



2014 | Annual Report
integrity & assurance



Vision



Product **safety** and **integrity** locally and globally for Victoria's dairy industry

Mission



The **independent authority** to regulate dairy food safety

Values



Respect We value diverse opinions, strengths and ideas

Integrity Honest, open and transparent in our dealings with stakeholders

'Can do' Always willing to help and strive to continually improve

Fairness Fair, objective and courteous in all our dealings

Dairy Food Safety
Victoria



Contents

11 September 2014

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 2014.

Yours sincerely

Grant Davies
Chairman
Dairy Food Safety Victoria

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Chairman's foreword



The year 2013–14 was one of change for Dairy Food Safety Victoria (DFSV), but also one of consolidation as we successfully implemented year two of our three-year strategic plan.

In January 2014, after three years at the helm of DFSV, we farewelled CEO Dr Catherine Hollywell and welcomed Jennifer McDonald as our new CEO.

Jennifer brings extensive experience in food safety delivery and development of regulatory policy to the role. She has played an active role in representing Victoria at the national level and developing collaboration between the agencies delivering food safety in Victoria, and then went on to perform a similar role with the Commonwealth Government.

Also in the context of change, Dr Rob Greenall stepped down from the DFSV Board in May due to increasing business commitments. I thank Rob for his contribution to DFSV and Catherine for her outstanding leadership and wish them both all the best in their future pursuits.

In December 2013 the Minister for Agriculture and Food Safety issued a second Statement of Expectations articulating the government's expectations of DFSV now and into the future. During 2013–14 we continued to strengthen relationships with government and industry to ensure the safety of Victoria's dairy products. We continued to implement a regulatory approach which aims to minimise duplication, increase operational flexibility and provide certainty for business. The additional services we provided also demonstrate our support for the economic growth of the dairy sector. These activities are reported in more detail in this report.

This financial year we commenced work to implement the State Government's recommendations in response to the Parliamentary Inquiry into the impact of food safety regulation on farms and other businesses.

We have progressed our internal capacity to recognise the 'use of *electronic records in food safety audit systems*' and have introduced a tablet-based system to replace paper-based recording of audit information. DFSV is also currently reviewing the regulatory framework for low-risk dairy businesses, and will '*consider the principles of earned*

recognition to reduce food safety audit frequency' within the scope of this review. We have also committed to work in conjunction with PrimeSafe '*to develop a performance reporting strategy*'.

Our operating environment has experienced change over the past year, with the challenging climatic and financial conditions of the previous year giving way to a more positive outlook. Better seasonal conditions, improvements in farmgate milk prices, a weakening Australian dollar and strong overseas demand have contributed to a significant improvement in industry confidence. Results from Dairy Australia's National Dairy Farmer Survey shows farmer confidence has improved significantly in Victoria over the last 12 months and confidence to increase on-farm investment has increased notably with 62 per cent feeling confident compared to 42 per cent in the previous year.

As always, DFSV works hard to protect Victoria's reputation for safe, high-quality dairy production, which underpins the growth of the dairy industry.

We do this by ensuring we have the flexibility to respond to growing demand and by fulfilling our regulatory responsibilities with minimal regulatory burden. We continued in 2013–14 to establish business efficiencies to improve service delivery at minimum cost to industry, sustaining less than CPI fee increases for a further year.

I sincerely thank the directors for their support of me and the business and in particular the staff of DFSV who so effectively manage dairy food safety regulation.

Grant Davies
Chairman

Chief Executive Officer's report



I'm pleased to present my first report as Chief Executive Officer of DFSV.

It has been a busy six months since my appointment, but with the support of the Board and staff has been a smooth transition. I would like to acknowledge the excellent leadership provided by former CEO Dr Catherine Hollywell, and thank industry and government partners for welcoming me to the role.

Since commencing in January I have taken the opportunity to visit dairy operations across the state. Visiting our licensees on their own turf, getting an understanding of their businesses, and hearing first-hand what DFSV means to them has been invaluable.

During the year we continued to focus on business improvement and efficiency. Activity this year has been on development of a business intelligence framework and ongoing development of our licence manager system to consolidate all licensing information and link it to our other business processes. The licence management system is now used to create all audit reports and record pathogen notifications, incidents and consumer complaints. Many of the manual tasks previously associated with these activities have been automated and are supported by a move to electronic audit reporting and a paperless process for managing consumer complaints. We will continue to identify and implement improvements to these processes.

One of the areas we have done a great deal of work on this past year is as a result of a major outbreak of listeriosis in Australia in 2012–2013. The principal activity was a comprehensive review of incident management and communication aspects of the listeriosis outbreak, involving the Department of Health, the Department of Environment and Primary Industries, and DFSV. The review identified some areas in which multi-agency incident management processes could be improved and DFSV has continued to work with the Department of Health on development of a new Foodborne Incident Response Protocol between the department and DFSV.

The DFSV Board also undertook its own examination of DFSV business practices with respect to the outbreak and oversight of the food safety management system at the implicated premises.

The review did not identify any shortfalls in the DFSV handling of the incident but recommended a number of areas where the system could be enhanced. The outputs of this review have included recommendations with respect to our approach to compliance and product sampling during outbreaks, and a review of the DFSV Crisis Response and Recovery Plan.

In February this year we shared many of our learnings from this incident and subsequent review with industry at a DFSV-facilitated seminar – *Listeria: the hidden menace*. The seminar was well attended and very well received by representatives of our dairy manufacturing industry, the Victorian Department of Health and interstate regulatory authorities.

By all indicators the opportunities for expansion in the dairy sector are very good, particularly in meeting the demand for dairy products in the growing Asian market. DFSV has an important role to play in ensuring ongoing dairy food safety – a critical aspect of market access. This will, however, present some challenges for DFSV in stepping up to deliver. We have already seen a significant increase in new licence applications and much of our work in 2013–14 was aimed at ensuring we have capacity and capability; through recruitment, system improvements and business efficiencies, to meet the challenges of an expanding industry.

I look forward to continuing this work in the year ahead and to working with our industry stakeholders to ensure safe production of dairy food.

Jennifer McDonald
Chief Executive Officer

About Dairy Food Safety Victoria

Charter and purpose

Dairy Food Safety Victoria is a statutory authority established by the Victorian Parliament under the *Dairy Act 2000*. We report through our Board of Directors to the Victorian Minister for Agriculture and Food Security.

We license all participants in the dairy industry, approving and ensuring compliance with dairy food safety programs. Our licensing authority extends through all parts of the dairy chain, from the farm through to manufacturing and delivery of final product to the retail store.

Our vision

Product safety and integrity locally and globally for Victoria's dairy industry

Our mission

The independent authority to regulate dairy food safety

Our values

Respect

We value diverse opinions, strengths and ideas, and consider the feelings of others

Integrity

We are honest, open and transparent in our dealings with all stakeholders and will match our behaviours to our words

'Can do'

We are always willing to help stakeholders and each other and strive to continually improve the way we work whilst remaining adaptable and open to change

Fairness

We are fair, objective and courteous in all dealings with industry, stakeholders and our employees

Objectives of the Authority

The objectives of the Authority as outlined in Section 5 of the *Dairy Act 2000* are to:

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

Functions of the Authority

The functions of DFSV, as stated in Section 6 of the *Dairy Act 2000*, are to:

- (a) 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;
- (b) monitor and review the standards specified in paragraph (a);
- (c) approve and monitor the implementation of food safety programs;
- (d) administer the licensing system under Part 3 of the *Dairy Act 2000*;
- (e) ensure that appropriately qualified persons are appointed as authorised officers;
- (f) fix and charge fees in respect of the carrying out of its functions or the exercise of its powers;
- (g) in consultation with the Secretary to the Department of Health or a municipal council, protect public health;
- (h) advise the Minister on matters relating to the administration of this Act;
- (i) carry out any other function that is conferred on the Authority by this or any other Act.

Powers of the Authority

Section 7 of the Dairy Act provides that:

- (1) Subject to this Act, the Authority has all the powers necessary to enable it to perform its functions.
- (2) Without limiting its other powers, the Authority may:
 - (a) enter into agreements or arrangements with third parties for the provision of services to the Authority or for the provision of services by the Authority;
 - (b) fix and charge fees for carrying out its functions, and for the provision of its services including the services of its authorised officers;
 - (c) expend its funds in carrying out its functions and powers or in paying remuneration and allowances to its members.

Corporate governance

The DFSV Board

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 Environment and Primary Industries. The Minister appoints the remaining five members acting upon the recommendations of an industry selection committee.

Board members are appointed having regard to their expertise in one or more of the following areas:

- on-farm milk production
- dairy food manufacturing
- 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 a term not exceeding three years and is eligible for re-appointment. The current Board term commenced in October 2012. During the 2013–2014 financial reporting year, Dr Rob Greenall resigned from the Board effective 1 May 2014.

Board committees

The Risk Management and Audit (RM&A) Committee assists the Board to fulfill 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 2014 were Mr Barry Lierich (Chair), Ms Zoe Attwood and Mr Peter Moloney.

The Human Resources (HR) Committee assists the Board in fulfilling its statutory responsibilities. The committee also assists the Board in the formulation of human resource management policies and procedures. Members of this committee at 30 June 2014 were: Ms Margaret Darton (Chair), and Mr Peter Bailey. Dr Rob Greenall was a member of this committee until his resignation from the Board.

The Funding Model Consultative (FMC) Committee facilitates consultation with the dairy industry to assist DFSV in the determination of the criteria and structure of licence fees. Representatives of the dairy industry are invited to participate on this committee. For 2014, Board members on this committee were Mr Barry Lierich (Chair) and Mr Peter Moloney.

Meeting attendance

Ten Board and seven committee meetings were held during the year. The number of meetings that each director attended is set out in the following table.

