

Evaluation Report: Statement of Expectations for Dairy Food Safety Victoria

1 Report purpose and evaluation objectives

The primary purpose of this report is to provide the results of an evaluation of the Statement of Expectations (SoE) for Dairy Food Safety Victoria (DFSV) 1 July 2018 to 30 June 2020. The evaluation covered an assessment of the process that was used to develop the SoE and response for DFSV and its performance progress against the SoE targets.

The objectives of the evaluation were derived from Department of Treasury and Finance (DTF) SoE evaluation guidelines and DTF guidance material about the intentions of the SoE Framework¹. These objectives and performance measures were also summarised in the *Monitoring and Evaluation Plan: SoE for DFSV* developed in 2018. The objectives of the evaluation were to:

- identify actions that could improve the development and design of DFSV's next SoE
- determine how well DFSV's SoE and response support DFSV's contribution to public policy outcomes
- in line with DTF's stated intentions for SoE evaluations, note any observations for consideration by DTF about the operation of the revised SoE framework².

2 Background

2.1 Preparation of this report

DFSV's SoE and response is managed through the Food Regulation and Biosecurity Policy team within Agriculture Victoria, of the Department of Jobs, Precincts and Regions (DJPR). This team also conducted the evaluation of the SoE formulation and response process to inform future iterations of the SoE process.

Key roles and participants in the evaluation process are outlined in the table below:

Management arrangements for the evaluation plan	Role and responsibility
Manager, Food Policy	Manage the process for conducting the evaluation and ensure suitable resources are employed to conduct the evaluation. Ensure adequate independence between the design and delivery of the SoE evaluation. Ensure evaluation plan is conducted in consultation with PrimeSafe and according to DTF requirements (quality, timeliness).
Regulatory Manager, Agriculture Victoria	Liaise with DTF and provide advice to Manager Food Policy for the purposes of quality assurance, consistency with DTF guidelines and consistency across Agriculture Victoria.
Director, Food Regulation and Biosecurity Policy	Secure any additional resources that may be required for conducting the evaluation. Review the conduct of the evaluation and the final report. Consult with PrimeSafe as necessary.
Executive Director, Agriculture Regulatory Policy	Review and approve evaluation report before submission to the Deputy Secretary, Agriculture, Food and Fibre.
Deputy Secretary, Agriculture, Food and Fibre	Approve for submission to DTF and the Commissioner for Better Regulation and publication on DJPR's website.

¹ Statement of Expectations for Regulators, available at: <https://www.dtf.vic.gov.au/reducing-regulatory-burden/statement-expectations-regulators>

² Department of Treasury and Finance, *Guidelines for Evaluation of Statements of Expectations for Regulators*, January 2018, available at <https://www.dtf.vic.gov.au/reducing-regulatory-burden/statement-expectations-regulators>, page 5.

2.2 DFSV: Context

DFSV is the statutory authority responsible for regulating the Victorian dairy industry to safeguard public health, implementing a robust regulatory framework that underpins market access and the growth of the dairy industry.

As a statutory authority DFSV is accountable to the Victorian Government, through the Minister for Agriculture, for fulfilling its statutory responsibilities in line with government policy and within an appropriate governance framework. It licenses all dairy businesses operating in Victoria; approving and auditing compliance with food safety programs to ensure state legislation and nationally agreed standards are maintained.

2.3 DFSV Board Alignment to Public Policy Outcomes

DFSV legislation requires that licensees maintain a food safety program that uses a risk-based approach to manage potential hazards with their business as the basis to ensure compliance with the Australian Standards for food safety. This approach improves the public health and consumer confidence of Victorians in dairy products and provides benefits for food businesses and the Victorian economy by ensuring continued confidence. In 2018-19, no food borne disease outbreaks were attributed to DFSV licensees. A key question during the evaluation was the extent to which DFSV's SoE and response support these public outcomes.

3 Methodology

The evaluation methodology draws on a simple analysis addressed in two components:

1. A **process evaluation** of the approach used to develop the SoE; and
2. A **performance evaluation** of the improvements and targets documented in the SoE.

In each case the method consisted of a consultation process between DFSV and the Food Policy team in DJPR. Consultations on the **process evaluation** took place in March 2018. Consultations on the **performance evaluation** took place from August 2019. DFSV provided documentation relating to the evaluation questions in October 2019. In each case draft documents were then circulated for comment, before finalisation in September 2018 and December 2019 respectively.

The analysis was based on these consultations, together with information gathered from DFSV's Annual Report 2018-19, DFSV's public website, and the joint DJPR-DFSV annual governance health check managed by Agriculture Victoria. In the case of the performance evaluation, the Minister's expectations as set out in the SoE are used as the starting point (see Section 5 below).

DFSV's SoE will end on 30 June 2020. The DTF requires that this evaluation is completed by 31 December 2019. In practice, this means that the performance evaluation is based on information available at November 2019. It is therefore a progress update, as distinct from a full and final evaluation of DFSV's performance against the SoE.

The approach to the two components, including the key evaluation questions that form the basis for the analysis, is summarised in the tables below.

3.1 Process Evaluation

The process evaluation considered alignment to the SoE Framework and Guideline developed by DTF and addressed other key evaluation questions shown in the table below.

Key Evaluation Questions	Performance measures (how will success be measured?)	Data collection method (how will data be collected?)	Data source (Where is the information found or who has it)
KEQ: How aligned to the SoE framework is DFSV's SoE?			
Does DFSV's SoE and response address the mandatory good practice elements prescribed by the SoE framework (timeliness, risk-based strategies, compliance-related assistance and advice)? Does DFSV's SoE include elements addressing recommended or suggested good regulatory practice in accordance with the SoE framework (incentive-based regulation, clear and consistent regulatory activities)?			<ul style="list-style-type: none"> SoE and response content
KEQ1: How appropriate was the process for developing the SoE?			
1.1 What was the approach for developing the SoE?	<ul style="list-style-type: none"> Consistency with DTF guidelines Relevance to DFSV Time and iterations to agree on SoE 	<ul style="list-style-type: none"> Interviews with DFSV and self-reflection by Food Policy team Compare with previous process 	<ul style="list-style-type: none"> Food Policy Team and DFSV
1.2 Was the evidence base appropriate to develop the SoE?			
1.3 How satisfied were DJPR and DFSV in the process?			

