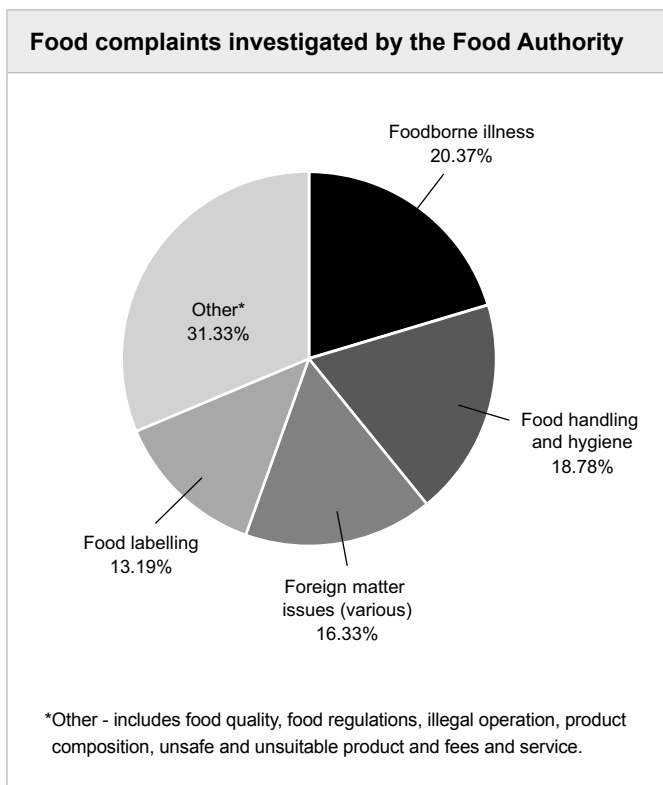
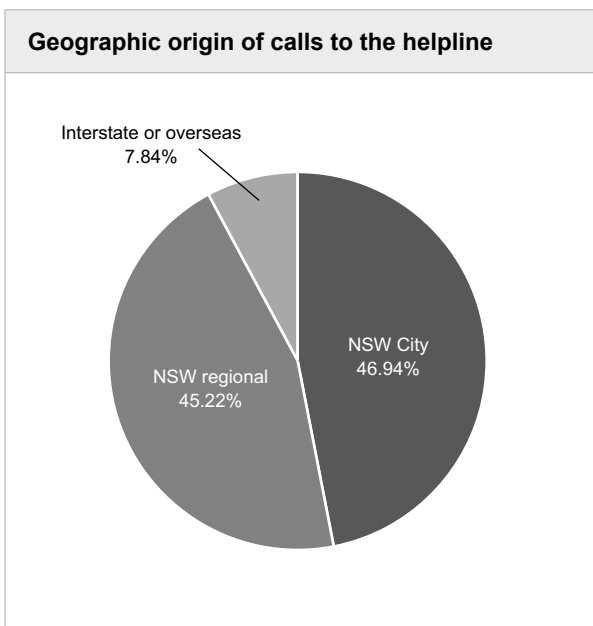
2018–19 Licence numbers (con't)

BUSINESS ACTIVITIES	No. of licensed facilities 2018-19
<i>continued from previous page</i>	
Shellfish wild harvest	45
Handling wild caught seafood	840
Egg Processing plants	2
Egg primary production	275
Egg & poultry primary production	36
Egg & dairy primary production	1
Poultry primary production	318
Poultry & dairy primary production	5
Dairy primary production	578
Dairy primary production and processings plants	18
Farm milk collectors (raw milk transport)	155
Food transport vehicles (meat, dairy, seafood, plant, egg products)	7,466
Food storage not requiring temp control (dairy)	17
Cold food storage (meat, dairy, seafood, plant & egg products)	543
Food service to vulnerable persons	1,229
TOTAL number of licensed facilities	14,888

Working with our stakeholders

NSW Food Authority customer helpline

Through the Food Authority’s customer helpline we assisted 18,678 requests for advice, food complaints and transactions. Of those that were potentially resolvable by the helpline 86% were resolved during the first contact.



Some 2,381 calls were food complaints investigated by the Food Authority and 2,812 food complaints about retail outlets were referred to the relevant local council.

Educational and technical guidance materials

In 2018–19 the Food Authority identified a number of emerging issues requiring specific information targeting food businesses and consumers.

Retail food

- 2018 Retail Food Safety Supervisor Compliance Report - cleaning and sanitising in retail food businesses

Shellfish

- Food safety guidelines for the wet storage of shellfish at retail

Compliance

- NSW Cold Store Food Safety Program
- NSW Cold Store Retail Dairy
- NSW Cold Store Food Safety Program and retail dairy
- Guidelines for the use of non-potable water in food business

Plant

- NSW Plant and Plant Products risk assessment

Science and surveys

- *Campylobacter* - advice for food businesses
- Using chemical sanitisers in your food business
- Annual Food Testing Report 2017-2018
- NSW Food Safety Schemes Manual
- Microbiological testing - FSS manual Appendix 1
- *Listeria monocytogenes* growth - FSS manual Appendix 2
- Controlling L mono - FSS manual Appendix 3
- Environmental swabbing - FSS manual Appendix 4
- In pack pasteurisation - FSS manual Appendix

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 2018 to 30 June 2019, 6,431 samples were submitted for testing.