	Board	RM & A	HR	FMC
Grant Davies	10	–	–	–
Zoe Attwood	10	4	–	–
Peter Bailey	9	–	2	–
Margaret Darton	9	–	2	–
Rob Greenall	9	–	1	–
Barry Lierich	10	4	–	1
Peter Moloney	9	4	–	1

Table 1: Attendance at Board and Board Committee meetings during the year ended 30 June 2014



DFSV Board



Grant Davies – Chairman

MAICD

Grant was appointed Chair of DFSV in April 2012. He is a dairy farmer and has been actively involved in the dairy and irrigation industries since 1969. A long time dairy industry advocate and leader, he has represented local farmers within the United Dairyfarmers of Victoria and the Northern Herd Development Cooperative. Grant has held a number of committee and Board positions, including Director and Chairman of Murray Goulburn Cooperative.



Zoe Attwood – Deputy Chair

MBA, GAICD, Grad Dip Bus Admin, BSc

Zoe was appointed as a director in 2006. She is a professional director with strong governance competencies who also brings widespread commercial and research experience from across the manufacturing and on-farm dairy 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, and is currently also a Director of PrimeSafe.



Peter Bailey

B Agr Sc, M Agr Sc

Peter was appointed as a director in 2012. He has extensive experience working in animal biosecurity, animal welfare and food safety. Until retiring in 2009, Peter was Victoria's Executive Director of Biosecurity at the Victorian Department of Primary Industries. He has held several board positions including Deputy Chair of the Victorian Meat Authority from 1993 to 2003. Over the last three years Peter has been involved on a part-time basis on a range of projects relating to animal and plant biosecurity, invasive species control, food safety and animal welfare.



Margaret Darton

BAppSc, DipAppCh, GradDipLib, GAICD

Margaret was nominated for appointment by the Secretary of the Department of Environment and Primary Industries in 2000. She is the Manager Food Policy, Department of Environment and Primary Industries Victoria and was a member of the Dairy Food Safety 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 and is a member of the National Working Group for development of Primary Production and Processing Standards. Margaret is also Chair of the national Strategic Planning Working Group of the Food Regulation Standing Committee.



Rob Greenall

BSc BVMS(hons) MVS, MAICD

Rob was appointed as a director in 2012 and served on the Board until 1 May 2014. He is a registered veterinarian with a Masters degree specialising in dairy cattle medicine and production. He has worked in regulatory, research and management roles in the public, university and private sectors; focusing on dairy cattle health and welfare, agricultural and veterinary chemical risk management and milk harvesting technologies. Rob is the Managing Director of AgVet Projects Pty Ltd, an agricultural and veterinary project management and delivery company.



Barry Lierich

CPA, MAICD

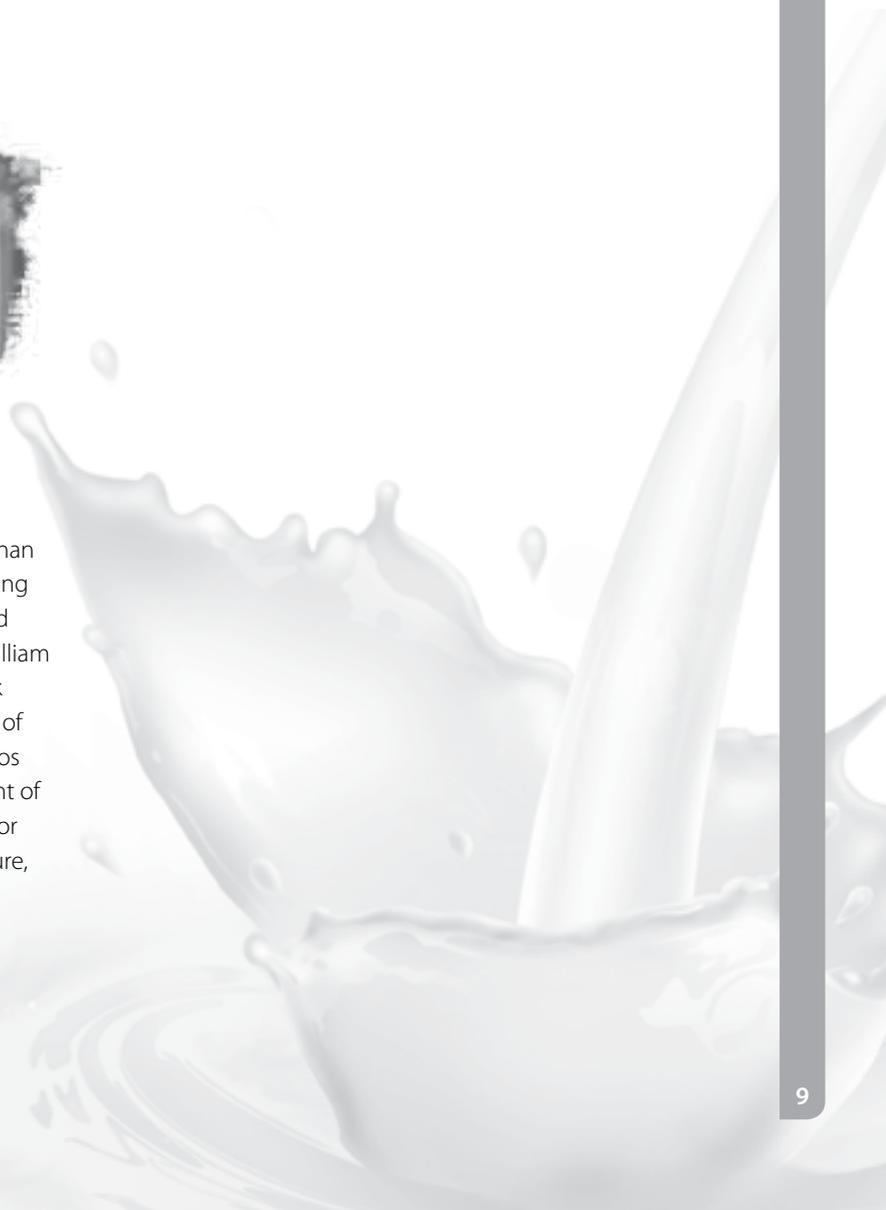
Barry was appointed as a director in 2009. He worked in dairy product manufacturing with Tatura Milk Industries Limited for more than 30 years, where he held the position of CFO for 23 years prior to the position of CEO for the last two years of his employment. Barry has also contributed to the dairy industry, holding positions in the Australian Dairy Products Federation and the Australian Dairy Industry Council.



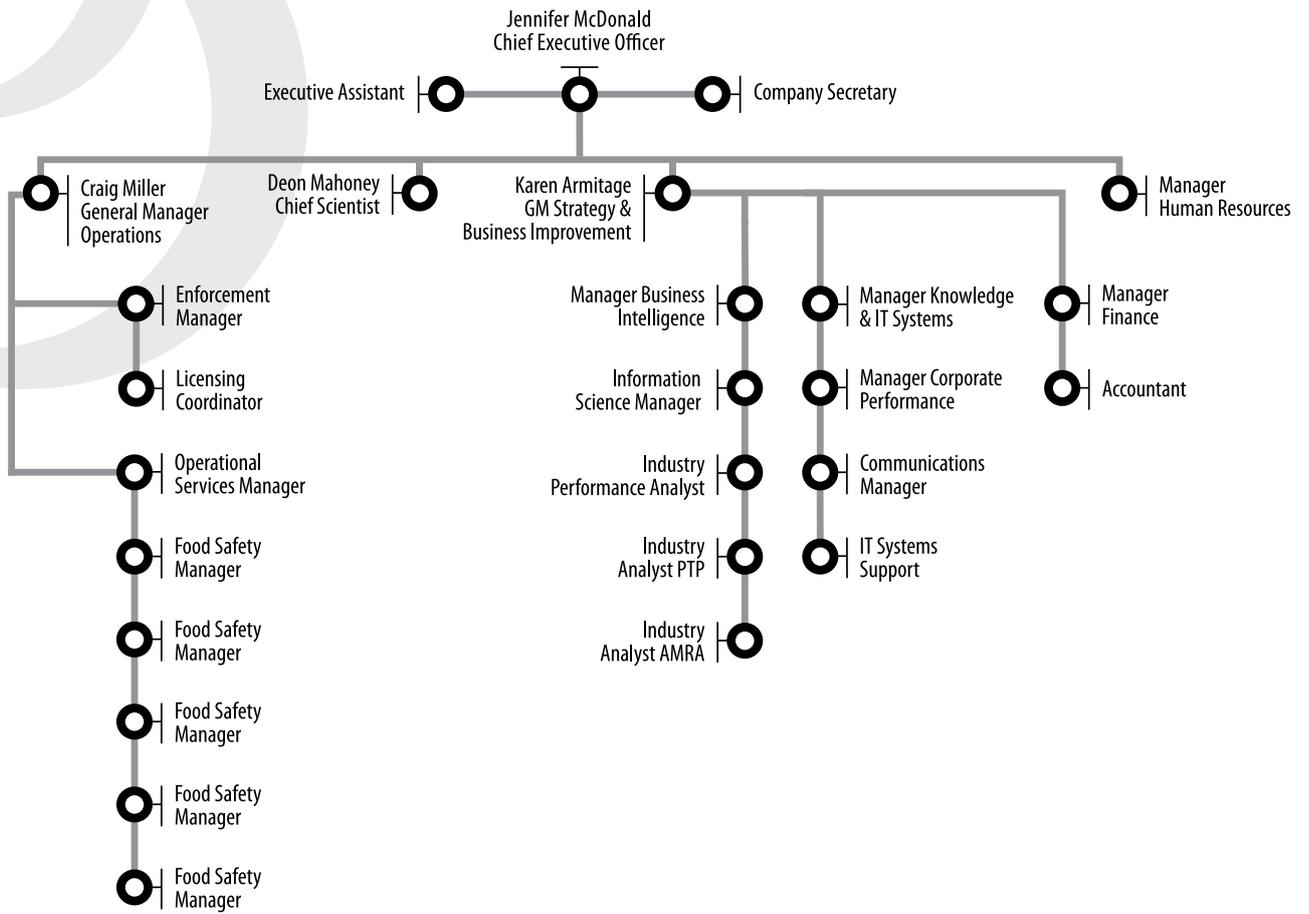
Peter Moloney

BEC, Accounting

Peter was appointed as a director in 2012. He has more than 32 years experience as a risk and audit practitioner, working with a broad range of organisations across the public and private sectors. As a past partner of Ernst & Young and William Buck, Peter was responsible for managing substantial risk practices in both organisations. Peter has held a number of board roles including William Buck and Friends of the Zoos and is also the Audit Committee Chair for the Department of Premier and Cabinet and an Audit Committee member for Department of Transport, Planning and Local Infrastructure, VicHealth and South Gippsland Water.



