



LABORATORY INCUBATOR

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Annual Report 2012–2013  
*integrity & assurance*



16 August 2013

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 2013.

Yours sincerely

Grant Davies  
Chairman  
Dairy Food Safety Victoria

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Vision



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

The independent authority to regulate dairy food safety



Mission

Values



- **Respect:** We value diverse opinions, strengths and ideas
- **Integrity:** Honest, open and transparent in our dealings with stakeholders
- **'Can do':** Always willing to help and strive to continually improve
- **Fairness:** Fair, objective and courteous in all our dealings

## Chairman's review



Grant Davies - Chairman

Having completed my first full year as Chairman of the Dairy Food Safety Victoria (DFSV) Board and now also the first year of our new Strategic Plan I can reflect on the role that we play. DFSV is a small business with a very large remit. The number of formal and informal partnerships we have with stakeholders is one of the standout factors for me. This year, for example, DFSV worked closely with the Department of Health when a significant outbreak of foodborne illness was traced back to a DFSV licensee. This has been an important focus for the business over an extended period of the reporting year.

Whilst understandably different stakeholders sometimes have quite different expectations of DFSV, these partnerships remain strong through thoughtful and pro-active management. Every single staff member is aware of the role they play in ensuring success in this respect, from answering the phone to negotiating a contract.

The broader dairy environment in which we work has once again not failed to provide its challenges. The strength of the Australian dollar has challenged our exports significantly and as a result we can see much greater competition emerging. The big supermarkets continue to be key influencers with significant impact particularly in the drinking milk market. Dairy farmers have faced further challenges with a very dry spring, and high feed costs. Whilst the end of this season saw one of the quickest reductions in milk volumes, as farmers dried off their dairy cows in the face of these challenges they welcomed the record milk prices announced for the new season.

While dairy farmer confidence had waned due to challenging financial and climatic conditions, manufacturers know their products are well received here and overseas. At the core of this success is safe dairy products, coupled with high quality, and markets becoming more affluent, with increasing consumer demand for dairy protein.

DFSV has been subject to regular and extensive review over the last few years. While regular review is important and has identified some practical improvements to the food safety regulatory system, it has resource implications for DFSV, and therefore, the dairy industry which funds us. This year's review activity was in the form of a Parliamentary Inquiry which, quite appropriately, provided the opportunity for industry to voice its opinions. DFSV is now awaiting government's response to the Inquiry recommendations and looks forward

to implementing the activities that government has determined are appropriate for DFSV.

This year also saw the incorporation of key elements from our Ministerial Statement of Expectations to DFSV (a copy of which can be found on our website) into our new Strategic Plan — the most notable inclusion being the direction to undertake activities which contribute towards the economic growth of Victoria. DFSV has been actively addressing this directive through a number of work programs, as you will see from the body of this Annual Report.

One fact we can all be sure of is that many challenges lie ahead for the dairy industry. An industry heavily reliant on good quality water for farms and factories, a big user of electricity and, particularly in Victoria, highly exposed to the vagaries of export market access. DFSV endeavours to think ahead to be prepared for future challenges and find the opportunities that lie within such situations.

In October 2012 I welcomed three new Directors to the Board: Mr Peter Moloney, Mr Peter Bailey and Dr Rob Greenall. They have all engaged fully in the business along with their colleagues Mr Barry Lierich, Ms Zoe Attwood and Ms Margaret Darton. I thank them all for their support to me and their application to every aspect of DFSV business direction. I also acknowledge the 'can do' attitude of every staff member in DFSV and particularly Dr Catherine Hollywell and her senior team Dr Craig Miller, Ms Karen Armitage and Mr Deon Mahoney.

A handwritten signature in black ink, appearing to read 'Grant Davies'.

Grant Davies  
Chairman

## Chief Executive Officer's report



Catherine Hollywell - CEO, DFSV

In this first year of our three-year strategic plan, DFSV has continued to focus on the best delivery of services in the most cost-effective way. We have critically analysed our operations and business practices to achieve significant business efficiencies. The body of this report details where these efficiencies have been obtained. Such efficiencies have resulted in DFSV being able to hold licence fees for 2012–13 without an increase, whilst at the same time improving service delivery. This effectively translates into avoiding an increase in burden to licensees through not applying the CPI increase in the cost of doing business.