	2016-17	2017-18	2018-19
Verification programs	1,394	*893	*676
Research including targeted surveys	945	428	660
Food Safety Compliance	1,886	1,376	#5,095
Total	4,225	2,697	6,431

*The number of samples in 2017-18 and 2018-19 are lower than in previous years due to reduced staffing levels and a high level of compliance in previous years which allowed the program to be reduced while prioritising foodborne illness investigations.

#The number of samples in 2018-19 was extremely high due to the SE investigation.

Salmonella Enteritidis investigation linked to eggs

Salmonella Enteritidis (SE) is a bacterial disease of poultry, and the consumption of eggs contaminated with SE can present a high risk of causing foodborne illness in humans. This illness can be particularly severe for people who are elderly (over the age of 70), young children and those with a weakened immune system. In the past there has been

Salmonella Enteritidis-related illness cases reported in Australia, however these have been typically in people who have travelled overseas where they became infected.

Since mid-2018, a steady increase in the number of cases of SE illness in humans was observed. These cases have been epidemiologically linked to a locally acquired outbreak of SE illness with most cases reported in NSW. To support the investigation into this illness outbreak, over 100 locally produced and imported foods as well as environmental samples were initially tested for the presence of *Salmonella*. Foods tested included fresh and dried vegetables, seafood, spices, egg-containing foods, nuts and eggs. Environmental samples consisted of swabs, stock feed, water and poultry faecal samples as well as eggs. Samples were collected from a range of settings including food businesses, supermarkets and egg primary production businesses. During the investigation a further 2,072 samples from egg primary production businesses were tested including eggs and environmental samples. As a result, SE was found on thirteen properties which were interconnected by movements of people, eggs or equipment.

As part of the response to the outbreak, the NSW Department of Primary Industries (DPI) increased surveillance and monitoring at egg farms and issued biosecurity directions to individual properties where necessary, including quarantining of the premises to prevent the movement of eggs into the marketplace. Other actions taken included farm depopulation, decontamination and disinfection. Affected properties are unable to recommence egg production until required biosecurity and food safety standards are met. The Biosecurity (*Salmonella* Enteritidis) Control Order was issued on 1 August 2019 to assist in raising long term biosecurity standards.

As a result of the detection of SE, there were 6 consumer level recalls of eggs from implicated properties in NSW and one consumer level recall in Victoria. Consumer advisories and media releases were also issued.

Surveillance and monitoring activities at NSW egg farms will continue into 2020.

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 2018-19 this included:

- ***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 of where the *Campylobacter* came from and the relationship between food, human and animal isolates. In NSW, 611 food samples were collected. The survey report will be published at a later date.

- **Fermented beverages**

A national survey led by Victoria was conducted to investigate the alcohol content and labelling of fermented beverages sold in five Australian jurisdictions: Victoria, QLD, NSW, Tasmania and South Australia. Samples tested include kombucha, water-based kefir, dairy-based kefir and ginger beer. Results, particularly for kombucha and water-based kefir, found a proportion of samples contained

excess or undeclared alcohol. The survey report is now available on the Food Standards Australia New Zealand's website. Following the survey, a roundtable meeting was convened between regulators and industry stakeholders to discuss the issue. NSW will continue to monitor the compliance of fermented beverages in the market and take action as necessary.

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.

Compliance & Enforcement of Food Amendment (Raw Milk Products) Regulation 2018 requirements

The purpose of the regulation is to minimise the risk of unpasteurised cows milk being consumed when labelled or marketed as not being for human consumption.

It arose from incidents of food poisoning from numerous bath milk products including the death of a child in Victoria 2014.

It targets all points of the supply chain for raw milk products and requires businesses to be subject to licensing and licence conditions by the Food Authority.

The Regulation requirements came into force on 20 July 2018 and licensing requirements for businesses on 20 October 2018.

Definition of Lamb - Meat food safety scheme (Food Regulation 2015)

On 28 June the Food Amendment (Lamb and Hogget) Regulation 2019 was published in the NSW Government gazette with effect from 1 July 2019.

The new regulation gives effect to the new AUS-MEAT lamb definition in NSW and aligns the NSW lamb definition with that in the Export Control (Meat and Meat Products) Amendment (Trade Descriptions for Sheep) Order 2019 that took effect on 1 July 2019.

The result of this change is seamless alignment of the NSW lamb definition for domestic processing with export activities, with these providing the framework to allow Australian meat to better compete with NZ product.

The new lamb definition provides lamb is an ovine animal under the age of 12 months or does not have any permanent incisor teeth in wear.

Participation in the national agenda

During 2018–19, the Food Authority contributed to the work of the Food Regulation Standing Committee (FRSC), and supported participation by the Minister for Agriculture and Western NSW 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. Throughout 2018–19 the NSW Food Authority continued to work towards the three priority areas identified:

- **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 2018-19, 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 continues its work in co-leading 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.

Sport Supplements

Sports supplements are regulated through the Australia New Zealand Food Standards Code, or therapeutic goods regulations, depending on how they are presented in the market.