DFSV organisational structure as at 30 June 2014



The year in review

Ministerial Statement of Expectations

In December 2013 the Victorian Minister for Agriculture and Food Security issued his second Statement of Expectations articulating the Government's priorities and objectives for DFSV. It draws on relevant principles from Victoria's *Improving Governance of Regulators: Principles and Guidelines* and addresses actions contained in the government response to the Parliamentary Inquiry into the impact of food safety regulation on farms and other businesses.

The following is an overview of how we met these expectations in 2013–14. The specific activities undertaken are covered in more detail in the body of this report.

Government policy and objectives

DFSV regulates dairy food safety in the Victorian dairy industry to ensure state legislation and nationally agreed standards are met. DFSV does this by requiring all dairy premises operating in Victoria to hold a current licence and to implement a DFSV-approved food safety program, which identifies all potential food safety risks and documents controls in place to prevent them from occurring. These food safety programs are regularly audited for compliance by DFSV-approved auditors or authorised officers.

DFSV takes action proportionate to the seriousness of legislative non-compliance identified and the food safety or business risk. The *DFSV Enforcement Model Guidelines* outline the actions that may be taken by DFSV in response to serious, severe or sustained non-compliance. When setting fees for licences, and audit and enforcement activities, DFSV consults with the dairy industry and communicates any fee changes to licensees.



To ensure that the interests of Victorian businesses and the public are represented, DFSV actively participates in the development of national standards, through membership on the Implementation Subcommittee for Food Regulation and Food Standards Australia New Zealand (FSANZ) standards development and implementation committees. In 2013–14 DFSV contributed to the Victorian Government position on three FSANZ standards proposals.

DFSV understands the need to ensure its regulatory role is delivered in the most efficient way possible, with minimum regulatory intervention to achieve the best outcomes for public health. Through membership of the Victorian Food Regulators Forum, DFSV contributes to improved coordination between Victoria's food regulators in order to reduce regulatory burden on industry and to promote growth in the food industry.

DFSV's implementation of a single audit approach that incorporates food safety and export market access requirements reduces regulatory burden by removing duplicate audit activity from state and federal agencies.

Stakeholder relationships and engagement

DFSV recognises the critical importance of stakeholder engagement at all levels. Our Stakeholder Engagement Strategy, developed in 2013–14, outlines our approach to building and maintaining collaborative partnerships with government agencies and the dairy industry to maximise beneficial outcomes for public health and economic development.

During this year DFSV was closely involved in the Department of Health review of the management of a significant listeriosis outbreak in 2012–13. We will continue to work with the department to improve communications and ongoing protocols.

Transparency and accountability

Our planning processes have incorporated the State Government's expectations of an outcomes-based approach to the national food regulatory system, minimising duplication, increasing operational flexibility and providing certainty for business. The core imperatives and key performance indicators we are reporting against in this annual report reflect the ministerial expectations of DFSV.

To ensure transparency for business and our stakeholders, DFSV's *Enforcement Model Guidelines* have been made available in print and online, along with licence conditions and compliance information, and our complaints handling process is detailed on the DFSV website.

We also provide access to detailed regulatory and technical information and guidance on our website to support our licensees to meet their regulatory requirements.

Core strategic outcomes

In 2013–14 DFSV implemented the second year of a three-year strategic plan. Our performance against our core strategic outcomes is highlighted in the following sections.

Maximise value from a single system approach – Core excellence

Key performance indicators:

- *The DFSV risk-based regulatory model is effective in ensuring public health and the integrity of DFSV's systems is maintained*
- *DFSV maintains a management system that enables continuous improvement in business outcomes for both internal and external stakeholders*
- *Streamlined delivery of services through the implementation of a single system approach which maintains market access*

The focus of our activities under this key imperative is on fulfilling our core responsibility, under the *Dairy Act 2000*, of regulating the Victorian dairy industry to ensure that standards which safeguard public health are maintained.

In 2013–14 we continued to implement our risk-based regulatory model, with no foodborne illness outbreaks attributed to Victorian produced dairy products over the period. The system remains effective in detecting potential food safety issues and implementing preventative and corrective actions.

Our regulatory system was also endorsed following a successful annual review conducted by the Australian Department of Agriculture. The review supports maintenance of the memorandum of understanding (MoU) with the Department of Agriculture to deliver market access assurance services to export-accredited licensees in conjunction with domestic audit visits.

Through two meetings of the National Farm Auditor Working Group and other meetings, a guidance document was developed to provide clarity for auditors on DFSV's minimum requirements for food safety on dairy farms to ensure all dairy farmer licensees experience consistent assessments of compliance under the regulatory system.

Over the year we continued to implement improvements to our licensing and compliance systems and our internal processes to ensure our regulatory role is undertaken as efficiently as possible with minimum regulatory impost to achieve food safety. This included streamlining production, reporting and licencing arrangements.

With a view to further reducing regulatory burden, we also embarked on a review of how DFSV regulates licence categories deemed to carry a low-risk to food safety, with stakeholder consultation to commence in the next financial year.

DFSV continued to work with other Victorian food regulators towards improved coordination in order to reduce regulatory burden and to promote growth in the food industry. DFSV has a seat on the Victorian Food Regulators Forum and the Department of Environment and Primary Industries Regulators Forum. DFSV also participates in the Victorian Competition and Efficiency Commission's Regulators Community of Practice Forum where regulators meet to share information about best practice and reducing regulatory burden.

Our role in the review and development of national dairy food safety standards contributes to the consistent implementation of standards designed to protect public health, maintain the reputation of our industry and integrity of its products, and to support market growth.

In 2013–14 we provided input into FSANZ proposals related to revisions to the Australian New Zealand Food Standards Code (Proposal P1025); Criteria for *L.monocytogenes* – Microbiological Limits for Foods (Proposal P1017); and Primary Production & Processing Requirements for Approved Raw Milk Products (Proposal P1022).

Maximise value from a single system approach – Enhance economic development

Key performance indicators:

- *DFSV provides a leadership role for dairy in the development of a consistent approach to regulation of food safety*
- *DFSV provides a leadership role for dairy in market assurance services*
- *Industry values DFSV's role in supporting the enhancement of industry competence*

To meet the key objectives of enhancing economic development, DFSV has focused on activities to facilitate market access, reduce regulatory burden and support enhancement of industry competence.

In addition to delivering market assurance services, DFSV supports market access through a number of verification activities.

DFSV continued to coordinate the Australian Milk Residue Analysis (AMRA) survey, on behalf of other state regulatory authorities and the Department of Agriculture. The survey is integral to verifying the effectiveness of dairy industry systems to control residues in the milk supply and the results from the survey play a critical role in maintaining international market access. In 2013–14 DFSV also completed a high-sensitivity tetracycline testing program to support market access to Russia.

Our antibiotic residue notification system continued to support market access to Europe. The system also allows DFSV to manage, monitor and report usage trends to industry.

To further support market access, DFSV participated as the state regulatory authority representative on the national Dairy Export Industry Consultative Committee (DEICC) and Technical Market Access Subcommittee, which monitors emerging market access issues and facilitates development of solutions for DEICC.

DFSV provided substantial assistance to the Department of Agriculture and industry during importing country reviews by China and Taiwan. Both countries found the combination of state/federal regulation of food safety and market access appropriate and effective.

We continue to explore ways of streamlining regulation and providing consistency and certainty for industry. This included improving efficiencies and cost effectiveness in managing the AMRA survey by establishing arrangements with contracted laboratories to streamline electronic transfer of sample details and results and initiating a paperless system for managing the survey.

DFSV also participated in a national Milk Cooling Working Group, along with industry. Through work with the University of Tasmania, a system that enables milk companies and carriers to pick up milk outside rigid cooling requirement windows was validated. A computer program was developed that assesses whether milk is inside or outside validated time/temperature combinations and provides an assessment of risk on which milk companies can make decisions. This will enable more efficient logistics planning by the industry and provide regulatory certainty.

We continued to investigate opportunities to engage with the Global Food Safety Initiative (GFSI) and look at the feasibility of recognising industry certification systems and how that might be incorporated into the DFSV regulatory process. During the year DFSV staff attended GFSI workshops in Sydney and a GFSI conference in the USA.

Through a range of services and products we provide high-level technical assistance and guidance to support industry competence and improvement.

A highlight this year was the successful seminar *Listeria-the hidden menace*, hosted by DFSV in February 2014. The goals of the seminar were to raise awareness of the challenges of managing *L.monocytogenes* in the dairy manufacturing environment and to provide practical guidance in Listeria risk management. The event attracted approximately 90 industry personnel, and colleagues from interstate regulatory authorities. Chairman Grant Davies gave the welcome address, followed by technical presentations and a panel session that drew a range of incisive questions for the speakers to address. The feedback from attendees was extremely positive.

