

Annual Report 2011–2012



4 September 2012

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 2012.

Yours sincerely



Grant Davies  
Chairman



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### Vision

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



### Mission

The independent authority to regulate dairy food safety.



### Values

At Dairy Food Safety Victoria, we value:

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

## About Dairy Food Safety Victoria

Dairy Food Safety Victoria (DFSV) is the independent dairy food safety regulator operating under the *Dairy Act 2000*; funded from dairy licence and service fees and governed by a Board of Directors.

DFSV licenses 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. DFSV works collaboratively with the dairy industry, government and other stakeholders to ensure the safety of all Victorian dairy foods.

### Charter and purpose

DFSV was established under the *Dairy Act 2000*. The organisation is a statutory authority that reports through its Board of Directors to the Minister for Agriculture and Food Security.

### 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

- (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.

## Chairman's review



On behalf of the Board, I am pleased to present my first DFSV annual report. As a dairy farmer and an advocate, representing the point of view of farmers and manufacturers over many years, I was honoured to be appointed Chair of the DFSV Board. This role enables me to further my dairy leadership interests across the value chain from farm to factory to consumer.

I am fortunate to have joined an organisation that is valued for its skills and flexibility to respond to the needs of the industry. The support DFSV provides to the dairy industry is well recognised and is highly regarded.

DFSV works in partnership with the dairy industry and other stakeholders to ensure the safety of all our dairy foods and products is maintained. Ensuring safe production of dairy food is critical to the domestic and export market successes that Victoria's dairy industry enjoys, and underpins a profitable and sustainable dairy industry.

Therefore I am happy to report that in 2011–12 DFSV again met its core objective of ensuring standards which safeguard public health were maintained in the Victorian dairy industry, with no market assurance breakdowns.

Since its establishment DFSV has worked hard to: deliver innovative food regulation that adds value for licensees and the industry generally; streamline compliance systems and assurance arrangements; monitor and manage emerging risks to protect the market; and lead consistent implementation of national food safety standards.

On behalf of the Board and staff of DFSV, I would like to acknowledge the significant contribution of Shirley Harlock as the Chair since 2006. Under Shirley's leadership DFSV maintained a strong commitment to working in partnership with industry to ensure consumer protection and promote market growth and industry prosperity.

Shirley leaves us with a strong foundation for future consolidation and growth.

I look forward to working with the Board and staff of DFSV in continuing to enhance effective partnerships; working collaboratively with regulators, government and industry; and supporting our licensees to develop the necessary skills and tools to help meet future challenges.

Finally, to Dr Catherine Hollywell and her team, the Board and I are grateful for their professionalism and dedication throughout the year.

In 2012–13 we will begin implementing a new strategic plan. I look forward to working with you all and building on the achievements to date.

Grant Davies  
Chairman, Dairy Food Safety Victoria

## A message from the outgoing Chair

Shirley Harlock - outgoing Chairman



I have thoroughly enjoyed my time as Chair of the Board and also as a Director of DFSV over the past nine years. We have faced many challenges over this period, but throughout, the valuable partnerships established with industry and key stakeholders are to me the most important and valuable aspect of the business.

As a relatively small, yet significant player in our industry, we recognised early on the integral role that strategic alliances and relationships provide both our licensees and us. In 2004, DFSV surveyed its licensees to establish their perceptions of the organisation and to identify the services industry most wanted its regulator to deliver. This identified a gap between the service mix DFSV was delivering and the service mix industry needed to help them improve dairy food safety practices.

DFSV took on board what industry said it wanted and in the process transitioned from being 'just the regulator' to becoming a valuable industry partner.

DFSV adopted an innovative approach to food safety regulation, focusing on improving performance and building industry knowledge and capacity. Over three years, we streamlined processes; reduced industry's regulatory burden; opened up information channels; and built knowledge and expertise.

We continued to build on partnerships and again this year consulted broadly across industry in developing a new strategic plan to be delivered under the guidance of DFSV's new Chairman, Grant Davies.

In the very competitive market in which we operate, DFSV understands the need to ensure its regulatory role is delivered in the most efficient way possible. Our work with the Department of Agriculture, Fisheries and Forestry (DAFF) on export certification reform demonstrated a commitment to reduce duplication and streamline administration of

food safety regulation and market assurance services where possible. A significant milestone was reached when a Memorandum of Understanding (MoU) was signed in December 2011 which formally recognised the state systems as meeting the requirements to deliver audit services which underpin export certification for the dairy industry.

DFSV has adapted and supported industry in an ever changing commercial environment. I have been keen to ensure as we adjust to such change that we remain relevant and continue to deliver value to the Victorian dairy industry. Our number one focus, to safeguard public health, has never been compromised. I am very proud to have been associated with such a well-regarded organisation which is supported by a highly skilled Board and I am sure it enters into very safe hands with Grant Davies leading the organisation.

I applaud the work of CEO Dr Catherine Hollywell, past and present Board members and staff in continuing to grow Victoria's reputation for producing safe dairy products.

A handwritten signature in black ink, appearing to read 'Shirley Harlock'.

Shirley Harlock

## Chief Executive Officer's report

Catherine Hollywell - CEO, DFSV



This year we formalised a significant partnership with DAFF Biosecurity (formerly the Australian Quarantine and Inspection Service) by the signing of an MoU in conjunction with the Dairy Authority of South Australia (DASA) and the Tasmanian Dairy Industry Association (TDIA). Prior to the signing of the MoU the food safety and market access audit systems of the three states had been validated by DAFF as meeting the export market certification requirements. This signalled a new level of accountability for DFSV in partnership with DAFF and exporting companies to demonstrate the robustness of our 'single system' approach.

This single approach delivers multiple benefits to industry, including red tape reduction, by ensuring at its core that food safety regulatory requirements are met from farm to factory.

In addition, the DFSV 'single system' also provides assurance that other requirements, as agreed by industry, are also met. An example of this is the sharing of the DFSV approach with the Environment Protection Authority (EPA) in Victoria, on the better management of effluent on dairy farms. DFSV now has six active MoUs, all aimed at strengthening partnerships with key stakeholders for the benefit of public health, the economic development of Victoria and the reduction of regulatory burden.

This year DFSV also received a Statement of Expectations from the Hon. Peter Walsh, Minister for Agriculture and Food Security (for details please see a copy on [www.dairysafe.vic.gov.au](http://www.dairysafe.vic.gov.au)). This letter was significant for several reasons: it advised DFSV that its remit included a focus on the economic development of Victoria; it also requested greater transparency in reporting performance indicators. As this annual report is DFSV's only formal reporting instrument, in the interests of cost effectiveness, this report will increasingly be the key avenue for high-level performance indicator reporting for the business.

This year DFSV was also the subject of a significant review, along with other food safety regulators in Victoria, by the Victorian Auditor General's Office (VAGO). The VAGO Agricultural Food Safety audit found DFSV to be transparent,

fair, risk-based and to be regulating food safety effectively. VAGO recommended that stronger performance reporting would help the business demonstrate this more effectively and this is a key area of interest for the business currently. (For a full copy of the report, please refer to the March 2012 reports at [www.audit.vic.gov.au](http://www.audit.vic.gov.au)).

The 2011–12 year saw a higher level of enforcement activity for DFSV with two successful prosecutions. However, it is notable that once again the diligent, and fair but firm, activities of the food safety managers and enforcement manager ensured that there were no dairy food safety breakdowns in Victoria. DFSV's review and approval of manufacturer food safety programs has proved effective in managing food safety risks and has also provided a simple intervention where serious failures have been evident. By suspending or withdrawing approval of a licensee's food safety program, where serious compliance issues have been identified, businesses have had to cease manufacturing until all risks have been satisfactorily addressed. This new approach has encouraged a greater awareness of the need to maintain an effective food safety program and has also helped smaller manufacturers to understand the value of their food safety program.

This year is the final year of our current three-year Corporate Plan 2009–2012. Consequently, it has been the year in which we have been developing our new three-year Plan for 2012–2015. Extensive stakeholder engagement throughout this process has given us valuable insights into areas where we need to place more emphasis and areas where industry is seeking greater leadership from DFSV.

On the theme of leadership I will take this opportunity to recognise the outstanding leadership for DFSV, and support to me personally, by Shirley Harlock our outgoing Chair. Shirley is a true ambassador for the dairy industry and it was a great privilege to work with her. Myself and staff truly wish her all the very best in her future endeavours.

I welcome Grant Davies as our new Chairman. DFSV is fortunate to have a new Chairman with such extensive knowledge of the dairy industry. As with our past Chairman, Grant brings his personal understanding of the business of a dairy farmer to DFSV. I look forward to continuing to work productively under the leadership and wise guidance of Grant and all our directors as we continue to protect public health and safety in partnership with the dairy industry for the future sustainable prosperity of the industry.

The end of this year also brought with it the end of our lease at the Hawthorn premises. An extensive search for a new home for DFSV has resulted in our new location at Burke

Road, Camberwell. A thoroughly professional and efficient relocation took place at the end of June. A big thankyou to every single staff member for their planning and preparation for this event, thereby ensuring a successful and seamless transfer.

I also thank the dedicated staff of DFSV for their commitment to the business, their support of each other and their willingness to always make a difference.



