

Dairy Food Safety Victoria



**2010-
2011**
Annual
Report

Supporting Victoria's Dairy Industry



9 September 2011

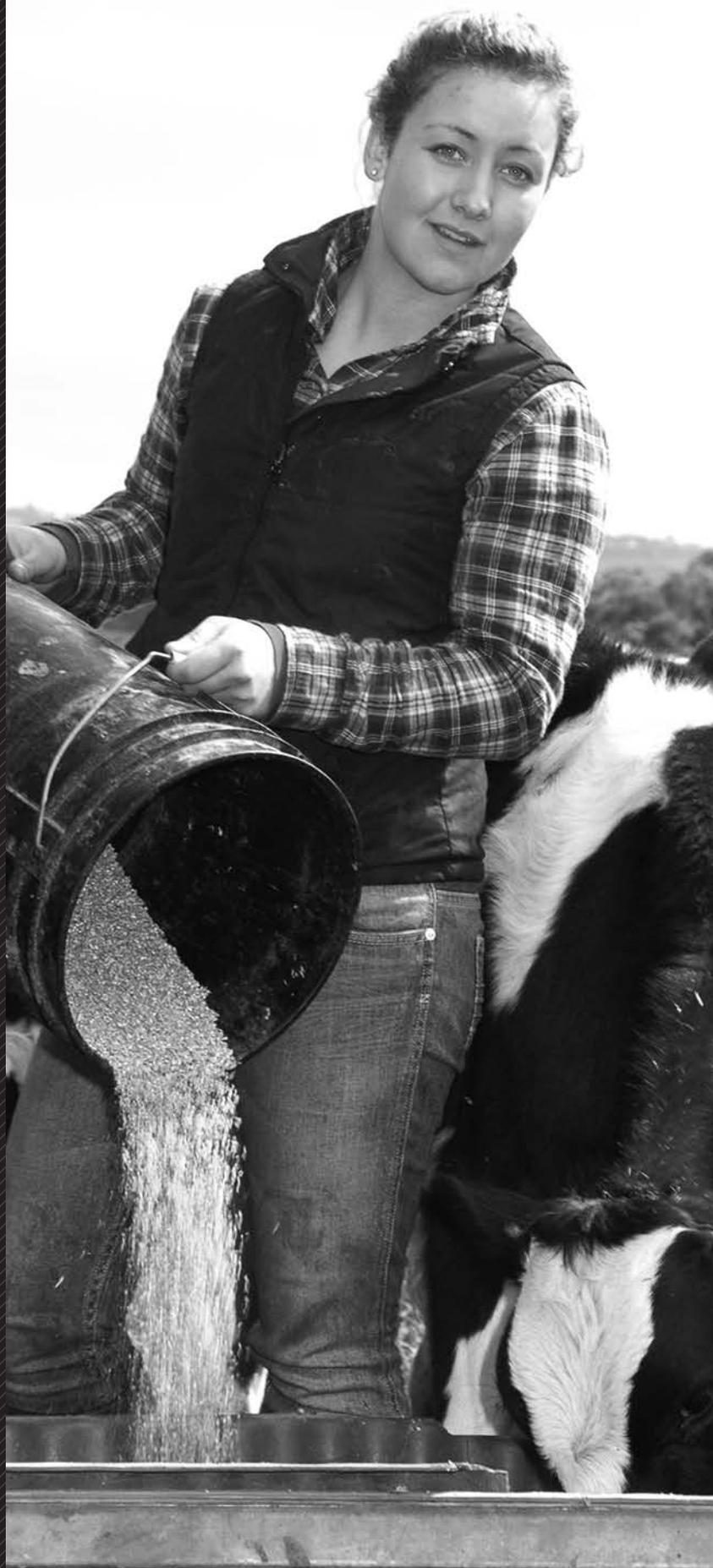
The Hon. Peter Walsh
Minister for Agriculture and Food
Security
PO Box 4440
Melbourne VIC 3001

Dear Minister,
In accordance with the *Financial
Management Act 1994*, I am pleased
to present Dairy Food Safety Victoria's
Annual Report for the year ending
30 June 2011.

Yours sincerely



Shirley Harlock
Chairman



Content

Chairman's review	3
Chief Executive Officer's report	5
Year in review - strategic objectives	7
Strategic enablers	11
Five-year financial summary	16
Governance and organisational structure	17
Workforce data	20
Other disclosures	21
Financial statements	23
Accountable officers declaration	45
Disclosure index	48



Vision

The Victorian dairy industry's reputation for food safety and integrity of production makes our products internationally preferred.

Mission

The independent authority to regulate dairy food safety.

Value statements

At Dairy Food Safety Victoria, we value:

- transparency, independence and integrity in our partnerships with stakeholders
- continuous improvement of our performance in all that we do
- being creative and innovative in developing and delivering services
- treating people fairly and giving them the opportunity to grow.

Dairy Food Safety Victoria
ABN 19 045 433 005

Charter and purpose

Dairy Food Safety Victoria was established under the *Dairy Act 2000* (the Act). The organisation is a statutory authority that reports to the Minister for Agriculture.

Objectives of the Authority

The objectives of the Authority as outlined in Section 5 of the Act are to:

- ensure that standards which safeguard public health are maintained in the Victorian dairy industry, and
- ensure that it performs its functions and exercises its powers efficiently and effectively.

Functions of the Authority

The functions of Dairy Food Safety Victoria, as stated in Section 6 of the Act, are to:

- establish, maintain and improve:
 - (i) the food safety standards of dairy food;
 - (ii) the standards of construction and hygiene of plant and equipment in dairy manufacturing premises;
 - (iii) the standards of maintenance, cleanliness and hygiene of dairy transport vehicles;
- monitor and review the standards specified in (i) – (iii);
- approve and monitor the implementation of food safety programs;
- administer the licensing system under Part 3 of the Act;
- ensure that appropriately qualified persons are appointed as authorised officers;
- fix and charge fees in respect of the carrying out of its functions or the exercise of its powers;
- in consultation with the Secretary to the Department of Health or a municipal council, protect public health;
- advise the Minister on matters relating to the administration of this Act; and
- carry out any other function that is conferred on the Authority by this Act or any other Act.

Powers of the Authority

Dairy Food Safety Victoria, subject to the Act, has all the powers necessary to enable it to perform its functions and also may:

- enter into agreements or arrangements with third parties for the provision of services to, or by, DFSV;
- fix and charge fees for carrying out its functions, and for the provision of its services including the services of its authorised officers; and
- expend its funds in carrying out its functions and powers or in paying remuneration and allowances to its members.

Chairman's review



Shirley Harlock - Chairman, DFSV

The year 2010–11 has seen Dairy Food Safety Victoria (DFSV), and the broader dairy industry, experience and manage significant events and further change to our operating environment.

In October 2010 the organisation celebrated the significant milestone of 10 years as the dairy food safety authority. We marked this important occasion by bringing the Victorian industry together to reflect on our collective history and acknowledge our past achievements.

In January 2011 the Board of Directors and staff said farewell to Dr Anne Astin, who capably led the organisation in its first ten years of operation. Dr Astin managed the transition from the Victorian Dairy Industry Authority to DFSV and implemented an innovative partnership approach for the delivery of dairy food safety regulatory services. Under her leadership DFSV grew into a highly respected organisation and a valuable resource for industry.

The Board welcomed Dr Catherine Hollywell as our new CEO. Catherine brings to the role considerable experience in the agricultural sector, including the development and implementation of regulation, quality assurance systems, and chemical residues management. Catherine also has a strong background in strategic planning and agricultural research investment decision making. The Board looks forward to working with Catherine in maintaining and further developing DFSV partnerships with industry and government to provide support, intelligence and food safety knowledge.

In the past 12 months much change also occurred on a broader scale. After many years of severe drought impacting on access to water and feed, herd management and farm finances, our farmers were confronted with a major plague locust outbreak. This posed new challenges for our farmers and manufacturers to manage. DFSV worked closely with key stakeholders, in particular Dairy Australia and Department of Primary Industries Victoria, in supporting farmers to manage the potential risk of chemical exposure to the dairy supply chain as a result of spraying programs undertaken to control plague locusts.

Following hard on the heels of drought, at the other end of the weather spectrum, floods were the next challenge for our industry to endure. DFSV provided support to Dairy Australia and the United Dairyfarmers of Victoria who coordinated the flood relief response. In DFSV we assisted our licensees to be

able to continue to effectively demonstrate the management of through-chain food safety and also with animal health and welfare issues.

The response to such challenges illustrates the importance of our effective collaboration through a partnership approach. DFSV highly values partnerships with industry, government and our counterparts in other states and we recognise that they are absolutely critical to the success of the DFSV model to facilitate best practice regulation for the safety of our dairy products and protection of our reputation in local, national and international markets.

DFSV plays a major role in a coordinated approach with the Australian Quarantine and Inspection Service (AQIS) and Dairy Australia to verify the national assurance system for dairy food safety right up to certification for export market access. DFSV, along with other interstate regulatory colleagues, helps to coordinate review activity with AQIS and provides valuable technical input into importing country reviews. DFSV works closely with AQIS, facilitating audits of the systems in place on-farm and in manufacturing establishments. Demonstrating through-chain food safety integrity is critical to success. Such diligence has seen Australia continue to enjoy an enviable breadth of access to overseas markets.

The Board's decision to undertake a major strategic investment in upgrading our information technology systems has proven to be very beneficial. Building on existing relationships with industry has enabled DFSV to be involved in a range of initiatives exploring how information and communications technology such as web-based reporting tools, linked databases and e-learning can be used to better manage data, reduce duplication and streamline processes, minimise the regulatory burden and increase industry skills and knowledge.

Chairman's review



Looking to the future, the year ahead will continue to provide both opportunities and challenges for stakeholders. On the positive side climatic conditions have improved in most regions, international dairy commodity prices are less volatile than last year and continuing export demand hopefully all set the scene for a return to growth in the dairy industry. However, industry concerns regarding many factors, including access to water and carbon pricing, contribute towards caution in greater on-farm investment. Dairy Australia reports that 44 per cent of farms surveyed intend to keep production at current levels.

Increasing difficulties in workforce recruitment and retention appear to be particularly significant for dairy right throughout the production system. Other concerns include those raised by an unstable and unpredictable world economy; food security and biosecurity; animal welfare issues and changing consumer expectations, all of which have the potential to impact on industry growth, market access and/or on food safety requirements.

The dairy industry's capacity to adapt and innovate to meet challenges has been, and will continue to be, a key strength. DFSV has an important role to play in ensuring ongoing dairy food safety, a critical aspect of market access, and also in supporting the industry, and our licensees in particular, to develop the necessary skills and tools to help meet future challenges.

In 2010–11 DFSV again met its core objective of ensuring standards which safeguard public health were maintained in the Victorian dairy industry, with no market assurance breakdowns.

Following the 2010–12 licence renewal period a number of changes in licence status were identified through a review process. These changes related to factors including farm consolidations, transfers of ownership and cancellations. Changes in farm numbers have not had an impact on production volume. These changes reflect the changing face of the modern dairy industry.

DFSV's valued reputation in industry is due to the loyal, knowledgeable and committed staff who give tirelessly throughout the year. In 2010–11 staff were supported in their endeavours by our retiring CEO Dr Anne Astin and our newly appointed CEO, Dr Catherine Hollywell. I also acknowledge the valuable support given to me by my Board of Directors and their active interest and commitment in ensuring that we continue to provide the highest level of assurance to the consumer that our dairy products are safe.

At DFSV we recognise the importance of good governance. To this end I thank all Directors for their diligence and application to our governance and assurance factors which are central to the effectiveness of the role of the Board.

The importance of partnerships, sharing of knowledge and collaboration between regulators, government and industry cannot be overestimated, and I look forward to working with the Board and staff of DFSV to help facilitate this to deliver the best possible food safety outcomes for the Victorian dairy industry.

Shirley Harlock
Chairman

Chief Executive Officer's report

Catherine Hollywell - CEO, DFSV



The past year for DFSV has been both challenging and productive. The year has been an extremely busy year for many reasons, not the least of which was my introduction to the business in January as the new CEO. I feel truly privileged to join such a competent organisation and such a great team.

Industry and government agency colleagues have also been very welcoming in providing me with support and advice, which I have very much appreciated. I acknowledge the excellent leadership provided by the past CEO Dr Anne Astin, who was at the helm when DFSV was first created in 2000, and who led the business to be the highly successful and respected organisation that it is today.