Prepare for the future – Capability and capacity for a flexible future

Key performance indicators:

- *DFSV anticipates industry's needs and responds with people having the appropriate knowledge and skills*
- *DFSV business systems support improvements to our core business to position us for the future*

During the 2012–13 financial year a great deal of work was done on reviewing our information management, business and financial systems, and assessing our skills and knowledge.

In 2013–14 we began implementing actions from the reviews to ensure we have the appropriate knowledge, skills and business systems to position us for the future. Following on from this, a major focus has been on building a business intelligence capability to provide DFSV with a single source of information to enable staff to track and monitor industry and organisational performance and add value to business decision making. A new role of Business Intelligence Manager was created and recruited to lead the evolution of the business intelligence and reporting capability for DFSV.

Phase one of the project, including documenting source data, identifying business information requirements, and designing the hardware platform upon which the business intelligence environment will be built, has been completed. This provides us with the foundations to complete the build of the business intelligence environment in the next financial year.

The finance team has continued to implement various improvement programs as part of its continuous improvement approach, which has delivered efficiencies in transactional processing and service delivery to stakeholders. Key to on-going improvements was the upgrade to the financial accounting and budgeting system, which will become effective in the 2014–2015 financial year and is expected to provide further efficiencies and improved service delivery.

In order to prepare for the future, we must maintain a watch on emerging trends and keep expanding our knowledge base. To this end, we have developed strategic relationships with research providers such as CSIRO, Swinburne University, and the University of Tasmania. We have also funded small-scale applied research activities to further industry knowledge and support improved regulatory actions.

Prepare for the future – Dairy food and health futures

Key performance indicators:

- *The dairy food safety and health policy environment is actively monitored*
- *The DFSV system is adaptable to new directions in regulation*

A further aspect of preparation for the future requires us to be aware of any changes in the food safety or health policy environments which may impact on regulation.

During the past year we continued to monitor these environments and accessed intelligence on the latest developments in food safety through active engagement with the scientific community, including the International Association for Food Protection.

This knowledge will underpin systems and skills development to ensure capacity to adapt to new directions in regulation.

Looking to shorter-term developments; we also engaged in activities designed to enhance the implementation of Standard 1.2.7 - Nutrition, Health and Related Claims, including the development of guidance materials and a role in coordinating the way enforcement action will proceed in Victoria.

Licence	Total
Manufacturer (bovine)	176
Manufacturer (sheep, goat, and buffalo)	9
Farmer (bovine)	4268
Farmer (sheep, goat and buffalo)	24
Milk broker	2
Distributor	111
Carrier	41
Vendor	1
Total	4632

Dairy licence statistics (as at 30 June 2014)

Key statistics

• Completed 354 audits of manufacturers and 2141 farm audits
• Investigated 53 consumer complaints
• Investigated 26 pathogen notifications
• 23 incidents were controlled within company food safety program procedures
• Conducted three pathogen-related risk assessments, of which one resulted in a consumer level recall
• Conducted eight food safety risk assessments
• Required six licensees (dairy manufacturers) to undergo additional audits following identification of several non-compliance issues with licence requirements during scheduled audits
• Conducted two unannounced inspections in response to non-compliances identified at previous inspections
• DFSV's Quality Management System was audited for compliance with ISO 9001:2008 and maintained accreditation
• Commenced implementation of paperless auditing following the introduction of electronic tablets for recording audits by DFSV food safety managers
• Coordinated three rounds of Learning Network forums for dairy manufacturers in six locations across Victoria
• Provided an opportunity for 135 industry participants, through DFSV's online discussion tool (CO-LAB), to continue discussions on topics raised at Learning Network forums and Farm Auditor Working Group meetings.
• Responded to 117 technical information requests with 94% responded to within two days, 2.3 % between two and five days and 3.7% longer than five days
• Tested 1186 dairy product samples, as part of the Product Testing Program. Of these samples there were ten <i>E.coli</i> detections. 296 samples were tested for Listeria with no detections reported.

Strategic enablers

Successful delivery of our strategic plan is underpinned by the following strategic enablers.

Leadership and relationships

The ability to work with stakeholders to shape the future for dairy, to ensure a safe and sustainable industry, is essential to what DFSV does.

During the year DFSV developed a comprehensive stakeholder engagement strategy and implementation plan to guide our interactions with our stakeholders.

Our partnerships with government and other regulatory bodies aim for consistency of regulatory approach and more efficient administration of regulation and are managed through various means. Our delivery of export market assurance services is formalised through an MoU with the Department of Agriculture.

Through an MoU with the Environment Protection Authority (EPA) and agreement with milk companies, DFSV provides aggregated, de-identified risk profile data on farm effluent management systems. The data allows the EPA to plan compliance activities targeting areas of higher risk within the state. The information is gathered using the current DFSV farm audit management system; minimising duplication and overlap by different agencies. This year data was collected from around 2000 dairy farm audits.

DFSV has a role in influencing the national food regulatory system through active involvement in the Implementation Subcommittee that reports to the Food Regulation Standing Committee and the FSANZ standard setting process.

DFSV continued to lead discussions on national implementation issues and to clarify market access arrangements and requirements through its Industry Reference Group. In 2013–14 DFSV held two meetings with representatives from pre- and post-farm gate divisions in milk companies as well as the Department of Agriculture, Dairy Australia and United Dairyfarmers of Victoria to discuss food safety and DFSV strategic issues.

DFSV also convened meetings with other state regulatory authorities to discuss current issues facing dairy authorities and identify strategies and opportunities to enhance dairy food safety.

Knowledge and communication

DFSV supports the growth of industry knowledge and increased understanding of preventative measures to ensure food safety outcomes.

Over the last two years we have reviewed and are systematically automating our systems for the capturing, storing, analysing and reporting of information to industry.

Additional content and functionality on the DFSV website this year, including an email alert subscription, Chief Scientist blog and online licensing applications, have increased the amount and accessibility of information and improved the transparency of our communications.

We continue to review, update and expand our suite of technical information notes and facilitate forums for information sharing and discussion on food safety and market access issues.

Governance

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

DFSV has an internal audit program, which provides confidence that DFSV maintains an effective system that ensures:

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

RSM Bird Cameron was appointed DFSV’s internal audit provider during 2014, for a three-year term.

In June 2014 DFSV’s quality management system was subject to audit for compliance with ISO 9001:2008. No non-conformances were identified and continued certification was recommended.

DFSV 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 DFSV’s Crisis Response and Recovery Plan.

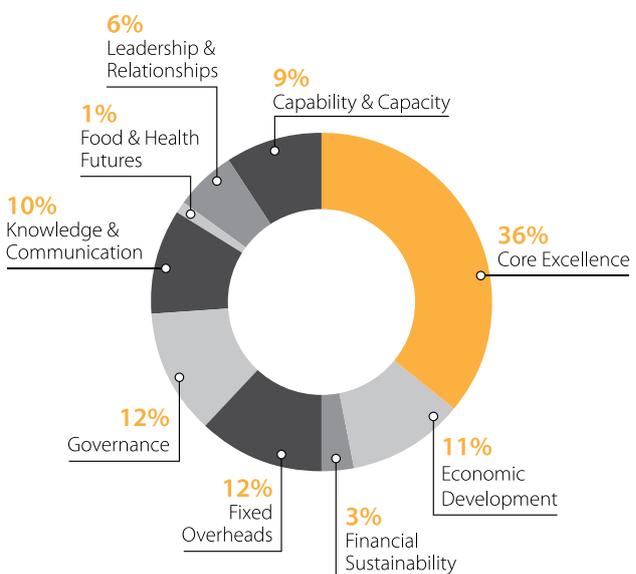
Financial stability

DFSV has maintained a financially stable position throughout the year and has an accumulated reserves balance which has kept pace with inflation providing a secure position going into 2014–2015.

The organisation is funded from dairy licence and service fees, which are set annually by the DFSV Board in consultation with industry. Industry representatives make up membership of the DFSV Funding Model Consultative Committee which meets each year to review and discuss the current and future financial position of the organisation. The committee’s advice is then considered by the Board in setting the fees for the following financial year. Following no increase in 2012–13, and an increase of 1.5 per cent in 2013–14, in May 2014 the DFSV Board approved an increase of DFSV fees by 2.5 per cent for the 2014–15 financial year. Continued business efficiency gains have allowed DFSV to keep fee increases to less than CPI for the past three years.

Use of the organisations activity-based costing methodology has enabled us to clearly identify the allocation of budgetary resources across our strategic activities as shown in figure 1. The largest component of resource allocation is to activities under our strategic imperative of Core Excellence, which ensure compliance with food safety requirements.

Figure 1: Budget resource allocation



Human resource management

Occupational health and safety

DFSV recognises that it must provide and maintain a working environment that is safe, healthy and complies with all statutory requirements and codes of practice. DFSV, in so far as is practicable:

- provides and maintains systems of work that are safe and healthy
- uses, handles, stores and transports articles and substances in a way that is safe and controls risks to health
- provides such information, instruction, training and supervision needed to ensure the health and safety at work of employees and others
- provides a safe means of access to and egress from the place of work
- maintains 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 during the year include:

- providing vaccinations for influenza and Q fever
- providing safety equipment to field staff
- ergonomic assessments of all workstations
- providing access to fresh fruit each week
- providing facilities to support physical activity
- providing all staff with confidential access to an Employee Assistance Program
- providing defensive driver training to field staff.

Incident management

There were no occupational health and safety incidents or WorkCover claims lodged during the period 1 July 2013 to 30 June 2014.

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 the principles of diversity
- 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's 'Code of Conduct' is based on the Code of Conduct for Victorian Public Sector Employees. DFSV also has its own corporate values built around Respect, Integrity, 'Can Do' and Fairness.

DFSV has a suite of human resources policies, including policies relating to:

- grievance resolution
- declaration of interests
- gifts, benefits and hospitality
- recruitment
- managing underperformance
- managing claims of discrimination and bullying in the workplace.