Dr Catherine Hollywell  
CEO, Dairy Food Safety Victoria

## Five-year financial summary

Five-year financial summary	2012	2011	2010	2009	2008
	\$	\$	\$	\$	\$
Total income from transactions	5,015,346	4,633,033	4,536,568	4,470,577	4,345,187
Total expenses from transactions	(4,714,764)	(4,368,895)	(4,322,710)	(4,108,219)	(3,946,360)
Net result from transactions	300,582	264,138	213,858	362,358	398,827
Net cash flow from operating activities	880,207	318,376	353,036	252,280	739,066
Total assets	5,243,354	4,481,271	4,361,574	3,920,083	3,763,642
Total liabilities	1,420,915	945,871	1,090,708	863,132	1,069,047

### Financial year ended:

- 2012** A net result from transactions of \$300,582 in 2011–12 was achieved. Increased production volumes due to favourable seasonal conditions contributed to the higher than projected income from manufacturer licence fees. A higher interest rate environment provided an increase in interest income. The reduction in operating expenses was attributable to reduced outlays in recruitment expenses relating to appointment of vacant staff and senior positions and timing differences associated with the delivery on a significant project. In addition, substantial savings in annual report costs and general communications contributed to the reduction in communications expenditure in conjunction with reduced internal audit activity reflecting reduced audit fees. Reduced depreciation and amortisation charges were due to the write back in restoration costs on the make good associated with the expiry of the leased premises. The total assets base has continued its growth with higher cash deposit levels to fund on-going IT commitments in relation to the licensing database and the ongoing Vision Super liability. Total liabilities have increased in 2011–12 to recognise the provision for the Vision Super defined benefit liability in respect of the funding shortfall arising from the actuarial review as at 31 December 2011.
- 2011** In 2010–11 a net result from transactions of \$264,138 was achieved. Higher than projected income from manufacturers licence fees was recorded based on increased production volumes. Additional interest income was received from higher interest rates on invested funds. The small increase in operating expenses was attributable to adjustments to provisions for employee entitlements offset by lower amortisation charges. Total assets have continued their growth through higher cash deposit levels to fund on-going expenditure on IT commitments in relation to the licensing database.
- 2010** The 2009–10 net result from transactions of \$213,858 demonstrated prudent fiscal management. Higher income from manufacturers licence fees, audit-related services fees and initiatives was offset by reduced interest income from a lower interest rate environment. The increase in expenses from transactions was attributable to accruals for staff remuneration increments, higher depreciation expenses due to write offs of obsolete plant and equipment and the engagement of consultants for regulatory compliance services. Total assets continued to grow with a higher cash deposit base required to fund considerable on-going IT commitments associated with the phase in of the new licensing database.
- 2009** In 2008–2009 DFSV achieved a net result from transactions of \$362,358. During the year additional income from initiatives increased to \$141,781. Higher than expected income from manufacturers licence fees was collected due to increased product manufactured. The reduction in other operating expenses was due to activities relating to reduced regulatory burden and timing differences associated with reversals of accruals. While both total income and expenses from transactions have steadily increased since 2004–2005, the net result from transactions has been relatively consistent over the past three years.
- 2008** During the financial period ending 30th June 2008, delivery of services and expenses incurred were within budgetary objectives, except for under expenditure in IT capital commitments, resulting in reduced depreciation expenditure incurred within the period. This can be attributed to the timing of the implementation of a new licensing system and further expenditure will be incurred in the 2008–2009 financial year. Additional income was received from better than anticipated returns on funds invested through the Treasury Corporation of Victoria.

## Corporate governance

### Board of Directors

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

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

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

Each member holds office for a term not exceeding three years and is eligible for re-appointment. The current Board term finishes in October 2012.

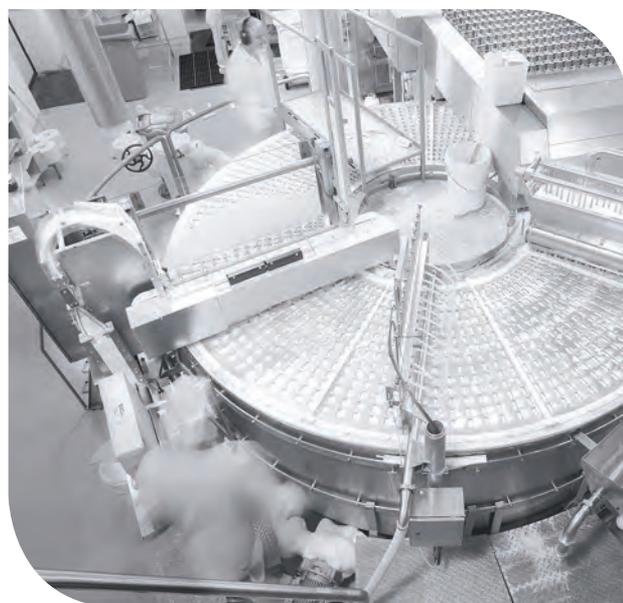
During the year, the following changes in the composition of the DFSV Board occurred:

- The term of appointment of Shirley Harlock as Chair expired on 11 April 2012.
- Grant Davies was appointed Chair for the period 12 April 2012 to 11 April 2015.
- Trevor Tappenden resigned as a director effective 6 February 2012.

### Board committees

The Risk Management and Audit (RM&A) Committee assists the Board to fulfil its corporate governance and statutory responsibilities in relation to financial reporting, internal control, risk management systems and internal and external audit functions. Members of this committee at 30 June 2012 were Mr Barry Lierich (Chair), Ms Zoe Attwood and Ms Margaret Darton.

The Science and Technology (S&T) Committee assisted the Board in fulfilling its regulatory responsibilities relating to: assuring the safety of dairy foods produced and processed in Victoria for domestic and export markets; compliance of Victorian dairy food licence holders; and assessing new and emerging science and technology issues affecting dairy food safety. During the year, the Board determined that as this



committee often engages in valuable strategic discussion of scientific and regulatory issues, it would be beneficial for such discussion to take place at Board level. Therefore, the last scheduled meeting of this committee was on 14 March 2012. The members of this committee to that date were Ms Margaret Darton (Chair), Ms Zoe Attwood, Dr Bill Darmody, Ms Sarah Crooke and Dr Catherine Hollywell.

The Human Resources (HR) Committee assists the Board in fulfilling its statutory responsibilities relating to the remuneration of the CEO and executive management team. The committee also assists the Board in the formulation of human resource management policies and procedures. Members of this committee at 30 June 2012 were: Dr Bill Darmody (Chair), Ms Sarah Crooke and Ms Margaret Darton.

The Funding Model Consultative (FMC) Committee – formerly known as the Funding Model Review Steering Committee – is part of the consultative process with the dairy industry that assists DFSV in the determination of the criteria and structure of licence fees. Representatives of a wide selection of the dairy industry are invited to participate on this committee. For 2012, DFSV representatives on this committee were Mr Barry Lierich (Chair) and Dr Bill Darmody.

Seven Board meetings were held during the year. The number of meetings that each director attended is set out in table 1.

Table 1: Attendance at Board and Board Committee meetings during the year ended 30 June 2012

	Board	RM&A	HR	S&T	FMC
<b>Total number of meetings</b>	<b>7</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>1</b>
<b>Director</b>					
Shirley Harlock	5	–	–	–	–
Grant Davies	1	1	1	–	–
Trevor Tappenden	4	2	–	–	–
Zoe Attwood	7	4	–	3	–
Margaret Darton	7	2	1	3	–
Sarah Crooke	7	–	1	3	–
Barry Lierich	6	4	1	–	1
Bill Darmody	7	–	2	3	1

**NOTES:**

- The CEO, Catherine Hollywell was also a member of the Science and Technology Committee attending three meetings during the year.
- Trevor Tappenden resigned from the Board in February 2012.

## Enterprise risk management

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.

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



Grant Davies  
Chairman, Dairy Food Safety Victoria

20 August 2012

## DFSV Board



### Grant Davies – Chairman

MAICD

Grant was appointed Chair of DFSV in April 2012.

As a dairy farmer and industry advocate and leader over a number of years, Grant brings comprehensive experience and knowledge of the dairy supply chain to the role of Chair of DFSV. He has been actively involved in the dairy and irrigation industries since 1969, and held a number of committee and Board positions. Before joining DFSV, Grant was on the Board of Murray Goulburn Co-operative for seven years, including two as chairman. Grant also spent more than a decade representing local farmers within the United Dairyfarmers of Victoria and between 1995 and 2004 served as deputy chair and chairman of the Northern Herd Development Cooperative. He operates a dairy farm at Swan Hill with his wife and son.

### Sarah Crooke

Dip Medical Technology, FAICD

Sarah was first appointed as a director in 2006.

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



### Margaret Darton

BAppSc, DipAppCh, GradDiplLib, GAICD

Margaret was first appointed as a director in 2000.

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

### Zoe Attwood

MBA, GAICD, Grad Dip Bus Admin, BSc – Microbiology and Biochemistry

Zoe was first appointed as a director in 2006.

Zoe is a professional director with strong governance competencies who also brings widespread commercial and research experience from across the manufacturing and on-farm sectors in both New Zealand and Australia. Zoe has been responsible for the development and commercialisation of a number of food products, ingredients, and manufacturing processes and is a past Director of TGR Biosciences Pty Ltd, Australian Ingredients Centre Ltd, and Dairy Ingredients Group of Australia Ltd.





Zoe Attwood



William (Bill) Darmody



Barry Lierich

### William (Bill) Darmody

FAICD, MACVS, FAVA, BVMS (Hons), BSc, DipAgrSc

Bill was first appointed as a director in 2006.