Over this year we have continued to strengthen our partnerships and enhanced working relationships with key stakeholders in the farming and manufacturing sectors, Australian Dairy Farmers, Australian Dairy Products Federation, Dairy Australia, Department of Health, Department of Primary Industries, Environment Protection Authority (EPA) Victoria, and our state regulatory authority colleagues across the nation. Great partnerships lie at the core of problem solving and in a year of considerable challenges to industry these partnerships remain one of our greatest assets.

In completing the second year of our three-year corporate plan we have greatly enhanced our emergency response capability with a comprehensive mock exercise, which was followed rapidly by a real life test of our new approach in responding to the flood crisis in northern Victoria. We worked closely with Dairy Australia and the manufacturing sector to ensure that the integrity of the dairy food safety chain was maintained. This included dealing with dairy food safety issues around milking and disease control on farm and management of flood water inundation problems in factory premises.

DFSV is continuing to invest in information technology to enable accurate and comprehensive data collection and analysis, more efficient interaction with our licensees and easier access to and sharing of knowledge. This year we advanced our systems through the virtualisation of servers and upgrades of infrastructure and the licensing system. In addition we implemented two new communication tools: internally with a new intranet and externally trialling a secure online collaborative tool.

We have further refined the dairy food safety risk assessment work we do in Victoria in conjunction with the Department of Health. During the year, seven potential dairy food product safety incidents were investigated through the DFSV risk

assessment process. These were managed in partnership with the Department of Health and industry. Of these seven investigations, two resulted in consumer level recalls and three resulted in trade level withdrawals.

On the research front, closer collaboration with parties such as Melbourne University's Microbiological Diagnostic Unit, Swinburne University and testing laboratories, has further enhanced our understanding of the characteristics and distribution of pathogenic microorganisms.

There was a great deal of activity on the export market access front with DFSV assisting AQIS and industry in three importing country reviews. Visits from European Union, Indonesian and Russian officials resulted in market access being maintained. Due to combined hard work by all parties the dairy industry in Australia has continued to maintain open access to markets. This is a notable success for the industry and does credit to the collaborative approach adopted by all parties.

We continued to develop our 'single system' approach aimed at delivering multiple benefits to manufacturers and dairy farmers. This year we expanded our work with manufacturers' quality assurance systems into on-farm management with the aim of further reducing the burden of multiple on-farm visits from different regulators. The key area for development this year has been our partnership with the EPA for the management of effluent on farm. This was signalled by the signing of a Memorandum of Understanding (MOU) with the EPA in November 2010. This approach is aimed at providing farmers with an option to demonstrate that their regulatory requirements for effluent management are being met through the current system of on-farm audits.

Demonstration of good environmental management practices, in particular with respect to effluent management on dairy farms, is likely to play an increasingly important role in the future in export market access negotiations.

Chief Executive Officer's report



The year ahead will see us delivering the third year of our current corporate plan with an increased focus on national consistency and streamlining of audit management systems. We will also be implementing the third and final phase of our licensing system upgrade which will streamline processes around licensing and audits. The upgrade will also provide the ability to identify emerging trends in milk production that will allow DFSV to improve planning for future service delivery.

I thank our directors for the support and guidance they have given me in my new role. My thanks also go to the entire team here in DFSV for their dedication to the industry and their professionalism in everything that they do. The support our staff provides to the dairy industry is well recognised and highly regarded. Their deep knowledge of the dairy industry coupled with their 'can-do' approach places us well for the future.

A handwritten signature in black ink that reads "C. Hollywell". The signature is written in a cursive, flowing style.

Catherine Hollywell
Chief Executive officer

Year in review – strategic objectives

The DFSV Corporate Plan 2009–12 provides the current strategic direction for the organisation and incorporates the four themes of regulatory innovation, innovative science and technology, emergency preparedness and response, and national consistency.

In 2010–11 DFSV implemented year two of the plan, building on the extensive scoping and planning in year one to develop innovative compliance models, tools to support and improve food safety and an integrated emergency and crisis response plan. We also continued to work with government and industry to achieve consistent national implementation of food safety standards for the Australian dairy industry.

Strategic theme: Regulatory innovation

Strategic objective: Streamlined compliance and reduced regulatory burden

Collaboration with key industry organisations, government and regulatory bodies is a focus of the work undertaken under the strategic theme of regulatory innovation.

Regulatory partnerships

In 2010–11 we continued focus on maintaining existing partnerships with other state-based regulators, including Biosecurity Victoria, Department of Health, Primesafe, Municipal Association of Victoria and Environmental Health Australia. A study completed in the farming sector highlighted an opportunity for DFSV to facilitate use of the existing food safety program auditing system to assist EPA fulfilment of its regulatory obligations with regard to dairy farm effluent management. As a result, an MOU was developed and agreed with the EPA. This MOU was signed by DFSV and EPA in November 2010 and subsequently, through partnership and consultation with industry (via an industry reference group, the national Dairy Farm Auditor Working Group and dairy company senior field officers) an operational approach is being developed. Currently details surrounding the collection, collation and management of data are being determined.

An MOU has also been finalised between the New Zealand Food Safety Authority (NZFSA) and DFSV. This came in to effect on 1 December 2010, and documents the commitment of each organisation to work cooperatively and collaboratively on relevant projects.

Under the auspices of this MOU, DFSV and NZFSA discussed learnings from implementation of a Raw Milk Standard in New Zealand. DFSV will continue to work closely with NZFSA as their experience assists DFSV in its contribution towards development of the Australian Raw Milk Products Standard.

A technical visit to NZ, in addition to study tours to Europe by DFSV senior staff (at the invitation and sponsorship of

organisations including AQIS, Dairy Australia and Food Standards Australia New Zealand (FSANZ), the safe food Listeria Network in Ireland, and the Dairy Ministerial Task Force) are providing further opportunities to build relationships, learn about other dairy regulatory systems and gain greater knowledge of export certification requirements of importing countries.

Industry partnerships

MG Farmc@re

DFSV is a member of the steering committee of Murray Goulburn Co-operative's MG Farmc@re pilot program which aims to provide Murray Goulburn suppliers with a whole-of-farm risk management system. Twenty farmers participated in stage one of the pilot, testing web-based reporting tools designed to reduce the administrative burden of record-keeping. The second stage of the pilot program involved 100 farms testing the scope for e-learning best practice tools, as well as focussing on streamlining food safety on-farm record keeping. A review of performance data collected to date from both pilot groups will commence in July 2011.

One of DFSV's goals in participating in this partnership is to reduce the reliance on audits as the only means of demonstrating regulatory compliance.

Workforce development

DFSV is involved in a workforce development project, led by Dairy Australia, in partnership with industry, which is exploring issues around skills acquisition, growth and retention. DFSV has been active on the steering committee and working group to develop a protocol for communities of practice in the areas of training, skills and capability to address both current and future needs of manufacturers. DFSV is also sharing information on some of its existing systems and networks with industry (through the DFSV-sponsored Learning Networks) and the recently developed and successfully piloted on-line discussion tool (CO-LAB) as additions to the other tools being developed through this project.

Better business regulation

Continuous improvement opportunities identified through participation in the Department of Primary Industries' Better Business Regulation Framework are being incorporated into DFSV business practice. These include process mapping and improved documentation of core processes, improved internal communication through use of the intranet, and review and redevelopment of a series of internal key performance indicators.

Strategic theme: Innovative science and technology

Strategic objective: Managing food safety risk in innovative applications of new technology

DFSV aims to manage food safety risk in innovative applications of new technology, using science to drive improvements in dairy food safety systems and working to streamline the regulatory requirements impacting on the development of new products, processes and technologies.

Food Safety Risk Assessment Framework

An important focus in this reporting year has been on the development of a framework for supporting food safety risk assessments of innovations in dairy products, processes and technology. A number of resources and processes have been identified and developed to enable a holistic approach to food safety risk assessments. One such tool, the Industry Map, has been formulated to assist organisations navigate their way through the potential food safety risks when innovations are in the early stages of development. The framework will continue to be developed, and as a whole will be rolled out in 2011–12 to key stakeholders for their ongoing involvement; road testing and fine tuning and then delivered more broadly across industry.

Technical innovation

Several key technical projects were implemented involving collaboration with research partners to provide outcomes of practical benefit to the dairy industry.

Listeria monocytogenes strain fingerprinting

DFSV has brokered agreements with microbiological testing laboratories to supply strains of *L. monocytogenes*, detected in dairy products, to the Microbiological Diagnostic Unit of Melbourne University for the purpose of further genetic identification of the strains. An extensive screening program has been able to further characterise these organisms. *L. monocytogenes* found in a range of different dairy products which have originated from various geographical locations across the country and overseas have been characterised.

The expanding collection of *L. monocytogenes* strains and associated data has enabled DFSV to monitor the variance and distribution of specific strains. This information will also enable scientific evidence-based decision making in our risk assessment activity and may, in the future, help to pinpoint the exact nature of the problem when listeriosis cases are identified in the community.

Escherichia. coli from dairy products

DFSV has partnered with Swinburne University, which has commenced microbiological studies of milk and milk products, in particular the genetic analysis of *E. coli* isolates originating from dairy sources. This proactive approach will be of benefit to industry, through gaining a better understanding of the characteristics of specific dairy-related *E. coli* strains. The subsequent database collection of dairy-specific strains will provide an important basis for comparisons with pathogenic strains, which continue to emerge globally as problem contaminants in various foods.

Pathogen survival in raw milk products

Collaboration between DFSV and Swinburne University is enabling the study of the behaviour (growth or decline) of selected pathogenic bacteria in unpasteurised milks kept under a range of conditions. The findings of this research will become an important contributing factor for consideration when assessing the complex level of risk that Australian raw milk products may pose.

C-MILK

Jointly funded by Dairy Innovation Australia Pty Ltd and the Victorian Government, through the Department of Business and Innovation, the C-MILK project, which involves key dairy manufacturers, will establish a consolidated database of information such as farm milk production, quality data, weather and farm herd testing, for industry to use as a benchmarking and forecasting tool. DFSV has continued to support the project over this past year through representation on the project's steering committee.

Strategic theme: Emergency preparedness and response

Strategic objective: Community, political and industry confidence

DFSV has progressed development of an updated emergency response policy and system aimed at ensuring the organisation can continue to service the industry in the event of either an internal DFSV or external incident. The new approach has three procedures focusing on:

1. DFSV business continuity
2. emergency preparedness and response
3. incident response.

Business continuity

The DFSV Business Continuity Procedure provides contingencies to ensure all required functions can be performed should an event occur that prevents the

regular operation of the DFSV office. Such incidents could include widespread or localised, prolonged electricity or telecommunications blackouts; fire within the DFSV offices; or other critical incidents. The procedure was tested in a mock exercise conducted in July 2010 and learnings from the exercise have been incorporated into the procedure.

Emergency preparedness and response

The Emergency Preparedness and Response Procedure outlines a planned response to a range of incidents with the potential to affect the entire dairy industry. The procedure takes a risk management approach to emergency preparedness, determining possible emergency scenarios and assessing risk to ensure appropriate responses.

A program of staff training in emergency management was delivered in the first half of the financial year and an internal mock-emergency exercise in December 2010 tested the effectiveness of the procedure and identified opportunities for improvement that have been incorporated.

The next stages of this project will involve:

- engaging dairy industry stakeholders to raise awareness of DFSV procedures and promote coordinated and collaborative responses
- developing and participating in an external mock-emergency exercise with one or more agencies to gauge the compatibility with their respective procedures
- aligning and integrating the DFSV emergency preparedness procedure with licensees' and stakeholder's procedures to ensure a seamless and coordinated response in the event of an emergency.

Incident response

The incident response procedure provides the framework for the organisation to continue in situations which temporarily affect business operations and threaten the capability of DFSV to perform its statutory function. This procedure directs staff on how to manage the situation while maintaining the operational services and is intended to be used in conjunction with the business continuity and emergency management procedures.

Emergency activities

DFSV was involved in the response to two major incidents that affected the dairy industry during the year: the Victorian floods and plague locust outbreak.

Floods

Flooding affected a number of DFSV licensees; impacting manufacturing facilities and causing the displacement of some dairy herds. DFSV assisted in the shut down and recovery of a major manufacturing facility severely affected

by flood waters. Farms that were forced to move herds from flooded dairies were monitored by DFSV and licences were provided for alternative dairies to facilitate continued milking with an implemented, approved food safety program and to ensure traceability requirements were maintained.

Plague locusts

DFSV worked closely with Dairy Australia, other regulatory authorities and industry bodies to monitor the locust situation during spring, summer and autumn of 2010–2011 through the formation of emergency management teams.