In July 2018 the NSW Food Authority delivered a presentation on the Enforcement of Sports Supplements to a national roundtable that included stakeholders from government, consumer groups, the sports supplement industry and health professionals.

The Forum agreed to an action plan drawn from the outcomes of the roundtable which includes regulatory actions, targeted education and improved labelling to enhance the safety of consumers who choose to use sports supplements. As part of this action plan, Forum

Ministers requested that FSANZ undertake a full review of Standard 2.9.4 – Formulated Supplementary Sports Foods as a matter of priority to modernise the Standard to capture the expanding sports supplement market.

The Forum also agreed to provide the action plan to the Meeting of Sport and Recreation Ministers for their information. The Food Regulation Standing Committee will work with the Therapeutic Goods Administration on the implementation of the action plan due to the crossover of products in this area.

Health Star Rating – Five year review

During the 2018-19 period the Health Star Rating (HSR) system marked its fifth year of voluntary implementation and has undergone a formal five year review by an independent reviewer.

Forum Ministers noted the HSR system is generally progressing well with uptake increasing, consumer use and understanding improving, consumers changing behaviour in response to the HSR, and evidence of industry reformulating foods.

The review also noted significant opportunity to continue to improve the HSR system.

Forum Ministers will seek advice on the recommendations and are due to make a formal decision in November 2019 and the final review report will then be made publicly available.

Pregnancy warning labels on packaged alcoholic beverages

Government advice in Australia and New Zealand is that pregnant women do not consume any alcohol. If a baby is exposed to alcohol in the womb it can have irreversible impacts such as intellectual, behavioural and developmental disabilities.

The Forum noted a Decision Regulation Impact Statement (DRIS) with four options for progressing pregnancy warning labels on packaged alcoholic beverages. The DRIS was prepared by the Food Regulation Standing Committee and took into account stakeholder views provided through a targeted stakeholder consultation in May and June 2018 and further research, modelling and evidence gathering.

In October 2018 the Forum agreed that, based on the evidence, a mandatory labelling standard for pregnancy warning labels on packaged alcoholic beverages should be developed and should include a pictogram and relevant warning statement. The Forum requested Food Standards Australia New Zealand (FSANZ) develop this mandatory labelling standard as a priority.

Modernisation of the food regulation system

Significant work was undertaken during the 2018-19 period in order to focus on improving agility and timeliness within the current regulatory system in order to meet the third priority of maintaining a strong, robust and agile food regulatory system.

The package of work to date includes the updating the *Principles and Protocols for the Development of Food Regulation Policy Guidance* document.

This initial package of measures was the result of a workshop and follow-up work undertaken by FRSC in 2019 and a second phase of work will be undertaken in the coming financial year which will consider more significant changes that may require amendments to legislation.

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 2018–19*. From November 2018 this information is now accessible from the [OpenGov NSW website](#).

Workforce diversity

Information relating to workforce diversity initiatives appear in the NSW Department of Industry's *Annual Report 2018-19*. From November 2018 this information is now accessible from the [OpenGov NSW website](#).

Work health and safety

Information relating to work health and safety appear in the NSW Department of Industry's *Annual Report 2018-19*. From November 2018 this information is now accessible from the [OpenGov NSW website](#).

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 2018-19*. From November 2018 this information is now accessible from the [OpenGov NSW website](#).

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 2018-19 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 2018-19*. From November 2018 this information is now accessible from the [OpenGov NSW website](#).

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) and Feedback Assist on the NSW Food Authority website.

The table below includes complaints received by the Food Authority Helpline during 2018-19. Verbal complaints resolved at first contact are not included.

Nature of complaints	Number of complaints
Delay in service/service quality	6
Process	0
Other	4
Total	10

More information on the NSW Department of Industry Service-Related Complaint Policy and Procedures appears in the NSW Department of Industry's *Annual Report 2018-19*. From November 2018 this information is now accessible from the [OpenGov NSW website](#).

Other statutory requirements

Consultants

No consultants were engaged by the NSW Food Authority in 2018-19 for a total cost of \$0.

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 2018-19*. From November 2018 this information is now accessible from the [OpenGov NSW website](#).

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 2018-19*. From November 2018 this information is now accessible from the [OpenGov NSW website](#).

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 2018-19*. From November 2018 this information is now accessible from the [OpenGov NSW website](#).

Annual Report production

There was no external cost for the production of the NSW Food Authority Annual Report 2018–19. 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 2018-19*. From November 2018 this information is now accessible from the [OpenGov NSW website](#).

Further information about accessing documents under GIPA is on the Food Authority's website.

Cyber Security attestation

11 October 2019



Cyber Security Annual Attestation Statement for the 2018-2019 Financial Year for the NSW Food Authority

I, Lisa Szabo, am of the opinion that the information security management system of NSW Food Authority a statutory authority within the former Department of Industry since the publication of the NSW Government Cyber Security Policy on 1 February 2019, is consistent with the core elements set out in the Policy for the NSW Public Sector and ISO 27001 Standard. The former Department of Industry has assessed and managed risks to information and systems, and ensured that governance is in place to manage cyber-security maturity and initiatives.

The Department is reviewing current policies and developing a roadmap to further strengthen the security of its digital government agenda.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lisa Szabo', is positioned above the printed name.