3.2 Performance Evaluation

For the performance evaluation, the analysis considers what would constitute success in terms of meeting the SoE targets and establishes a set of questions that form the criteria for assessment.

Key Evaluation Questions	Performance measures (how will success be measured?)	Data collection method (how will data be collected?)	Data source (Where is the information found or who has it)
KEQ 2: To what extent did DFSV deliver the improvements and targets established in the SoE and DFSV's response (Accountability)			
2.1 How suitable/relevant were the measures in achieving improved outcomes?	<ul style="list-style-type: none"> Data and evidence that improved outcomes were achieved Proportion of key measures and targets in the SoE met 	<ul style="list-style-type: none"> Public reporting against SoE and regulator response Baseline performance data 	<ul style="list-style-type: none"> DFSV Annual Report DFSV previous annual reports, internal reports
2.2 Were the annual reporting requirements met?			
KEQ 3: What difference did the SoE make towards achieving greater efficiency and effectiveness in the administration and enforcement of regulation by DFSV?			
3.1 What improvements in compliance have occurred following the increased assistance and advice?	<ul style="list-style-type: none"> Comparison of change in levels of advice and improvements in audit results (3.1) Comparison of policy changes with up-dated risk assessment (3.2) Business response to regulatory requirements (3.1, 3.2) 	<ul style="list-style-type: none"> Case studies of key areas identified for improvement Interview with DFSV Business survey 	<ul style="list-style-type: none"> DFSV Annual Reports Previous annual reports, internal reports Industry performance data
3.2 How has the risk assessment process affected Compliance and Enforcement Policy?			
3.3 Did the SoE deliver performance improvements beyond business as usual?			

Appendix A contains additional questions which were used to inform the evaluation.

4 Process Evaluation: Key findings

Key Evaluation Question 1: How aligned to the SoE framework is DFSV's SoE? How appropriate was the process for developing the SoE?

DFSV's SoE and response for 1 July 2018 to 30 June 2020 address the necessary minimum elements of the SoE framework which include:

1. Timeliness
2. Risk-based regulation
3. Compliance related assistance and advice (particularly as it relates to small business).

It covers further expectations/actions to address the regulatory burden on small business and in providing clear, consistent and transparent regulation.

What was the approach for developing the SoE?

The DTF guidelines were considered by Food Regulation and Biosecurity Policy staff of (then) DEDJTR and the CEOs of DFSV prior to developing draft SoEs. The Department convened a meeting between the regulator and a DTF representative to discuss the process and content, and for DTF to provide advice on where improvements could be made on the previous SoEs. The importance of timelines and targets was noted.

The general approach taken was to consult with the regulator from the outset and provide opportunities for the regulator to amend or make comments before submitting a draft for the Minister for Agriculture's consideration. The process commenced in mid-March 2018 to allow sufficient time for consultation and review. The Minister was briefed on the process, general content and on any specific requirements requested by the Minister. In addition, the Treasurer, the Hon Tim Pallas MP, requested that the Minister include digitisation and incentives-based regulation in DFSV's SoE. The SoE was signed by the Minister for Agriculture on 6 June 2018 (prior to the deadline of 30 June 2018).

Performance measure: Consistency with DTF Guidelines

The draft SoE was reviewed internally for consistency with (then) DEDJTR regulatory policy and the DTF SoE framework. No amendments were required.

Was the evidence base appropriate to develop the SoE?

The previous SoE had been issued by the Minister for Agriculture on 30 June 2017. Consequently, the annual report that would have provided evidence of actions by DFSV in relation to the previous SoE, was unavailable prior to the deadline of 30 June 2018. However, DFSV provided information on the performance reports used by the organisation and the DFSV Board that informed relevant measures to be developed within the DTF framework.

Other information, including DFSV's draft annual operating plan, enabled further targets to be included. Advice from the Minister's office on other requirements, including improved use of digitisation was available and incorporated. The SoEs are intended to demonstrate improvement over time, so some of the measures included in the previous SoE were included again.

Performance measure: Relevance to DFSV

Feedback from DFSV was positive. The CEO of DFSV, Ms Amanda Hill, commented that the SoE provided her with the authorising environment to make changes to improve DFSV's regulatory approach. Improving digitisation and food safety culture were noted as necessary to develop incentives-based regulation and encouraging voluntary compliance.

How satisfied were Agriculture Victoria and DFSV with the process?

DFSV noted the support provided by Agriculture Victoria to guide DFSV and develop drafts for consultation. The process enabled a final SoE that will be of use to DFSV and should enable it to

demonstrate to stakeholders that it is striving to improve regulatory services consistent with government priorities. See also response to *Performance measure: Consistency with DTF Guidelines* above.

One area for improved process is the length of time between reviews of the SoE. Some level of consolidation is necessary to enable the regulator to fully develop new approaches and gather evidence to demonstrate improvements.

Performance measure: Time and iterations to agree on SoE

The process was efficient without the need for multiple meetings or drafts. Two face to face meetings were held and three drafts (including the final) were made. No amendments were required by the Minister.

In summary, the DFSV SoE was developed in line with the DTF Framework and included key elements of good regulatory practice. Appropriate baselines for performance were established, noting that the two SoE processes occurred in quick succession. Consultation processes between the Department and DFSV were appropriate, with sufficient time allowed to complete the process. The SoE and the DFSV Chairperson's response were published on DFSV's website, in accordance with the Framework. DFSV reports annually on progress against expectations and targets in the SoE. It addresses the SoE, including progress against expectations, in each annual report. DFSV has incorporated the SoE targets into the risk management and business planning process.