As an addition to the routine Australian Milk Residues Analysis (AMRA) Survey, DFSV coordinated a targeted sampling and residue testing program to check whether the chemicals used in the spraying to control locusts posed a food safety risk through possible contamination of milk on farms. Testing did not detect any contamination of milk. DFSV also acted as the primary point of contact for enquiries related to dairy for Victoria during this period.

Strategic theme: National consistency

Strategic objective: Consistent national implementation of food standards for the dairy industry

National Dairy Verification Plan (NDVP)

The NDVP, developed in 2008, supports consistent implementation of the FSANZ Standard 4.2.4: Primary Production and Processing Standard for Dairy Products, which addresses food safety issues across the dairy sector from on-farm milk production to transport and manufacture of dairy products. The plan establishes annual targets for verification to provide a snapshot of the health and effectiveness of the national regulatory system.

With the largest number of dairy farms and processors in Australia, Victoria conducts the greatest proportion of NDVP visits. DFSV is chair of the NDVP Working Group and a number of staff are involved in meeting the plan's targets by conducting verification visits to manufacturers, farms and with approved auditors.

DFSV has been active in delivering the NDVP in the 2010–11 financial year; meeting all requirements under the plan, including farm verification visits in Victoria and cross-jurisdictional visits in New South Wales and Western Australia.

Results are used for benchmarking, to promote consistent implementation of national standards and initiatives, trend identification and to inform further development of compliance and regulatory services in Australia. In overseas markets, the verification provides additional evidence of assurance, helping to maintain Australia's reputation as a reliable supplier of safe, high-quality dairy foods.

Year in review – strategic objectives

Raw milk products standard

A proposal for the development of the Primary Production and Processing Standard for Raw Milk Products (Proposal 1007), initiated by FSANZ in 2007, is currently being developed. This proposal is assessing the requirements for the production and processing which would enable the sale of raw milk products. Further technical work will be undertaken to clarify the scope of products that will be covered by the standard.

DFSV is closely involved in the strategic and technical development of the Raw Milk Products Standard through representation on a Raw Milk Products Technical Group. This group provided input to FSANZ which assisted in the development of a regulatory framework for certain raw milk cheese products. DFSV chairs the Raw Milk Products Standard Implementation Working Group, which reports to the Implementation Sub-Committee (ISC) of the Food Regulation Standing Committee, and provides advice to FSANZ on the approach to implementation of the standard.

Maintaining an acceptable level of public health and safety is critical and the aim is to provide consumers with access to a range of safe, high-quality dairy products and also to achieve a nationally consistent framework for permissions for production and processing of raw milk products. DFSV will continue to work with FSANZ, industry, consumers and other government regulators to ensure appropriate controls for the production and processing of raw milk products and effective implementation strategies are developed for the dairy industry, while assuring public safety.

Australian Milk Residues Analysis (AMRA)

The AMRA Survey is a national, independent program that monitors a range of agricultural, veterinary and environmental contaminants in raw bovine milk. The program is designed to assess the effectiveness of the control measures that are in place to assure food safety outcomes, with respect to chemicals used in the Australian dairy industry. The program also aims to facilitate the export requirements of AQIS under the Export Control (Milk and Milk Products) Orders 2005 and provides assurance that Australian dairy products meet the requirements of importing countries.

DFSV continues to coordinate the AMRA Survey on behalf of the Australian New Zealand Dairy Authorities Committee (ANZDAC) and the Australian dairy industry. This year, due to early reporting timelines and difficulties associated with collection of samples in remote locations, final results for the period of 1 July 2010 to 30 June 2011 are not yet available. Final results will be published in Animal Health Australia's *Animal Health Surveillance* quarterly report.

Export reform

DFSV maintained its observer status on the Dairy Ministerial Taskforce (MTF) until May 2011. The dairy MTF is one of the industry taskforces in place to aid AQIS in the development of its export reform agenda. In addition, the Federal Export Regulators Steering Committee (FERSC) provides the discussion forum for AQIS and all state jurisdictions to progress the system and regulatory arrangements of the new export certification approach. For dairy it has been agreed that the new approach will be based on the foundation of the state-based dairy food safety systems.

Driven by the Beale Review recommendations, AQIS moved to full cost recovery of its services on 1 July 2011. Implementation of the new export access system will continue past this date. DFSV continues to work with AQIS and our state dairy regulatory partners towards an outcome that fulfils importing country requirements and minimises duplication of compliance activities.

General Manager, Operations Ms Corrie Goodwin participated in a dairy industry study mission to the European Union in June 2011 to gain a better understanding of the certification protocols of our European trading partners. Corrie joined representatives from dairy manufacturing companies, peak industry bodies, the Australian Dairy Products Federation, AQIS and Dairy Australia on visits to dairy farms and processing plants in three countries and to the Food and Veterinary Office (FVO) of the European Commission outside of Dublin. Information gathered will aid Australia's preparations for future audits conducted by the FVO of the Australian dairy food safety systems.

Importing country reviews

DFSV hosted successful reviews conducted by the European Union, Russia, and Indonesia in late 2010, and also attended a listing review, conducted by Chile and hosted by AQIS, in May 2011. DFSV commits valuable expertise in the lead up to and hosting of importing country reviews. The EU review in particular involved a substantial input from a number of DFSV staff members over several weeks. DFSV helped to present the food safety system and provided support to farms and dairy establishments visited to ensure the best possible outcomes. DFSV works closely with state regulatory partners, industry and AQIS to ensure market access is maintained to importing countries and a nationally consistent approach is demonstrated to the visiting delegations.

Strategic enablers

Stakeholder relations

DFSV embraces a partnership approach, working with industry peak bodies along with a range of other stakeholders to achieve food safety outcomes that provide assurance to the market that our systems are effective.

The willingness of staff to take on additional roles and professional development is expanding our networks in industry and extending the knowledge and reach of our organisation.

Doug Eddy, General Manager Science and Innovation continued in his role as Dairy Industry Association of Australia (DIAA) Federal President, which culminated in leadership of the national and state conferences. He also played an integral role in delivery of the Dairy Science World Series on dairy microbiology.

General Manager, Operations, Corrie Goodwin was admitted as a fellow of the Australian Rural Leadership Foundation in September 2010, marking completion of an 18-month

learning program of interacting with leaders and critically assessing the challenges facing regional, national and international rural communities.

As well as operating at state and national levels, internationally contact has been established in the past twelve months with EU regulators and industry participants in New Zealand, the UK, Ireland, France, Denmark, Belgium and the Netherlands. This included a presentation by Doug Eddy, on *Taking Regulation from Prescription to Risk-Based Outcomes* at the Irish Safe Food Listeria Conference in May 2011.

Other ongoing international contact is maintained with organisations such as University of Maryland (USA) and the University of Guelph (Canada).

DFSV is also active on the following committees:

Committee/working group	Purpose	DFSV representatives	Term
AgriQuality Technical Proficiency Committee	To provide technical input into dairy industry laboratory proficiency testing programs	I Haynes	Ongoing
AMRA Survey Review Committee (coordinated by Dairy Australia)	To conduct an annual review of the AMRA Survey	W Wong D Eddy	Annual
Australia New Zealand Dairy Authorities' Committee (ANZDAC) Chair	Harmonisation/sharing of technical information	D Eddy	Ongoing
Australian and New Zealand Food Regulation Implementation Sub Committee (ISC)	To discuss common approaches to food regulation and develop tools to assist consistent implementation	C Hollywell	Ongoing
C-MILK Project	To provide governance to the C-MILK project together with other stakeholders	T Soler	Ongoing
Department of Primary Industries Committee of Food Regulators	Provide role of virtual food authority for Victoria	C Hollywell	Ongoing
Dairy Australia's Technical Issues Reference Group	Provide strategic input/discussion on technical issues	C Goodwin	Ongoing
Dairy Export Industry Consultative Committee (DEICC)	AQIS/industry group to discuss export issues	C Hollywell	Ongoing
DIAA State Representative Committee	To oversight DIAA publications	D Eddy	Ongoing
DIAA Victorian State Executive	To provide direction to the activities of the Victorian DIAA	D Eddy	Ongoing
Enzootic Bovine Leucosis (EBL) Victorian Program Steering Group	To provide input into strategic management of EBL issues	G Hamson	Ongoing
Food Export Regulators Standing Committee	To harmonise regulatory services for domestic and export services	C Hollywell	Ongoing

Strategic enablers

Committee/working group	Purpose	DFS V representatives	Term
Food Safety Council Committee (Observer)	To advise the Minister for Health on food matters relating to public health	C Hollywell	Ongoing
Forum of Primary Industries Regulators	To provide a forum for improved communication between DPI and regulators with a focus on continuous improvement.	C Hollywell	Ongoing
Government Food Communicators Group (a sub-group of ISC)	To ensure consistent communication of food safety issues	J Rowlands	Ongoing
Livestock Industry Consultative Committee	Forum for livestock industry discussion	C Goodwin	Ongoing
Manufacturing Advisory Committee (NCDEA)	To provide input into the manufacturing key initiatives of the NCDEA	D Faragher	Ongoing
MG FarmC@re Steering Committee	To represent DFSV on the MG FarmC@re project	C Goodwin	Ongoing
National Animal Welfare Steering Committee	Consultative dairy industry group regarding animal welfare issue	C Goodwin	Ongoing
National Auditor Working Group	To liaise with auditors to ensure consistency in the delivery of audit services	C Miller	Ongoing
Raw Milk Standard Implementation Working Group (RMSIWG) (Chair)	To evaluate the draft standard produced by FSANZ, at the direction of ISC, and develop an implementation package	C Goodwin	Ongoing
Senior Field Officers Working Group (Co-ordinator)	Discussion of farm issues (attendance by request)	C Goodwin	Ongoing
Standards Australia Committee – Dairy Products	To review standards relating to dairy products	I Haynes	Ongoing
Standards Development Committee (FSANZ)	To develop the national Raw Milk Dairy Products standard	C Goodwin	Ongoing

Information and knowledge management

To deliver the current corporate plan and the future needs of the industry at large, DFSV has continued to roll out upgrades to information technology as an enabler for delivering the objectives of the business. Phase two of our system upgrade involved the virtualisation of our servers and upgrade to the infrastructure delivering a reduction in our server fleet, with energy use savings, and an updated data management process.

A new intranet for the business enables improvement in information management and internal communications ultimately better serving industry stakeholders and licensees. This year also saw the trialing of a secure online collaborative tool (CO-LAB) with two specific communities, Learning Network Forums and the Auditor Working Group. This has

enabled the provision of an online adjunct to the face-to-face meetings on food safety which already occur within these existing groups. The bedding down of the new licensing system has meant the collection of more accurate information and efficient methods of servicing our licensees.

Product Testing Program

The Product Testing Program is DFSV's independent testing program for verification of safety of finished dairy products. By making comparisons between current microbiological test results to all data collected since 2006, DFSV is able to provide licensees twice per year with important trend data, across each product type. This has allowed each manufacturer to track their product quality against others in the same industry sector while ensuring confidentiality is maintained. The program tested a total of 1060 samples during the reporting period.

In addition, DFSV has monitored specific dairy products identified as having an elevated risk of potential contamination with *Listeria* spp. This targeted program involved taking quarterly samples for analysis, with a total of 131 being tested.

Technical advice and standards interpretation

DFSV provides specialist support services to licensees, including standards interpretation and guidance, risk analysis and technical and scientific advice. In 2010–11 DFSV responded to 125 requests for technical information and 23 requests for standards interpretation. Ninety-two per cent of these requests were responded to in less than 48 hours.

Governance

DFSV has internal processes and policies in place to ensure compliance with statutory obligations, management of business and financial risk, and to position DFSV for the future.

DFSV has an internal audit program which aims to provide confidence that DFSV maintains an effective system of internal controls in order to secure, as far as possible, the:

- effective management of risk
- safeguarding of DFSV assets
- accuracy, reliability and security of DFSV information, information systems and records
- operational efficiency
- compliance with applicable laws and regulations, government and DFSV policies and procedures.

In June 2011 DFSV's quality management system was audited for compliance with ISO 9001:2008. No non-conformances were identified and continued certification was recommended.

The Board sets licence fees and charges annually in consultation with industry. Industry representatives make up membership of the Funding Model Review Steering Committee (FMRSC) which met in April 2011 to review and discuss the current and future financial position of the organisation. The DFSV Board, at its May 2011 meeting, approved the recommendation of the Committee to increase fees in line with the 2010–2011 Consumer Price Index (CPI).

In 2011–12 the final year of the current three-year Corporate Plan will be implemented and work has already begun on gathering information for an environmental scan to inform development of the next DFSV Corporate Plan.

Communication

DFSV supports the growth of industry knowledge and increased understanding of preventative measures for food safety management by facilitating forums for knowledge sharing. In addition DFSV provides online information and tools to help in the interpretation and understanding of food safety standards and publishes practical information to help our licensees achieve compliance and continuous improvement.