Dr Lisa Szabo
Chief Executive Officer
NSW Food Authority

NSW Food Authority
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ABN: 47 080 404 416

Internal Audit and Risk Management attestation



26 June 2019

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 2018–2019 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'.

Dr Lisa Szabo
Chief Executive Officer
NSW Food Authority

Encl.

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Internal Audit and Risk Management Attestation Statement for the 2018–2019 Financial Year for the NSW Food Authority

I, Lisa Szabo, Chief Executive, am of the opinion that the 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 2018–2019 financial year were:

- Mr Ken Barker - initially appointed as Independent Member on 13 October 2011, appointed as Independent Chair from 18 January 2016 until 17 January 2019, and re-appointed as Independent Chair until his term expires on 12 October 2019.
- Mr Arthur Butler - initially appointed as an Independent Member from 25 November 2015 until 26 November 2018, Mr Butler's term was extended to 26 November 2021.
- Ms Julie Elliot - initially appointed as an Independent Member from 22 February 2018 to 31 January 2022.

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

Dr Lisa Szabo
Chief Executive Officer
NSW Food Authority

26 June 2019

Payment of accounts

The tables below summarise the NSW Food Authority's performance in paying accounts during 2018-19.

Aged analysis at the end of each quarter

Below is a schedule of the dollar amount of payment made during 2018-19 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 2018	18,750	-	-	-	-
December 2018	670,262	63,935	17,151,908	-	-
March 2019	146,608	-	-	-	-
June 2019	15,785,324	7,397	-	-	-

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 2018	-	-	-	-	-
December 2018	-	-	-	-	-
March 2019	-	-	-	-	-
June 2019	-	-	-	-	-

Accounts paid on time within each quarter

Measure	September 2018	December 2018	March 2019	June 2019	Full Year
Total number of accounts due for payment	16	60	35	23	134
Number of accounts paid on time	16	54	35	22	127
% of account paid on time (based on number of accounts)	100.0%	90.0%	100.0%	95.7%	94.8%
\$ amount of accounts due for payment	18,750	17,886,106	146,608	15,792,720	33,844,184
\$ amount of accounts paid on time	18,750	670,262	146,608	15,785,324	16,620,944
% of accounts paid on time (based on \$ amount of accounts)	100.0%	3.7%	100.0%	100.0%	49.1%
Number of payment for interest on overdue accounts	-	-	-	-	-
Interest paid on overdue accounts	-	-	-	-	-

Small Business	September 2018	December 2018	March 2019	June 2019	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)	N/A	N/A	N/A	N/A	N/A
Number of payment for interest on overdue accounts	-	-	-	-	-
Interest paid on overdue accounts	-	-	-	-	-

For the full 2018-19 financial year, 94.8% of all accounts were paid on time, based on value of payments 49.1% of the amount due were paid on time.

All accounts for payment are directed to and processed by the Food Authority's outsourced service provider, NSW Department of Industry. There were no instances of penalty interest being paid or incurred during 2018-19.

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FINANCIAL INFORMATION



Financial Information 2018–19

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 2019, 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.



Anthony Zammit
Acting Group Director Food Safety & CEO Food Authority
27 September 2019

Financial Information 2018–19



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 2019, the Statement of Financial Position as at 30 June 2019, 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 2019, 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.

Other Information

The Authority's annual report for the year ended 30 June 2019 includes other information in addition to 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.

Financial Information 2018–19

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 2018–19

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
Delegate of the Auditor-General for New South Wales
30 September 2019
SYDNEY

Financial Information 2018–19

Beginning of audited financial statements

NSW FOOD AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Expenses excluding losses				
Operating expenses				
Other operating expenses	2(a)	16,487	19,562	16,705
Depreciation and amortisation	2(b)	742	1,277	822
Grants and subsidies	2(c)	502	560	425
Total expenses excluding losses		17,731	21,399	17,952
Revenue				
Industry levies and license fees	3(a)	8,082	7,949	8,312
Grants and contributions	3(b)	-	10,714	-
Investment revenue	3(c)	363	400	360
Miscellaneous income and fees for services	3(d)	1,823	2,196	4,038
Total revenue		10,268	21,259	12,710
Gains / (losses) on disposal & impairments	4	-	-	318
Net Result		(7,463)	(140)	(4,924)
Other comprehensive income				
Changes in revaluation surplus of property, plant and equipment		(165)	-	-
TOTAL COMPREHENSIVE INCOME		(7,628)	(140)	(4,924)

The accompanying notes form part of these financial statements.

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 19 for details.

Financial Information 2018–19

NSW FOOD AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
ASSETS				
Current Assets				
Cash and cash equivalents	5	15,946	19,534	38,940
Receivables	6	897	1,504	1,048
Total Current Assets		16,843	21,038	39,988
Non-Current Assets				
Property, plant and equipment	7			
Land and buildings		7,987	8,008	8,328
Plant and equipment		243	173	332
Total property, plant and equipment		8,230	8,181	8,660
Intangible assets	8	2,745	2,759	2,511
Total Non-Current Assets		10,975	10,940	11,171
Total Assets		27,818	31,978	51,159
LIABILITIES				
Current Liabilities				
Payables	10	1,996	2,699	17,709
Total Current Liabilities		1,996	2,699	17,709
Net Assets		25,822	29,279	33,450
EQUITY				
Accumulated funds		22,565	25,857	30,028
Reserves		3,257	3,422	3,422
Total Equity		25,822	29,279	33,450

The accompanying notes form part of these financial statements.