A comprehensive finance review resulted in some immediate efficiency gains, but more importantly, has provided us with an activity-based costing model which serves to inform future strategic planning and allocation of resources.

A core strategic imperative for us is to develop capability and capacity for the future. DFSV's most important resource is its people. This year we have assessed our current skills and mapped these against our future needs to develop a workforce plan which will ensure we have the capability and flexibility to continue to respond to industry needs. In this past year we also recruited to three senior positions: Chief Scientist, General Manager Operations and Operational Services Manager.

Most significantly and most unfortunately, during the year we were reminded that food safety cannot be taken as a given. This year saw the emergence of a national outbreak of the food-borne illness Listeriosis. The outbreak was declared on 10 December 2012 and subsequently traced back to a DFSV licensee. This outbreak was declared over on 13 June 2013. At this time a total of 34 people had contracted Listeriosis, there had been six deaths and one miscarriage. Throughout the emergence of the outbreak and activity at the licensee, DFSV worked very closely with the Department of Health (which led the national incident response) over many months to manage the incident and address risks to public health.

At the time of writing this report the extensive review activity of this incident, which will occur at state and national level, had not yet commenced. For DFSV, the incident has served to highlight the importance of every element in a dairy manufacturer's food safety program. No stone was left unturned by DFSV and the licensee in examining every

possible avenue of contamination. DFSV will be participating in the future review activity and will ensure that any learnings about how to avoid the risk of such contamination being repeated will be incorporated into our ongoing approach to food safety in the dairy industry.

Since signing the Memorandum of Understanding (MoU) with the Department of Agriculture, Fisheries and Forestry (DAFF) in December 2011, to provide auditing services to deliver export market assurance, a great deal of collaborative effort has been put into establishing the schedules detailing the system under this MoU. As a result, the Victorian dairy industry now has a truly single audit approach that incorporates food safety and export market access requirements. This is a significant responsibility for DFSV which we take very seriously. It also delivers a great benefit for industry in reducing regulatory burden by removing duplicate audit activity from state and federal agencies.

DFSV's Industry Reference Group (IRG) played a key role in this process. The IRG is a key consultative forum for DFSV with representatives of both pre- and post-farm gate divisions of most major dairy companies, some of the smaller dairy manufacturers, the United Dairy farmers of Victoria, Australian Dairy Products Federation, Dairy Australia, and DAFF. It provides an important forum for discussing the single system approach, in particular the domestic and export market access arrangements and requirements. The IRG endorsed the new schedule to the MoU with DAFF, which describes the importing country review participation by various parties (including Dairy Australia and DFSV), and also the associated resource allocation provisions.

In implementing this single system approach to auditing we also have worked closely with DAFF to assist in

providing advice to industry about additional business practices required to meet the industry agreed export requirements. Where these are additional to compliance with Australia's national food safety standards, DFSV ensures such requirements do not result in increases in regulatory burden for those selling only into the domestic market. In addition, DFSV has provided further support to market access assurance by working closely with manufacturers to improve reporting processes which results in higher quality information provided to DFSV and therefore further improves analysis of issues by DFSV. The key aim for industry here is to better manage the pre-competitive elements of export market expectations.

For example, the routine monitoring of antibiotic residue detections is a core activity of DFSV for the assurance of food safety performance. This year we have worked with industry to refine the established antibiotic residue notification system to better identify potential causes of residues and generate meaningful data for trend analysis. The information collected helps determine specific areas for improvement and strengthens current residue management practices on farm. It also helps DFSV to provide DAFF with required market eligibility information more readily through a systematic approach. The dairy industry supports robust trace back reporting and DFSV engages regularly with industry through the IRG and also the DFSV-led National Farm Auditor Working Group.

Our partnerships with a broad range of stakeholders are essential to the effectiveness of our business. DFSV actively manages these partnerships often through MoUs. We currently have six active MoUs in place with other regulatory and government agencies, operating at state, national and international levels. These outline coordination and cooperation between DFSV and the Department of Environment and Primary Industries, Department of Health, PrimeSafe and the Municipal Association of Victoria; Tasmanian Dairy Industry Authority (TDIA) and Dairy Authority South Australia (DASA); DAFF, TDIA, and DASA; EPA (Vic); Department of Environment and Primary Industries (Biosecurity) and the New Zealand Ministry for Primary Industries, to assure a consistent approach to regulating national standards and maximising opportunities to reduce duplication and regulatory burden.