Learning Network Forums

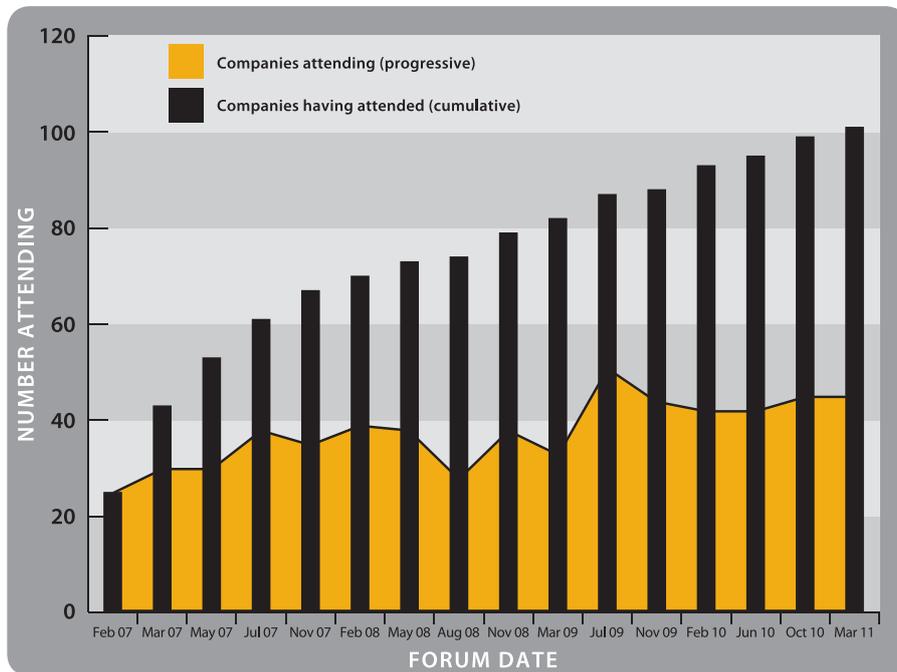
Seeking to advance dairy food safety skills and knowledge, DFSV's Learning Network Forums bring Victoria's dairy manufacturers together to discuss pre-competitive issues relating to food safety and quality. Introduced in 2007, interest in this form of learning and networking remains high and participation has steadily increased.

A wide range of topics are discussed at the forums, some initiated by participants, and others led by DFSV or invited industry experts. Examples of topics discussed this year included industry training courses, forthcoming and recently mandated standards and regulations, acceptable dress codes within processing areas, imported ingredients, and global food safety incidents.

Informal settings encourage constructive interaction and provide an opportunity for networking, with reported outcomes for participants including increased levels of confidence, reassurance that day-to-day problems are common to others and greater appreciation of the perspective of other sectors within the industry. Participants are also putting information gained to good use, with many implementing direct learnings from the forums in the workplace.

The regular forums, held in the dairy manufacturing areas across the state, provide an opportunity for all dairy manufacturers to benefit from the collective knowledge in the industry; increasing awareness and understanding of industry issues and helping build industry capability to reduce the risk of food safety incidents. Forums were held in October 2010 and March 2011. The introduction of the pilot CO-LAB online tool has facilitated further conversation on topics of interest raised in the forums.

Learning Network Attendance (Feb 2007 - Mar 2011)



Industry feedback

DFSV's 10 years as the state dairy regulator were documented in a short video and report to industry. The development of these products provided us with an opportunity to interview many of our stakeholders including licensees, past employees and Board members, and dairy industry and government representatives in order to capture the history and achievements of the Victorian dairy industry leading up to and since establishment of the authority in 2000.

We received positive endorsement of our regulatory approach and the support we provide to licensees via our forums, website and responses to requests for technical advice.

The exercise provided us with an invaluable insight into the rewards and challenges of the industry and feedback to inform development and delivery of our services.

Compliance and enforcement

DFSV is responsible for ensuring national and international food safety standards are met so that consumers, both here in Australia and overseas, have confidence in the safety and quality of dairy foods produced in Victoria.

We do this by licensing all participants in the dairy industry and approving and ensuring compliance with dairy food safety programs. Our licensing authority extends throughout the dairy food chain from farm to manufacture and delivery of the final product to retail stores.

Dairy licence statistics

Licence	Total current as at 30/6/11	Transfers approved between 1/7/10 and 30/6/11	New applications approved between 1/7/10 and 30/6/11	Cancellations approved between 1/7/10 and 30/6/11
Manufacturer (cow)	153	3	17	6
Manufacturer (sheep, goat and buffalo)	9	0	1	0
Farm (cow)	4588	178	60	699
Farm (sheep, goat and buffalo)	15	0	0	1
Milk broker	2	0	0	0
Distributor	128	1	3	8
Carrier	37	0	2	4
Vendor	2	0	0	0

Note: As noted in the last annual report a number of dairy farmer licences were cancelled following a comprehensive review of their operational status at the conclusion of the 2008–2010 licence period. This review identified a number of farm licences where information had not been provided to DFSV with respect to notification of changes in farm ownership, and resolution of these matters was a resource-intensive process. The number of dairy manufacturers has increased while other licence categories remain relatively constant.

Compliance

While our compliance focus is very much on prevention rather than cure, the need for both approaches is important in ensuring protection of public health. Continuous improvement is the aim of the bulk of our compliance activity. Our close links with industry and other regulators, particularly the Department of Health, enables us to respond quickly when a problem or risk emerges that requires investigation or mitigation.

DFSV always operates on the basis of risk assessment and management. DFSV approves licensees' dairy food safety programs, ensuring they address food safety risks, comply with legislation and export/trade requirements and can be audited for compliance with food safety standards.

Ongoing system and compliance activity includes managing contracts with auditors, conducting follow-up investigations following audits, ensuring effective pathogen management and enforcing legislation as required.

During the year 340 audits of manufacturers were conducted. In addition, 57 consumer complaints and 45 serious incidents were investigated during the reporting period. Of the 45 serious incidents, seven potential dairy food product safety incidents were also investigated through the DFSV risk assessment process and managed in partnership with the Department of Health and industry. Of these seven investigations two resulted in consumer level recalls and three resulted in trade level withdrawals.

1,687 farm audits were completed during 2010–11: year one of a two-year farm audit cycle.



Five-year financial summary

Report of operations for the financial year ended 30 June 2011

Five-year financial summary	2011 \$	2010 \$	2009 \$	2008 \$	2007 \$
Total income from transactions	4,633,033	4,536,568	4,470,577	4,345,187	4,091,052
Total expenses from transactions	(4,368,895)	(4,322,710)	(4,108,219)	(3,946,360)	(3,754,036)
Net result from transactions	264,138	213,858	362,358	398,827	337,016
Net cash flow from operating activities	318,376	353,036	252,280	739,066	572,156
Total assets	4,481,271	4,361,574	3,920,083	3,763,642	3,184,051
Total liabilities	945,871	1,090,708	863,132	1,069,047	888,284

Financial year ended:

2011

In 2010–11 a net result from transactions of \$264,138 was achieved. Higher than projected income from manufacturers' licence fees was recorded based on increased production volumes. Additional interest income was received from higher interest rates on invested funds. The small increase in operating expenses was attributable to adjustments to provisions for employee entitlements offset by lower amortisation charges. Total assets have continued their growth through higher cash deposit levels to fund ongoing expenditure on IT commitments in relation to the licensing database.

2010

The 2009–10 net result from transactions of \$213,858 demonstrated prudent fiscal management. Higher income from manufacturers licence fees, audit related services fees and initiatives was offset by reduced interest income from a lower interest rate environment. The increase in expenses from transactions was attributable to accruals for staff remuneration increments, higher depreciation expenses due to write offs of obsolete plant and equipment and the engagement of consultants for regulatory compliance services. Total assets continued to grow with a higher cash deposit base required to fund considerable ongoing IT commitments associated with the phase in of the new licensing database.

2009

In 2008–2009 DFSV achieved a net result from transactions of \$362,358. During the year additional income from initiatives increased to \$141,781. Higher than expected income from manufacturers licence fees was collected due to increased product manufactured. The reduction in other operating expenses was due to activities relating to reduced regulatory burden and timing differences associated with reversals

of accruals. While both total income and expenses from transactions have steadily increased since 2004–2005, the net result from transactions has been relatively consistent over the past three years.

2008

During the financial period ending 30 June 2008, delivery of services and expenses incurred were within budgetary objectives, except for under expenditure in IT capital commitments, resulting in reduced depreciation expenditure incurred within the period. This can be attributed to the timing of the implementation of a new licensing system and further expenditure will be incurred in the 2008–2009 financial year. Additional income was received from better than anticipated returns on funds invested through the Treasury Corporation of Victoria.

2007

For the financial year ended 30 June 2007, in general, delivery of services and expenses incurred were within budgetary objectives with two exceptions. Under-expenditure in remuneration was due to staff turnover and timing of re-appointment to vacant positions. Under-expenditure in IT capital commitments resulted in reduced depreciation expense. IT expenditure will be incurred in the 2007–2008 financial year. While total revenue from licence fees increased, this is due to manufacturers fees being calculated historically on the previous financial year's total annual production. Due to drought conditions, lower income is anticipated in the 2007–2008 financial year.

Governance and organisational structure

Corporate governance arrangements

Board of Directors

The DFSV Board consists of seven members, who are appointed on the basis of their skills and expertise rather than industry sector representation. The Minister appoints the Chairman and may also appoint one member nominated by the Secretary of the Department of Primary Industries. The Minister appoints the remaining five members acting upon the recommendations of an industry selection committee.

Board members must have expertise in one or more of the following areas:

- on-farm milk production, dairy food manufacturing or public health
- food technology and safety
- business management
- consumer issues
- any other area the Minister considers relevant to the Authority's functions or powers.

Each member holds office for three years and is eligible for re-appointment. The current Board term finishes in October 2012.

Board committees

The Risk Management and Audit (RM&A) Committee assists the Board to fulfil its corporate governance and statutory

responsibilities in relation to financial reporting, internal control, risk management systems and internal and external audit functions. Members of this committee at 30 June 2011 were Mr Trevor Tappenden (Chair), Ms Zoe Attwood and Mr Barry Lierich. DFSV's outsourced internal audit service provider, Grant Thornton, is invited to attend committee meetings.

The Science and Technology (S&T) Committee assists the Board in fulfilling its responsibilities relating to assuring the safety of dairy foods produced and processed in Victoria for domestic and export markets, compliance of Victorian dairy food licence holders and assessing new and emerging science and technology issues affecting dairy food safety. Members of this committee at 30 June 2011 were Ms Margaret Darton (Chair), Ms Zoe Attwood, Dr Bill Darmody, Ms Sarah Crooke and Dr Catherine Hollywell.

The Human Resources (HR) Committee assists the Board in fulfilling its statutory responsibilities relating to the remuneration of the CEO and executive management team. The committee also assists the Board in the formulation of human resource management policies and procedures. Members of this committee at 30 June 2011 were: Mr Barry Lierich (Chair), Dr Bill Darmody and Mr Trevor Tappenden.

Seven Board meetings were held during the year. The number of Board and Committee meetings that each director attended is set out below.

Board and committees

Director	Board	RM&A	HR	S&T
Shirley Harlock	7			
Trevor Tappenden	7	4	2	
Zoe Attwood	7	4		3
Margaret Darton	7			3
Sarah Crooke	7			3
Barry Lierich	7	4	2	
Bill Darmody	6		2	1

Enterprise risk management

Dairy Food Safety Victoria has a risk management framework in place that is consistent with the Australian/New Zealand Risk Management Standard, to ensure that appropriate procedures exist for the effective identification, quantification and management of risks. The risk management framework is further enhanced by Dairy Food Safety Victoria's Business Continuity Plan.

Attestation on compliance with the Australian/New Zealand Risk Management Standard

'I, Shirley Harlock certify that Dairy Food Safety Victoria has risk management processes in place consistent with

the Australian/New Zealand Risk Management Standard and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Board verifies this assurance and that the risk profile of Dairy Food Safety Victoria has been critically reviewed within the last 12 months.'



Shirley Harlock
Chairman, 24 August 2011

Governance and organisational structure



Shirley Harlock



Trevor Tappenden



Sarah Crooke



Margaret Darton

Shirley Harlock **Chairman, Dairy farmer, MAICD**

Shirley is a dairy farmer who brings widespread agricultural expertise to the DFSV Board, together with a solid understanding of government relations and regulatory process gained from a career within the public sector. Shirley is currently Chair of the Dairy Australia Future Dairy research project looking at automated milking technology and advanced feed base management. She is a director of the Sustainable Agricultural Fund and a past director of Australian Dairyfarmers Ltd and former United Dairyfarmers of Victoria Central Councillor and executive member.