Workforce data

	Ongoing employees (i)				Fixed term and casual employees
	Employees (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE
June 2014	23	17	6	20.7(iii)	1.9(iv)
June 2013	23	16	7	20.6(ii)	0.8

	June 2014			June 2013		
	Ongoing (i)		Fixed term and casual employee	Ongoing (i)		Fixed term and casual employee
	Employee (Headcount)	FTE	FTE	Employee (Headcount)	FTE	FTE
Gender						
Male	9	9	0	9	8.6	0
Female	14	11.7	1.9	14	12	0.8
Total	23	20.7	1.9	23	20.6	0.8
Age						
Under 25	0	0	0	0	0	0
25-34	3	2.6	0	4	4	0
35-44	5	3.7	1.3	5	4	0.8
45-54	9	8.8	0.6	8	7	0
55-64	6	5.6	0	6	5.6	0
Over 64	0	0	0	0	0	0
Total	23	20.7	1.9	23	20.6	0.8
Position						
Executive	4	4	0	4	4	0
Corporate(v)	8	6.1	0	6	4.6	0.5
Technical	9	8.6	1.9	10	9.6	0.3
Administration	2	2	0	3	2.4	0
Total	23	20.7	1.9	23	20.6	0.8

Notes:

- (i) All figures reflect employment levels during the last full pay period in June of each year. Ongoing employees include executives engaged on a standard executive contract who were active in the last full pay period of June.
- (ii) Excludes vacant finance manager position (1 FTE).
- (iii) The increase in employment headcount levels between June 2013 and June 2014 is a result of the vacant finance manager position being filled (1 FTE) and a new role developed to implement strategic business intelligence initiatives (1 FTE).
- (iv) 1.2 FTE/2 headcount of total are maternity leave replacements replacing 1.8 FTE.
- (v) Corporate includes employees working in the following functions: Information technology, finance, human resources, communications, quality management and company secretary.

Other disclosures

Victorian Industry Participation Policy

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

Disclosure of consultancy expenditure

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2013–14 (excluding GST)	Future expenditure (excluding GST)
Coulson Management Consultants (Fentone P/L ATF The Coulson Family Trust)	Activity-based costing development, as varied	01/07/2013	30/06/2014	\$25,000	\$24,071	-
DGR Consulting Pty Ltd	Board strategic planning	01/10/2013	22/11/2013	\$20,000	\$18,895	-
Susannah Tymms	Low risk business review	26/07/2013	18/11/2013	\$100,000	\$19,392	\$70,000
Glenelg Management Consulting Pty Ltd	Financial compliance framework review	24/02/2014	30/06/2014	\$10,500	\$10,500	-
Janette Bowman	Listeriosis business review	10/02/2014	30/05/2014	\$27,200	\$27,200	-
Michael Page International (Aust.) Pty Ltd	Staff recruitment services	01/07/2013	01/09/2013	\$15,000	\$13,610	-
Amrop Cordner King	CEO recruitment services	03/10/2013	01/12/2013	-	\$56,725	-
ITCOM Australia Pty Ltd	Staff recruitment services	03/12/2013	16/12/2013	-	\$14,549	-
Item Group Consulting Pty Ltd	Information technology	01/06/2014	30/06/2014	\$29,500	\$15,180	\$14,320
Minter Ellison	Legal advisory services	31/07/2013	09/04/2014	\$36,000	\$36,089	-
Totals				\$263,200	\$236,211	\$84,320

In 2013–14, the total amount for five consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000, was \$16,470.06. All figures are excluding GST.

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 2014, there were no freedom of information requests received by DFSV.

Freedom of information requests must be made in writing describing the documents requested and including payment of the application fee of \$26.50. 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. Access charges may also apply once documents are processed and a decision on access is made; for example photocopying and search and retrieval charges.

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

Freedom of Information Officer
Dairy Food Safety Victoria, PO Box 8221
Camberwell North Victoria 3124

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

Compliance with the Building Act

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 1993*.

National Competition Policy

The government largely adopted the recommendations presented in July 1999 and incorporated them into the *Dairy Act 2000*.

Compliance with the Protected Disclosure Act

DFSV is a public body subject to the *Protected Disclosure Act 2012*. The purpose of the Act is to encourage and facilitate the making of disclosures of corrupt or improper conduct by public officers and public bodies, including DFSV, its employees and directors, without the fear of reprisal.

DFSV recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal improper conduct.

It does not tolerate improper conduct by the organisation, its employees, officers or directors, nor the taking of detrimental action in reprisal against those who come forward to disclose such conduct.

DFSV has established procedures to facilitate and encourage the making of disclosures under the Act, and how DFSV will manage the welfare of persons connected with protected disclosures. DFSV's Protected Disclosure Procedures are available at www.dairysafe.vic.gov.au

Disclosures under the Act about improper conduct of, or detrimental action taken in reprisal for a protected disclosure by, DFSV or its employees and directors **must be** made to the Victorian Independent Broad-based Anti-corruption Commission (IBAC):

- in person at Level 1, North Tower, 459 Collins Street, Melbourne, Victoria
- in writing GPO Box 24234, Melbourne, Victoria, 3001
- by telephone 1300 735 135

Further information can be obtained from the:

DFSV Protected Disclosure Coordinator
(03) 9810 5900

PO Box 8221, Camberwell North, Victoria, 3124

info@dairysafe.vic.gov.au or at www.dairysafe.vic.gov.au

Environmental reporting

DFSV continues to maintain operational practices that aim to have minimal environmental impact and remain sustainable. This is evidenced in the use of equipment and consumables, transport choices, and recycling practices within the organisation. Policies, formal procedures, and setting relevant examples all contribute to raising environmental awareness and maintenance of the practices. For example, DFSV's main printer is set to print double-sided, black and white, and is programmed to go into an energy saving sleep mode. Office consumables are selected on the basis of being carbon neutral (where possible), recyclable, and derived from sustainable practices. Waste materials are recycled using a variety of bins (paper, recyclables, waste), and signs encourage staff to adopt environmental-friendly practices.

Lease planning for DFSV's vehicle fleet is based on their energy use. Office staff are encouraged to use public transport when attending meetings in the Central Business District and MYKI cards are available for official use to encourage this practice. The impact has seen reduced use of cabcharge vouchers, achieving a reduced environmental impact and reducing operational costs.

Availability of additional information on request

In compliance with the requirements of the Standing 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 on request (subject to the freedom of information requirements, if applicable):

- (a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- (b) details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- (c) details of publications produced by the entity about the entity, and how these can be obtained
- (d) details of changes in prices, fees, charges, rates and levies charged by the entity
- (e) details of any major external reviews carried out on 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.

This information is available on request from:
Dairy Food Safety Victoria
PO Box 8221
Camberwell North Victoria 3124

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

I, Grant Davies, certify that Dairy Food Safety Victoria has risk management processes in place consistent with AS/NZS ISO 31000:2009, 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.



Grant Davies
Chairman
21 August 2014

Attestation for compliance with the Ministerial Standing Direction 4.5.5.1 – Insurance

I, Jennifer McDonald, certify that Dairy Food Safety Victoria has complied with Ministerial Direction 4.5.5.1 – Insurance.



Jennifer McDonald
Chief Executive Officer
21 August 2014

Five-year financial summary

	2014	2013	2012	2011	2010
Five-year financial summary	\$	\$	\$	\$	\$
Total income from transactions	5,373,608	5,180,359	5,015,346	4,633,033	4,536,568
Total expenses from transactions	(4,791,584)	(4,383,569)	(4,714,764)	(4,368,895)	(4,322,710)
Net result from transactions	582,024	796,790	300,582	264,138	213,858
Net cash flow from operating activities	558,437	769,070	880,207	318,376	353,036
Total assets	5,885,182	5,836,065	5,243,354	4,481,271	4,361,574
Total liabilities	687,053	1,219,960	1,420,915	945,871	1,090,708

Overview

Increased production volumes have contributed to higher income in manufacturer licence fees compared to previous years. Total expenditure was lower than anticipated largely due to timing and re-appointment of some vacant positions and savings experienced across categories of general business operations.

Total assets continued to increase consistent with prior year trends primarily as a result of an increased cash position from the revenues received. The significant reduction in liabilities is attributed to the payout of the Defined Benefit Superannuation call to Vision Super that had been accounted for in the 2011–12 year. Both the increase in assets and reduction in liabilities have further strengthened the overall equity position.