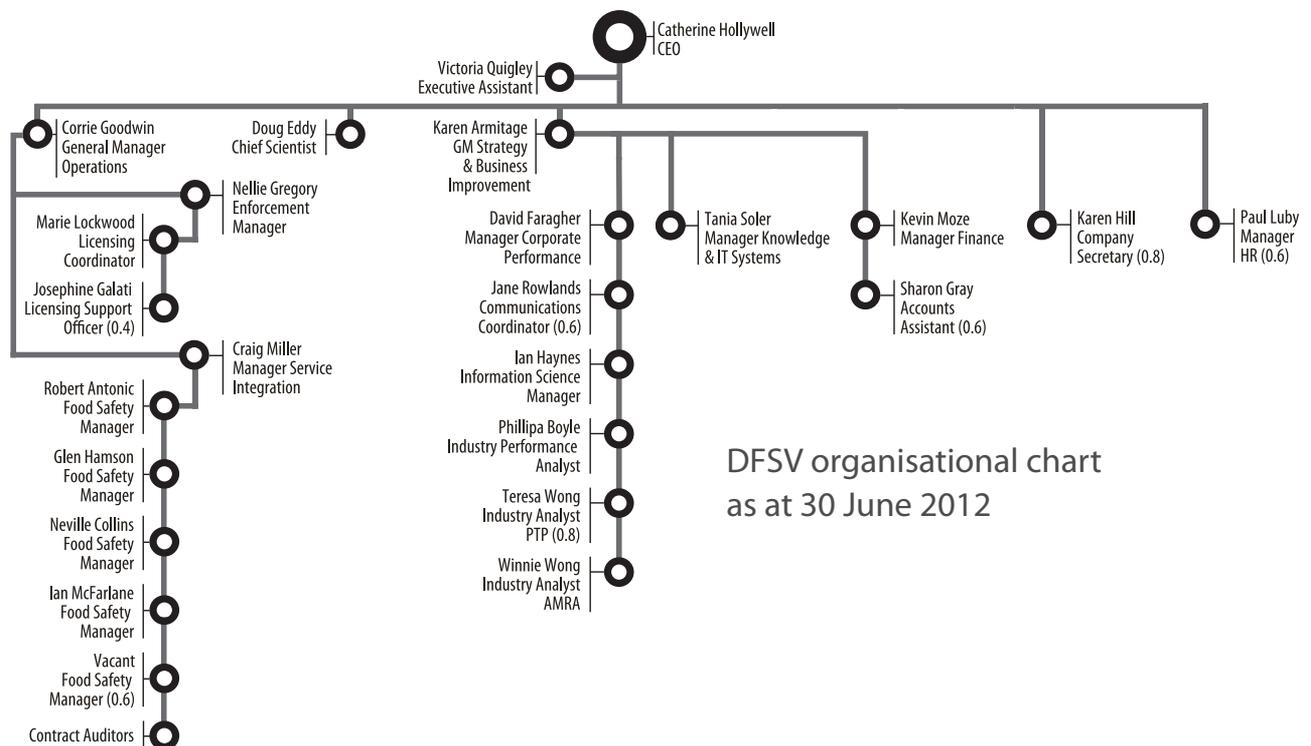
Bill is Managing Director and Senior Consultant for 'Quality Solutions Now' and is from a Victorian dairy family. His experience and skills encompass all areas of animal health and welfare and the biosecurity issues of importance to the Australian and international dairy industries. In 1995, Bill was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

### Barry Lierich

CPA, MAICD

Barry was appointed as a director in 2009.

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



DFS V organisational chart as at 30 June 2012

## Year in review – reporting performance against objectives

### Ministerial Statement of Expectations

In September 2011 the Victorian Minister for Agriculture and Food Security issued a Ministerial Statement of Expectations which articulated the Government’s priorities and objectives for DFSV.

The key elements of the Minister’s expectations for DFSV are:

- **‘to have a risk-based system in place to deliver regulatory outcomes at lowest cost to industry, and in particular that you will apply the minimum level of regulatory intervention to achieve the outcome sought’**

The 2012 VAGO audit of agricultural food safety in Victoria found that DFSV is ‘managing compliance well, with clear rules and requirements to manage food safety and sound practices for monitoring, enforcing and supporting compliance with them.’

DFSV was also found to clearly specify to businesses how they should demonstrate compliance with food safety requirements. VAGO’s view was that this was an effective approach. The full report is available at [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

- **‘to actively support Victorian Government initiatives to enhance the economic growth of your sector’**

DFSV’s 2012–15 Strategic Plan incorporates the Government’s expectations with a core imperative to enhance economic development of the Victorian dairy industry.

- **‘to continue to work constructively with the Department of Primary Industries (DPI) and the Department of Health’**

Through the Victorian Committee of Food Regulators (chaired by DPI), of which the Department of Health is a member, DFSV has been proactively engaged in reviewing and updating the MoU between PrimeSafe, the Department of Health, the Municipal Association of Victoria, the Australian Institute of Environmental Health and DFSV. The MoU sets out the commitment and support for each agency in achieving a co-operative approach in ensuring a high level of food safety in Victoria to protect public health. DFSV attended all six meetings of the committee.

Details of DFSV’s measures against these objectives are reported in the following pages, in particular under the four themes of Regulatory Innovation, Innovative Science and Technology, Emergency Preparedness and Response, and National Consistency.

### Strategic planning context

On 1 July 2009 DFSV began implementing a three-year strategic plan with the core strategic outcome: Innovative food regulation that adds value to Victoria’s dairy industry.

The work undertaken from 2009 to 2012 continued DFSV’s support for industry innovation, reduced regulatory burden and the delivery of valuable food safety skills and knowledge to its stakeholder base.

Table 2: 2009–12 strategic overview

Strategic enablers		<ul style="list-style-type: none"> <li>• Governance</li> <li>• Compliance and enforcement</li> <li>• Communications</li> <li>• Stakeholder relations</li> <li>• Information and knowledge management</li> </ul>		
Strategic theme	Regulatory innovation	Innovative science and technology	Emergency preparedness and response	National consistency
Outcome	Streamlined compliance and reduced regulatory burden	Managing food safety risk in innovative applications of new technology	Community, political and industry confidence	Consistent implementation of national food safety standards for the dairy industry
Performance indicators	<ul style="list-style-type: none"> <li>• Ease of doing business</li> <li>• Compliance efficiency and effectiveness</li> <li>• Reduced regulatory burden</li> <li>• Effective dairy food safety performance</li> </ul>	<ul style="list-style-type: none"> <li>• Emerging dairy food safety risks identified</li> <li>• Risk managed in industry adoption of new technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgement of DFSV’s role</li> <li>• DFSV preparedness</li> <li>• Emerging dairy food safety risks are effectively managed</li> <li>• DFSV’s crisis response plan integrated with national, state and industry plans</li> </ul>	<ul style="list-style-type: none"> <li>• All Victorian dairy on-farm and manufacturing systems operating with national consistency, and compliant with Food Standards</li> <li>• Access to domestic and export markets maintained</li> </ul>

## Strategic enablers

The following strategic enablers underpinned the successful delivery of the 2009–12 plan.

### Governance

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

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

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

In June 2012 DFSV's quality management system was audited for compliance with ISO 9001:2008. No non-conformances were identified and continued certification was recommended.

The Board sets licence fees and charges annually in consultation with industry. Industry representatives make up

membership of the Funding Model Consultative Committee which met in May 2012 to review and discuss the current and future financial position of the organisation. In the same month the DFSV Board approved the recommendation of the committee to not increase fees for the 2012–13 financial year. This decision was enabled by significant cost savings made throughout the year. Over the past 12 months DFSV has restructured to reduce duplication and over-lap in the business, and in an effort to identify where savings could be found, thoroughly examined all expenditure. Subsequently, cost savings were achieved in the areas of interstate travel, motor vehicle expenses, photocopying and printing, capital expenditure, annual report production and strategic planning processes.

### Compliance and enforcement

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

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

Table 3: Dairy licence statistics

Licence	Total current as at 30/6/12	Transfers approved between 1/7/11 and 30/6/12	New applications approved between 1/7/11 and 30/6/12	Cancellations approved between 1/7/11 and 30/6/12
Manufacturer (bovine)	158	6	14	9
Manufacturer (sheep, goat, and buffalo)	8	0	0	1
Farm (bovine)	4,556	162	76	134
Farm (sheep, goat and buffalo)	19	0	8	3
Milk broker	3	0	1	1
Distributor	123	3	7	13
Carrier	39	0	5	4
Vendor	2	0	0	0
<b>Total</b>	<b>4,908</b>	<b>171</b>	<b>111</b>	<b>165</b>

## Year in review – reporting performance against objectives

### Compliance

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

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

This year DFSV completed a review of all manufacturers' food safety programs. This was a major undertaking, taking two staff 18 months to complete.

Ongoing system and compliance activity includes managing contracts with auditors, conducting follow-up investigations after audits, ensuring effective pathogen management and enforcing legislation as required. This year the Deed of Undertaking (for on-farm and manufacturer contract auditing) was reviewed and updated. This third edition was signed by all 11 contract auditing companies.

DFSV also ensured all auditors met the national audit competency standard and complied with the National Food Safety Audit Policy that was implemented in October 2011. Ten authorised officers undertook 75 days of training in total. For further information, please refer to page 22.

During the year 320 audits of manufacturers were conducted and 2,476 farm audits were completed. In addition, 49 consumer complaints and 31 serious incidents were investigated during the reporting period. Of the 31 serious incidents, 23 were able to be controlled within company food safety program procedures and eight dairy food product safety incidents were assessed through the DFSV risk assessment process and managed in partnership with the Department of Health and industry. Of these, two resulted in consumer level recalls.

### Enforcement

#### Prosecutions

Two successful prosecutions for breaches of the *Dairy Act 2000* were undertaken during the year with results as follows:

1. In December 2011, a defendant pleaded guilty to failing to comply with two orders (to prevent the removal of dairy food) issued by an authorised officer under section 46 of the Act. In this case the defendant was fined \$5,000 (aggregate) without conviction.
2. In April 2012, a defendant pleaded guilty to conducting business as a dairy manufacturer without holding a current and valid dairy industry licence in respect of the business (a breach of section 22 of the Act). In this case, the defendant was fined \$5,000 with conviction and ordered to pay costs to DFSV (to recover the costs of analysis, destruction of dairy food and service of court documents).

#### Orders

During the year, in the interests of public health, DFSV authorised officers issued nine orders under section 46 of the Act to stop the production and control the movement of dairy food known or suspected to be unfit for human consumption.

#### Enforcement programs

In 2011–12, five licensees (dairy manufacturers) were required to undergo additional audits conducted by a DFSV authorised officer and charged at the enforcement rate. This followed the identification of several serious non-compliance issues with licence requirements during scheduled audits.

### Communications

DFSV supports the growth of industry knowledge and increased understanding of preventative measures by providing online information (see [www.dairysafe.vic.gov.au](http://www.dairysafe.vic.gov.au)) and tools to help in the interpretation and understanding of food safety standards. DFSV also published practical information to help licensees achieve compliance and continuous improvement.