Trevor Tappenden **Deputy Chairman ACA, FAICD**

Trevor holds directorships in Bionomics Ltd, Metal Storm Ltd, RMIT University and RMIT Vietnam, and Heide Museum of Modern Art (Chairman). Trevor is an Associate of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. He has extensive experience in financial management, strategic planning, auditing and accounting.

Sarah Crooke **Dip Medical Technology, FAICD**

Sarah is a dairy farmer with broad industry experience representing farmers on the Australian Dairy Farmers Federation and executive of the United Dairyfarmers of Victoria, and as a board member of the Dairy Research and Development Corporation, Dairy Australia, Goulburn Murray Water, the North East Catchment Management Authority and Genetics Australia, and has been the recipient of a Churchill Fellowship. In 2003, Sarah established a boutique ice cream manufacturing business.

Margaret Darton **BAppSc, DipAppCh, GradDipLib, GAICD**

Margaret is Manager Food Policy, Department of Primary Industries Victoria and was a member of the government's working group that established Dairy Food Safety Victoria. She has responsibility for providing advice on food and food regulation policy as it relates to the agricultural sector at both state and national levels. This includes food safety policy and input to national standards for primary production and processing that protect public health.

Zoe Attwood **MBA Technology Management, GAICD, Grad Dip Bus Admin, BSc Microbiology and Biochemistry**

For most of this year Zoe has been Asia Pacific Innovation and NPD Manager for O-I (ACI Operations Pty Ltd). She brings widespread commercial and research experience from across the manufacturing and on-farm sectors in both New Zealand and Australia. Zoe has been responsible for the development and commercialisation of a number of food products, ingredients, and manufacturing processes. She is a past director of TGR Biosciences Pty Ltd, Australian Ingredients Centre Ltd, and Dairy Ingredients Group of Australia Ltd.



Zoe Attwood



William (Bill) Darmody



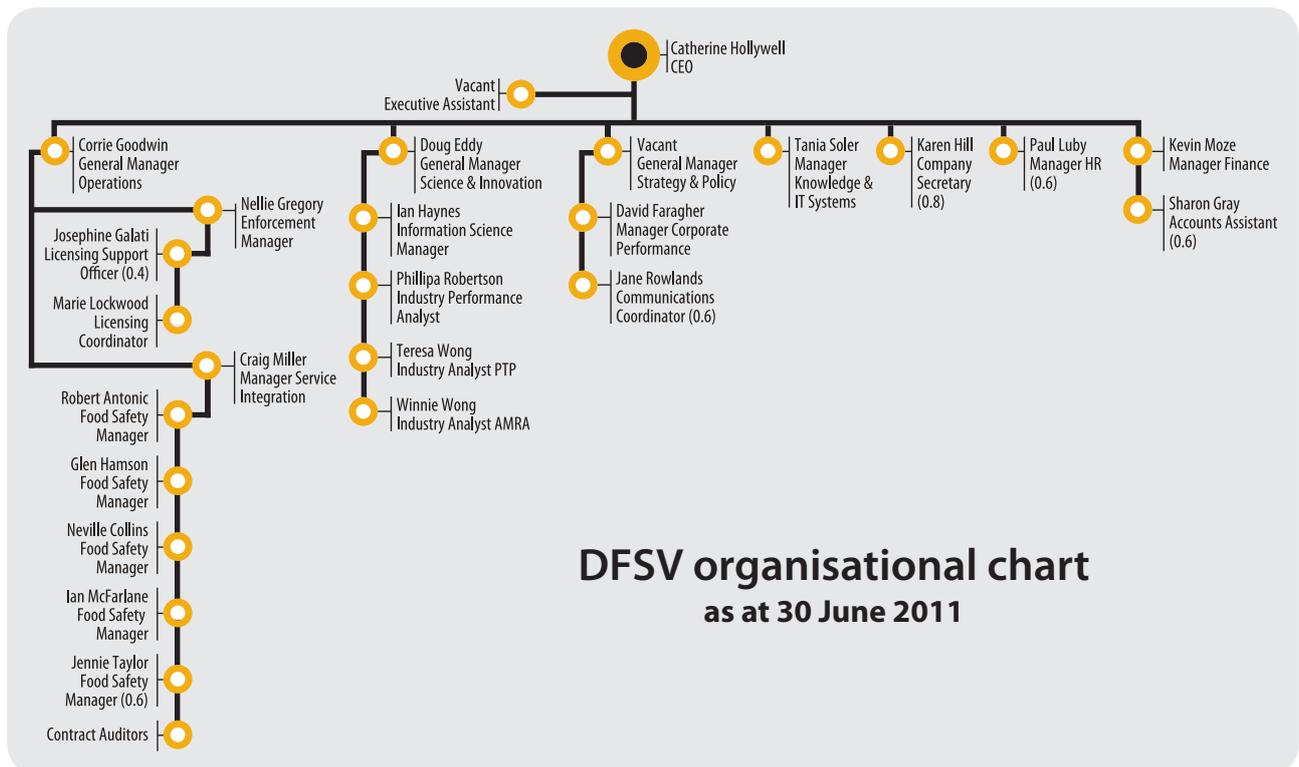
Barry Lierich

William (Bill) Darmody
FAICD, MACVS, FAVA, BVMS (Hons), BSc, DipAgrSc

Bill is managing director and senior consultant for Quality Solutions Now and is from a Victorian dairy family. His experience and skills encompass all areas of animal health and welfare and the biosecurity issues of importance to the Australian and international dairy industries. In 1995, Bill was awarded a Churchill Fellowship to conduct international studies in food safety relating to the livestock industries, and he continues to have a strong interest in the area of product integrity.

Barry Lierich
CPA, MAICD

Barry brings 32 years experience in dairy product manufacturing with Tatura Milk Industries Limited where he held the position of CFO for 23 years prior to the position of CEO for the last two years of his employment. Barry has also contributed to the dairy industry holding positions in the Australian Dairy Products Federation and the Australian Dairy Industry Council.



DFSV organisational chart
as at 30 June 2011

Workforce data

Occupational health and safety

DFSV recognises that it must provide and maintain working conditions that are safe, healthy and comply with all statutory requirements and codes of practice. DFSV will, so far as is practicable:

- provide and maintain systems of work that are safe and healthy
- use, handle, store and transport articles and substances in a way that is safe and controls risks to health
- provide such information, instruction, training and supervision needed to ensure the health and safety at work of employees and others
- provide a safe means of access to and egress from the place of work
- maintain a working environment that is safe, without risks to health and provides adequate facilities and arrangements for welfare at work.

DFSV undertakes the full range of health and safety obligations to ensure that human and financial costs of occupational injury and illness are minimised. Initiatives introduced during the year include:

- providing vaccinations for influenza and Q fever
- review of safety equipment provided to DFSV staff.

Incident management

Three OH&S incidents reported in 2010–11 have been investigated and were resolved within the workplace. No WorkCover claims were lodged during the period 1 July 2010 to 30 June 2011.

Workforce data

Staff profile by position as at 30 June 2011

Director	Male 2011	Male 2010	Female 2011	Female 2010	Total 2011	Total 2010
Executive officers	1.0	1.0	2.0	2.0	3.0	3.0
Administrative staff	1.6	1.6	3.8	3.8	5.4	5.4
Financial/accounting staff	1.0	1.0	0.6	0.6	1.6	1.6
Technical staff	6.0	4.0	4.8	6.0	10.8	10.0
Temporary staff	0.0	1.0	0.6	1.0	0.6	2.0
Casuals	0.0	0.0	0.4	0.0	0.4	0.0
Totals	9.6	8.6	12.2	13.4	21.8	22.0

All figures reflect employment levels during the last full pay period of June each year.

Employment and conduct principles

DFSV is committed to being an employer of choice by attracting and selecting the best people for the work it undertakes and appoints all employees to positions that will make the best possible use of their skills, competencies, qualifications and talents.

The aim of the recruitment and selection process is to:

- ensure all recruitment activities are conducted with full recognition of, and maximum regard for, the principles of equal opportunity
- recruit the best person for each position
- recognise and comply with all current legislation governing all aspects of recruitment
- provide all staff with the opportunity and encouragement to further their development.

Public administration values and employment principles

DFSV has established its own 'Teamwork Agreement' based on the Code of Conduct for Victorian Public Sector Employees.

DFSV has a suite of human resources policies, including policies with respect to grievance resolution, declaration of interests, gifts benefits and hospitality, recruitment, managing underperformance and managing diversity.

Diversity

DFSV is committed to policies, programs and strategies that deliver culturally appropriate services to all Victorians. Special initiatives were not needed by the organisation during the period 1 July 2010 to 30 June 2011.

Other disclosures

Victorian Industry Participation Policy

DFSV did not undertake any projects during the financial reporting period relevant to the Victorian Industry Participation Policy.

Major contracts and consultancies

For the year ended 30 June 2011, 17 consultancies were engaged at a total cost of \$62,476.

DFSV did not enter into any major contracts in the reporting period.

Freedom of information

The Freedom of Information Act 1982 allows the public a right of access to documents held by DFSV as the prescribed authority for the purposes of the Act. For the 12 months ended 30 June 2011, no FOI requests were received by DFSV.

Freedom of Information requests must be made in writing describing the documents requested and including payment of the applicable application fee (\$24.40 as at 1 July 2011). The fee may be waived if the payment is likely to cause hardship to the applicant. Assistance can be provided to applicants to help determine the type of documents being requested. Further charges may be payable, for example searching for documents (at \$20 per hour) and photocopying (at 20 cents per page).

Requests for documents in the possession of DFSV should be addressed to:

Freedom of Information Officer
Dairy Food Safety Victoria
PO Box 840
Hawthorn Victoria 3122

Further information regarding the Freedom of Information Act may be found at www.foi.vic.gov.au

Compliance with the *Building Act 1993*

DFSV does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the Building Act.

National Competition Policy

The government largely adopted the recommendations presented in July 1999 and incorporated them into the Dairy Act.

Compliance with the *Whistleblowers Protection Act 2001*

The Whistleblowers' Protection Act is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector and to provide a framework for the investigation of these matters.

Disclosures made under the Whistleblowers Protection Act

Disclosures made to DFSV during the year	Nil
Disclosures referred during the year by DFSV to the Ombudsman for determination as to whether they are public interest disclosures	Nil
Disclosed matters referred to DFSV during the year by the Ombudsman	Nil
Disclosed matters referred during the year by DFSV to the Ombudsman to investigate	Nil
Investigations for disclosed matters taken over by the Ombudsman from DFSV during the year	Nil
Requests made under section 74 during the year to the Ombudsman to investigate disclosed matters	Nil
Disclosed matters that DFSV has declined to investigate during the year	Nil
Disclosed matters that were substantiated on investigation and the action taken on completion of the investigation	Nil
Any recommendations of the Ombudsman under this Act that relate to DFSV	Nil

Other disclosures

Disclosures of improper conduct or detrimental action by DFSV or its employees under the Whistleblowers' Protection Act can be made to:

The Protected Disclosure Coordinator
PO Box 840 Hawthorn Victoria 3122
Ph: 03 9810 5900 Fax: 03 9819 4299

The Ombudsman Victoria
Level 9, 459 Collins Street
Melbourne Victoria 3000
Ph: 03 9613 6222 Toll free: 1800 806 314
e: ombudsvic@ombudsman.vic.gov.au

Environmental reporting

Current environmental management initiatives implemented by DFSV include centralised printing, scanning and photocopying.

The recycling program incorporates paper, cardboard, plastic, aluminium, toner cartridges, obsolete IT equipment and mobile phones. DFSV has replaced its fleet vehicles with fuel-efficient cars. Staff are encouraged to, and where possible, use public transport.

Availability of additional information on request

In compliance with the requirements of the ministerial directions of the Minister for Finance, details in respect of the information items below have been retained by DFSV and are available to the relevant ministers, members of parliament and the public (subject to the freedom of information requirements, if applicable).

In adopting best practice disclosure policies and to ensure the entity discharges its accountability obligations, where relevant, details about some of the following matters have been disclosed within this report:

- (a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- (b) details of shares held by senior officers as nominee or held beneficially in a statutory authority or subsidiary
- (c) details of publications produced by the entity about the activities of the entity and where they can be obtained
- (d) details of changes in prices, fees, charges, rates and levies charged by the entity for its services, including services that are administered
- (e) details of any major external reviews carried out in respect of the operation of the entity
- (f) details of any other research and development activities undertaken by the entity that are not otherwise covered either in the report of operations or in a document which contains the financial statement and report of operations

- (g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- (h) details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the services provided by the entity
- (i) details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the report of operations
- (j) a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes, which are not otherwise detailed in the report of operations
- (k) a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved.