5 Performance Evaluation: Key findings

Key Evaluation Questions Section 2: To what extent did DFSV deliver the improvements and targets established in the SoE and DFSV's response? (accountability)

Based on available evidence, improvements and targets established in the SoE were met. DFSV's record against the SoE is addressed in the Annual Report. Evidence is detailed in DFSV's public documents and website. DFSV reported one minor variation relating to the timeliness of data. This was stated as a legacy issue due to the functionality of the central business platform to manage regulatory and business responsibilities related to licensees. This platform was unable to measure timelines of performance in terms of those activities where DFSV has sole responsibility. DFSV are developing a replacement system to address this issue and more accurately reflect timeframes in engaging with licensees.

Timeliness

I expect DFSV to establish and meet clear timeframes for key regulatory and administrative processes. I expect DFSV to have processes and systems in place to make it easy for businesses to submit information for licensing and compliance. In responding to this expectation, I expect that DFSV will:

- align timelines for key regulatory and administrative processes with other regulators where appropriate
- clearly communicate timelines for key regulatory and administrative processes to individuals and businesses, to reduce uncertainty and assist business decision-making
- reduce the time taken for key decisions as far as resourcing and due process allow
- improve its use of digitisation to improve efficiency and effectiveness in access and utilisation of information
- engage with the department on its digital agriculture initiative

Timeframes for key regulatory and administrative processes are outlined in the DFSV *Compliance and Enforcement Policy*, the DFSV Annual Report, the DFSV *Key Performance Indicators* and relevant legislation. DFSV publishes timeframes for licencing, complaints, management, freedom of

information, best practice corporate governance, food safety incidents, reviews and audits in its Annual Report. In the 2018-19 Annual Report DFSV reported that the technical hotline responded to 106 enquiries, 87 per cent within two working days (see Appendix A).

Time-frames for non-compliance are determined through the assessment of the regulatory or food safety risks and outlined in the *Compliance and Enforcement Policy*. DFSV reports that there is currently no need to change its communication processes relating to timeframes, which are clear and adequately communicated to stakeholders through various channels.

The DFSV website contains information on each of the licence categories, including how to apply, standards and guidelines, fees and charges.

DFSV is undertaking a major digitisation project, the Dairy RegTech 2022 initiative, which aims to integrate performance data and measures of behaviour to verify commitment to and achievement of regulatory compliance (see more detail in the Case Study on page 10). The Dairy RegTech approach can provide compliance and monitoring information to facilitate early detection of non-compliance and reduced time to respond when issues arise. The project is currently being piloted with 10 licensees. The Dairy RegTech project is expected to enable more timely monitoring of the food safety performance of dairy businesses, demonstrate compliance with food safety regulations, and deliver education and incentives to promote a positive food safety culture.

DFSV are currently undertaking a review of online services. External consultants will review the full suite of systems to see how they cope with DFSV business needs including the expected changes from Dairy RegTech trials. Processes for individuals and businesses have been streamlined and simplified as behind-the-scenes business efficiency.

DFSV has been engaged in the Agriculture Victoria's Digital Agriculture initiative from the conceptual stage and continues to be involved through Dairy RegTech 2022. This digital pilot is supported by Agriculture Victoria and the Victorian Government's Digital Agriculture Strategy.

Risk-based strategies

Statement of Expectations:

I expect DFSV to apply a risk-based, proportionate regulatory approach which protects the public health and safety of consumers, and promotes high levels of compliance by licensees, in line with national standards and licence conditions. In responding to this expectation, I expect that DFSV will:

- continuously improve its risk-based regulatory approach to deliver desired regulatory outcomes at lowest cost to industry.
- use a range of appropriate enforcement tools, proportionate to the seriousness of breaches.
- apply the minimum level of regulatory intervention to achieve the food safety outcome sought.
- improve its risk framework to facilitate incentive-based compliance arrangements.
- ensure DFSV's implementation of its Compliance and Enforcement Policy is informed by an up-to-date assessment of risk.

DFSV reviews its regulatory practices annually. In 2018–19 DFSV developed a new compliance and enforcement strategy and a revised supporting policy. These documents outline DFSV's risk-based approach to regulating the Victorian dairy industry and describe DFSV's decision-making framework to non-compliance or risk to food safety.

Risk management is an important element of the DFSV governance framework. Developed within the strategic and organisational context, DFSV procedures help to identify, analyse and manage organisational risk. DFSV reported that the agency regularly reviews its risk management framework and processes, with continuous risk management improvement initiatives undertaken in 2018–19.

All DFSV staff completed fraud risk and management training in 2018-19. The agency manages compliance risk through monitoring management and reporting. It maintains internal policies and procedures covering a range of areas; finance, governance, human resources, corporate, regulatory operations and science. This is to ensure business practices reflect legislative requirements. The internal audit program contributes to evaluating and improving the effectiveness of risk management, internal controls, governance process, operational efficiency and compliance with applicable laws and regulations, government and DFSV policies and procedures.

In March 2019, the Board approved a DFSV risk ‘appetite’ statement. The statement supports risk evaluation and defines the amount and type of risk that DFSV is willing to accept. It guides management and staff on the level of risk that the Board determines is appropriate and is intended to help with decision making and to foster a positive risk culture.

DFSV uses a range of appropriate enforcement tools, proportionate to the seriousness of breaches. In deciding on the most appropriate response to achieve compliance, DFSV takes a risk-based, graduated and proportionate approach considering several factors. DFSV applies communication and consultation between all stakeholders at all stages, to ensure that a response achieves an appropriate outcome whilst minimising regulatory impost (Regulatory Operations Strategy 2018-22).

DFSV undertakes regular compliance monitoring primarily through audits of licensed businesses to verify a licensee’s compliance with the regulatory requirements. Key performance indicators are monitored across successive years for foodborne illnesses and industry compliance. These are published in the 2018-19 Annual Report (see Appendix A).

Dairy RegTech 2022 aims to integrate performance data (indicators of process and product-related risk) and measures of behaviour (food safety culture, that is, behavioural driven risks). This project sits within the risk management framework and is overseen by the DFSV Board.

Key Evaluation Questions Section 3: What difference did the SoE make towards achieving greater efficiency and effectiveness in the administration and enforcement of regulation by DFSV?