In the second half of this reporting year DFSV embarked on a project to refresh its visual look and branding to coincide with the move to a new office and the launch of a new strategic plan from 1 July 2012.

#### Stakeholder relations/partnerships

During the year DFSV consulted broadly with industry and key stakeholders in the development of a new three-year strategic plan for the organisation. Presentation of the draft plan was well received and engaged stakeholders in constructive discussions on the future needs and challenges for the dairy industry and DFSV as regulator.

In the interests of keeping open and transparent communications on requirements for ongoing development

of the assurance system for export market access, DFSV established an Industry Reference Group which met for the first time in January 2012. The group has broad representation across industry sectors, including representation from large and small companies, and provides a much needed and valuable pre-competitive discussion space, particularly with reference to a single system approach for domestic and export market access.

This year DFSV created the Dairy Authorities Technical Advisory Committee (DATAC). The aim of the committee is to facilitate discussion between the nation's dairy food safety regulators of all technical and scientific aspects relating to the safety of milk production and dairy product manufacture and distribution. The inaugural meeting was held in February 2012 with membership from the majority of state regulatory authorities, FSANZ, DAFF and the Ministry of Primary Industries (NZ).

In addition to partnerships with state and national industry, regulatory and government bodies, DFSV also looks to expand networks internationally and to learn more about the dairy food safety environment in other parts of the world and how they may influence practices in the Australian regulatory space. To this end, in October 2011, CEO Dr Catherine Hollywell attended the International Dairy Federation Conference in Parma Italy and also met with key dairy industry representatives and regulators in the UK.

Dr Craig Miller participated in the Department of Business and Innovation trade mission to the Middle East to deliver presentations in Doha and Dubai on the DFSV compliance system. The trip included a presence at Gulfood 2012 and the Dubai International Food Safety Conference.

Dr Catherine Hollywell and Ms Corrie Goodwin took a two-day visit to the Ministry for Primary Industries (NZ), where senior staff discussed regulations and market access assurance issues.

At the request of Fonterra, DFSV worked in conjunction with the Department of Health to host and present an overview of the regulatory system in Australia to a major Chinese delegation. The delegation was led by the Deputy Director General of the Import and Export Food Safety Bureau of the People's Republic of China.

### **Information and knowledge management**

DSFV has continued to build on the foundational work of a three-year information technology and knowledge management strategy, with this third year being one of consolidation and integration.

Three significant new extensions were created and added to the core licensing system during the year. Integration of product testing sample data and milk volume reporting into the licensing system provides a more holistic perspective of both individual licence compliance and overall industry performance. An integrated reports module allows greater flexibility and quality in reporting formats and provides improved capability to analyse and trend this information and report it back to industry.

In addition, DFSV has enabled further stakeholder engagement through the launch of its secure online collaborative tool (CO-LAB) with two specific communities: the Learning Network Forums for manufacturers and the National Farm Auditor Working Group, which is chaired by DFSV. The two groups greatly benefit from the connectivity the on-line tool provides; from asking simple questions, seeking peer clarification or finding the latest audit checklist.

DFSV also introduced an online survey module which enables DFSV to gain valuable feedback, for example about the performance of DFSV auditors. This module will be used to facilitate stakeholder feedback on other DFSV services to drive continuous improvement of its products and services to industry.

### **Product Testing Program**

The Product Testing Program is DFSV's independent microbiological testing program for verification of the safety of finished dairy products. This program provides trend information based on comparisons between current test results and all data collected since 2006. DFSV is able to provide licensees with important trend data biannually, across each product type. This allows each manufacturer to benchmark their product quality against others in the same industry sector while ensuring confidentiality is maintained.

In addition, DFSV has monitored specific dairy products which have been identified as having an elevated risk of potential contamination with *Listeria spp.* This targeted program is conducted at a higher frequency, with samples being taken quarterly for analysis. The results from the past year continue to demonstrate the high safety profile of Victorian dairy products.

### **Risk analysis**

The DFSV relationship with Swinburne University of Technology continued with the completion of an honours project that involved the Examination of the Behaviour of Bacterial Pathogens in Milk. The work showed that bacterial pathogens (enterohaemorrhagic *Escherichia coli* O157:H7,

## Year in review – reporting performance against objectives

coagulase-positive *Staphylococcus aureus*, *Listeria monocytogenes* and *Salmonella enterica serovar typhimurium*) when added to milk, could grow in all types of milk (raw, cosmetic, pasteurised and UHT) over a five-day period. One of the key drivers for this project is the belief held by some that raw milk naturally contains other bacteria that prevent the growth of such pathogens. This work confirms that the food safety risk associated with the general public consuming raw milk that may have pathogens present, even at low numbers, is unacceptably high and that this risk needs to be better communicated.

DFSV has been collaborating with researchers at the University of Tasmania to develop a predictive microbiological model that can be applied to the commonly identified dairy pathogens in milk and dairy products. These models are intended to be used to assist with the assessment of different manufacturing conditions and the determination of pathogen responses in raw milk cheese.

### Learning Network forums

Regional Learning Network forums, coordinated and led by DFSV, continue to provide a valued means of advancing the industry's knowledge and skills in dairy food safety. The forums bring Victoria's dairy manufacturers together to discuss pre-competitive issues relating to food safety and quality.

Participation levels remain high, with staff from more than a quarter of all dairy manufacturing sites participating in each of the three rounds of forums held annually. At forums held in July and October 2011 and March 2012, topics discussed included strategies for effectively controlling biofilms, environmental air treatments, foodborne disease outbreaks, outcomes from international audits, and dairy process design applications.

A survey of forum participants conducted in March 2012 has enabled DFSV to further refine the programs to align with the preferences of the industry in regards to both content and coordination. In addition, the progressive introduction this year of the online discussion tool CO-LAB provides the opportunity for discussion to continue beyond the forums and for new topics to be raised with a broader statewide group and resolved with more immediacy than waiting for face-to-face forums.

### Technical advice and standards interpretation

DFSV provides specialist support services to industry licensees, including standards interpretation and guidance, risk analysis and technical and scientific advice.

A total of 139 technical information requests were received by DFSV from July 2011 to May 2012. Of these, 87 per cent were responded to within two days, and 12 per cent within three to seven days. Although the subject matter of the enquiries addressed was diverse, the topics of product labelling, validations, and regulation and standards interpretation, together comprised 28 per cent of all requests.

### Strategic outcomes

The operational focus for the three-year period, as set out in the 2009–12 Corporate Plan, incorporated the following four strategic themes. This section provides a summary report of achievements under each of the themes over the life of the plan, and details of outcomes for this final year.

#### Theme one: Regulatory Innovation

This theme has largely concentrated on ways in which DFSV can reduce regulatory burden and streamline compliance requirements for Victorian dairy businesses. A key focus was to 'do compliance differently' by moving from a traditional compliance (audit) model to one of performance-based measurement. The critical aspect of this focus is the building and maintaining of strong collaborative partnerships with industry and key organisations and government agencies.

Major activities over the past three years included: developing a deeper understanding of the regulatory burden faced by farmers, resulting in extension of the use of DFSV's single system approach through the signing of an MoU with EPA Victoria; clarification of farm cooling tower requirements with the Department of Health; renewal of a number of existing MoUs with other government and regulatory bodies and significant scoping work in the farm area, to review the potential of utilising alternative performance-based measures to demonstrate compliance. In addition, application of the Better Business Regulation Framework resulted in the streamlining and improvement of a number of DFSV business processes.

**Table 4:** Regulatory Innovation

Strategic outcome	Key performance indicators	Achievements in 2012
Streamlined compliance and reduced regulatory burden	<ul style="list-style-type: none"> <li>Ease of doing business</li> <li>Compliance efficiency and effectiveness</li> <li>Reduced regulatory burden</li> <li>Effective dairy food safety performance</li> </ul>	<ul style="list-style-type: none"> <li>An updated MoU between DFSV and EPA was signed in January 2012 to enable reduced regulatory burden on dairy farms.</li> <li>CEO, Dr Catherine Hollywell and Director, Margaret Darton actively contributed to the work program of the newly established (2010) Victorian Committee of Food Regulators.</li> <li>DFSV continued to work with a major manufacturer on the development of an electronic whole-of-farm performance-based reporting system.</li> <li>DFSV worked with United Dairyfarmers of Victoria and the Department of Health on behalf of industry to gain an exemption from the Department of Health for farms from the requirement to register cooling tower systems.</li> </ul>

### System Evaluation Framework

Throughout the 2009–2012 period of the Plan, a guiding framework was implemented under the Regulatory Innovation theme. The initiating driver for its development was to facilitate regulatory management of the implementation of the new Dairy Primary Production and Processing Standard 4.2.4.

This framework provides a risk-based, systems approach to dairy food safety regulation designed to:

- ensure the protection of public health
- support industry innovation by providing a flexible approach
- maintain minimum effective regulation.

The elements of the framework include activities, outcomes and measures related to licensing, validation, conformance, performance, verification and enforcement.

### Streamlining compliance

In a move away from audit-centric compliance models, the agreement between DFSV and EPA aims to facilitate cooperation between the two agencies to ensure an effective system is used to influence improvement of on-farm effluent management and resource re-use. Under the MoU, a performance reporting system will be developed which will gather on-farm performance information utilising processes developed through DairyGains. Industry engagement in this process will be critical. The EPA and DFSV will use the current DFSV farm audit management system to develop the performance reporting system. In so doing, duplication and overlap of reporting systems between the two agencies will be avoided. The efficient and streamlined administration of relevant regulation by both parties will ensure delivery of the desired outcomes for both environmental protection and food safety.