DFSV regularly seeks feedback on our services. Feedback from our stakeholders this year continues to endorse our collaborative approach and this approach is being recognised by significant external agencies (such as the Victorian Competition and Efficiency Commission (VCEC) and the National Productivity Commission) as best practice

in a contemporary regulatory approach. We also aim to use stakeholder feedback to inform our continuous improvement.

This year saw another significant review of DFSV's approach to its business through the Parliamentary Inquiry into the Impact of Food Safety Regulation on Farms and Other Businesses. Evidence presented to the committee throughout the Inquiry was generally very positive, and in its final report, the committee stated that "In the case of Dairy Food Safety Victoria the Committee believes that the regulator has evolved in line with industry expectations and development to embrace a role beyond policing non-compliance."

As always I am grateful for the guidance and support that myself and the business receives from our Chairman and all directors. My thanks go to all of the staff here at DFSV for their diligence, their desire to always make a difference and their 'can do' attitude. This has been a hugely challenging year for DFSV. In DFSV we all recognise that we continue to learn, we continue to share in this learning journey and we look forward to always improving what we do for the benefit of Victoria.



Dr Catherine Hollywell  
Chief Executive Officer

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# About Dairy Food Safety Victoria

## Charter and purpose

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

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

## Our vision

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

## Our mission

The independent authority to regulate dairy food safety

## Our values

### Respect

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

### Integrity

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

### 'Can do'

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

### Fairness

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

## Objectives of the Authority

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

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

## Functions of the Authority

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

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

## Powers of the Authority

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

## Corporate governance

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

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

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

Each member holds office for a term not exceeding three years and is eligible for re-appointment. The current Board term commenced in October 2012. During the 2012–2013 financial reporting year, the following changes in the composition of the DFSV Board occurred:

- William Darmody and Sarah Crooke retired from the Board in October 2012.
- Peter Moloney, Peter Bailey and Rob Greenall were appointed to the Board in October 2012.

### Board committees

The Risk Management and Audit (RM&A) Committee assists the Board to fulfil its corporate governance and statutory responsibilities in relation to financial reporting, internal control, risk management systems and internal and external audit functions. Members of this committee at 30 June 2013 were Mr Barry Lierich (Chair), Ms Zoe Attwood and Mr Peter Moloney.

The Human Resources (HR) Committee assists the Board in fulfilling its statutory responsibilities 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 2013 were: Ms Margaret Darton (Chair), Mr Peter Bailey and Dr Rob Greenall.

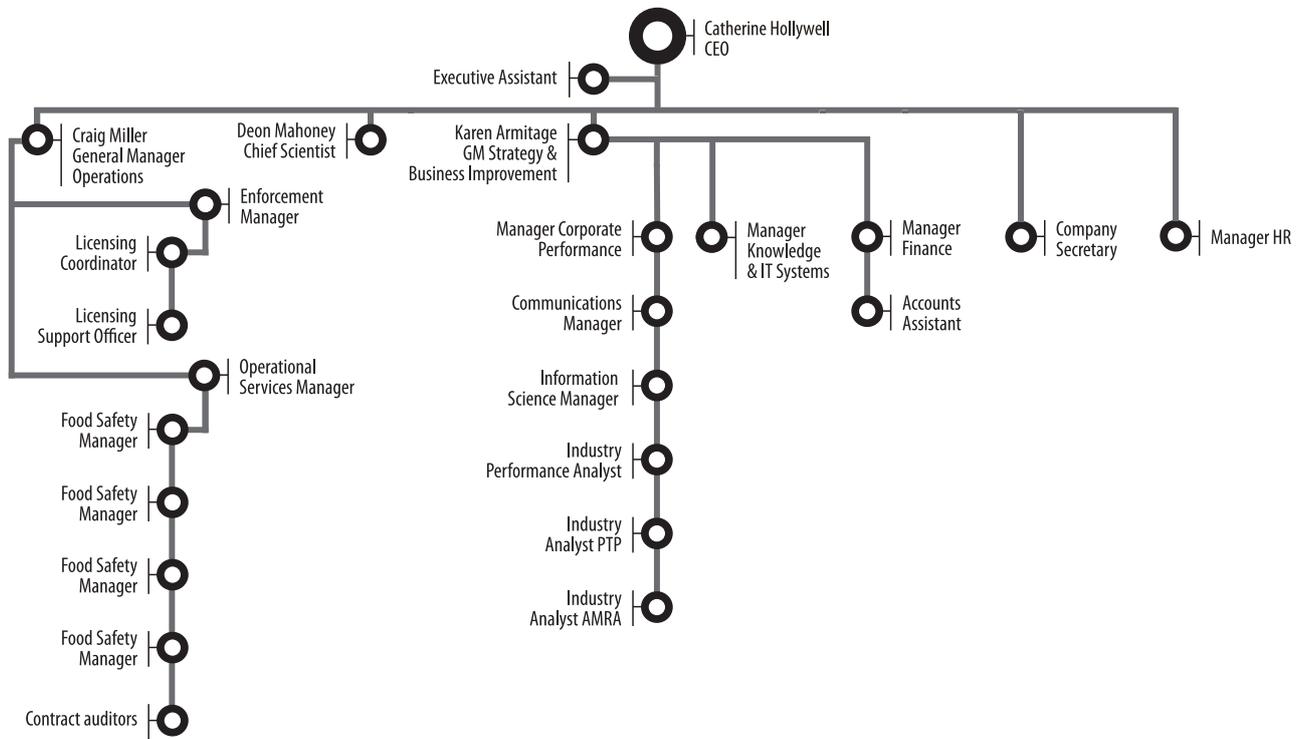
The Funding Model Consultative (FMC) Committee facilitates consultation with the dairy industry to assist DFSV in the determination of the criteria and structure of licence fees. Representatives of a wide selection of the dairy industry are invited to participate on this committee. For 2013, DFSV representatives on this committee were Mr Barry Lierich (Chair) and Mr Peter Bailey.