Compliance related assistance and advice

I expect DFSV to continue building relationships with licensees to identify opportunities for enhancing transparent and targeted communication to assist licensees to understand their obligations and rights.

I expect DFSV to understand the breadth of its regulated entities to inform the development of advice and assistance that is tailored to the needs of the different industry sectors, with particular attention to small business activities. In responding to this expectation, I expect that DFSV will:

- promote voluntary compliance and work with licensees to strengthen food safety culture.
- Continue to deliver advice and assistance in a way that is experienced by licensees and other stakeholders and helpful, respectful, impartial, proportionate, predictable and transparent.
- Continue to consult with businesses when developing new guidance documents.
- Regularly collect data on licensees’ and stakeholders’ views to evaluate their experience with the regulator.
- Improve the availability of online services.
- Simplify processes to reduce regulatory burden for individuals and businesses to complete forms and applications and streamline collecting and processing information.

DFSV has worked to improve the licensee experience in a range of ways as described in the 2018-19 Annual Report and on the website. DFSV delivered a range of resources to assist stakeholders with compliance including presentations, contributing content for online training programs, the twice-yearly learning network, attending and sponsoring the biennial Food Allergen Management Symposium. In the reporting period three new guidelines were published by DFSV. These outline the regulatory requirements for each of the dairy licence categories, provide guidance on design and construction of premises suitable for dairy production, and guide the development and implementation of food safety programs.

DFSV has worked to understand its regulated entities to inform the development of advice and assistance. Engagement efforts include; conducting its fourth annual licensee engagement survey in April 2019, commencing the Dairy Industry Consultative Forum, and establishing and leading the Australian Dairy Regulators’ Forum.

DFSV reviewed its Stakeholder Engagement Strategy to ensure constructive relationships with stakeholders and a clear process to manage stakeholder concerns. DFSV’s Stakeholder Engagement Strategy explains how it provides different levels of advice and types of engagement, with delivery of this strategy outlined in the 2018-19 Annual Report. The agency implemented behind the scenes

business efficiencies to streamline and simplify processes for individuals and businesses and appointed a communications officer to work on regular website reviews (see Appendix A). Additional improvements to the website are expected by the end of the SoE period.

DFSV provides high-level technical and scientific advice to licensees and their staff. In 2018–19, the technical hotline responded to 106 enquiries on a range of topics. Most calls related to labelling (12%), regulations/standards (10%), validations (10%), microbiology/pathogens (9%) and product testing (9%).

Information is available on licence conditions, compliance audits, non-compliance and technical support to ensure producers comply with regulatory and food safety requirements.

DFSV conducted its fourth annual licensee engagement survey in April 2019. The survey was distributed to 2,879 licensees from all licence types. A total of 355 responses were received, representing 37% of manufacturers, 32% of carriers, 23% of distributors and 10% of farmer licensees. The annual report includes key performance indicators across successive years for stakeholder confidence. Small business is not specifically identified in this cohort.

During 2018–19, internal audits and reviews of DFSV controls and/ or processes were undertaken around the critical incident response plan and administration of DFSV issued licences. The audits and reviews resulted in opportunities to improve or refine business practices.

During the year DFSV established an online collaboration site for internal and external communication and file sharing about the Dairy RegTech pilot. DFSV also developed a range of new dashboards and reports to monitor and report on organisational and industry performance.

Case Study: Dairy industry consultation and collaboration

DFSV uses a variety of methods to engage and communicate with its stakeholders, as outlined in the DFSV Stakeholder Engagement Strategy (2018). These include forums for industry consultation and collaboration.

In August 2018 DFSV established the **Dairy Industry Consultative Forum** for ongoing, formal engagement with key stakeholder groups. The forum is intended to shape future strategic direction, a funding model, reforms to its compliance and enforcement approach, and guidance on the nature and scope of support provided to the dairy industry. The forum includes representatives from across the industry, both large and small businesses, with the Chair of the forum external to DFSV.

DFSV also established the twice-yearly **Australian Dairy Regulators' Forum** in August 2018 for ongoing, formal engagement with industry and Australian dairy regulators. This ongoing forum explores operational, workforce and resource issues to better understand and respond to emerging risks. The forum will work with the authority on refining and completing the microbiological criteria for dairy processing in FSANZ's Compendium of Microbiological Criteria for Food.

Small Business Regulatory Burden

Statement of Expectations:

I expect DFSV to reduce direct and indirect compliance costs for small business licensees.

I expect DFSV to ensure that, in developing digitisation for collecting licensing and compliance information, it retains a level of flexibility to accommodate small business licensees who have not yet developed suitable systems and capabilities.

In 2017, DFSV developed an online e-form to improve the efficiency of annual licence renewals for the 2018 calendar year licence period. Online services, including for small business licensees, have been improved during the reporting period. Overall, licensees indicated a high level of satisfaction with DFSV. The small business cohort was not specifically identified in the DFSV stakeholder survey. There is insufficient evidence to establish whether direct and indirect compliance costs for small business licensees have been reduced, noting that DFSV's practices are in line with regulatory best practice.

Expansion of the Dairy RegTech pilot is expected to help the dairy industry provide a higher level of food safety assurance at a lower cost. It will use digital methods to reduce the regulatory burden for industry and introduce real-time data collection and analytics. The pilot includes a range of licensees including small to large processors.

Clear, consistent and transparent regulation

Statement of Expectations:

I expect that DFSV continues to engage constructively with other food regulators to improve regulatory practice and food safety outcomes.

I expect DFSV to undertake monitoring and enforcement activities consistently, and with regard to the regulation of similar risks by other regulators in Victoria, Australia and New Zealand.

I expect that DFSV provides clarity to licensees on what are regulatory requirements and what is guidance on how to meet regulatory obligations.

DFSV's compliance objectives and principles are published in its Compliance Enforcement Policy, and Regulatory Operations Strategy 2018-22, available on its website. DFSV clearly distinguishes its regulatory requirements from guidance on how to comply by separating these functions within a Regulatory Operations Strategy 2018-22 and a Compliance Enforcement Policy.