Financial Information 2018–19

NSW FOOD AUTHORITY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Accumulated Funds \$000	Asset Revaluation Reserve \$000	Total \$000
Balance at 1 July 2018		30,028	3,422	33,450
Net result for the year		(7,463)	-	(7,463)
Other comprehensive income				
Net increase / (decrease) in property, plant and equipment		-	(165)	(165)
Total comprehensive income for the year		(7,463)	(165)	(7,628)
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers		-	-	-
Balance at 30 June 2019		22,565	3,257	25,822
Balance at 1 July 2017		14,975	3,422	18,397
Net result for the year		(4,924)	-	(4,924)
Total 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	18	19,977	-	19,977
Balance at 30 June 2018		30,028	3,422	33,450

The accompanying notes form part of these financial statements.

Financial Information 2018–19

NSW FOOD AUTHORITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Payments to suppliers		(32,200)	(21,412)	(435)
Grants and subsidies		(502)	(560)	(425)
Total Payments		(32,702)	(21,972)	(860)
Receipts				
Industry levies, licenses and other		10,056	11,995	12,148
Grants and contributions received		-	10,714	-
Interest received		363	400	360
Total Receipts		10,419	23,109	12,508
NET CASH FLOWS FROM OPERATING ACTIVITIES	11	(22,283)	1,137	11,648
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	4	-	-	1,670
Payment for property, plant and equipment	7	-	(200)	-
Payment for intangible assets	8	(711)	(900)	(510)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(711)	(1,100)	1,160
NET INCREASE/(DECREASE) IN CASH				
		(22,994)	37	12,808
Opening cash and cash equivalents		38,940	19,497	26,132
CLOSING CASH AND CASH EQUIVALENTS	5	15,946	19,534	38,940

The accompanying notes form part of these financial statements.

Financial Information 2018–19

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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. The NSW Food Authority is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. 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 year ended 30 June 2019 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
- Treasurer's directions issued under the Act.

Property, plant and equipment, assets held for sale and financial assets at 'fair value through profit and loss' 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) Going Concern

The financial statements of the Authority have been prepared on a going concern basis. The Authority reported a deficit of \$7.4 million in the Statement of Comprehensive Income for the year ended 30 June 2019. The deficit is primarily attributable to budgeted grant revenue not received from the Department of Industry (the Department) 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 2018-19 financial year. On this basis management can obtain cluster grant funding as outlined in the NSW Budget Papers for 2019-20 and in the forward years if the Authority is unable to meet its obligations for a twelve month period from the date of signing these financial statements.

(d) Statement of compliance

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

(e) 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 (ATO) 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 ATO are classified as operating cash flows.

(f) 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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Changes in accounting policies from 1 July 2018, including new or revised Australian Accounting Standards.

i. Effective for the first time in 2018-19

The Authority has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

NSW Food Authority has applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139).

As the Authority's financial assets are limited to Loans and Receivables and the classification and measurement of financial liabilities under AASB 9 is substantially the same as in AASB 139, there were no differences recognised in accumulated funds and other components of equity in adopting AASB 9.

a) Classification and measurement of financial instruments

On 1 July 2018 (the date of initial application of AASB 9), the Authority's management has assessed which business models apply to the financial assets held by the Authority and has classified its financial instruments into the appropriate AASB 9 categories. The main effects resulting from this reclassification are as follows:

	Notes	Loans and receivables (L&R)
Closing balance 30 June 2018 - AASB 139	6	1,033
Opening balance 1 July 2019 - AASB 9	6	1,033
Total impact		<u>-</u>

Under AASB 9, subsequent measurement of debt financial assets is based on assessing the contractual cash flow characteristics of the debt instrument and the NSW Food Authority business model for managing the instrument.

The assessment of the business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact to the Authority. NSW Food Authority continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of the Authority's financial assets:

- Trade and other receivables classified as 'Loans and receivables' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.
- NSW Food Authority has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the Authority's financial liabilities.

In summary, upon the adoption of AASB 9, the Authority had the following required or elected reclassifications as at 1 July 2018:

	Measurement Category		Carrying amount		
	AASB 139	AASB 9	Original \$'000	New \$'000	Difference \$'000
Receivables	L&R	Amortised cost	1,033	1,033	-

b) Impairment

The adoption of AASB 9 has changed the entity's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the entity to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. There is no material impact to the entity on adopting the new impairment model.

ii. 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 2016-7 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)
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors
- AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

AASB 16 Leases

AASB 16 Leases (AASB 16) is effective from reporting periods commencing on or after 1 January 2019.

For lessees, AASB 16 will result in most leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term and low-value leases. AASB 16 will therefore increase assets and liabilities reported on the Statement of Financial Position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the Statement of Comprehensive Income. Expenses recognised in the earlier years of the lease term will be higher as the interest charges will be calculated on a larger lease liability balance. Existing finance leases are not expected to be significantly impacted from the transition to AASB 16.