Financial statements

for the financial year ended
30 June 2014



Comprehensive operating statement

for the financial year ended 30 June 2014

	Note	2014 \$	2013 \$
Continuing operations			
Income from transactions			
Licence and service fees	2(a)	5,242,383	4,974,408
Interest	2(b)	119,796	141,523
Other income	2(c)	11,429	64,428
Total income from transactions		5,373,608	5,180,359
Expenses from transactions			
Employee expenses	2(d)	2,778,043	2,393,683
Depreciation and amortisation	2(e)	224,650	230,662
Other operating expenses	2(f)	1,788,891	1,759,224
Total expenses from transactions		4,791,584	4,383,569
Net result from transactions (net operating balance)		582,024	796,790
Other economic flows included in net result			
Gain/(loss) on disposal of non-financial assets		-	(3,124)
Total other economic flows included in net result		-	(3,124)
Net result		582,024	793,666
Comprehensive result		582,024	793,666

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

Balance sheet

as at 30 June 2014

	Note	2014 \$	2013 \$
Assets			
Financial assets			
Cash and deposits	12(a)	5,102,714	4,713,215
Receivables	3	172,136	357,892
Total financial assets		5,274,850	5,071,107
Non-financial assets			
Plant and equipment	4	326,196	396,256
Intangible assets	5	230,352	216,004
Other non-financial assets	6	53,784	152,698
Total non-financial assets		610,332	764,958
Total assets		5,885,182	5,836,065
Liabilities			
Payables	7	265,104	832,725
Provisions	8	421,949	387,235
Total liabilities		687,053	1,219,960
Net assets		5,198,129	4,616,105
Equity			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		3,398,129	2,816,105
Net worth		5,198,129	4,616,105
Commitments for expenditure	11		
Contingent liabilities and contingent assets	19		

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 2014

	Accumulated surplus \$	Contributions by owner \$	Total \$
Balance at 1 July 2012	2,022,439	1,800,000	3,822,439
Comprehensive result for the year	793,666	-	793,666
Balance at 30 June 2013	2,816,105	1,800,000	4,616,105
Comprehensive result for the year	582,024	-	582,024
Balance at 30 June 2014	3,398,129	1,800,000	5,198,129

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 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts			
Receipts from other entities		5,524,679	5,065,682
Interest received		109,610	141,523
Goods and services tax recovered from the ATO		94,575	112,522
Total receipts		5,728,864	5,319,727
Payments			
Payment to suppliers and employees		(5,170,427)	(4,550,657)
Total payments		(5,170,427)	(4,550,657)
Net cash flows from operating activities	12(b)	558,437	769,070
Cash flows from investing activities			
Payments for plant and equipment	4(a)	(45,327)	(97,644)
Payments for intangible assets	5	(123,611)	(141,319)
Net cash flows (used in) investing activities		(168,938)	(238,963)
Net increase in cash and cash equivalents		389,499	530,107
Cash and deposits at the beginning of the financial year		4,713,215	4,183,109
Cash and deposits at the end of the financial year	12(a)	5,102,714	4,713,215

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 2014

1 Summary of accounting policies

Statement of compliance

The financial report includes financial statements for Dairy Food Safety Victoria (DFSV) as an individual reporting entity for the year ended 30 June 2014. The financial report is a general purpose financial report, that consists of a comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes accompanying these statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Where applicable, those paragraphs of the AAS's applicable to not-for-profit entities have been applied.

The financial statements were authorised for issue by the Board on 21 August 2014.

Basis of preparation

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid, with the exception of specific sources of licence fees revenue. Revenue identification and recording for farm licence fees, distributor licence fees and carrier licence fees is upon receipt of cash.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- * the fair value of plant and equipment (see note 1(h))
- * superannuation expense (see note 1(f))
- * actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (see note 1(i))
- * revenue and expenditure accruals (see note 1(g) and 1(j)).

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention, except for non-financial physical assets. For the plant and equipment class (and leasehold improvements) of non-current physical assets, depreciated cost has been used to represent a reasonable approximation of fair value. The leasehold improvements made to 'fit out' the office premises at Level 2, 969 Burke Road Camberwell have been depreciated over the five-year term of the lease agreement, to reflect the consumption of economic resources over the period of the agreement. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

Consistent with AASB 13 Fair Value Measurement, DFSV determines the policies and procedures for recurring fair value measurements such as plant and equipment and leasehold improvements in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions. DFSV does not hold any asset that is within the non-recurring fair value measurements category.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- * Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- * Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- * Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Notes to the financial statements

for the financial year ended 30 June 2014

For the purpose of fair value disclosures, DFSV has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Valuer-General Victoria (VGV) is DFSV's independent valuation agency. DFSV, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

In addition, DFSV determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Rounding of amounts

Amounts in the financial statements have been rounded to the nearest dollar.

Reporting entity

The financial statements cover DFSV as an individual reporting entity. DFSV 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 2, 969 Burke Road
Camberwell VIC 3124

Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions', 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net result.

This classification is consistent with the whole-of-government reporting format and is allowed under AASB 101 Presentation of Financial Statements.

The net result is equivalent to profit or loss derived in accordance with AASs.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) 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.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing or financing activities in accordance with AASB 107 – Statement of Cash Flows.

(a) Objectives and funding

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. In addition, costs for the Australian Milk Residue Analysis (AMRA) survey and additional market access testing programs are recovered from Dairy Australia.

(b) Events after reporting date

Assets, liabilities, income or expenses arising 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, GST payable 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, duties and taxes. Revenue is recognised for each of DFSV's major activities as follows:

Licence and service fees

The identification and recording of revenue is at the time of generation of the invoice for manufacturer licence fees, audit fees and distributor and carrier licence fees (upon request). Fees relating to the Australian Milk Residual Analysis (ARMA) Survey is recognised when the right to receive payment from Dairy Australia is established. Revenue identification and recording for farm licence fees, distributors' licence fees and carriers' licence fees is upon receipt of cash.

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.

Superannuation

The amount charged to the comprehensive operating statement in respect of superannuation represents contributions made or due by DFSV to the relevant superannuation plans in respect to the services of staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that DFSV is required to comply with. 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 2014

The following estimated useful lives are used in the calculation of depreciation (no change from 2012–13):

Class of asset	Useful life of asset
Furniture and fittings	10 years
Office equipment	3 to 10 years
Software	3 years
Leasehold improvements	Life of lease (3 to 5 years)

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. They are recognised as an expense in the reporting period in which they are incurred.

(g) Financial assets

Cash and deposits

Cash and deposits comprise cash on hand, cash at bank and short-term deposits. They represent highly liquid investments with an original maturity of three 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 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.

The difference between 'contractual' and 'statutory' receivables at note 3 is that statutory relates to receivables from Government entities of either the Australian Taxation Office or the State Revenue Office of Victoria. Contractual relates to all other receivables.

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 DFSV'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 DFSV 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.

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.

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.

(h) Non-financial assets

Plant and equipment

Plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. The threshold for recording assets was changed from \$1,000 to \$2,000 from 1 July 2013.

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.

Intangible assets

Purchased intangible assets are initially measured at cost. The threshold for recording assets was changed from \$1,000 to \$2,000 from 1 July 2013. 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.

Notes to the financial statements

for the financial year ended 30 June 2014

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 are 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 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.

The difference between 'contractual' and 'statutory' payables at note 7 is that statutory relates to payables to Government entities of either the Australian Taxation Office or the State Revenue Office of Victoria. Contractual relates to all other payables.

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.

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.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave, are all recognised in the provision for employee benefits as 'current liabilities', because DFSV does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries and annual leave are measured at:

- * undiscounted value - if DFSV expects to wholly settle within 12 months; or
- * present value - if DFSV does not expect to wholly settle within 12 months.

Long service leave

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

Current liability - unconditional LSL

This liability represents seven 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:

- undiscounted value - if DFSV expects to wholly settle within 12 months; and
- present value - if DFSV does not expect to wholly settle within 12 months.

Non-current liability - conditional LSL

This liability represents less than seven 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.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. DFSV recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Employee benefits on-costs

Provisions for on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

(j) Commitments

Commitments include those operating and capital commitments arising from non-cancellable contractual or statutory sources not recognised in the financial statements. Commitments are disclosed by way of a note (refer to Note 11 Commitments for expenditure) and are 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 (refer to Note 19 Contingent assets and contingent liabilities) 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.

Notes to the financial statements

for the financial year ended 30 June 2014

(n) Functional and presentation currency

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

(o) Changes in accounting policies

Subsequent to the 2012–13 reporting period, the following new and revised standards have been adopted in the current period with their financial impact detailed as below.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when DFSV is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. DFSV has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. In light of AASB 13, DFSV has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of DFSV. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012–13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

AASB 119 Employee benefits

In 2013–14, DFSV has applied AASB 119 *Employee benefits* (September 2011, as amended) and the related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements, changes in defined benefit obligations and plan assets will have limited impact on DFSV.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service.

Where benefits are not expected to be settled wholly within twelve months, the benefits are considered to be long-term and are to be disclosed on a discounted basis. Based on an assessment of annual leave taken by employees and relevant discount factors provided by the Department of Treasury and Finance, the change in classification has not materially altered the DFSV's measurement of its annual leave liabilities. Accordingly, annual leave liabilities are recognised at their nominal values as at 30 June 2014.

(p) New accounting standards and interpretations

Certain new AASs have been published that are not mandatory for the 30 June 2014 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.

As at 30 June 2014, the following AASs have been issued by the AASB but are not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:



New accounting standard

Applicable to DFSV from:

AASB 9 - Financial Instruments

1 Jan 2017

This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).

While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.

AASB 10 Consolidated Financial Statements

1-Jul-14

This standard does not apply as DFSV is a single reporting entity.

AASB 11 Joint Arrangements

1-Jul-14

This standard does not apply as DFSV does not have any joint arrangements.

AASB 12 Disclosure of Interests in Other Entities

1-Jul-14

This standard does not apply as DFSV does not have any interest in other entities.

AASB 127 Separate Financial Statements

1-Jul-14

This standard does not apply as DFSV does not have any investments in subsidiaries.

AASB 128 Investments in Associates and Joint Ventures

1-Jul-14

This standard does not apply as DFSV does not have any investments in associates and joint ventures.

AASB 1055 Budgetary Reporting

1-Jul-14

This standard does not apply as DFSV is not required to report its budget to Parliament.

In addition to the new standards above, the AASB has issued amending standards that are not effective for the 2013–14 reporting period. In general, these amending standards include editorial and referencing changes that are expected to have insignificant impacts on DFSV's reporting. The AASB Interpretation in the list below is also not effective for the 2013–14 reporting period and is considered to have insignificant impacts on public sector reporting.

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements.
- 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting.
- 2013-5 Amendments to Australian Accounting Standards – Investment Entities
- 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements
- 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policy holders
- 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB Interpretation 21 Levies.