DFSV's Compliance and Enforcement Policy is reviewed annually. Enforcement tools are prescribed and used commensurate with risk.

DFSV signed a Memorandum of Understanding between other Victorian food safety regulators through the Victorian Food Regulators Forum (VFRF). DFSV engages regularly with state and national food safety regulators. For example, DFSV is a member of the Implementation Sub-Committee on Food Regulation (ISFR), a subcommittee of the Food Regulation Standing Committee of the bi-national food regulation system to achieve a consistent approach to all Victorian dairy businesses. DFSV is also represented on the ISFR working group, the Surveillance, Evidence Analysis Working Group. In August 2019, DFSV participated in Exercise Morass, an incident response exercise on food safety run by Agriculture Victoria.

Continuous improvement is informed by key interactions with DJPR, Department of Health and Human Services (DHHS), local government, including through the Victorian Food Regulators Forum (VFRF), other Australian jurisdictions and New Zealand.

During the year, DFSV focused on how the agency will deliver future regulatory assurance, investigating existing industry and government data to identify data platforms to strategically monitor and evaluate performance of dairy industry licensees. This is a different compliance model, not solely focussed on audits and is the basis of the Dairy RegTech pilot.

Audit consistency measures are managed through the DFSV annual audit program with reference to legislation and standards. In 2018–19 no significant issues were identified, and all auditors were verified as competent against the requirements. Results from the program continue to demonstrate a high level of compliance with food safety microbiological criteria. During the year 3,356 dairy product samples were tested and 99.1% of them complied with the microbiological criteria of the Food Standards Code.

Case Study: Dairy RegTech 2022 pilot

DFSV is undertaking a major digitisation project, the Dairy RegTech 2022 pilot. The initiative aims to support implementation of incentives-based compliance; indicators of process and product-related risk. The project verifies commitment to and achievement of regulatory compliance across the entire dairy supply chain, rather than solely focusing on audits. This will be achieved through real-time monitoring and reporting, integrating performance data and measures of behaviour. The focus is on food safety culture, that is, behavioural driven risks. It builds on existing capability using data already collected by industry and DFSV's knowledge base gained through auditing. It is intended to extend DFSV's business processes to capture and analyse data, streamlining data collection and analysis.

Dairy RegTech 2022 is supported by Agriculture Victoria and the Victorian Government's Digital Agriculture Strategy.

Dairy RegTech sits within the risk management framework overseen by the DFSV Board. DFSV received Victorian Government funding to progress this work in the May 2019 budget. During the year DFSV established an online collaboration site for internal and external communication and file sharing about the Dairy RegTech pilot.

6 Recommendations

The following recommendations are based on the objectives of this evaluation, which were to identify potential improvements to the SoE development process, evaluate whether the SoE and response support achievement of public policy outcomes, and note observations for consideration by DTF about the operation of the SoE Framework.

The findings of the Process Evaluation suggest that the SoE development process was satisfactory for the agency and Agriculture Victoria. The findings of the Performance Evaluation confirm that DFSV addressed the elements of the SoE, consistent with the Minister's letter of June 2018. Detailed evidence is provided in Appendix A.

Process Evaluation:

- The SoE process is appropriate, linking to and complementing other DFSV processes. The continuous improvement aspect is well aligned with how the agency operates. Where possible, the SoE process would provide efficiencies where it is aligned to other governance reports such as the corporate plan for regulators. This is expected to reduce the reporting burden for the agency and provide a more accurate indication of where the SoE and response support public policy outcomes.
- The findings support the inclusion of advice on proportionality in the SoE framework, to ensure that it is fit for purpose, particularly for smaller regulators, and can be aligned with existing priorities.

Performance Evaluation:

- DFSV demonstrated a high level of performance against the SoE elements. The agency's achievements in relation to digitisation, incentives-based compliance and stakeholder engagement are well aligned with the government's expectations for regulators.
- In relation to the small business element, the agency should further demonstrate the impact of business improvements by refining benchmarking and reporting, as follows:
 - Ensure that the small business cohort (less than 20 staff) are identified through surveys and clearly reported in survey findings;
 - Identify and report on the small business regulatory burden through general, direct and indirect costs to licensees; and
 - Annually report on the number of newly licensed small businesses, and the small business licensee satisfaction rating of DFSV.

7 Appendix A: Evaluation Questions

The development of assessment criteria was based on the objectives of this evaluation, which were derived from the stated requirements and intention of the SoE framework and key evaluation questions identified in the Monitoring and Evaluation Plan (2018). These objectives included:

- Identification of actions that could improve the development and design of DFSV's next SoE,
- Determination of how well DFSV's SoE and response support DFSV's contribution to public policy outcomes, and
- Any observations for consideration by DTF about the operation of the revised SoE framework.

The evaluation made an analysis of the information needed to achieve these objectives, and the questions that would need to be answered to serve those information needs. The analysis considered what would constitute success in terms of DFSV meeting its SoE targets, and in terms of the SoE framework achieving its intended outcomes. On this basis the following set of questions was established, which formed the assessment criteria used for the evaluation.

CONTENT

Key Evaluation Questions	Sub-questions	Performance measures	Results and Evidence
KEQ1: How aligned to the SoE framework is DFSV's SoE?			
	Does DFSV's SoE and response address the mandatory good practice elements prescribed by the SoE framework (i.e. timeliness, risk-based strategies, compliance-related assistance and advice)?	<ul style="list-style-type: none"> • SoE content 	Yes. DFSV's SoE, letter from the Hon Jaala Pulford MP to Board Chairperson Dr. Anne Astin, 6 June 2018. DFSV's response letter 26 July 2018.
	Does DFSV's SoE include elements addressing recommended or suggested good regulatory practice in accordance with the SoE framework (incentive-based regulation, clear and consistent regulatory activities)?	<ul style="list-style-type: none"> • SoE content 	Yes. DFSV SoE, letter from the Hon Jaala Pulford MP to Board Chairperson Dr. Anne Astin, 6 June 2018. DFSV response letter 26 July 2018.