**Table 5:** Innovative Science and Technology

Strategic outcome	Key performance indicators	Achievements in 2012
Managing food safety risk in innovative applications of new technology	<ul style="list-style-type: none"> <li>Emerging dairy food safety risks are identified</li> <li>Risk is managed in industry adoption of new technologies</li> </ul>	<ul style="list-style-type: none"> <li>Finalised the Food Safety Risk Assessment System policy, procedure, intelligence network, checklist, risk assessment resources list and recording system.</li> <li>Engaged with key industry stakeholders to seek feedback on the system.</li> <li>Tested the system using a potential innovation as a pilot case study.</li> <li>Created a mechanism for monitoring and trending innovations across the dairy industry.</li> </ul>

## Year in review – reporting performance against objectives

### Theme two: Innovative Science and Technology

The objective of this theme was to manage food safety risk in innovative applications of new technology, and to streamline regulatory requirements impacting on the development of new products, processes and technologies.

DFSV has always assessed the impact of change on food safety as a service for industry. Over the past three years DFSV has developed the Food Safety Risk Assessment System to standardise this approach. Activities included: identifying the potential for innovation across industry; developing and introducing a tool (the Industry Map) to guide innovators in basic risk assessment; improving DFSV's process for assessing food safety risk in innovation to ensure it is more rigorous, transparent and consistently applied; and building awareness across industry of the potential for change through innovation to affect food safety.

#### Innovation and risk management

Six Innovation and Risk forums were conducted with industry during the year to present the proposed Food Safety Risk Assessment System. Industry was well represented with participants from small, medium and large manufacturing businesses, the Department of Primary Industries, Department of Health, CSIRO, Swinburne University, Dairy Innovation Australia, Dairy Australia, Food Standards Australia New Zealand (FSANZ) and state regulatory authorities

providing feedback. All inputs were considered in finalising the system. The process of consultation also raised awareness of the need for all sectors of the industry to advise DFSV of any change with the potential to affect food safety.

The sessions were well received and DFSV was commended by participants for its openness to new ideas and for taking a proactive approach in this area. The risk assessment system was regarded by small to medium size dairy operators to be of particular value. It will be launched in 2012–13 at DFSV's learning network forums.

### Theme three: Emergency Preparedness and Response

The focus of this theme was to ensure that DFSV was adequately prepared to respond to emergencies affecting its industry and stakeholders and that DFSV was also able to continue to service the industry in the event of an internal incident.

Major activities over the past three years have included development and testing of business continuity and emergency response plans; staff training in emergency management; participation in internal and external mock emergency exercises and alignment and integration of DFSV's preparedness procedures with industry and government procedures to ensure a seamless and coordinated response in the event of an emergency.

Table 6: Emergency Preparedness and Response

Strategic outcome	Key performance indicators	Achievements in 2012
Community, political and industry confidence	<ul style="list-style-type: none"> <li>Acknowledgement of DFSV's role</li> <li>DFSV preparedness</li> <li>Emerging dairy food safety risks are effectively managed</li> <li>DFSV plan integrated with national, state and industry plans</li> </ul>	<ul style="list-style-type: none"> <li>• Worked closely with Dairy Australia and the Department of Health to review and test emergency procedures.</li> <li>• Trained staff in the new Crisis Response and Recovery Plan and conducted a mock emergency exercise.</li> <li>• Participated in the flood management and recovery teleconferences conducted by Dairy Australia during the floods that affected northern Victoria in February of 2012.</li> <li>• Consulted with other state regulatory authorities and Victorian Government departments in reviewing emergency management procedures.</li> </ul>

## Emergency management

The objectives of the theme were achieved in 2012 with consolidation of the business continuity and emergency response plans into an integrated Crisis Response and Recovery Plan. In March 2012 the new Crisis Response and Recovery Plan was approved by the Board and in April presented to all DFSV staff at a workshop that provided training in new emergency response procedures.

The DFSV Emergency Management Team received further training prior to an externally-focused mock emergency exercise conducted with the support of Dairy Australia and the Department of Health.

The work undertaken in this theme has enabled DFSV to be better prepared to respond to emergencies that may affect the industry. It has also provided DFSV with more confidence in its ability to manage emerging risks to protect valuable markets and to ensure the continuity of supply of safe dairy foods for consumers.

## Monitoring emerging food safety hazards

DFSV also actively monitors international sources such as publications, websites and bulletin boards to ensure awareness of possible food safety hazards that might impact on dairy products. During 2011–12 there were no hazards identified that potentially could have been a problem for food safety

here in Victoria. Topics of interest that have been followed throughout the year include continuing health incidents involving raw drinking milk and raw milk cheese and food defence incidents that could be applicable to milk and dairy products.

## Theme four: National Consistency

This theme supports DFSV's input into consistent national implementation of food standards for the dairy industry. The key aim of this theme was to work towards seamless delivery of dairy food safety regulation between state and Commonwealth entities. In so doing, support has been provided to Victorian dairy businesses to maintain their access to domestic and export markets.

Activities over the past three years included; providing input into development and implementation of the National Enforcement Guideline and the National Food Safety Audit Policy; providing support to DAFF with Importing Country Reviews; chairing the National Farm Auditor Working Group and implementation of the National Dairy Verification Plan; developing and advising industry on validated milk cooling processes; providing input into development of the FSANZ Raw Milk Products Standard; and implementing the National Dairy Standard – Primary Production & Processing Standard for Dairy Products (4.2.4).

Table 7: National Consistency

Strategic outcome	Key performance indicators	Achievements in 2012
Consistent national implementation of food standards for the dairy industry	All Victorian dairy on-farm and manufacturing systems operating with national consistency and compliant with food standards  Access to domestic and export markets maintained	<ul style="list-style-type: none"> <li>• Signed an MoU with DAFF formalising export certification service delivery arrangements. The MoU recognises state systems for audit services to underpin export certification.</li> <li>• Developed and provided advice to all farm licensees on validated milk cooling processes.</li> <li>• Met the implementation requirements of the National Food Safety Audit Policy.</li> <li>• Met the 2011–12 National Dairy Verification Plan targets for Victoria.</li> <li>• From 1 July 2011 implemented mandatory reporting of positive tanker test results for incoming raw milk.</li> <li>• Coordinated the Australian Milk Residue Analysis (AMRA) survey, which is funded by Dairy Australia, on behalf of SRA colleagues and DAFF for the Australian dairy industry.</li> </ul>

## Year in review – reporting performance against objectives

### Enhanced collaboration on dairy regulation

DFSV chaired two meetings of the National Farm Auditor Working Group and a third special interest meeting of this group, to which representatives from DAFF, interstate regulatory authorities and dairy farmer representatives were also invited. The National Farm Auditor Working Group is where pre-competitive discussion and analysis takes place on issues of key interest, such as residues and traceback.

DFSV, along with DASA and TDIA signed a memorandum of understanding in December 2011, which formalises the export certification service delivery arrangements with DAFF. This is underpinned by an MoU between the three state regulatory authorities, and took effect from 1 January 2011.

The operational detail to support implementation of the MoU has been negotiated as a series of schedules (currently developed as high-level frameworks) that are referenced in the MoU. These schedules will be further developed to clearly define the interface between the domestic food regulatory system and the market assurance functionality which the state authorities deliver to support export certification. DFSV works closely with DAFF and state regulatory partners in this MoU to ensure continuous improvement and consistent delivery of the MoU for industry.

### Technical support for farmers

In association with DASA, and TDIA, DFSV developed and provided to all farm licensees a technical note on milk cooling validation practices. The technical note was based on a University of Tasmania study which reviewed current milk cooling practices and modelled a validated milk cooling 'envelope' in which milk destined for further processing is considered suitable for collection. Not only does this technical note provide guidelines for compliance with standard 4.2.4, it also facilitates compliance with importing country requirements.

### National Food Safety Audit Policy (NFSAP)

To promote national consistency in the management of food safety auditors and auditing, the NFSAP was developed by the Implementation Sub Committee (ISC) of the Food Regulation Standing Committee in 2006 with a five-year implementation deadline. State and territory food regulators were to use the policy as the basis for their own implementation arrangements coupled with the development of a guideline which would sit alongside the policy to assist in the consistent implementation of the policy.

The National Regulatory Food Safety Auditor Guideline (the guideline) was finalised in 2009 with the intent to guide food regulators in how to implement requirements of the

NFSAP. The guideline includes regulatory auditor approval, management of audit processes and management of approved auditors. The guideline also articulated the training requirements for the approval of regulatory food safety auditors. DFSV coordinated and managed training requirements for its regulatory food safety auditors as outlined in the guideline. DFSV fully met the implementation requirements of the NFSAP by the end of the two-year implementation phase on 25 October 2011.

### Strengthening residue management systems

DFSV continues to coordinate the AMRA survey on behalf of its state regulatory authority colleagues and DAFF for the Australian dairy industry. The program, funded by Dairy Australia, monitors raw bovine milk for a range of agricultural pesticides, veterinary medicines and environmental contaminants to assess the effectiveness of the control measures that are in place with respect to chemicals used in the Australian dairy industry and also potential contaminants.

The program provides assurance of the safety and integrity of Australian dairy products to governments and consumers both in Australia and overseas. DFSV continues to ensure that the survey is delivered in the most effective and efficient way. Final results for the period 1 July 2011 to 30 June 2012 were not available in time to meet annual reporting deadlines. They will be published in Animal Health Australia's *Animal Health Surveillance* quarterly report.

To further strengthen industry programs to manage antibiotic use, from 1 July 2011 DFSV implemented a new approach with reporting of positive test results for incoming raw milk in tankers. This reporting requirement strengthens a nationally consistent approach. The new reports, which include the findings of the farm investigations, are helping to build data profiles to enable DFSV to work with industry on management solutions. The work is particularly applicable to some export market requirements where interest can focus on one particular veterinary medicine or agricultural chemical.

# Workforce data

## Occupational health and safety

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

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

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

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

## Incident management

One occupational health and safety incident reported in 2011–12 has been investigated and was resolved within the workplace. One WorkCover claim was lodged during the period 1 July 2011 to 30 June 2012.