Financial statements

for the financial year ended 30 June 2011



Comprehensive operating statement

for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Continuing operations			
Income from transactions			
Licence and service fees	2(a)	4,464,157	4,238,884
Interest	2(b)	166,264	131,488
Other income	2(c)	2,612	166,196
Total income from transactions		4,633,033	4,536,568
Expenses from transactions			
Employee expenses	2(d)	2,398,335	2,381,987
Depreciation and amortisation	2(e)	162,219	143,657
Other operating expenses	2(f)	1,808,341	1,797,066
Total expenses from transactions		4,368,895	4,322,710
Net result from transactions (net operating result)		264,138	213,858
Other economic flows included in net result			
Profit on disposal of plant and equipment		396	57
Total other economic flows included in net result		396	57
Net result		264,534	213,915
Comprehensive result		264,534	213,915

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

Balance sheet

as at 30 June 2011

	Note	2011 \$	2010 \$
Assets			
Financial assets			
Cash and deposits	12(a)	3,783,502	3,590,164
Receivables	3	264,397	322,125
Total financial assets		4,047,899	3,912,289
Non-financial assets			
Other non-financial assets	4	126,270	105,396
Plant and equipment	5	131,511	135,182
Intangible assets	6	175,591	208,707
Total non-financial assets		433,372	449,285
Total assets		4,481,271	4,361,574
Liabilities			
Payables	7	573,633	623,644
Provisions	8	372,238	467,064
Total liabilities		945,871	1,090,708
Net assets		3,535,400	3,270,866
Equity			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		1,735,400	1,470,866
Net worth		3,535,400	3,270,866
Commitments for expenditure	11		
Contingent liabilities and contingent assets	18		

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

Statement of changes in equity

for the financial year ended 30 June 2011

	Accumulated surplus \$	Contributions by owner \$	Total \$
Balance at 1 July 2009	1,256,951	1,800,000	3,056,951
Comprehensive result for the year	213,915		213,915
Balance at 30 June 2010	1,470,866	1,800,000	3,270,866
Comprehensive result for the year	264,534		264,534
Balance at 30 June 2011	1,735,400	1,800,000	3,535,400

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

Cash flow statement

for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts			
Receipts from other entities		4,645,308	4,357,594
Interest received		166,264	131,488
Goods and Services Tax recovered from the ATO		252,681	132,600
Total receipts		5,064,253	4,621,682
Payments			
Payment to suppliers and employees		(4,698,734)	(4,238,987)
Goods and Services Tax paid to the ATO		(47,143)	(29,659)
Total payments		(4,745,877)	(4,268,646)
Net cash flows from operating activities	12(b)	318,376	353,036
Cash flows from investing activities			
Proceeds from sale of plant and equipment		14,153	182
Payments for plant and equipment		(74,154)	(55,896)
Payments for intangible assets		(65,037)	(164,672)
Net cash flows used in investing activities		(125,038)	(220,386)
Net increase in cash and cash equivalents		193,338	132,650
Cash and cash equivalents at the beginning of the financial year		3,590,164	3,457,514
Cash and cash equivalents at the end of the financial year	12(a)	3,783,502	3,590,164

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

Notes to the financial statements

for the financial year ended 30 June 2011

1 Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Financial Management Act 1994*, Australian Accounting Standards (AAS), Interpretations and other mandatory professional requirements. Accounting Standards (AAS's) include Australian equivalents to International Financial Reporting Standards (A-IFRS).

Basis of preparation

The financial report has been prepared on an accrual and historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of AAS's, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period; or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of AASB's & AAS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed throughout the notes in the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Rounding of amounts

Amounts in the financial statements (including the notes) have been rounded to the nearest dollar, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

Reporting entity

The financial statements cover Dairy Food Safety Victoria as an individual reporting entity. Dairy Food Safety Victoria is a statutory authority of the State of Victoria, established pursuant to an order made by the Premier under the *Dairy Act 2000*. Its principal address is:

Dairy Food Safety Victoria
Level 1, 313 Burwood Road
Hawthorn VIC 3122

Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement includes items previously included in the statement of changes in equity. Income and expenses in the comprehensive operating statement are separated into either 'transactions' or 'other economic flows' which consist of gains/losses on disposal of plant and equipment. Any gain or loss is recognised at the date control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

Balance Sheet

Items of assets and liabilities in the balance sheet are:

- ranked in liquidity order;
- aggregated into financial and non-financial assets;
- classified according to Government Financial Standards terminology, but retain measurement and disclosure rules under existing accounting standards applicable to DFSV; and
- current versus non-current assets and liabilities are disclosed in the notes where relevant.

Statement of changes in equity

The statement of changes in equity presents reconciliations of owner equity opening balance at the beginning of the year to the closing balance at the end of the year, showing separately movements due to amounts recognised in the comprehensive result and amounts recognised in equity related to transactions with owners in their capacity as owners.

Notes to the financial statements

for the financial year ended 30 June 2011

Cash flow statement

The cash flow statement classifies by operating, investing and financing activities in accordance with AASB 107 *Statement of Cash Flows*.

(a) Objectives and funding

Dairy Food Safety Victoria's (DFSV) objectives are to ensure that standards which safeguard public health are maintained in the Victorian dairy industry and to ensure that it performs its functions and exercises its powers efficiently and effectively. DFSV fixes and charges fees for its services which covers annual licence fees, and audit and inspection fees.

(b) Events after reporting date

There were no events which occurred after the reporting date that require disclosure as a subsequent event.

Assets, liabilities, income or expenses arise from past transactions or past events. Where the transactions result from an agreement between DFSV and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Disclosure is made about events between the balance date and the date the statements are authorised for issue where the events relate to conditions which arose after the reporting date and which may have a material impact on the results of subsequent years.

(c) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recovered from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority, is presented as operating cash flow.

(d) Income tax

DFSV is a statutory body that is exempt from income tax under the State and Territory Bodies provisions in Division 1AB of the *Income Tax Assessment Act 1997* section 24AR.

(e) Income recognition

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes. Revenue is recognised for each of DFSV's major activities as follows:

Licence fees

Annual licence fees payable by dairy farmers, manufacturers, carriers and distributors are treated as income when earned.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Other income

Other income consists of miscellaneous income on an accrual basis.

(f) Expenses

Employee benefits

Employee benefits expense includes all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions. These are recognised when incurred, except for contributions in respect of defined benefit plans.

Superannuation

The amount charged to the comprehensive operating statement in respect of the defined benefit superannuation plan represents the accrual of benefits during the reporting period. Further information is provided in note 9.

Depreciation and Amortisation

Depreciation is provided on plant and equipment and is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements and capitalised software are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Notes to the financial statements

for the financial year ended 30 June 2011

The following estimated useful lives are used in the calculation of depreciation:

Class of asset	Useful life of asset
Furniture and fittings	10 years
Motor vehicles	5 years
Office equipment	Varies from 3 to 10 years
Software	3 years
Leasehold improvements	Life of lease

(g) Financial assets

Cash and deposits

Cash and cash equivalents comprise cash on hand, cash in banks and short-term deposits. They represent highly liquid investments with an original maturity of 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Receivables

Receivables consist predominantly of debtors in relation to goods and services, accrued investment income and GST input tax credits recoverable.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less any accumulated impairment.

A provision for doubtful debts is made when there is objective evidence that the debts will not be collected. Bad debts are written off when identified.

Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another equity. Due to the nature of the Authority's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of the Authority are instruments because, although under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category include cash and deposits, term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Available-for-sale financial assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset.

Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'other economic flows - other non-owner changes in equity' until the investments are disposed.

Movements arising from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows - other non-owner changes in equity' is transferred to other economic flows in the net result.

Fair value is determined in the manner described in *Note 20 Financial Instruments*.

Available-for-sale category includes certain equity investments and those debt securities that are designated as available-for-sale.

Notes to the financial statements

for the financial year ended 30 June 2011

Held-to-maturity financial assets

If the entity concerned has the positive intent to hold nominated investments to maturity, then such financial assets may be classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The held-to-maturity category includes certain term deposits and debt securities for which the entity concerned intends to hold to maturity.

The Authority makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held-to-maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The Authority would also be prevented from classifying investment securities as held-to-maturity for the current and the following two financial years.

Financial assets and liabilities at fair value through profit and loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the entity concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial assets at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Authority concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available-for-sale financial instrument assets that meet the definition of loans and receivables may be reclassified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

(h) Non-financial assets

Plant and equipment

Plant and equipment including motor vehicles are measured at cost less accumulated depreciation and less any impairment.

Leases of plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. DFSV utilises operating leases and does not have any finance leases.

Operating lease payments are recognised as an expense in the operating statement on a straight-line basis over the lease term.

Notes to the financial statements

for the financial year ended 30 June 2011

Intangible assets

Purchased intangible assets are initially measured at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the entity.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated amortisation and impairment.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) an intention to complete the intangible asset and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Impairment of non-financial assets

Goodwill and intangible assets not yet available for use with indefinite useful lives are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- non-financial physical assets held for sale; and
- assets arising from construction contracts.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash flows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Other non-financial assets

Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods and services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(i) Liabilities

Payables

Payables consist predominantly of creditors and other sundry liabilities.

Payables are carried at amortised cost and represent liabilities for goods and services provided to DFSV prior to the end of the financial year that are unpaid, and arise when DFSV becomes obliged to make future payments in respect of the purchase of these goods and services.

Provisions

Provisions are recognised when DFSV has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is estimated using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Notes to the financial statements

for the financial year ended 30 June 2011

When some or all of the economic benefits required to settle a provision are expected to be recognised from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

A provision has been established for the restoration of leased premises to cover those restoration costs expected to be incurred at the expiry of the lease.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability - unconditional LSL

This liability represents 7 or more years of continuous service and is disclosed as a current liability even where DFSV does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value - component that DFSV does not expect to settle within 12 months, and
- nominal value - component that DFSV expects to settle within 12 months.

Non-current liability - conditional LSL

This liability represents less than 7 years of continuous service and is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.

Employee benefits on-costs

Employee benefits on-costs (payroll tax, superannuation and WorkCover) are recognised and included with employee benefits.

(j) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources not recognised in the financial statements, are disclosed by way of a note and, measured at their nominal value (inclusive of GST).

(k) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at their nominal value (inclusive of GST).

(l) Equity

Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital.

Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

(m) Cash flow statement

For the purposes of the cash flow statement, cash comprises cash on hand, cash at bank and highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(n) Functional and presentation currency

The functional and presentation currency of DFSV is the Australian dollar.

(o) New accounting standards and interpretations

Certain new AAS's have been published that are not mandatory for the 30 June 2011 reporting period. The Department of Treasury and Finance advises the impact of these new standards and advises DFSV of their applicability and early adoption where applicable.

The entity has not early adopted any new standards and the impact in future years is not expected to be significant.

Notes to the financial statements

for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
2 Income from transactions			
(a) Licence and service fees			
Licence fees		3,776,044	3,583,025
Audit and inspection fees		292,103	265,353
Australian Milk Residue (AMRA) survey		396,010	390,506
Total revenue from licence and service fees		4,464,157	4,238,884
(b) Interest			
Interest from financial assets not at fair value through comprehensive operating statement:			
Interest on bank deposits		166,264	131,488
Total interest revenue		166,264	131,488
(c) Other income			
Other income		2,612	166,196
Total other income		2,612	166,196
Expenses from transactions			
(d) Employee expenses			
Post employment benefits:			
Defined benefit superannuation expense		190,503	100,901
Defined contribution superannuation expense		84,273	93,521
Salaries, wages and employee entitlements		1,949,602	1,990,740
Other employee benefits expense		173,957	196,825
Total employee expenses		2,398,335	2,381,987
(e) Depreciation and amortisation			
Depreciation of plant and equipment		64,067	81,754
Amortisation expense		98,152	44,220
Written down value of assets scrapped		-	17,683
Total depreciation and amortisation		162,219	143,657
(f) Other operating expenses			
Supplies and services			
Audit fees	15	66,900	39,576
Consultancy, legal and professional services		92,914	177,476
Directors fees		76,107	68,519
Product testing and laboratory evaluation costs		361,261	354,809
Promotions and promotional material		24,361	10,959
Publicity expenses		70,050	32,580
Rates and utilities		28,864	25,724
Insurance		89,584	86,023
Other administration expenses		721,993	700,873
Maintenance		18,622	16,158
Total supplies and services		1,550,656	1,512,697
Operating lease rental expenses		257,685	281,574
Subtotal		1,808,341	1,794,271
Bad debts from transactions		-	2,795
Total other operating expenses		1,808,341	1,797,066

Notes to the financial statements

for the financial year ended 30 June 2011

	2011 \$	2010 \$
3 Current receivables		
Contractual		
Trade debtors	126,174	189,341
Dairy industry licence fees	55,000	50,000
Sale of services	181,174	239,341
Accrued investment income	25,742	51,215
Other receivables	42,002	200
Statutory		
GST Input Tax credit recoverable	15,479	31,369
Total current receivables	264,397	322,125

The average credit period for all receivables is 30 days.