PROCESS

Key Evaluation Questions	Sub-questions	Performance measures	Results and Evidence
KEQ1: How appropriate was the process for developing the SoE?			
1.1 What was the approach for developing the SoE?	<ul style="list-style-type: none"> Was the SOE process recommended in the SoE Framework adopted (i.e. see nine elements of good regulatory practice which include timeliness, risk-based strategies and compliance-related assistance and advice)? If not, what was the approach? 	<ul style="list-style-type: none"> Consistency with DTF guidelines Relevance to DFSV Time and iterations to agree on SoE 	<ul style="list-style-type: none"> See the Key Findings of the Process Evaluation above, concluded September 2018 by DJPR and DFSV.
1.2 Was the evidence base appropriate to develop the SoE?	<ul style="list-style-type: none"> Was there an appropriate baseline of current performance against each of the elements of good regulatory practice (i.e. was there a regulator self-assessment and was it provided to the department)? How were the actions in DFSV's SoE response determined? What consultation process was used to develop the SoE and response 	<ul style="list-style-type: none"> Consistency with DTF guidelines Relevance to DFSV Time and iterations to agree on SoE 	<ul style="list-style-type: none"> See the Key Findings of the Process Evaluation above, concluded September 2018 by DJPR and DFSV.
1.3 How satisfied were DJPR and DFSV in the process?	<ul style="list-style-type: none"> Was sufficient time allocated to complete each part of the process? Have the SoE and response both been published on DFSV's website in accordance with the SoE framework? Have the SoE targets been incorporated into DFSV's Corporate Plan? Has DFSV reported publicly on its progress against the expectations and targets in its SoE? Did DFSV undertake a self-assessment process (or equivalent) as recommended by the SoE framework? Was the SoE issued to the DFSV Board in accordance with the SoE framework? 	<ul style="list-style-type: none"> Consistency with DTF guidelines Relevance to DFSV Time and iterations to agree on SoE 	<ul style="list-style-type: none"> See the Key Findings of the Process Evaluation above, concluded September 2018 by DJPR and DFSV.

Performance evaluation criteria

Key Evaluation Questions	Sub-questions	Performance measures	Results and Evidence
KEQ2: To what extent did DFSV deliver the improvements and targets established in the SoE and DFSV's response? (accountability)			
2.1 How suitable/relevant were the measures in achieving improved outcomes?	<ul style="list-style-type: none"> Did DFSV deliver the improvements and targets established in the SOE letter and its response on time? Does the evidence and data demonstrate achievement of the improvements and targets? Was there adequate understanding of and explanation for variations from intended performance improvements and targets? 	<ul style="list-style-type: none"> Data and evidence that improved outcomes were achieved Proportion of key measures and targets in the SoE met 	<ul style="list-style-type: none"> Based on available evidence, improvements and targets were met. Evidence and data are available in the DFSV annual report and other public documents on the website. DFSV reported one minor variation, which relates to timeliness of data. This was stated as a legacy issue relating to the functionality of one database. The database is being replaced.
	<p>SOE Framework: Timeliness:</p> <ul style="list-style-type: none"> What changes has DFSV made to its communication processes about timeframes? Has DFSV established accountable standard timeframes to address enquiries or complaints? Are these being met? Have stakeholders provided any comment or feedback to DFSV regarding clarity of decision-making timeframes? 	<ul style="list-style-type: none"> Before 1 July 2019, set and publish target response times for the assessment of licence applications, responding to enquiries and resolving complaints. Annually report on the timeliness of key regulatory and administrative processes, by business size and licence category, where relevant (i.e. the proportion of licence applications assessed, and enquiries and complaints acknowledged and resolved, within the target response times). Annually report on digitisation developments that provide efficient and 	<ul style="list-style-type: none"> There was no need for DFSV to change its communication processes relating to timeframes. DFSV publishes information relating to timeframes in its annual report: Licencing (page 9); Complaints management (page 21). Best practice corporate governance and reviews and audits (page 22). Freedom of information (page 31). Time-frames for non-compliance are determined through the assessment of the regulatory or food safety risks (Compliance and Enforcement Policy, page 4). DFSV reports on the management of food safety incidents, across successive years (Annual Report, page 12 and 13). In the Annual Report (page 16) DFSV reported that the technical hotline responded to 106 enquiries, 87 per cent within two working days. DFSV is undertaking a major digitisation project, Dairy RegTech pilot. The project aims to integrate performance data and measures of behaviour to verify commitment to and achievement of regulatory compliance across the entire dairy

Key Evaluation Questions	Sub-questions	Performance measures	Results and Evidence
		<p>simple systems for businesses to provide information and that improve access and utilisation of information by businesses and by Dairy Food Safety Victoria.</p>	<p>supply chain, rather than solely focusing on audits (Annual Report, page 8).</p> <ul style="list-style-type: none"> • DFSV was engaged in the Agriculture Victoria's Digital Agriculture initiative from the outset. DFSV has developed Dairy RegTech 2022, a digital pilot which is supported by Agriculture Victoria and the Victorian Government's Digital Agriculture Strategy. See http://agriculture.vic.gov.au/agriculture/digital-agriculture
	<p>SOE Framework: Risk-based strategies;</p> <ul style="list-style-type: none"> • Has DFSV reviewed its current practices? • What methodology has DFSV put in place to identify and assess regulatory risk? • What key priorities has DFSV identified based on assessment of regulatory risk? 	<ul style="list-style-type: none"> • Apply DFSV's risk framework to enable adoption of minimum compliance requirements for businesses while protecting public health and meeting national standards. • Annually report on the compliance performance of licensees, i.e. the number and proportion of licensees fully compliant or with major or critical issues at the time of audit, and the number of licensees subject to enforcement action by business size and licence category, where relevant. • Annually report on the number of foodborne illnesses and product recalls attributed to a Dairy Food Safety Victoria licensee • Report on progress to develop a suitable model to support implementation 	<ul style="list-style-type: none"> • In 2018–19 DFSV developed a new compliance and enforcement strategy and a revised supporting policy (Annual Report, page 8). • DFSV procedures identify, analyse and manage organisational risk. DFSV reported that the agency regularly reviews its risk management framework and processes, with improvement initiatives undertaken in 2018–19 (Annual Report, page 21). • DFSV completed an annual risk survey, self-assessment. All staff completed fraud risk and management training. The agency maintains internal policies and procedures covering a range of portfolio areas; finance, governance, human resources, corporate, regulatory operations and science, to ensure business practices reflect legislative requirements. The internal audit program contributes to evaluating and improving the effectiveness of DFSV policies and procedures (Annual Report, page 21). • In March 2019 the Board approved a DFSV risk 'appetite' statement (Annual Report, page 21). • DFSV reviews its regulatory practices annually (Compliance and enforcement policy, page 2 and 3; Regulatory Operations Strategy 2018-22, page 3). • DFSV applies communication and consultation between all stakeholders at all stages, to ensure that all responses achieve the appropriate