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 2013

	Board	RM & A	HR	FMC
<b>Total meetings attended</b>				
Grant Davies	6	–	–	–
Zoe Attwood	7	3	–	–
Peter Bailey	5	–	1	1
Margaret Darton	7	–	2	–
Rob Greenall	5	–	1	–
Barry Lierich	6	3	–	1
Peter Moloney	5	2	–	–
William Darmody	2	–	1	–
Sarah Crooke	2	–	1	–

DFSV organisational structure as at 30 June 2013



## DFSV Board



### Grant Davies – Chairman

MAICD

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



### Zoe Attwood

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

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



### Peter Bailey

B Agr Sc, M Agr Sc

Peter has over 30 years' experience working in animal biosecurity, animal welfare and food safety. Until retiring in 2009, Peter was Victoria's Executive Director of Biosecurity at the Victorian Department of Primary Industries. He has held several board positions including Deputy Chair of the Victorian Meat Authority from 1993 to 2003. Over the last three years, Peter has been involved, on a part-time basis, in a range of projects relating to animal and plant biosecurity, invasive species control, food safety and animal welfare.



### Margaret Darton

BAppSc, DipAppCh, GradDipLib, GAICD

Margaret is Manager Food Policy, Department of Environment and Primary Industries Victoria and was a member of the Dairy Food Safety Working Group that established Dairy Food Safety Victoria. She has responsibility for providing advice on food and food regulation policy as it relates to the agricultural sector at both state and national levels and is a member of the National Working Group for development of Primary Production and Processing Standards. Margaret is also Chair of the national Strategic Planning Working Group of the Food Regulation Standing Committee.



### **Rob Greenall**

Bsc BVMS(hons) MVS, MAICD

Rob is a registered veterinarian with a Masters degree specialising in dairy cattle medicine and production. After leaving private practice he worked in regulatory, research and management roles in the public, university and private sectors; focusing on dairy cattle health and welfare, agricultural and veterinary chemical risk management and milk harvesting technologies. He is currently the Managing Director of AgVet Projects Pty Ltd, an agricultural and veterinary project management and delivery company, based in Gippsland.



### **Barry Lierich**

CPA, MAICD

Barry brings 32 years of 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.