The accounting for lessors under AASB 16 will not significantly change. The Authority will however review the classification of sub-leases in which the Authority is a lessor. Finance lease receivables will be recognised for sub-leases reclassified as finance leases.

The Authority will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. The Authority will also adopt the practical expedient whereby the fair value of the right-of-use asset will be the same as the lease liability at 1 July 2019.

Based on the impact assessments the Authority has undertaken on currently available information, the Authority estimates additional lease liabilities of Nil and right-of-use assets of Nil will be recognised as at 1 July 2019 for leases in which the Authority is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability. The impact on the statement of comprehensive income is expected to be Nil.

The Authority will also be required to reclassify sub-leases as either finance leases or operating leases for leases in which the Authority is a lessor. The Authority estimates that sub-leases reclassifications will result in the recognition of finance leases receivable of Nil as at 1 July 2019

Impact Statement

There are no changes to the lease accounting policy and methods to be applied to the 30 June 2019 Annual Financial Statements on the application of the Accounting standard.

AASB 15 Revenue

AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 and AASB 1058 Income of Not-for-Profits

AASB 15 Revenue from Contracts with Customers (AASB 15) is effective for reporting periods commencing on or after 1 January 2019. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which the Authority expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 Revenue (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.

Financial Information 2018–19

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 15 Revenue (continued)

Impact Statement

The impacts to balances resulting from the adoption of AASB 15 and AASB 1058 have been assessed by the Authority as not being significant.

AASB 1058 Income of Not-For-Profit

AASB 1058 Income of Not-for-Profits (AASB 1058) is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 Contributions (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, the Authority will need to determine whether a transaction is consideration received below fair value principally to enable the Authority to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).

The standards will result in the identification of separate performance obligations that will change the timing of recognition for some revenues, including revenues relating to sales of goods and services and specific purpose grants and subsidies. The adoption of these standards will primarily result in the recognition of increased liabilities reported on the Statement of Financial Position, predominately consisting of contract liabilities.

Under AASB 1058, the Authority will recognise as liabilities, obligations for funding received where there is an obligation to construct recognisable non-financial assets controlled by the Authority.

The Authority will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.

Based on the impact assessments the Authority has undertaken on currently available information, the Authority estimates that the adoption of AASB 15 and AASB 1058 will result in:

- the deferral of revenue and recognition of contractual liabilities and capital grant obligations (unearned revenue) of Nil, with a corresponding increase/(decrease) in accumulated funds of Nil.
- the reduction of revenue long-term licences of Nil and unearned income liabilities of Nil, with a corresponding increase/(decrease) in accumulated funds of Nil.

Impact Statement

The impacts to balances resulting from the adoption of AASB 15 and AASB 1058 have been assessed by the Authority as not being significant.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. EXPENSES EXCLUDING LOSSES

	2019	2018
	\$000	\$000
(a) Other operating expenses include the following:		
Advertising & promotion	-	1
Audit Fees	97	95
Consultants	-	42
Contract laboratory services	896	459
Contractors	980	758
Information Technology costs	-	3
Legal Fees	209	75
Occupancy & maintenance	-	151
Fee for staffing resources - Resources Agreement (refer also note 19)	12,098	11,954
Fee for service - Resources Agreement (refer also note 19)	1,773	2,330
Other fees	-	16
Other operating expenses	427	138
Printing, consumable & stores	3	25
Training & development	-	2
Travel & entertainment	4	656
	16,487	16,705

Recognition and Measurement

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.

Fee expense

In accordance with the Biosecurity and Food Safety Resources Agreement (RA) for financial year 2018-19, 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.

Maintenance

Day-to-day servicing costs or maintenance are charged as expenses when 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.

(b) Depreciation and Amortisation

Depreciation expense		
Buildings	176	199
Plant and equipment	89	136
Total Depreciation expense	265	335
Amortisation Expense		
Intangibles	477	487
Amortisation expense	477	487
Total Depreciation and Amortisation Expense	742	822

Refer to note 7 and 8 for recognition and measurement policies on depreciation and amortisation.

(c) Grant and subsidies paid

Grants Paid	502	425
	502	425

Recognition and Measurement

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.

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3. REVENUE

	2019	2018
	\$000	\$000
(a) Industry levies and license fees		
Industry Levies	1,049	1,049
License Fees	7,033	7,263
	<u>8,082</u>	<u>8,312</u>

Recognition and Measurement

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).

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.

Infringement charges and fines

Infringement charges and fines are recognised as revenue when the revenue is received.

(b) Grants and contributions

Recognition and Measurement

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.

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.

(c) Investment revenue

Interest revenue	363	360
	<u>363</u>	<u>360</u>

Recognition and Measurement

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.