Key Evaluation Questions	Sub-questions	Performance measures	Results and Evidence
		of incentives-based compliance.	<p>outcomes whilst minimising regulatory impost (Regulatory Operations Strategy 2018-22, page 2).</p> <ul style="list-style-type: none"> • DFSV undertakes regular compliance monitoring primarily through audits of licensed businesses to verify a licensee's compliance with the regulatory requirements. Provides KPIs across successive years for foodborne illnesses and industry compliance (Annual Report, pages 10 and 11). • Arrangements between Victorian food regulators for responding to food safety incidents are formalised under an MoU (Annual Report, page 12). • DFSV is developing a model to support implementation of incentives-based compliance. Dairy RegTech aims to integrate performance data (indicators of process and product-related risk) and measures of behaviour (food safety culture, that is, behavioural driven risks) to verify commitment to and achievement of regulatory compliance across the entire dairy supply chain, rather than solely focusing on audits. The Dairy RegTech project sits within the risk management framework, overseen by Risk Management Audit Committee. Dairy RegTech initiative aims to implement real-time monitoring and reporting (Annual Report, page 8).
2.2 Were the annual reporting requirements met?	<ul style="list-style-type: none"> • Does DFSV's 2018-19 Annual Report include an update of performance against the SoE targets? Did this include benchmarking of current levels of performance? 	<ul style="list-style-type: none"> • Alignment with Department of Environment Land Water and Planning (DELWP) Annual Report Guide • Report of Operations and Financial Statements reviewed by relevant departmental agencies. 	<ul style="list-style-type: none"> • The Annual Report includes an update of performance against the Minister's SoE (Annual Report, page 21). • In July 2018 DFSV commenced a strategic review into good governance and effective processes, delivery of regulatory assurance, people and relationships. The review considered the issues outlined by the Minister in her Statement of Expectations as well as exploring DFSV's role as a future leader in dairy regulation and informing the

Key Evaluation Questions	Sub-questions	Performance measures	Results and Evidence
			<p>development of the 2020–2025 Corporate Plan (Annual Review, page 21).</p> <ul style="list-style-type: none"> The DFSV Annual Report was aligned with the DELWP guide. The Report of Operations and Financial Statements were reviewed and approved before the Report was tabled in Parliament in October 2019.
<p>KEQ 3: What difference did the SoE make towards achieving greater efficiency and effectiveness in the administration and enforcement of regulation by DFSV?</p>			
<p>3.1 What improvements in compliance have occurred following the increased assistance and advice?</p>	<p>SOE Framework: compliance-related assistance and advice:</p> <ul style="list-style-type: none"> Does DFSV provide advice and assistance in a way that is experienced by licensees and other stakeholders as helpful, respectful, impartial, proportionate, predictable and transparent? How is stakeholder feedback collected and responded to? How regularly does DFSV collect information on licensees' and stakeholders' views and evaluate their experience? How are businesses consulted when developing new guidance documents? How are systemic issues addressed? Do risk management and business planning processes adequately consider and address such issues? <p>SOE Framework: small business regulatory burden</p> <ul style="list-style-type: none"> What is the status of improved availability of online services? How have processes for individuals and businesses to complete forms and applications been simplified and streamlined to reduce regulatory burden? Has the collection and processing of this information also been streamlined? 	<ul style="list-style-type: none"> Comparison of change in levels of advice and improvements in audit results (3.1) Develop and publish guidance materials and provide industry support through activities such as seminars, webinars and learning network forums. Describe the opportunities Dairy Food Safety Victoria provides for licensees to provide feedback and input into development and review of policies, standards, procedures and guidelines, and report on the level of feedback from licensees and how this feedback has been addressed. Annually report on the number of enquiries for information and support. 	<ul style="list-style-type: none"> DFSV is undertaking significant regulatory reform in relation to compliance, notably the Dairy RegTech pilot. The project investigates regulatory assurance using existing industry and government data for strategic monitoring and evaluating performance of dairy industry licensees. The agency received state government funding to progress this work in the May 2019 budget (Annual Report, page 16 and 21). DFSV also established the Dairy Industry Consultative Forum in August 2018 to guide reforms to compliance and enforcement (Annual Report, page 14 and 21). DFSV's Stakeholder Engagement Strategy explains how it provides different levels of advice and types of engagement. Specifics for delivery of the Engagement Strategy are outlined throughout the Annual Report. DFSV undertakes a wide range of industry support activities to enhance understanding and competency in food safety of both industry licensees and internal stakeholders. DFSV provides high-level technical and scientific advice to licensees and their staff. In 2018–19 the technical hotline responded to 106 enquiries, 87 per cent within two working days, on a range of