### **Peter Moloney**

BEC, Accounting

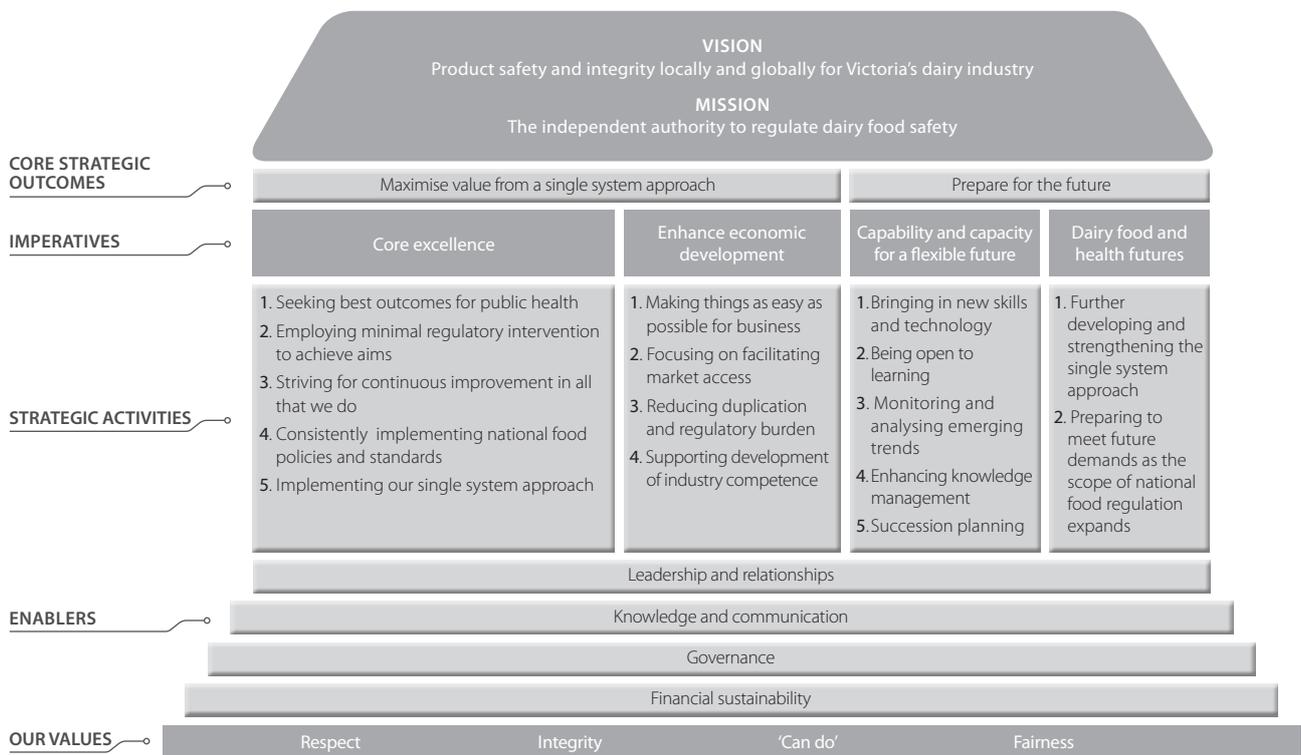
Peter has more than 32 years' experience as a risk and audit practitioner, working with a broad range of organisations across the public and private sectors. As a past Partner of Ernst & Young and William Buck, Peter was responsible for managing substantial risk practice in both organisations. Peter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

# The year in review

## Our strategic plan

DFSV's 2012–15 Strategic Plan outlines the strategic direction guiding activities to achieve the core outcomes of maximising value from a single system approach and preparing for the future. Our strategic enablers underpin how we work as an organisation to achieve these outcomes.

In 2012–13 we implemented the first year of the strategic plan. Our performance against our core strategic outcomes is highlighted in the following sections.



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## 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 DFSV Statement of Expectations is available on our website.

The following is an overview of how we demonstrated we met these expectations in 2012–13. The specific activities undertaken are covered in more detail in the body of this report.

## Government policy and objectives

The Parliamentary Inquiry into The Impact of Food Safety Regulation on Farms and Other businesses, tabled in April 2013, reported that the Inquiry committee concluded *"Good licensee compliance rates and low levels of enforcement and food safety incidents . . . indicate that the approach used by DFSV works well to promote compliance."*

The implementation of our single system approach reduces duplication and regulatory burden, provides the basis for consistent implementation of national standards and also helps to underpin the economic growth of the dairy industry.