Notes to the financial statements

for the financial year ended 30 June 2014

2 Income from transactions	2014 \$	2013 \$
(a) Licence and service fees		
Licence fees	4,435,952	4,138,376
Audit and inspection fees	369,662	417,041
Australian Milk Residue Analysis (AMRA) survey	436,769	418,991
Total revenue from licence and service fees	5,242,383	4,974,408
(b) Interest	119,796	141,523
(c) Other income	11,429	64,428
Total income from transactions	5,373,608	5,180,359
Expenses from transactions		
(d) Employee expenses		
Post-employment benefits:		
Defined benefit superannuation expense	14,762	14,461
Defined contribution superannuation expense	205,745	177,215
Salaries, wages and employee entitlements	2,380,061	2,075,487
Other employee benefits expense	177,475	126,520
Total employee expenses	2,778,043	2,393,683
(e) Depreciation and amortisation		
Depreciation of plant and equipment	115,387	115,563
Amortisation expense	109,263	115,099
Total depreciation and amortisation	224,650	230,662
(f) Other operating expenses		
Supplies and services		
Audit fees (see note 15)	19,800	21,750
Consultancy, legal and professional services	309,833	286,137
Compliance expenses	5,609	71,471
Communications expenses	53,010	30,467
Directors fees	78,204	75,692
Product testing and laboratory evaluation costs	441,712	466,096
Rates and utilities	7,735	9,833
Insurance	102,305	98,461
Other administration expenses	554,918	559,648
Maintenance	26,723	17,693
Total supplies and services	1,599,849	1,637,248
Operating lease rental expenses	186,854	121,975
Subtotal	1,786,703	1,759,224
Bad debts	2,188	-
Total other operating expenses	1,788,891	1,759,224



3 Receivables	2014 \$	2013 \$
Current Contractual		
Trade debtors	79,798	204,715
Dairy industry licence fees	63,669	60,000
	143,467	264,715
Accrued interest	11,949	1,763
Other receivables	201	55,151
Total contractual receivables	155,616	321,629
Statutory		
GST input tax credit recoverable	16,520	36,262
Total current receivables	172,136	357,892

The average credit period for all receivables is 30 days.
Refer to note 21 for an aging analysis and the nature and extent of risk.

4 Plant and equipment

Non-current

(a) Carrying amounts

Leasehold improvements - at fair value	242,483	239,918
Less: Accumulated depreciation	(92,665)	(48,078)
	149,818	191,840
Furniture and fittings - at fair value	92,677	92,526
Less: Accumulated depreciation	(23,483)	(16,654)
	69,194	75,872
Office equipment - at fair value	355,766	354,673
Less: Accumulated depreciation	(248,582)	(226,131)
	107,184	128,543
Total plant and equipment - at fair value	690,926	687,118
Less: total accumulated depreciation	(364,730)	(290,862)
Total plant and equipment	326,196	396,256

Notes to the financial statements

for the financial year ended 30 June 2014

	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
Opening balance at 1 July 2012	227,783	83,044	103,347	414,174
Additions	9,928	2,035	85,681	97,644
Disposals	-	-	-	-
Depreciation expense	(45,871)	(9,207)	(60,484)	(115,562)
Closing balance at 30 June 2013	191,840	75,872	128,544	396,256
Additions	4,200	2,100	39,027	45,327
Disposals	-	-	-	-
Depreciation expense	(46,222)	(8,778)	(60,387)	(115,387)
Closing balance at 30 June 2014	149,818	69,194	107,184	326,196

(c) Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying Amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1 *	Level 2 *	Level 3 *
Leasehold improvements - at fair value	149,818	-	-	149,818
Furniture and fittings - at fair value	69,194	-	-	69,194
Office equipment - at fair value	107,184	-	-	107,184
Total plant and equipment - at fair value	326,196	-	-	326,196

* Classified in accordance with the fair value hierarchy, see note 1.

There have been no transfers between levels during the period.

Leasehold improvements, furniture and fittings and office equipment

Plant and equipment held by DFSV includes leasehold improvements, furniture and fittings and office equipments.

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2014.

For all assets measured at fair value, the current use is considered the highest and best use.

Reconciliation of Level 3 fair value

	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
Opening balance	191,840	75,872	128,544	396,256
Additions	4,200	2,100	39,027	45,327
Depreciation expense	(46,222)	(8,778)	(60,387)	(115,387)
Closing balance	149,818	69,194	107,184	326,196

The significant unobservable input to Level 3 valuations is the useful life and cost of the plant and equipment. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

Level 3 Plant and equipment	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value measurements to changes in significant unobservable inputs
Leasehold improvements	Depreciated replacement cost	Costs & useful life of improvements	\$2,000–\$107,500 (\$12,762) 3–5 years (5 years)	A significant increase or decrease in direct cost and useful life per unit would result in a significant higher or lower fair value.
Furniture and fittings	Depreciated replacement cost	Costs & useful life of furniture & fittings	\$2,000–\$11,250 (\$4,413) 10 years (10 years)	A significant increase or decrease in direct cost and useful life per unit would result in a significant higher or lower fair value.
Office equipment	Depreciated replacement cost	Costs & useful life of office equipment	\$2,000–\$17,596 (\$4,312) 3–10 years (3 years)	A significant increase or decrease in direct cost and useful life per unit would result in a significant higher or lower fair value.

5 Intangible assets	2014	2013
	\$	\$
Non-current		
Carrying amount - software development at cost		
Opening balance	591,211	462,026
Additions	123,611	141,319
Disposals	(159,606)	(12,134)
Closing balance	555,216	591,211
Accumulated amortisation		
Opening balance	(375,207)	(269,118)
Amortisation expense	(109,263)	(115,099)
Disposals	159,606	9,010
Closing balance	(324,864)	(375,207)
Total net book value at end of financial year	230,352	216,004
6 Other non-financial assets		
Current		
Prepayments	53,784	152,698
Total other non-financial assets	53,784	152,698

Notes to the financial statements

for the financial year ended 30 June 2014

7 Payable	2014 \$	2013 \$
Current		
Contractual		
Supplies and services	184,903	267,297
Other payables	14,800	512,682
	199,703	779,978
Statutory		
Taxes payable	65,401	52,747
Total current payables	265,104	832,725
Total payables	265,104	832,725

The average credit period of all payables is 30 days. No interest is charged on payables. Refer to note 21 for a maturity analysis and the nature and extent of risk.

8 Provisions

Current

Employee benefits - annual leave:

Unconditional and expected to settle wholly within 12 months

	114,915	113,952
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Employee benefits - long service leave:

Unconditional and expected to settle wholly after 12 months

	173,120	129,730
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	288,035	243,682
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Provisions related to employee benefits on-costs

Unconditional and expected to settle wholly after 12 months

	46,087	36,552
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Total current provisions	334,122	280,234
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Non-current

Employee benefits - long service leave

	75,525	93,044
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Provisions related to employee benefits on-costs

	12,302	13,957
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Total non-current provisions	87,827	107,001
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Total provisions	421,949	387,235
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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 any shortfall as and when it falls due.

Superannuation contributions for the reporting period are included as part of employee benefits in the comprehensive operating 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 MySuper/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 (for the year ended 30 June 2014, this was 9.25% required under Superannuation Guarantee legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. 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.

Effective from 1 July 2014, the Superannuation Guarantee contribution rate is legislated to increase to 9.5%, and will progressively increase to 12% by 2019. Based on announcements included in the May 2014 Federal Budget, this progressive increase to 12% will be delayed until 2022.

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 34 of AASB 119, DFSV does not use defined benefit accounting for these contributions.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, the level of participation of DFSV in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

DFSV makes the following contributions:-

1. Regular contributions

These are ongoing contributions needed to fund the balance of benefits for current members and pensioners. DFSV makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2014, this rate was 9.25% of members' salaries. This rate increased to 9.5% on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee contribution rate.

2. Funding calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. If the Fund has a shortfall for the purposes of SPS 160, the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including DFSV) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

The pre - 1 July 1993 and post - 30 June 1993 service liabilities of the Fund are based on:

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993.
- The service periods of all deferred members split between the deferred members pre-1 July 1993 and post-30 June 1993.
- The pensioner (including fixed term pension) liabilities which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the based on the employer's share of the total participating employer payroll at 30 June 1993.

Notes to the financial statements

for the financial year ended 30 June 2014

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

The Local Authorities Superannuation Fund latest 31 December 2011 actuarial investigation identified an unfunded liability of \$406 million excluding the contributions tax in the defined benefit fund of which DFSV is a member. DFSV was made aware of the expected shortfall through the year and was informed formally of its share of the shortfall on 31 July 2012 which amounted to \$466,301 including the contributions tax. DFSV elected to pay this shortfall by lump sum on the due date of 1 July 2013. No further amount has been accounted for in the 2013–14 comprehensive operating statement in employee expenses (See Note 2(d)) and in the balance sheet in payables (See Note 7).

The Fund's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation pursuant to the requirements of AAS 25 as follows:

	31 December 2011
	\$'000
Net market value of assets	4,315,324
Accrued benefits (per accounting standards)	4,642,133
Difference between assets and accrued benefits	(326,809)
Vested benefits (minimum sum which must be paid to members when they leave the Fund)	4,838,503

The financial assumptions used to calculate the accrued benefits for the defined benefit category of the Fund were:

Net investment return	7.50% p.a.
Salary inflation	4.25% p.a.
Price inflation	2.75% p.a.

The next full actuarial investigation of the Fund's liability for accrued benefits will be based on the Fund's position as at 30 June 2014. The anticipated completion date of this actuarial investigation is 19 December 2014.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2015 is unknown at the time of this report.

Emergency Services and 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.

Victorian Superannuation Fund – VicSuper

New employees of DFSV including casuals and board members are covered by VicSuper which is an accumulation scheme. In accordance with the *Superannuation Guarantee Charge Act 1992*, DFSV paid a 9.25% (9% 2003) superannuation guarantee levy for employees and members to VicSuper 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 accumulation funds. DFSV paid a 9.25% (9% 2003) superannuation guarantee levy for employees and members of these funds for the financial period.