Key Evaluation Questions	Sub-questions	Performance measures	Results and Evidence
		<ul style="list-style-type: none"> • Annually survey and/or gather feedback from licensees to determine the extent of ongoing licensee needs and their satisfaction with DFSV. • Describe the reduced regulatory burden on small business licensees as a result of Dairy Food Safety Victoria's actions, with reference to general direct and indirect costs to licensees. • Annually report on the number of newly licensed small businesses. • Annually report on small business licensee satisfaction rating of Dairy Food Safety Victoria 	<p>topics. Most calls related to labelling (12%), regulations/standards (10%), validations (10%), microbiology/pathogens (9%) and product testing (9%) (Annual Report, page 16).</p> <ul style="list-style-type: none"> • Information is available on Licence conditions, Compliance audits, non-compliance and Technical support to ensure producers comply with regulatory and food safety requirements. In the reporting period three new guidelines published by DFSV outline the regulatory requirements for each of the dairy licence categories, provide guidance on design and construction of premises suitable for dairy production, and guide development and implementation of food safety programs (DFSV website). • DFSV conducted its fourth annual licensee engagement survey in April 2019. The survey was distributed to 2,879 licensees from all licence types. Total of 355 responses received, representing 37% of manufacturers, 32% of carriers, 23% of distributors and 10% of farmer licensees. Small business is not specifically identified in this cohort (Annual Report, pages 14 and 15; Stakeholder Engagement Strategy, page 3). • The number of new licenses to industry by type: farm (21), manufacturer (28) and others (21) (Annual Report, page 5). • DFSV developed an online e-form to improve the efficiency of the annual licence renewal process in 2017, to support the calendar year 2018 licence period (see for example: https://www.dairysafe.vic.gov.au/licensees/starting-a-dairy-business/manufacturers). • During the year DFSV established an online collaboration site for internal and external communication and file sharing about the Dairy RegTech 12-month pilot. DFSV also developed a range of new dashboards and reports to monitor

Key Evaluation Questions	Sub-questions	Performance measures	Results and Evidence
			<p>and report on organisational and industry performance (Annual Report, page 21).</p> <ul style="list-style-type: none"> • DFSV reviewed its Stakeholder Engagement Strategy to ensure constructive relationships with stakeholders and a clear process to manage stakeholder concerns (Annual Report, page 14). • A communications officer was recently appointed to work on regular website review. Additional improvements are expected by the end of the SoE period. • Systemic issues are addressed by regular review of risk management and business planning (Annual Report page 21). • During 2018–19 internal audits and reviews of DFSV controls and/ or processes were undertaken around the critical incident response plan, administration of DFSV issued licences. The audits and reviews resulted in opportunities to improve or refine business practices (Annual Report, page 21). • The DFSV online system had an internal review with external input on timelines and efficiency. • Processes for individuals and businesses has been streamlined and simplified as behind the scenes business efficiency (Annual Review, page 21).
<p>3.2 How has the risk assessment process affected compliance and enforcement policy?</p>	<ul style="list-style-type: none"> • What are DFSV's compliance objectives and principles? • Are DFSV's compliance objectives and principles published and readily accessible? • What risk-based compliance strategies has DFSV put in place to address its key priorities? • To what extent did DFSV improve risk-based strategies through this SOE? 	<ul style="list-style-type: none"> • Comparison of policy changes with up-dated risk assessment (3.2) • Describe Dairy Food Safety Victoria's audit consistency measures and the outcomes of these measures. • Annually report the number of complaints about Dairy 	<ul style="list-style-type: none"> • DFSV's compliance objectives and principles are detailed page 2 of the Compliance Enforcement Policy and page 1 of the Regulatory Operations Strategy 2018-22. • DFSVs Compliance and Enforcement Policy is available on the website. It is reviewed annually. Enforcement tools are prescribed and used commensurate with risk. • Audit consistency measures are managed through the DFSV annual audit program with reference to

Key Evaluation Questions	Sub-questions	Performance measures	Results and Evidence
		<p>Food Safety Victoria's auditors, and describe how complaints or internal reviews have informed continuous improvement of audit processes.</p> <ul style="list-style-type: none"> • Outline how key interactions with the Department of Jobs, Precincts and Regions, the Department of Health and Human Services, local council and other Australian and New Zealand Food Regulators have informed continuous improvement of Dairy Food Safety Victoria's regulatory approach and performance. • Describe how Dairy Food Safety Victoria distinguishes its regulatory requirements from guidance on how to comply. 	<p>legislation and standards. In 2018–19 no significant issues were identified, and all auditors were verified as competent against the requirements. Results from the program continue to demonstrate a high level of compliance with food safety microbiological criteria. During the year 3,356 dairy product samples were tested and 99.1% of them complied with the microbiological criteria of the Food Standards Code (Annual Report, page 10).</p> <ul style="list-style-type: none"> • There is no specific reporting on complaints for auditors in the Annual Report. The two complaints reported for DFSV services appear to be actioned appropriately. The KPIs for 'reputation objectives' are consistently high (Annual Review, page 15). • DFSV provides input to the broader Australian food regulatory framework and keeps up to date with developments across the country and internationally. DFSV also engages with other Victorian food regulators to achieve a consistent approach to all Victorian dairy businesses. DFSV is also represented on the ISFR, Surveillance, Evidence Analysis Working Group (Annual Review, page 17). • Continuous improvement is informed by key interactions with DJPR, DHHS, local government, VFRF, other Australian jurisdictions and New Zealand (Annual Report, page 17). • DFSV clearly distinguishes its regulatory requirements from guidance on how to comply by separating these functions within a Regulatory Operations Strategy 2018-22 and a Compliance Enforcement Policy.

Key Evaluation Questions	Sub-questions	Performance measures	Results and Evidence
3.3 Did the SoE deliver performance improvements beyond business as usual?		<ul style="list-style-type: none"> Business response to regulatory requirements (3.1, 3.2) 	<ul style="list-style-type: none"> The SoE process is linked to and complements other DFSV processes. The continuous improvement aspect is well aligned with how the agency operates. Consolidation of other reporting requirements (for example the health checks) and aligning with the regulator's five-year Corporate Plan would be of value to consider in determining the review period.

Sources

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DFSV, Stakeholder Engagement Strategy, available at: <https://www.dairysafe.vic.gov.au/dfsv-information/488-stakeholder-engagement-strategy>

DFSV, Regulatory Operations Strategy 2018 – 2022, available at: <https://www.dairysafe.vic.gov.au/licensees/dairy-food-safety-system/compliance-and-enforcement>

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