## Stakeholder relationships and engagement

DFSV continues to participate in a wide range of stakeholder fora, including the Department of Environment and Primary Industries regulators forum, and the Victorian Food Regulators Forum (formerly the Victorian Committee of Food Regulators) chaired by the Department of Environment and Primary Industries. These fora aim to promote learning, coordination and cooperation between regulators. The Food Regulators Forum focuses explicitly on food safety in accordance with an MoU endorsed by the members of the Forum. The members are the Department of Health, the Municipal Association of Victoria, PrimeSafe and DFSV.

DFSV worked very closely this year with the Department of Health on a number of dairy food safety risk management matters. Most notably over a period of nine months to manage a significant Listeriosis outbreak and address risks to public health associated with this foodborne illness outbreak which was traced to a DFSV licensee.

## Transparency and accountability

The core imperatives of our current strategic plan reflect the key ministerial expectations of DFSV.

We are progressively implementing recommendations from earlier reviews of DFSV conducted by the Victorian Competition and Efficiency Commission and the Victorian Auditor-General's Office and a concerted effort has been made to improve our overall performance reporting and its underlying processes.

The final report of the Parliamentary Inquiry into The Impact of Food Safety Regulation on Farms and Small Businesses, commended DFSV *"for its proactive approach to improving its performance reporting."*

## Strategic enablers

### Leadership and relationships

DFSV works in partnership with the dairy industry and other stakeholders and, in many areas, takes a leadership role to ensure the safety of Victoria's dairy products is maintained. Collaboration with key industry organisations, government and other regulatory bodies supports much of the work we do and is integral to ensuring consumer protection and promoting market growth and industry prosperity.

DFSV engagement with industry focuses on establishing effective pre-competitive discussion forums. These include an Industry Reference Group, with senior representation across industry sectors. This provides a forum for communication about domestic and export market access arrangements and requirements.

The National Farm Auditor Working Group led by DFSV, is a means of keeping dairy farm auditors engaged and informed with the on the ground application of DFSV's single system approach. It is also a forum to share data and trends and to discuss practical auditing issues. Attendees continue to place a high value on attending and participating. This forum is one of the 'users' of the DFSV CO-LAB online information sharing community.

A new technical forum, the Dairy Authorities Technical Advisory Committee (DATAC), established by DFSV and led by our Chief Scientist, facilitates discussion between state regulators on technical and scientific aspects related to dairy food production and distribution. The membership of DATAC also includes FSANZ, DAFF and the New Zealand Ministry for Primary Industries. Also on the national front we take a leadership role for dairy in the development and implementation of standards through representation on the Implementation Sub Committee for Food Regulation and also various relevant Standards Development Committees.

In Victoria we are active participants in government forums aimed at ensuring there are no gaps or duplication within Victoria's regulatory frameworks. The Forum of Primary Industries' Regulators comprises the Victorian Department of Environment and Primary Industries' portfolio regulators and aims to share ideas, problems and solutions, and to build the capacity of all regulators.

The focus of the Victorian Food Regulators Forum (formerly the Victorian Committee of Food Regulators) is on improving coordination between Victoria's food regulators, consistent with the government's commitment to reduce regulatory burden on industry and to promote growth in the food industry. Its role is reflected in an MoU created and endorsed by the Department of Health, the Municipal Association of Victoria, PrimeSafe and DFSV.

DFSV also participates in the Victorian Competition and Efficiency Commission's regulators community of practice forum where regulators meet to share information about best practice and reducing regulatory burden.

The implementation of our single system approach makes use of our regulatory model to streamline compliance systems and assurance arrangements in particular for market access purposes. These arrangements are underpinned by MoUs with DAFF, Tasmanian and South Australian dairy food safety regulators, the EPA (Vic) and the Department of Environment and Primary Industries.

We encourage and value feedback from our stakeholders and during the year surveyed recipients of a number of DFSV services, including the Product Testing Program, Learning Network, Senior Field Officer and National Farm Auditor Working Groups. Overall, respondents are satisfied with the services received and survey results will inform planning and future improvements. Summary survey results are available on the DFSV website.

*"The forums have expanded my understanding of food safety and allowed me to implement new processes for improvement."* Learning Network Survey 2013

*"It has alerted us of possible risks and has helped us put together more thorough risk assessments and to re-evaluate our QA manual. Overall it has been a great benefit to us."* Learning Network Survey 2013

### Knowledge and communication

DFSV is committed to facilitating sharing of knowledge with, and between industry participants. Effort this year has been focused on improving accessibility to, and the quality of DFSV information available to industry.