## Employment and conduct principles

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

The aim of the recruitment and selection process is to:

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

## Public administration values and employment principles

DFSV has its own 'Teamwork Agreement' based on the Code of Conduct for Victorian Public Sector Employees. All DFSV staff also worked together this year to develop new organisational values to take us through the years ahead. They are respect, integrity, fairness and a 'can do' attitude, and will be reflected in the new three-year strategic plan.

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

**Table 8:** Staff profile by position as at 30 June 2012

Position	Male 2012	Male 2011	Female 2012	Female 2011	Total 2012	Total 2011
Executive officers	1.0	1.0	3.0	2.0	4.0	3.0
Administrative staff	1.6	1.6	3.8	3.8	5.4	5.4
Financial/accounting staff	1.0	1.0	0.6	0.6	1.6	1.6
Technical staff	6.0	6.0	4.8	4.8	10.8	10.8
Temporary staff	0.0	0.0	0.6	0.6	0.6	0.6
Casuals	0.0	0.0	0.0	0.4	0.0	0.4
Totals	9.6	9.6	12.8	12.2	22.4	21.8

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

## 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 2011-12 (excluding GST)	Future expenditure (excluding GST)
Coulson Management Consultants (Fentone P/L ATF The Coulson Family Trust)	Finance Review	01-Jun-12	15-Sep-12	\$21,000	\$6,000	\$15,000
Invoke Performance (Invoke Alliance P/L T/As)	Facilitation of Board Strategic Planning Meeting and Science & Technology Committee Meeting	15-Sep-11	23-Nov-11	\$11,100	\$11,100	\$0
Kerrative P/L	2011-12 Annual Report – design and layout, re-design of DFSV logo and corporate style	08-Sep-11	30-Jun-12	\$30,520	\$30,520	\$0
Horton International P/L	DFSV Board Procurement	06-Mar-12	12-Oct-12	\$31,818	\$18,182	\$13,636
Minter Ellison	Legal Advisory Services	01-Jul-11	30-Jun-12	\$19,891	\$17,712	\$2,179
DPI - OMU Service Agreement 2010/11	Legal Services	01-Jul-11	30-Jun-12	\$17,400	\$17,400	\$0
			<b>Total:</b>	<b>\$131,729</b>	<b>\$100,914</b>	<b>\$30,815</b>

### 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 2012, no freedom of information requests were received by DFSV.

Freedom of information requests must be made in writing describing the documents requested and including payment of the application fee of \$25.10. 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 1982* may be found at [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

### Compliance with the *Building Act 1993*

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

### National Competition Policy

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

### Compliance with the *Whistleblowers Protection Act 2001*

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

There were no disclosures of improper conduct or detrimental action by DFSV or its employees during the reporting period.

Disclosures under the Whistleblowers' Protection Act can be made to:

The Protected Disclosure Coordinator  
PO Box 8221 Camberwell North Victoria 3124  
Ph: 03 9810 5900 Fax: 03 9882 6860

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

## Environmental reporting

DFSV strives to implement environmental management initiatives to reduce the organisation's impact on the environment.

Current environmental management initiatives implemented by DFSV include centralised printing, scanning and photocopying. Implementation of a policy of double-sided and black and white printing of internal documents resulted in a 40 per cent reduction in printing costs in 2011–12.

The recycling program incorporates paper, cardboard, plastic, aluminium, toner cartridges, obsolete IT equipment and mobile phones.

DFSV has reduced its car fleet and replaced fleet vehicles with fuel-efficient cars. This has contributed to a 20 per cent reduction of total motor vehicle expenses for the 2011–12 year. Staff are encouraged to, and where possible, use public transport.

## 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

# Financial statements

for the financial year ended 30 June 2012



# Comprehensive operating statement

for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Income from transactions</b>			
Licence and service fees	2(a)	4,837,755	4,464,157
Interest	2(b)	173,026	166,264
Other income	2(c)	4,565	2,612
<b>Total income from transactions</b>		<b>5,015,346</b>	<b>4,633,033</b>
<b>Expenses from transactions</b>			
Employee expenses	2(d)	2,877,600	2,398,335
Depreciation and amortisation	2(e)	147,076	162,219
Other operating expenses	2(f)	1,690,088	1,808,341
<b>Total expenses from transactions</b>		<b>4,714,764</b>	<b>4,368,895</b>
<b>Net result from transactions (net operating result)</b>		<b>300,582</b>	<b>264,138</b>
<b>Other economic flows included in net result</b>			
Gain/(Loss) on disposal of plant and equipment		(13,543)	396
<b>Total other economic flows included in net result</b>		<b>(13,543)</b>	<b>396</b>
<b>Net result</b>		<b>287,039</b>	<b>264,534</b>
<b>Comprehensive result</b>		<b>287,039</b>	<b>264,534</b>

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

# Balance sheet

as at 30 June 2012

	Note	2012 \$	2011 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	12(a)	4,183,109	3,783,502
Receivables	3	316,535	264,397
<b>Total financial assets</b>		<b>4,499,644</b>	<b>4,047,899</b>
<b>Non-financial assets</b>			
Plant and equipment	5	414,174	131,511
Intangible assets	6	192,908	175,591
Other non-financial assets	4	136,628	126,270
<b>Total non-financial assets</b>		<b>743,710</b>	<b>433,372</b>
<b>Total assets</b>		<b>5,243,354</b>	<b>4,481,271</b>
<b>Liabilities</b>			
Payables	7	990,254	573,633
Provisions	8	430,661	372,238
<b>Total liabilities</b>		<b>1,420,915</b>	<b>945,871</b>
<b>Net assets</b>		<b>3,822,439</b>	<b>3,535,400</b>
<b>Equity</b>			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		2,022,439	1,735,400
<b>Net worth</b>		<b>3,822,439</b>	<b>3,535,400</b>
Commitments for expenditure	11		
Contingent liabilities and contingent assets	18		

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

## Statement of changes in equity

for the financial year ended 30 June 2012

	Accumulated surplus \$	Contributions by owner \$	Total \$
<b>Balance at 1 July 2010</b>	1,470,866	1,800,000	3,270,866
Comprehensive result for the year	264,534	-	264,534
<b>Balance at 30 June 2011</b>	<b>1,735,400</b>	<b>1,800,000</b>	<b>3,535,400</b>
Comprehensive result for the year	287,039	-	287,039
<b>Balance at 30 June 2012</b>	<b>2,022,439</b>	<b>1,800,000</b>	<b>3,822,439</b>

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 2012

	Note	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from other entities		4,930,686	4,645,308
Interest received		173,026	166,264
Goods and Services Tax recovered from the ATO		74,921	205,538
Total receipts		5,178,633	5,017,110
<b>Payments</b>			
Payment to suppliers and employees		(4,298,426)	(4,698,734)
Total payments		(4,298,426)	(4,698,734)
<b>Net cash flows from operating activities</b>	<b>12(b)</b>	<b>880,207</b>	<b>318,376</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant and equipment		875	14,153
Payments for plant and equipment		(361,539)	(74,154)
Payments for intangible assets		(119,936)	(65,037)
<b>Net cash flows used in investing activities</b>		<b>(480,600)</b>	<b>(125,038)</b>
<b>Net increase in cash and cash equivalents</b>		<b>399,607</b>	<b>193,338</b>
Cash and cash equivalents at the beginning of the financial year		3,783,502	3,590,164
<b>Cash and cash equivalents at the end of the financial year</b>	<b>12(a)</b>	<b>4,183,109</b>	<b>3,783,502</b>

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 2012

## 1 Summary of accounting policies

### Statement of compliance

The financial report includes separate financial statements for Dairy Food Safety Victoria (DFSV) as an individual reporting entity. 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 (AASs), interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Where applicable, those paragraphs of the AASs applicable to not-for-profit entities have been applied.

The annual financial statements were authorised for issue by the Board on 20 August 2012.

### Basis of preparation

These financial statements have been prepared on an accrual basis under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment.

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 building 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.

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

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

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

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

### Rounding of amounts

Amounts in the financial statements (including the notes) have been rounded to the nearest dollar, unless otherwise stated.

### 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*

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

### **Balance sheet**

Items of assets and liabilities in the balance sheet are:

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

### **Statement of changes in equity**

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

### **Cash flow statement**

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

#### **(a) Objectives and funding**

DFSV's objectives are to ensure that standards which safeguard public health are maintained in the Victorian dairy industry and to ensure that it performs its functions and exercises its powers efficiently and effectively.

DFSV fixes and charges fees for its services which covers annual licence fees, and audit and inspection fees.

#### **(b) Events after reporting date**

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

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

#### **(c) Goods and services tax (GST)**

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

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

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

#### **(d) Income tax**

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

#### **(e) Income recognition**

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

##### **Licence fees**

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

# Notes to the financial statements

for the financial year ended 30 June 2012

## **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 the defined benefit superannuation plan represents the accrual of benefits during the reporting period. Further information is provided in note 9.

### **Depreciation and amortisation**

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

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

<b>Class of asset</b>	<b>Useful life of asset</b>
Furniture and fittings	10 years
Motor vehicles	Five years
Office equipment	Varies from three to 10 years
Software	Three years
Leasehold improvements	Life of lease

### **Other operating expenses**

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

## **(g) Financial assets**

### **Cash and deposits**

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

### **Receivables**

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

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

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

### **Financial Instruments**

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

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

The following refers to financial instruments unless otherwise stated.

### **Categories of non-derivative financial instruments**

#### ***Loans and receivables***

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

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

#### ***Held-to-maturity financial assets***

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

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

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

#### ***Financial assets and liabilities at fair value through profit and loss***

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

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

#### ***Financial liabilities at amortised cost***

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

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

#### ***Offsetting financial instruments***

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

#### ***Reclassification of financial instruments***

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

# Notes to the financial statements

for the financial year ended 30 June 2012

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

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

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

### **Intangible assets**

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

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

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

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

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

### **Impairment of non-financial assets**

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

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

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

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

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

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

## **Other non-financial assets**

### **Prepayments**

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

## **(i) Liabilities**

### **Payables**

Payables consist predominantly of creditors and other sundry liabilities.