Refer to note 20 for an ageing analysis and the nature and extent of risk.

4 Other non-financial assets - current

Current other assets

Prepayments	126,270	105,396
Total current other non-financial assets	126,270	105,396

5 Plant and equipment - non-current

(a) Carrying amounts

Leasehold improvements - at cost	151,755	151,755
Less: Accumulated depreciation	(148,517)	(144,984)
	3,238	6,771
Furniture and fittings - at cost	93,689	94,377
Less: Accumulated depreciation	(69,621)	(61,061)
	24,068	33,316
Motor vehicles - at cost	-	21,891
Less: Accumulated depreciation	-	(7,397)
	-	14,494
Office equipment - at cost	429,585	354,528
Less: Accumulated depreciation	(325,380)	(273,926)
	104,205	80,602
Plant and equipment - at cost	675,029	622,551
Less: accumulated depreciation	(543,518)	(487,369)
Net carrying amount of plant and equipment	131,511	135,182

(b) Movements in carrying amounts

	Leasehold improvements \$	Furniture and fittings \$	Motor vehicles \$	Office equipment \$	Total \$
Balance at 1st July 2009	10,390	39,349	20,107	107,668	177,514
Additions	-	3,399	-	52,497	55,896
Disposals and assets scrapped	-	(164)	-	(17,643)	(17,807)
Depreciation expense	(3,619)	(9,268)	(5,613)	(61,921)	(80,421)
Opening balance at 1st July 2010	6,771	33,316	14,494	80,601	135,182
Additions	-	270	-	73,883	74,153
Disposals and assets scrapped	-	(318)	(13,460)	21	(13,757)
Depreciation expense	(3,533)	(9,200)	(1,034)	(50,300)	(64,067)
Closing balance at 30th June 2011	3,238	24,068	0	104,205	131,511

Notes to the financial statements

for the financial year ended 30 June 2011

	2011 \$	2010 \$
6 Intangible assets - non-current		
<i>Carrying amount - Software development at cost</i>		
Opening balance	277,054	112,382
Additions	65,036	164,672
Closing balance	342,090	277,054
<i>Software development - accumulated amortisation</i>		
Opening balance	(68,347)	(24,127)
Amortisation expense	(98,152)	(44,220)
Closing balance	(166,499)	(68,347)
Net book value at the end of the financial year	175,591	208,707
7 Current payables		
Contractual		
Supplies and services	284,862	218,257
Other payables	234,197	340,532
	519,059	558,789
Statutory		
Taxes payable	54,574	64,855
Total payables	573,633	623,644
The average credit period of all payables is 30 days.		
No interest is charged on payables. Refer to note 20 for a maturity analysis and the nature and extent of risk.		
8 Current provisions		
Employee benefits - annual leave:		
Unconditional and expected to settle within 12 months	112,697	127,338
Employee benefits - long service leave:		
Unconditional and expected to settle within 12 months	146,275	201,745
	258,972	329,083
Provisions related to employee benefits on-costs:		
Unconditional and expected to settle within 12 months	42,718	54,703
Total current provisions	301,690	383,786
Non-current provisions		
Employee benefits	51,881	65,944
Restoration of leased premises	18,667	17,334
Total non-current provisions	70,548	83,278
Total provisions	372,238	467,064
(a) Movement of provision for restoration of leased premises		
Opening balance	17,334	16,001
Additional provision raised for year and charged in the Comprehensive Operating statement	1,333	1,333
Closing balance	18,667	17,334
Non-current	18,667	17,334
	18,667	17,334
(b) Restoration liability		
The current lease of the principal place of business commenced on 1st July 2003 for three years, with the option to further renew on a 3x3 lease term to 2012.		

Notes to the financial statements

for the financial year ended 30 June 2011

9 Superannuation

(a) Contributions

Employees of DFSV are entitled to receive superannuation benefits and DFSV contributes to both defined benefit and accumulation plans.

DFSV does not recognise any defined benefit liability in respect of the defined benefit plan, because DFSV has no legal or constructive obligation to pay future benefits relating to its employees. Its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance (DTF) recognises and discloses the State's defined benefit liabilities in its financial report. The DTF is the 'sponsoring employer' and detailed disclosures in relation to these plans are in the DTF's annual financial statements.

Superannuation contributions for the reporting period are included as part of employee benefits in the Comprehensive Income Statement.

(b) Information on superannuation funds:

Vision Super

DFSV makes employer superannuation contributions in respect of some of its employees to the Vision Super (the Fund). The Fund has two categories of membership, each of which is funded differently.

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by the employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) to AASB 119, DFSV does not use defined benefit accounting for these contributions.

DFSV makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 31st December 2008, the Trustee has determined that the current funding arrangements are adequate for the expected Defined Benefit Plan liabilities. DFSV makes the following contributions:-

- 9.25% of members' salaries (same as previous year);
- the difference between resignation and retrenchment benefits paid to any retrenched employees (same as previous year);

The Fund surplus or deficit (ie the difference between fund assets and liabilities) is calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in DFSV's financial statements. AAS 25 requires that present value of the defined benefit liability to be calculated based on benefits that have accrued in respect to membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Following an actuarial review conducted by the trustee in late 2010, as at 31 December 2008, a funding shortfall of \$71 million for the Fund was determined. A call to Employers for additional contributions was made for the financial year 30 June 2011 with commitment from Employers from 1 July 2011. A further actuarial review will be undertaken as at 31 December 2011 by mid 2012. Based on the result of this review, a detailed funding plan will be developed and implemented to achieve the target of full funding by 31 December 2013. Dairy Food Safety Victoria will be notified of any additional required contributions by late 2012.

The Fund's liability for accrued benefits was determined in the 31st December 2008 actuarial investigation pursuant to the requirements of Australian Accounting Standard AAS 25 as follows:

	31/12/08
	\$'000
Net market value of assets	3,630,432
Accrued benefits (per accounting standards)	3,616,422
Difference between assets and accrued benefits	14,010
Vested benefits	3,561,588

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were:

Net Investment Return	8.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

A review of the reported net market value of the assets and accrued benefits of the Fund at 31 December 2008 indicates no adverse impact on the Balance Sheet of DFSV at that date.

Notes to the financial statements

for the financial year ended 30 June 2011

Emergency Services & State Super Fund - New Scheme (formerly Government Superannuation Fund)

DFSV pays employer superannuation contributions of 9.5% of salaries in respect of its members who are in the New Scheme. The Consolidated Fund of the Victorian State Government is responsible for the unfunded liability related to employees of DFSV. This scheme is closed to new members. The fund is a Defined Benefits Plan.

Emergency Services & State Super Fund - Revised Scheme (formerly Government Superannuation Fund)

DFSV pays employer superannuation contributions of 17.6% of salaries in respect of its members who are in the Revised Scheme. The Consolidated Fund of the Victorian State Government is responsible for the unfunded liability related to employees of DFSV. This scheme is closed to new members. The fund is a Defined Benefits Plan.

Victorian Superannuation Fund - Vic Super

New employees of DFSV including casuals and board members are covered by Vic Super which is an accumulation scheme. In accordance with the *Superannuation Guarantee Charge Act 1992*, DFSV paid a 9% superannuation guarantee levy for employees and members to Vic Super for the financial period. There is no unfunded liability in respect of this scheme. The fund is a defined contributions plan.

Employer superannuation contributions payable by DFSV to all schemes were calculated as a percentage of base salary.

Other Superannuation Funds

All other funds are defined contribution funds. DFSV paid a 9% superannuation guarantee levy for employees and members of these funds for the financial period.

(c) Loans

DFSV has no loans with any of the superannuation funds.

10 Leases

Leasing arrangements

Operating leases relate to lease rental expense commitments at 30th June 2011 and are in respect of premises at Melbourne, office equipment and motor vehicles. Operating leases generally provide DFSV with a right of renewal at which time all terms are renegotiated.

DFSV entered into the third term of the Heads of Agreement to lease premises at 313 Burwood Road, Hawthorn from 1 July 2009 for a period of three years. The option to renew was exercised on 31st December 2008 for the forthcoming three year commitment. The operating commitment for 2012 is \$188,560 per annum (plus yearly CPI increases).

	2011	2010
	\$	\$
Non-cancellable operating lease payables		
Not longer than one year	248,301	240,697
Longer than one year and not longer than five years	36,888	217,433
	285,189	458,130

Notes to the financial statements

for the financial year ended 30 June 2011

11 Commitments for expenditure

The following commitments have not been recognised as liabilities in the financial statements.

	2011 \$	2010 \$
(a) Remuneration commitments		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities and are payable:		
Within one year	496,237	488,461
Later than one year, but not later than five years	614,770	445,228
	1,111,007	933,689
(b) Outsourcing commitments		
Commitments under outsourcing contracts for Information Technology services in existence at the reporting date but not recognised as liabilities and are payable:		
Not longer than one year	27,491	64,531
Longer than one year and not longer than five years	-	-
	27,491	64,531
(c) Lease commitments		
Non-cancellable operating lease commitments (as disclosed in note 10)	285,189	458,130
Total commitments for expenditure (Inclusive of GST)	1,423,687	1,456,350
Less GST recoverable from the Australian Taxation Office	(32,640)	(33,389)
Total commitments for expenditure (exclusive of GST)	1,391,047	1,422,961

12 Cash flow information

(a) Cash and cash equivalent

Cash on hand	1,500	1,500
Cash at bank	318,136	84,799
Interest bearing deposits	3,463,866	3,503,865
Total cash and deposits disclosed in the balance sheet	3,783,502	3,590,164
Balance as per cash flow statement	3,783,502	3,590,164

(b) Reconciliation of net result for period to net cash flows from operating activities

Net result for the year	264,534	213,915
Non-cash movements:		
(Gain) / Loss on sale or disposal of non-current assets	(396)	(57)
Depreciation and amortisation of non-current assets	162,219	143,657
Movements in assets and liabilities:		
(Increase) / decrease in assets:		
Receivables	57,728	(149,713)
Other assets	(20,874)	(81,008)
Increase / (decrease) in liabilities:		
Payables	(50,008)	184,038
Provisions	(94,827)	42,204
Net cash from/(used in) operating activities	318,376	353,036

Notes to the financial statements

for the financial year ended 30 June 2011

13 Responsible persons

(a) Board members

The names of persons who were Directors of DFSV at any time during the year are as follows:

Ms S Harlock Chairman
 Ms M Darton
 Mr T Tappenden
 Mr W Darmody
 Ms S Crooke
 Ms Z Attwood
 Mr B Lierich

(b) Remuneration

The number of Board members of DFSV and the Accountable Officer (Dr Anne Astin resigned January 2011 and Dr Catherine Hollywell appointed January 2011) in each of their relevant remuneration bands (including those that have resigned) is shown hereunder.

	2011	2010
\$0 - \$9,999	1	7
\$10,000 - \$19,999	5	-
\$20,000 - \$29,999	-	1
\$30,000 - \$39,999	1	-
\$100,000 - \$109,999	1	-
\$260,000 - \$269,999	1	1

The remuneration of Board members and the Accountable Officer referred to above, during their term of office for the financial year was:

	\$	\$
Remuneration excluding superannuation	420,327	307,168
Superannuation contributions	29,236	33,414

The relevant remuneration relating to the Minister is reported separately in the Financial Statements of the Department of Premier and Cabinet.

No loans have been made, guaranteed or secured by DFSV to or for any Board member or related party of a Board member of DFSV.

There have been no transactions with any Board members other than those related to employee relationships in carrying out the duties of Board members (other than Licence Fees). Two Directors are Licensees of DFSV.

(c) Related party disclosures

The Directors of DFSV are reimbursed for expenses incurred in attending board meetings and for other incidental costs on terms and conditions no more favourable than those with which it is reasonable to expect DFSV would have adopted if dealing with the Directors at arm's length in similar circumstances.