Superannuation contributions

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by DFSV are as follows:

Fund	Paid contributions for the year		Contributions outstanding at year end	
	2014	2013	2014	2013
Defined benefit plans:				
Vision Super	6,732	6,574	-	-
Emergency Services Superannuation	8,030	7,887	669	669
Defined contribution plans:				
VicSuper	94,732	83,230	8,497	8,175
Australian Super	41,520	47,413	2,151	3,006
Other	69,493	46,572	6,085	4,250

(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 30 June 2014 and are in respect of premises at Camberwell, 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 first term of the contract to lease premises at Level 2, 969 Burke Road, Camberwell from 1 April 2012 for a period of five years with an option to renew on 1 April 2017 for the forthcoming five-year commitment. The operating commitment for 2014–15 is \$135,945 per annum. GST and annual fixed rate increases of 3.5% on the office premises are included in the following figures.

	2014	2013
	\$	\$
Non-cancellable operating lease payables		
Not longer than one year	217,808	188,165
Longer than one year and not longer than five years	391,615	514,229
	609,423	702,394

11 Commitments for expenditure

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

(a) Outsourcing commitments

Commitments under outsourcing contracts for information technology services in existence and payable at the 2014 reporting date but not recognised as liabilities, inclusive of GST:

Not longer than one year	-	-
Longer than one year and not longer than five years	-	-
	-	-

Notes to the financial statements

for the financial year ended 30 June 2014

(b) Lease commitments	2014	2013
	\$	\$
Non-cancellable operating lease commitments inclusive of GST (as disclosed in note 10)	609,423	702,394
Total commitments for expenditure (inclusive of GST)	609,423	702,394
Less GST recoverable from the Australian Taxation Office	(55,402)	(63,854)
Total commitments for expenditure (exclusive of GST)	554,021	638,540

12 Cash flow information

(a) Cash and cash equivalents

Cash on hand	324	300
Cash at bank	102,390	674,050
Short-term deposit	5,000,000	4,038,865
Total cash and deposits disclosed in the balance sheet	5,102,714	4,713,215
Balance as per cash flow statement	5,102,714	4,713,215

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

Net result for the year	582,024	793,666
Non-cash movements:		
(Gain)/loss on sale or disposal of non-current assets	-	3,124
Depreciation and amortisation of non-current assets	224,650	230,662
Movements in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	185,756	(41,357)
Other non-financial assets	98,914	(16,070)
Increase/(decrease) in liabilities:		
Payables	(567,621)	(157,529)
Provisions	34,714	(43,426)
Net cash from/(used in) operating activities	558,437	769,070

13 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Responsible Minister: The Honourable Peter Walsh MP, Minister for Agriculture and Food Security.

(a) Board members

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

Grant Davies	1 July 2013 - 30 June 2014
Margaret Darton	1 July 2013 - 30 June 2014
Zoe Attwood	1 July 2013 - 30 June 2014
Barry Lierich	1 July 2013 - 30 June 2014
Peter Bailey	1 July 2013 - 30 June 2014
Rob Greenall	1 July 2013 - 01 May 2014
Peter Moloney	1 July 2013 - 30 June 2014

(b) Accountable officer

Catherine Hollywell held the position of Accountable Officer from 1 July 2013 to 27 January 2014 and Jennifer McDonald held the position of Accountable Officer from 28 January 2014 to 30 June 2014.

Remuneration received or receivable by the accountable officer and other responsible persons in connection with DFSV during the year was in the range:

Income band	Total remuneration	
	2014 No	2013 No
\$0 - \$9,999	2	6
\$10,000 - \$19,999	4	2
\$20,000 - \$29,999	-	-
\$30,000 - \$39,999	1	1
\$90,000 - \$99,999	1	-
\$170,000 - \$179,999	1	-
\$230,000 - \$239,999	-	1
Total numbers	9	10
Total amount	\$356,732	\$315,013

Remuneration relating to the Minister is reported 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). Where board members are Licensees of DFSV, the standard trading terms apply.

(c) Related party disclosures

The board members of DFSV are reimbursed for expenses incurred in attending board and committee 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 board members at arm's length in similar circumstances.

(d) Insurance premiums

During the financial year, DFSV paid an insurance premium of \$36,637 (2013: \$41,311) 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 DFSV executive officers, other than the Accountable Officer, and their total remuneration are shown in the first two columns in their relevant annual remuneration bands.

The executive officers' base remuneration is shown in the third and fourth columns. Base remuneration excludes bonus payments, long-service leave, redundancy payments and retirement benefits.

Notes to the financial statements

for the financial year ended 30 June 2014

Income band	Total remuneration		Base remuneration	
	2014 No.	2013 No.	2014 No.	2013 No.
<\$100,000	-	4	-	4
\$120,000 - \$129,999	-	-	-	-
\$130,000 - \$139,999	-	1	2	1
\$140,000 - \$149,000	2	-	-	-
\$150,000 - \$159,999	1	-	1	-
Total numbers	3	5	3	5
Total annualised employee equivalent (AEE)	3	2.65	3	2.65
Total amount	\$450,956	\$400,145	\$432,124	\$413,448

Annualised employee equivalent (AEE) is based on working 38 ordinary hours per week over the 52-week reporting period. The difference in executive numbers is due to executive positions becoming vacant and filled in 2012–13.

There were no contractors engaged with management responsibility for the reporting period.

15 Remuneration of auditors	2014	2013
Victorian Auditor-General's Office	\$	\$
Audit of the financial statements	19,800	21,750

16 Ex-gratia expenses

There were no material ex-gratia expenses incurred in 2013–14 (nil 2012–13).

17 Subsequent events

No subsequent events have occurred that require disclosure.

18 Charge over assets

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

19 Contingent liabilities and contingent assets

Contingent liabilities

DFSV has an ongoing obligation to share in the future defined benefits superannuation 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.

20 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.

21 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 2014 \$	Carrying amount 2013 \$
Contractual financial assets:			
Cash and deposits	12(a)	5,102,714	4,713,215
Receivables	3	155,616	321,629
Total contractual financial assets		5,258,330	5,034,844
Contractual financial liabilities:			
Payables	7	199,703	779,978
Total contractual financial liabilities		199,703	779,978

(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

2014	Note	Weighted average interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$	Not past due and not impaired \$	Less than one month \$	1-3 Months \$	3 months to one year \$	1-5 years \$
Financial assets											
Cash and deposits	12(a)	2.66%	5,102,714	4,000,000	1,000,000	102,714					
Receivables			155,616	9,801	2,148	143,668	137,794	12,095	-	5,727	-
Total financial assets			5,258,330	4,009,801	1,002,148	246,382	137,794	12,095	-	5,727	-
2013											
Financial assets:											
Cash and deposits	12(a)	3.23%	4,713,215	3,000,000	1,038,865	674,350					
Receivables:			321,629	693	1,070	319,866	304,251	16,996	-	382	-
Total financial assets			5,034,844	3,000,693	1,039,935	994,216	304,251	16,996	-	382	-

Notes to the financial statements

for the financial year ended 30 June 2014

(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, makes 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 periods' data and current assessment of risk.

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

2014	Note	Weighted average interest rate %	Carrying amount \$	Interest rate exposure			Maturity dates				
				Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$	Not past due and not impaired \$	Less than one month \$	1-3 Months \$	3 months to one year \$	1-5 years \$
Financial liabilities											
Payables	7		199,703	-	-	199,703	198,064	1,639	-	-	-
Total financial liabilities			199,703	-	-	199,703	198,064	1,639	-	-	-
2013											
Financial liabilities											
Payables	7		779,978	-	-	779,978	313,677	466,301	-	-	-
Total financial liabilities			779,978	-	-	779,978	313,677	466,301	-	-	-

(e) Market risk

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

Interest rate risk

DFSV's exposure to interest rate risk on its cash and term deposits is minimal. Risk minimisation is achieved by undertaking fixed rate financial instruments with relatively even maturity profiles. For financial liabilities, DFSV mainly undertakes financial liabilities with relatively even maturity profiles. DFSV holds only insignificant amounts of financial instruments at a floating rate.

Sensitivity disclosure analysis

Taking into account past performance, DFSV considers that a shift of +0.50 per cent or -0.50 per cent in market interest rates (AUD) is 'reasonably possible' over the next twelve months.

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.

2014	Note	Carrying amount \$	Interest rate risk			
			-0.5% (-50 basis points)		0.5% (+50 basis points)	
			Equity \$	Net result \$	Equity \$	Net result \$
Contractual financial assets:						
Cash and deposits						
Cash at bank	12(a)	102,390	-	-	-	-
Short-term deposits (fixed)	12(a)	4,000,000	-	-	-	-
Short-term deposits (at call)	12(a)	1,000,000	(5,000)	(5,000)	5,000	5,000
Cash on hand		324	-	-	-	-
Total impact		5,102,714	-	-	-	-
2013						
Contractual financial assets:						
Cash and deposits						
Cash at bank	12(a)	674,050	-	-	-	-
Short-term deposits	12(a)	4,038,865	(20,194)	(20,194)	20,194	20,194
Cash on hand		300	-	-	-	-
Total impact		4,713,216	(20,194)	(20,194)	20,194	20,194

Fair value

- (f) 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 including Interpretations 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 the financial statements, presents fairly the financial transactions during the year ended 30 June 2014 and financial position of Dairy Food Safety Victoria as at 30 June 2014.

At the time of signing, 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 21 August 2014.



Grant Davies
Chairman



Jennifer McDonald
Chief Executive Officer



Daryl Glover
Chief Finance and Accounting Officer

Melbourne
21 August 2014

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 2014 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, 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 and fair presentation 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 Members, 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.

Independent Auditor's Report (continued)

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.

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 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, 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 2014 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
27 August 2014


John Doyle
Auditor-General

Disclosure index

The annual report of Dairy Food Safety Victoria is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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integrity & assurance







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