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

### **Provisions**

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

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

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

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

### **Employee benefits**

#### **Wages and salaries and annual leave**

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

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

#### **Long service leave**

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

##### **Current liability - unconditional LSL**

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

The components of this current LSL liability are measured at:

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

##### **Non-current liability - conditional LSL**

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

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

#### **Employee benefits on-costs**

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

# Notes to the financial statements

for the financial year ended 30 June 2012

## (j) Commitments

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

## (k) Contingent assets and contingent liabilities

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

## (l) Equity

### *Contributions by owners*

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

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

## (m) Cash flow statement

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

## (n) Functional and presentation currency

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

## (o) New accounting standards and interpretations

Certain new AAS's have been published that are not mandatory for the 30 June 2012 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.

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

	2012	2011
	\$	\$
<b>2 Income from transactions:</b>		
<b>(a) Licence and service fees</b>		
Licence fees	4,065,648	3,776,044
Audit and inspection fees	323,984	292,103
Australian Milk Residue Analysis (AMRA) survey	448,123	396,010
<b>Total revenue from licence and service fees</b>	<b>4,837,755</b>	<b>4,464,157</b>
<b>(b) Interest</b>		
Interest from financial assets not at fair value through comprehensive operating statement:		
Interest on bank deposits	173,026	166,264
<b>Total interest revenue</b>	<b>173,026</b>	<b>166,264</b>
<b>(c) Other income</b>		
Other income	4,565	2,612
<b>Total other income</b>	<b>4,565</b>	<b>2,612</b>
<b>Expenses from transactions</b>		
<b>(d) Employee expenses</b>		
Post employment benefits:		
Defined benefit superannuation expense	555,123	190,503
Defined contribution superannuation expense	102,350	84,273
Salaries, wages and employee entitlements	2,095,966	1,949,602
Other employee benefits expense	124,161	173,957
<b>Total employee expenses</b>	<b>2,877,600</b>	<b>2,398,335</b>
<b>(e) Depreciation and amortisation</b>		
Depreciation of plant and equipment	64,457	64,067
Amortisation of restoration costs written back	(20,000)	-
Amortisation expense	102,619	98,152
Written down value of assets scrapped	-	-
<b>Total depreciation and amortisation</b>	<b>147,076</b>	<b>162,219</b>
<b>(f)<sup>1</sup> Other operating expenses</b>		
Supplies and services:		
Audit fees	15	18,910
Consultancy, legal and professional services		62,972
Compliance Expenses		67,997
Communications expenses		63,005
Directors fees		73,853
Product testing and laboratory evaluation costs		382,072
Rates and utilities		23,849
Insurance		98,911
Other administration expenses		582,189
Maintenance		18,809
<b>Total supplies and services</b>		<b>1,392,567</b>
Operating lease rental expenses		297,275
<b>Subtotal</b>		<b>1,689,842</b>
Bad debts from transactions		246
<b>Total other operating expenses</b>		<b>1,690,088</b>

Note: <sup>1</sup> A detailed review of DFSV's chart of accounts was undertaken in 2012 to align the accounts with the current business operating environment. This led to a reclassification of some accounts to reflect current activities.

# Notes to the financial statements

for the financial year ended 30 June 2012

	2012	2011
	\$	\$
<b>3 Current receivables</b>		
<b>Contractual</b>		
Trade debtors	105,417	126,174
Dairy Industry licence fees	60,000	55,000
Sale of services	165,417	181,174
Accrued investment income	23,507	25,742
Other receivables	68,065	42,002
<b>Statutory</b>		
GST Input Tax credit recoverable	59,546	15,479
<b>Total current receivables</b>	<b>316,535</b>	<b>264,397</b>
The average credit period for all receivables is 30 Days. Refer to note 20 for an ageing analysis and the nature and extent of risk.		
<b>4 Other non-financial assets - current</b>		
<b>Current other assets</b>		
Prepayments	136,628	126,270
<b>Total current other non-financial assets</b>	<b>136,628</b>	<b>126,270</b>
<b>5 Plant and equipment - non-current</b>		
<b>(a) Carrying amounts</b>		
Leasehold improvements - at cost	331,595	151,755
Less: accumulated depreciation	(103,812)	(148,517)
	227,783	3,238
Furniture and fittings - at cost	96,675	93,689
Less: accumulated depreciation	(13,631)	(69,621)
	83,044	24,068
Motor vehicles - at cost	-	-
Less: accumulated depreciation	-	-
	-	-
Office equipment - at cost	300,733	429,585
Less: accumulated depreciation	(197,386)	(325,380)
	103,347	104,205
Plant and equipment - at cost	729,003	675,029
Less: accumulated depreciation	(314,829)	(543,518)
<b>Net carrying amount of plant and equipment</b>	<b>414,174</b>	<b>131,511</b>

**(b) Movements in carrying amounts**

	Leasehold improvements \$	Furniture and fittings \$	Motor vehicles \$	Office equipment \$	Total \$
<b>Balance at 1st July 2010</b>	6,771	33,316	14,494	80,601	135,182
Additions	-	270	-	73,883	74,153
Disposals and assets scrapped	-	(318)	(13,460)	21	(13,757)
Depreciation expense	(3,533)	(9,200)	(1,034)	(50,300)	(64,067)
<b>Opening balance at 1st July 2011</b>	<b>3,238</b>	<b>24,068</b>	<b>0</b>	<b>104,205</b>	<b>131,511</b>
Additions	227,905	79,394	-	54,240	361,539
Disposals and assets scrapped	(374)	(12,044)	-	(2,001)	(14,419)
Depreciation expense	(2,986)	(8,374)	-	(53,097)	(64,457)
<b>Closing balance at 30th June 2012</b>	<b>227,783</b>	<b>83,044</b>	<b>0</b>	<b>103,347</b>	<b>414,174</b>

**Plant and equipment - movements**

During the financial year, \$305,874 at cost and \$291,455 in accumulated depreciation was written off due to assets scrapped.

	2012 \$	2011 \$
<b>6 Intangible assets - non-current</b>		
<i>Carrying amount - Software development at cost</i>		
<b>Opening balance</b>	342,090	277,054
Additions	119,936	65,036
<b>Closing balance</b>	<b>462,026</b>	<b>342,090</b>
<i>Software development - accumulated amortisation</i>		
<b>Opening balance</b>	(166,499)	(68,347)
Amortisation expense	(102,619)	(98,152)
Closing balance	(269,118)	(166,499)
<b>Net book value at the end of the financial year</b>	<b>192,908</b>	<b>175,591</b>
<b>7 Current payables</b>		
<b>Contractual</b>		
Supplies and services	366,468	284,862
Other payables	111,733	234,197
	478,201	519,059
<b>Statutory</b>		
Taxes payable	45,752	54,574
<b>Total current payables</b>	<b>523,953</b>	<b>573,633</b>
<b>Non-current payables</b>		
<b>Contractual</b>		
Other payables	466,301	-
<b>Total non-current payables</b>	<b>466,301</b>	<b>-</b>
<b>Total payables</b>	<b>990,254</b>	<b>573,633</b>

The average credit period of all payables is 30 days. No interest is charged on payables. Refer to note 20 for a maturity analysis and the nature and extent of risk.

# Notes to the financial statements

for the financial year ended 30 June 2012

	2012	2011
	\$	\$
<b>8 Current provisions</b>		
Employee benefits - annual leave:		
Unconditional and expected to settle within 12 months	115,652	112,697
Employee benefits - long service leave:		
Unconditional and expected to settle within 12 months	167,760	146,275
	283,412	258,972
Provisions related to employee benefits on-costs:		
Unconditional and expected to settle within 12 months	46,952	42,718
<b>Total current provisions</b>	<b>330,364</b>	<b>301,690</b>
<b>Non-current provisions</b>		
Employee benefits	100,297	51,881
Restoration of leased premises	-	18,667
<b>Total non-current provisions</b>	<b>100,297</b>	<b>70,548</b>
<b>Total provisions</b>	<b>430,661</b>	<b>372,238</b>

## (a) Movement of provision for restoration of leased premises

Opening balance	18,667	17,334
Extinguish provision and write back in the comprehensive operating statement	(18,667)	1,333
<b>Closing balance disclosed as non-current</b>	<b>-</b>	<b>18,667</b>

## (b) Restoration liability

The lease of the offices at 313 Burwood Road, Hawthorn expired on 30 June 2012 and there was no make good payment required on vacating of the premises.

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

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

DFSV makes the following contributions:-

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

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

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 short fall through the year and was informed formally of their share of the short fall on 31 July 2012 which amounted to \$466,301 including the contributions tax. DFSV has elected to pay this shortfall by lump sum on the due date of 1 July 2013. DFSV has accounted for this short fall in the Comprehensive Operating Statement in Employee expenses (see note 2d) and in the balance sheet in Payables (see note 7).

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

	31/12/11 \$'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.

#### 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% 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% superannuation guarantee levy for employees and members of these funds for the financial period.

### **(c) Loans**

DFSV has no loans with any of the superannuation funds.

### **10 Leases**

#### **Leasing arrangements**

Operating leases relate to lease rental expense commitments at 30th June 2012 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. This includes a rental free period of 8 months and 2 weeks. There is an option to renew on 1st April 2017 for the forthcoming five year commitment. The operating commitment for 2013 is \$63,860 per annum (plus yearly CPI increases).