(d) Other responsible persons

Responsible Minister: The Honourable Peter Walsh MP, Minister for Agriculture and Food Security (from 2 December 2010)
 Responsible Minister: The Honourable Joe Helper MP, Minister for Agriculture (until 2 December 2010)

(e) Insurance premiums

During the financial year, DFSV paid an insurance premium of \$51,533 (2010: \$52,279) in respect of a contract insuring the Board members and executive officers of DFSV against a liability arising as a result of work performed in their capacity as Board members or executive officers.

14 Remuneration of executives

The number of executive officers of DFSV in each of their relevant annual remuneration bands who have served at any time during the financial year is shown hereunder.

Notes to the financial statements

for the financial year ended 30 June 2011

Income band	Total remuneration		Base remuneration	
	2011 No.	2010 No.	2011 No.	2010 No.
\$140,000 - \$149,999	2	1	-	-
\$120,000 - \$129,999	-	1	2	1
\$110,000 - \$119,999	-	-	-	1
\$90,000 - \$99,999	1	-	-	-
\$80,000 - \$89,999	-	-	1	-
\$50,000 - \$59,999	-	1	-	-
\$40,000 - \$49,999	-	-	-	1
Total numbers	3	3	3	3
Total amount	\$394,208	\$329,191	\$346,824	\$284,188

The base remuneration of executive officers is exclusive of bonus payments, superannuation, long-service leave, redundancy payments and retirement benefits.

15 Remuneration of auditors	2011	2010
Victorian Auditor General's Office	\$	\$
Audit of the financial statements	18,100	17,750
Other service providers		
Other non-audit services - Internal audit	48,800	21,826
	66,900	39,576

16 Subsequent events

DFSV has had no subsequent events occur that require disclosure.

17 Charge over assets

There are no liabilities secured by a charge over the assets of DFSV.

18 Contingent liabilities and contingent assets

Contingent liabilities

DFSV has an ongoing obligation to share in the future liabilities of the Vision Super Pty Ltd Superannuation Fund. Favourable or unfavourable variations may arise should the claims experience of the fund differ from the assumptions made by the Fund's actuary in estimating the Fund's accrued benefits liability.

On the basis of advice received from Vision Super Pty Ltd, DFSV believes there is no actual or contingent liability to Vision Super at 30 June 2011. Vision Super has also advised that the plan for the next actuarial calculation is 31 December 2011.

19 Segment information

DFSV operates predominantly in one business and geographical segment. DFSV is responsible for regulating the safety of all dairy foods produced in Victoria for domestic and export markets.

Notes to the financial statements

for the financial year ended 30 June 2011

20 Financial instruments

(a) Significant accounting policies

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(b) Categorisation of financial instruments

	Note	Carrying amount 2011 \$	Carrying amount 2010 \$
Contractual financial assets:			
Cash and deposits	12	3,783,502	3,590,164
Receivables:			
Sale of services	3	181,174	239,341
Accrued investment income	3	25,742	51,215
Other receivables	3	57,481	31,569
Total contractual financial assets		4,047,899	3,912,289
Contractual financial liabilities:			
Payables:			
Supplies and services	7	284,862	218,257
Amounts payable to government	7	54,574	64,855
Other payables	7	234,197	340,532
Total contractual financial liabilities		573,633	623,644

(c) Credit risk

The maximum exposure to credit risk at balance date to each class of financial assets is the carrying amount as disclosed in the Balance Sheet.

DFSV does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by DFSV.

Financial assets that are either past due or impaired

Currently DFSV does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no event to indicate that any of the financial assets were impaired.

Interest rate exposure and ageing analysis of financial assets

2011	Note	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$	Not past due and not impaired \$	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	Impaired financial assets \$
Financial assets											
Cash and deposits	12(a)	3,783,502	2,500,000	963,865	319,637						
Receivables:											
Sale of services	3	181,174	-	-	181,174	145,659	33,639	1,876	-	-	-
Accrued investment income	3	25,742	-	-	25,742	25,742	-	-	-	-	-
Other receivables	3	57,481	-	-	57,481	57,481	-	-	-	-	-
Total financial assets		4,047,899	2,500,000	963,865	584,034	228,882	33,639	1,876	-	-	-

Notes to the financial statements

for the financial year ended 30 June 2011

2010	Note	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$	Not past due and not impaired \$	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	Impaired financial assets \$
Financial Assets:											
Cash and deposits	12(a)	3,590,164	-	3,503,865	86,299						
Receivables:											
Sale of services	3	239,341	-	-	239,341	185,278	52,188	1,875	-	-	-
Accrued investment income	3	51,215	-	51,215	-	7,423	43,792	-	-	-	-
Other receivables	3	31,569	-	-	31,569	31,569	-	-	-	-	-
Total		3,912,289	-	3,555,080	357,209	224,270	95,980	1,875	-	-	-

(d) Liquidity risk

Liquidity risk arises when DFSV is unable to meet its financial obligations as they fall due. DFSV operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets.

DFSV's exposure to liquidity risk is deemed insignificant based on prior period's data and current assessment of risk.

The following table discloses the contractual maturity analysis for DFSV's financial liabilities:

2011	Note	Carrying amount \$	Interest rate exposure		Non-interest bearing \$	Not past due & not impaired \$	Maturity dates			Impaired financial assets \$	
			Fixed Interest rate \$	Variable Interest rate \$			Less than 1 month \$	1-3 months \$	3 months to 1 year \$		1-5 years \$
Payables:											
Supplies and services	7	284,862	-	-	284,862	284,862	-	-	-	-	-
Amounts payable to government	7	54,574	-	-	54,574	54,574	-	-	-	-	-
Other payables	7	234,197	-	-	234,197	214,197	20,000	-	-	-	-
Total	7	573,633	-	-	573,633	553,633	20,000	-	-	-	-
2010											
Payables:											
Supplies and services	7	218,257	-	-	218,257	216,814	1,443	-	-	-	-
Amounts payable to government	7	64,855	-	-	64,855	64,855	-	-	-	-	-
Other payables	7	340,532	-	-	340,532	183,718	156,814	-	-	-	-
Total	7	623,644	-	-	623,645	465,387	158,257	-	-	-	-

(e) Market risk

DFSV's exposure to market risk is through interest rate risk.

Interest rate risk

Exposure to interest rate risk is insignificant and might arise primarily through DFSV's interest bearing activities. Minimisation of risk is achieved by undertaking fixed rate or non - interest bearing financial instruments with relatively even maturity profiles. For financial liabilities, DFSV mainly undertakes financial liabilities with relatively even maturity profiles.

Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, DFSV believes the following movements are 'reasonably possible' over the next twelve months: a shift of +2 per cent or -2 per cent in market interest rates (AUD).

Notes to the financial statements

for the financial year ended 30 June 2011

The following table discloses the impact on net operating result and equity for the financial instrument held by DFSV at year end if the above movements were to occur.

			Interest rate risk			
			-2% (-200 basis points)		2% (+200 basis points)	
2011	Note	Carrying amount \$	Equity \$	Net result \$	Equity \$	Net result \$
Contractual financial assets:						
Cash and deposits						
Cash on hand and bank	12(a)	319,636	-	-	-	-
Interest bearing deposits	12(a)	3,463,866	(69,277)	(69,277)	69,277	69,277
Other contractual financial assets	3	264,397	-	-	-	-
Contractual financial liabilities						
Payables	7	573,633	-	-	-	-
Total impact			(69,277)	(69,277)	69,277	69,277

			-2% (-200 basis points)		2% (+200 basis points)	
2010	Note	Carrying amount \$	Equity \$	Net result \$	Equity \$	Net result \$
Contractual financial assets:						
Cash and deposits						
Cash on hand and bank	12(a)	86,299	-	-	-	-
Interest bearing deposits	12(a)	3,503,865	(70,077)	(70,077)	70,077	70,077
Other contractual financial assets	3	322,125	-	-	-	-
Contractual financial liabilities						
Payables	7	623,644	-	-	-	-
Total impact			(70,077)	(70,077)	70,077	70,077

(f) Fair value

The aggregate net fair values of financial assets and liabilities approximate their carrying values in the Balance Sheet and notes to the financial statements.

Accountable officers and chief finance and accounting officer's declaration

We certify that the attached financial statements for Dairy Food Safety Victoria have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30th June 2011 and financial position of Dairy Food Safety Victoria as at 30th June 2011.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 24 August 2011.



Shirley Harlock
CHAIRMAN



Catherine Hollywell
CHIEF EXECUTIVE OFFICER



Kevin Moze
FINANCE MANAGER

24 August 2011

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Dairy Food Safety Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2011 of Dairy Food Safety Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officers and chief finance and accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of Dairy Food Safety Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report.

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

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Level 24, 35 Collins Street, Melbourne Vic. 3000

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1

Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

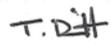
Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Dairy Food Safety Victoria as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Dairy Food Safety Victoria for the year ended 30 June 2011 included both in Dairy Food Safety Victoria's annual report and on the website. The Board Members of Dairy Food Safety Victoria are responsible for the integrity of Dairy Food Safety Victoria's website. I have not been engaged to report on the integrity of Dairy Food Safety Victoria's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
25 August 2011

For 
D D R Pearson
Auditor-General

2

Level 24, 35 Collins Street, Melbourne Vic. 3000
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Auditing in the Public Interest

Disclosure index

The annual report of the Authority is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
Ministerial directions		
REPORT OF OPERATIONS		
Charter and purpose		
FRD 22B	Manner of establishment and the relevant Ministers	2
FRD 22B	Objectives, functions, powers and duties	2
FRD 22B	Nature and range of services provided	2
Management and structure		
FRD 22B	Organisational structure	19
Financial and other information		
FRD 8B	Budget portfolio outcomes	N/A
FRD 10	Disclosure index	48
FRD 12A	Disclosure of major contracts	21
FRD 15B	Executive officer disclosures	40
FRD 22B, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	N/A
FRD 22B	Employment and conduct principles	20
FRD 22B	Occupational health and safety policy	20
FRD 22B	Summary of the financial results for the year	16
FRD 22B	Significant changes in financial position during the year	N/A
FRD 22B	Major changes or factors affecting performance	N/A
FRD 22B	Subsequent events	41
FRD 22B	Application and operation of <i>Freedom of Information Act 1982</i>	21
FRD 22B	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	21
FRD 22B	Statement on National Competition Policy	21
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	21
FRD 22B	Details of consultancies over \$100 000	N/A
FRD 22B	Details of consultancies under \$100 000	21
FRD 22B	Statement of availability of other information	22
FRD 24C	Reporting of office based environmental impacts	22
FRD 25	Victorian Industry Participation Policy disclosures	21
FRD 29	Workforce Data disclosures	20
SD 4.5.5	Risk management compliance attestation	17
SD 4.2(g)	General information requirements	1
SD 4.2(j)	Sign off requirements	45
FINANCIAL REPORT		
Financial statements required under Part 7 of the FMA		
SD4.2(a)	Statement of changes in equity	26
SD4.2(b)	Operating statement	24
SD4.2(b)	Balance sheet	25
SD4.2(b)	Cash flow statement	27
Other requirements under Standing Directions 4.2		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	28
SD4.2(c)	Compliance with Ministerial Directions	40
SD4.2(d)	Rounding of amounts	28
SD4.2(c)	Accountable officer's declaration	45
SD4.2(f)	Compliance with Model Financial Report	45
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9A	Departmental disclosure of administered assets and liabilities	N/A
FRD 11	Disclosure of ex gratia payments	N/A
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 21A	Responsible person and executive officer disclosures	40
FRD 102	Inventories	N/A
FRD 103D	Non current physical assets	35
FRD 104	Foreign currency	N/A
FRD 106	Impairment of assets	N/A
FRD 109	Intangible assets	32
FRD 107	Investment properties	N/A
FRD 110	Cash flow statements	29
FRD 112A	Defined benefit superannuation obligations	37
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	N/A
FRD 114A	Financial Instruments – General Government Entities and public non financial corporations	42
FRD 119	Contributions by owners	33
LEGISLATION		
<i>Freedom of Information Act 1982</i>		21
<i>Building Act 1983</i>		21
<i>Whistleblowers Protection Act 2001</i>		21
<i>Victorian Industry Participation Policy Act 2003</i>		21
<i>Financial Management Act 1994</i>		28
<i>Multicultural Victoria Act 2004</i>		20

Dairy Food Safety Victoria would like to thank the following companies and their staff for allowing us to use photography taken at their premises: Pantalica Cheese Company, Meredith Dairy, Darryn Vale Jersey Stud, Loughridge Farm, Black Swan Dips and Florida Cheese.



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Published by Dairy Food Safety Victoria

August 2011

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