	2019	2018
	\$000	\$000
(d) Miscellaneous income and fees for services		
Audit and inspection fees (from the food industry)	1,536	1,918
Rent and property income (from sub-tenants)	-	138
Infringement charges and fines	120	123
Assumption of personnel services liabilities by Department of Industry	-	1,639
Other income	167	220
	<u>1,823</u>	<u>4,038</u>

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4. GAIN / LOSS ON DISPOSAL

	2019	2018
	\$000	\$000
Gains / (losses) 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

	2019	2018
	\$000	\$000
Cash at bank and on hand	15,946	38,940
	15,946	38,940

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)	15,946	38,940
Closing cash and cash equivalents (per statement of cash flows)	15,946	38,940

Refer Note 17 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. CURRENT ASSETS - RECEIVABLES

	2019	2018
	\$000	\$000
CURRENT		
Receivables	946	1,093
Allowance for impairment of receivables	(49)	(45)
	897	1,048
Movement in the allowance for impairment/ expected credit loss		
Balance at 1 July	45	52
Amounts written off during the year	(22)	(44)
Increase/(decrease) in allowance recognised in profit or loss	26	37
Balance at 30 June	49	45

Receivables

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

6. CURRENT ASSETS - RECEIVABLES

Impairment under AASB 9 (from 1 July 2018)

The entity recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, the entity applies a simplified approach in calculating ECLs. The entity recognises a loss allowance based on lifetime ECLs at each reporting date. The entity has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific for receivable.

Impairment under AASB 139 (for comparative period ended 30 June 2018)

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.

7. NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT

	2019 \$000	2018 \$000
Land at fair value		
At fair value	2,630	2,630
Net carrying amount	2,630	2,630
Buildings at fair value		
Gross carrying amount	9,000	6,416
Accumulated depreciation and impairment	(3,643)	(718)
Net carrying amount	5,357	5,698
Total Land and Buildings at fair value		
Gross carrying amount	11,630	9,046
Accumulated depreciation and impairment	(3,643)	(718)
Net carrying amount	7,987	8,328
Plant and Equipment at fair value		
Gross carrying amount	1,357	1,396
Accumulated depreciation and impairment	(1,114)	(1,064)
Net carrying amount	243	332
Total Property, Plant and Equipment net carrying amount	8,230	8,660

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

7. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

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 2019	Land and Buildings \$000	Plant and Equipment \$000	Total \$000
Net carrying amount at 1 July 2018	8,328	332	8,660
Depreciation expense	(176)	(89)	(265)
Net revaluation increment / (decrement)	(165)	-	(165)
Net carrying amount at 30 June 2019	7,987	243	8,230
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 30 June 2018	8,328	332	8,660

Recognition and Measurement

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.

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.

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%

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*.

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

7. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

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 socio-political 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 has been completed by Azurium Real Estate, an independent assessor and valuations have been updated for the financial statements to June 30 2019 .

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.

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. 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.

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.

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

7. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

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.

8. INTANGIBLE ASSETS

	2019	2018
	\$000	\$000
Intangible Assets		
Software		
Gross carrying amount	5,838	5,126
Accumulated amortisation and impairment	(3,093)	(2,615)
Net Carrying amount	<u>2,745</u>	<u>2,511</u>
Reconciliation		
	2019	2018
	\$000	\$000
Opening net carrying amount	2,511	2,488
Additions	711	510
Amortisation expense	(477)	(487)
Net carrying amount at end of period	<u>2,745</u>	<u>2,511</u>

Recognition and Measurement

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.

9. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

(a) 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:

(a) Fair value hierarchy

- (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).

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

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 17 for further disclosures regarding fair value measurements of financial and non-financial assets.

Valuation of Buildings as at 31 March 2019 was performed by Azurium Real Estate.

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.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 30 June 2019				
Property, plant and equipment				
Land and buildings (Note 7)	-	7,987	-	7,987
At 30 June 2018				
Property, plant and equipment				
Land and buildings (Note 7)	-	8,328	-	8,328

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.

(b) Valuation techniques, inputs and processes

Azurium 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. Azurium 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

	2019 \$000	2018 \$000
Payables		
Creditors - trade & accruals	1,996	17,709
	1,996	17,709

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

	2019	2018
	\$000	\$000
Net cash flows from operating activities	(22,283)	11,648
Depreciation and amortisation	(742)	(822)
(Loss)/gain on disposal & impairments of Non-Current Assets	-	318
Movement in allowance for impairment	(4)	7
Increase/(Decrease) in Receivables	(147)	(1,444)
Decrease/(Increase) in Payables	15,713	(16,237)
Decrease/(Increase) in Current Provisions	-	1,554
Decrease/(Increase) in Non-Current Provisions	-	20,029
(Increase)/Decrease in Net Assets from Equity Transfers	-	(19,977)
Net Result for the year	(7,463)	(4,924)

12. EXPENDITURE COMMITMENTS

	2019	2018
	\$000	\$000
Operating lease commitments		
Future non-cancellable operating lease rentals not provided for and payable		
Not later than one year	-	61
Later than one year and not later than five years	-	255
Later than five years	-	-
Total (excluding GST)	-	316
Representing non cancellable leases:		
Premises	-	316
Total (excluding GST)	-	316

Property Lease at 1A Macquarie Street, Taree, NSW terminated due to sale of property, cancelling future lease commitments.

13. 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 and this in turn may cause variations between the budgeted and actual results.