# Notes to the financial statements

for the financial year ended 30 June 2012

	2012	2011
	\$	\$
<b>Non-cancellable operating lease payables</b>		
Not longer than one year	128,473	248,301
Longer than one year and not longer than five years	635,822	36,888
	<b>764,295</b>	<b>285,189</b>
<b>11 Commitments for expenditure</b>		
The following commitments have not been recognised as liabilities in the financial statements.		
<b>(a) Remuneration commitments</b>		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities and are payable:		
Within one year	625,345	496,237
Later than one year, but not later than five years	451,237	614,770
	<b>1,076,582</b>	<b>1,111,007</b>
<b>(b) Outsourcing commitments</b>		
Commitments under outsourcing contracts for information technology services in existence at the reporting date but not recognised as liabilities and are payable:		
Not longer than one year	35,937	30,240
Longer than one year and not longer than five years	-	-
	<b>35,937</b>	<b>30,240</b>
<b>(c) Lease commitments</b>		
Non-cancellable operating lease commitments (as disclosed in note 10)	<b>840,725</b>	<b>313,708</b>
Total commitments for expenditure (inclusive of GST)	<b>1,953,244</b>	<b>1,454,955</b>
Less GST recoverable from the Australian Taxation Office	(79,697)	(31,268)
<b>Total commitments for expenditure (exclusive of GST)</b>	<b>1,873,547</b>	<b>1,423,687</b>
<b>12 Cash flow information</b>		
<b>(a) Cash and cash equivalents</b>		
Cash on hand	1,500	1,500
Cash at bank	212,744	318,136
Short-term deposits	3,968,865	3,463,866
Total cash and deposits disclosed in the balance sheet	4,183,109	3,783,502
<b>Balance as per cash flow statement</b>	4,183,109	3,783,502
<b>(b) Reconciliation of net result for period to net cash flows from operating activities</b>		
Net result for the year	287,039	264,534
Non-cash movements:		
(Gain)/Loss on sale or disposal of non-current assets	13,543	(396)
Depreciation and amortisation of non-current assets	167,076	162,219
Movements in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	(52,137)	57,728
Other non-financial assets	(10,359)	(20,874)
Increase /(decrease) in liabilities:		
Payables	416,622	(50,008)
Provisions	58,423	(94,827)
Net cash from/(used in) operating activities	880,207	318,376

### 13 Responsible persons

#### (a) Board members

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

Mr Grant Davies	Chairman from 12/04/2012
Ms S Harlock	Chairman to 11/04/2012
Ms M Darton	
Mr T Tappenden	Resigned 06/02/2012
Mr W Darmody	
Ms S Crooke	
Ms Z Attwood	
Mr B Lierich	

#### (b) Remuneration

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

	2012	2011
\$0 - \$9,999	3	1
\$10,000 - \$19,999	4	5
\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	-	1
\$100,000 - \$109,999	-	1
\$220,000 - \$229,999	1	-
\$260,000 - \$269,999	-	1
Total number	9	9
<b>Total amount</b>	<b>307,243</b>	<b>449,563</b>

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

	\$	\$
Remuneration excluding superannuation	281,874	420,327
Superannuation contributions	25,369	29,236

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

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

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

#### (c) Related party disclosures

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

#### (d) Other responsible persons

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

#### (e) Insurance premiums

During the financial year, DFSV paid an insurance premium of \$46,574 (2011: \$51,533) 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.

# Notes to the financial statements

for the financial year ended 30 June 2012

## 14 Remuneration of executives

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

Income band	Total remuneration		Base remuneration	
	2012 No.	2011 No.	2012 No.	2011 No.
\$60,000 - \$69,999	1	-	1	-
\$80,000 - \$89,999	-	-	-	-
\$90,000 - \$99,999	-	1	-	1
\$120,000 - \$129,999	-	-	1	1
\$130,000 - \$139,999	1	1	-	1
\$140,000 - \$149,999	-	1	-	-
\$150,000 - \$159,999	-	-	1	-
\$160,000 - \$169,999	1	-	-	-
Total numbers	3	3	3	3
Total annualised employee equivalent (AEE)	2.71	2.79	2.71	2.79
<b>Total amount</b>	<b>\$354,024</b>	<b>\$379,412</b>	<b>\$342,098</b>	<b>\$363,357</b>

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

Annualised employee equivalent (AEE) is based on working 38 ordinary hours per week over the reporting period.

## 15 Remuneration of auditors

### Victorian Auditor General's Office

Audit of the financial statements

2012

2011

\$ \$

18,910 18,100

### Other service providers

Other non-audit services - Internal audit

- 48,800

**18,910 66,900**

## 16 Subsequent events

DFSV has had no subsequent events occur that require disclosure.

## 17 Charge over assets

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

## 18 Contingent liabilities and contingent assets

### Contingent liabilities

DFSV has an ongoing obligation to share in the future liabilities of the Vision Super Pty Ltd Superannuation Fund.

Favourable or unfavourable variations may arise should the claims experience of the fund differ from the assumptions made by the Fund's actuary in estimating the Fund's accrued benefits liability.

## 19 Segment information

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

## 20 Financial instruments

### (a) Significant accounting policies

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

**(b) Categorisation of financial instruments**

	Note	Carrying amount 2012 \$	Carrying amount 2011 \$
<b>Contractual financial assets:</b>			
Cash and deposits	12	4,183,109	3,783,502
Receivables:			
Sale of services	3	165,417	181,174
Accrued investment income	3	23,507	25,742
Other receivables	3	68,065	42,002
<b>Total contractual financial assets</b>		<b>4,440,098</b>	<b>4,032,420</b>
<b>Contractual financial liabilities:</b>			
Payables:			
Supplies and services	7	366,468	284,862
Other payables	7	578,034	234,197
<b>Total contractual financial liabilities</b>		<b>944,502</b>	<b>519,059</b>

**(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**

	Note	Weighted average interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$	Not past due and not impaired \$	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	Impaired financial assets \$
<b>2012</b>												
<b>Financial assets</b>												
Cash and deposits	12(a)	4.43%	4,183,109	3,000,000	968,865	214,244						
Receivables:												
Sale of services	3	0.00%	165,417	-	-	165,417	151,717	12,553	1,147	-	-	-
Accrued investment income	3	3.74%	23,507	20,485	3,021	-	23,507	-	-	-	-	-
Other receivables	3	0.00%	68,065	-	-	68,065	68,065	-	-	-	-	-
<b>Total financial assets</b>			<b>4,440,098</b>	<b>3,020,485</b>	<b>971,886</b>	<b>447,726</b>	<b>243,289</b>	<b>12,553</b>	<b>1,147</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2011</b>												
<b>Financial assets</b>												
Cash and deposits	12(a)	4.86%	3,783,502	2,500,000	963,865	319,637						
Receivables:												
Sale of services	3	0.00%	181,174	-	-	181,174	145,659	33,639	1,876	-	-	-
Accrued investment income	3	4.86%	25,742	21,318	4,424	-	25,742	-	-	-	-	-
Other receivables	3	0.00%	42,002	-	-	42,002	42,002	-	-	-	-	-
<b>Total financial assets</b>			<b>4,032,420</b>	<b>2,521,318</b>	<b>968,289</b>	<b>542,813</b>	<b>213,403</b>	<b>33,639</b>	<b>1,876</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements

for the financial year ended 30 June 2012

## (d) Liquidity risk

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

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

Note	Weighted average interest rate %	Carrying amount \$	Interest rate exposure			Maturity dates				Impaired financial assets \$		
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$	Not past due and not impaired \$	Less than 1 month \$	1-3 months \$	3 months to 1 year \$		1-5 years \$	
<b>2012</b>												
<b>Financial liabilities</b>												
Supplies and services	7	0.00%	366,468	-	-	366,468	366,468	-	-	-	-	-
Other payables	7	0.00%	578,034	-	-	578,034	111,733	-	-	-	-	-
<b>Total financial liabilities</b>	<b>7</b>		<b>944,502</b>	<b>-</b>	<b>-</b>	<b>944,502</b>	<b>478,201</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2011</b>												
<b>Financial liabilities</b>												
Supplies and services	7	0.00%	284,862	-	-	284,862	284,862	-	-	-	-	-
Other payables	7	0.00%	234,197	-	-	234,197	214,197	20,000	-	-	-	-
<b>Total financial liabilities</b>	<b>7</b>		<b>519,059</b>	<b>-</b>	<b>-</b>	<b>519,059</b>	<b>499,059</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## (e) Market risk

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

### Interest rate risk

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

### Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, DFSV believes the following movements are 'reasonably possible' over the next twelve months:

a shift of +0.50 per cent or -0.50 per cent in market interest rates (AUD).

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

		Interest rate risk				
		-0.5% (-50 basis points)		+0.5% (+50 basis points)		
	Note	Carrying amount	Equity	Net result	Equity	Net result
	\$	\$	\$	\$	\$	\$
<b>2012</b>						
Contractual financial assets:						
Cash and deposits						
Cash at bank	12(a)	212,744	-	-	-	-
Short-term deposits	12(a)	3,968,865	(19,844)	(19,844)	19,844	19,844
<b>Total impact</b>			<b>(19,844)</b>	<b>(19,844)</b>	<b>19,844</b>	<b>19,844</b>
<b>2011</b>						
<b>Contractual financial assets:</b>						
Cash and deposits						
Cash at bank	12(a)	318,136	-	-	-	-
Short-term deposits	12(a)	3,463,866	(17,319)	(17,319)	17,319	17,319
<b>Total impact</b>			<b>(17,319)</b>	<b>(17,319)</b>	<b>17,319</b>	<b>17,319</b>

**(f) Fair value**

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

## Accountable officer's 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 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30th June 2012 and financial position of Dairy Food Safety Victoria as at 30th June 2012. 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 20 August 2012.



Grant Davies  
CHAIRMAN



Catherine Hollywell  
CHIEF EXECUTIVE OFFICER



Kevin Moze  
FINANCE MANAGER

20 August 2012



Victorian Auditor-General's Office

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## 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 2012 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 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 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.

*Auditing in the Public Interest*

## 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 2012 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 2012 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  
21 August 2012

For   
D D R Pearson  
Auditor-General

# Disclosure index

for the financial year ended 30 June 2012

The annual report of Dairy Food Safety Victoria is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

Legislation	Requirement	Reference
<b>MINISTERIAL DIRECTIONS</b>		
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