Net result

Net result budgeted for the year 2018-19 was a deficit of \$140,000. Actual net result for the year was a deficit of \$7,463,000. The unfavourable variance of \$7.3 million is primarily attributable to non-receipt of grant revenue budgeted for the year from the Department (\$10.7 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 2018-19 and did not require grant funding. This was partially offset by savings in fee for service and other operating expenses (\$3.4m, net).

Assets and Liabilities

Cash and cash equivalents are lower than budgeted as expected when grant revenues were not required to be paid because the Authority had sufficient cash to meet its operational requirements.

Cash flows

Payments to Suppliers higher than budgeted due to payments made to the Department for the 2017-18 Resources Agreement. Net cash inflows were lower than budgeted with the Authority not receiving grant funding from the Department.

14. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Authority has no contingent assets or contingent liabilities at 30 June 2019 (2018: Nil)

15. SEGMENT INFORMATION

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

Financial Information 2018–19

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16. RELATED PARTY DISCLOSURES

During the year, the Authority incurred \$243,191 (2018: \$234,321) 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:

16. RELATED PARTY DISCLOSURES (continued)

Following are the list of NSW Government entities with whom the Authority had collectively, but not individually, significant transactions during financial year 2018-2019.

Entity	Nature of Transaction
Local Land Services	Collection of meat levy on behalf of NSW Food Authority
Department of Industry	Service fees expenses for operational expenses. The Authority's recurrent grants are also received through the Department.

17. 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

i. As at 30 June 2019 AASB 9

Class:	Note	Category	Carrying Amount \$000
Financial Assets			
Cash and cash equivalents	5	N/A	15,946
Receivables ¹	6	Amortised cost	890
Financial Liabilities			
Payables ²	10	Financial liabilities measured at amortised cost	1,996

Notes

1. Receivables excludes statutory receivables and prepayments, not within scope of AASB 7. Adopting AASB 9, the Authority reclassified receivables from Loans and Receivables to Amortised cost as at 1 July 2018 (Note 1)

2. Payables excludes statutory payables and unearned revenue, not within scope of AASB 7.

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

17. FINANCIAL INSTRUMENTS (continued)

(a) Financial Instrument Categories

ii. As at 30 June 2018 AASB 139 (comparative period)

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

Notes

1. Receivables excludes statutory receivables and prepayments, not within scope of AASB 7. Adopting AASB 9, the Authority reclassified receivables from Loans and Receivables to Amortised cost as at 1 July 2018 (Note 1)

2. Payables excludes statutory payables and unearned revenue, not within scope of AASB 7.

(b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- the entity has transferred substantially all the risks and rewards of the asset; or
- the entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control

When the entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the entity 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 entity's continuing involvement in the asset. In that case, the entity 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 entity 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 entity could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

17. FINANCIAL INSTRUMENTS (continued)

(c) Financial Risk

(i) 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.

Authority deposits held with NSW TCorp are guaranteed by the State.

The entity considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the entity may also consider a financial asset to be in default when internal or external information indicates that the entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the entity.

Cash and cash equivalents

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.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability 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.

The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables [if applicable - and contract assets] have been grouped based on shared credit risk characteristics and the days past due.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 180 days past due.

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 2019: \$644,905 (2018: \$498,702) and less than 3 months past due 2019: \$875,365 (2018: \$219,660) are not considered impaired and together these represent 56% 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
2019			
< 3 months overdue	875	875	-
3 months - 6 months overdue	1,146	1,146	-
> 6 months overdue	49	-	49
2018			
< 3 months overdue	220	220	-
3 months - 6 months overdue	29	29	-
> 6 months overdue	330	285	45

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.

Financial Information 2018–19

NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

17. FINANCIAL INSTRUMENTS (continued)

(ii) 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 (2018: Nil)

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
2019								
<i>Payables</i>		1,996	-	-	1,996	1,996	-	-
		1,996	-	-	1,996	1,996	-	-

	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	-	-

(iii) 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 2018. The analysis assumes that all other variables remain constant.

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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

17. FINANCIAL INSTRUMENTS (continued)

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	Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
		-1%		+1%	
2019					
Financial Assets					
Cash and cash equivalents	15,946	(159)	(159)	159	159
Receivables	890	-	-	-	-
Financial Liabilities					
Payables	1,996	-	-	-	-
2018					
Financial Assets					
Cash and cash equivalents	38,940	(389)	(389)	389	389
Receivables	1,033	-	-	-	-
Financial Liabilities					
Payables	17,709	-	-	-	-

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.

(c) 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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NSW FOOD AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

18. 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.

Equity transfers - Recognition and Measurement

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 AAS to be treated as contributions by owners and recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 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 entity recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the entity does not recognise that asset.

19. 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 the 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 2019.

20. EVENTS AFTER THE REPORTING PERIOD

On 1 July 2019 the Department of Industry was abolished and a new Department of Planning, Industry and Environment was established. All the payable to and receivables from Department of Industry as at 30 June 2019 are payable to and receivable from the Department of Planning, Industry and Environment. The Department of Planning, Industry and Environment will continue to provide services as per the Resource Agreement with the Department of Industry and the new resource agreement will be negotiated with the Department of Planning, Industry and Environment from 1 July 2019.

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

END OF AUDITED FINANCIAL STATEMENTS

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