The first step in this process was an information architecture review to strategically examine our current processes, resourcing, and technology for receiving, capturing, storing and sharing information. At the same time, DFSV developed an enhanced business analysis framework with a focus on developing reporting systems to provide high-level analytical information, including trending and benchmarking, with less time on data entry and a reduction in the need to manually generate reports.

Automated systems for the capture, input and reporting of information, particularly delivered through upgrades to

our Licence Manager system, are important enablers. A key objective of the framework is to provide stakeholders with information that is useful to their businesses, and we will continue to consult with industry about their information needs.

During the year, the DFSV website was reviewed and revised to ensure it reflects our current strategic direction. Significant improvements and additions have been made to the site to better meet regulatory performance reporting requirements and the information needs of our licensees and the dairy industry. We will continue to increase the amount and accessibility of data on our site to improve the transparency of our communications.

DFSV's comprehensive library of technical information notes has also been reviewed, updated and expanded. The notes provide practical information on food safety topics relevant to the dairy industry and also provide links to further information to help the dairy industry achieve food safety compliance.

Learning Network forums, coordinated and led by DFSV staff, draw on a combination of prepared topical material, invited guest presenters and open discussions on food safety and quality at a pre-competitive level. They are recognised by dairy manufacturers as a means of gaining knowledge and developing competence, networking and connectedness, including within their own businesses. Many manufacturers who engage in these forums generously share their knowledge and in doing so demonstrate significant leadership for the industry.

A review of the Learning Network concept in 2012 led to the development of a three-year plan that builds on the past successes of the program and adopts strategies to enhance the value proposition for both the dairy manufacturing sector and DFSV. Strategies implemented this year include: trialling an additional forum in Northern Victoria; increasing participation of DFSV operations staff with the knowledge to respond to specific enquiries at each forum; using forum feedback forms and surveys to collect data to identify strengths or areas for improvement from each regional forum; and inviting industry partners to engage with participants on specific projects of interest or benefit to each party, such as Dairy Australia's workforce planning project.

Our face-to-face forums, such as the Learning Network and Farm Auditor Working Group continue to be supported by the online discussion tool (CO-LAB), which has had a progressive increase in member numbers (currently over 100). It provides an opportunity to continue meeting/forum discussions, for posting and responding to current issues, as

well as providing a searchable resource on topics previously raised.

We also strive to improve our own knowledge of dairy processing, and in particular the requirements of some of the smaller manufacturers whose needs can vary quite markedly from those of larger processors. We are currently working with the Australian Specialist Cheesemakers' Association to identify and better understand their key issues and needs.

## Governance

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

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

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

In May 2013 DFSV's quality management system was subject to its triennial certification audit for compliance with ISO 9001:2008. No non-conformances were identified and continued certification was recommended.

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

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

*I, Grant Davies, certify that Dairy Food Safety Victoria has risk management processes in place consistent with AS/NZS ISO 31000:2009, and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Board verifies this assurance and that the risk profile of Dairy Food Safety Victoria has been critically reviewed within the last 12 months.*



Grant Davies  
Chairman  
Dairy Food Safety Victoria  
16 August 2013

### Attestation for compliance with the Ministerial Standing Direction 4.5.5.1 – Insurance

*I, Grant Davies, certify that Dairy Food Safety Victoria has complied with Ministerial Direction 4.5.5.1 – Insurance.*



Grant Davies  
Chairman  
Dairy Food Safety Victoria  
16 August 2013

### Financial stability

DFSV has met the financial targets set by the Board for 2012–13 and is financially stable.

The organisation is funded from dairy licence and service fees, which are set annually by the DFSV Board in consultation with industry. Industry representatives make up membership of the DFSV Funding Model Consultative Committee which meets each year to review and discuss the current and future financial position of the organisation. The committee’s advice is then considered by the Board in setting the fees for the following financial year. In May 2013 the DFSV Board approved an increase of DFSV fees by 1.5% for the 2013–14 financial year.

The ability of the organisation to limit the fee increase to 1.5% for next year, effectively a decrease in fees when taking into account the effect of the consumer price index (2.6%) upon DFSV costs, is a significant achievement. This follows no fee increase in 2012–13 and is directly attributable to the efficiencies and cost savings made by DFSV over the preceding two years.

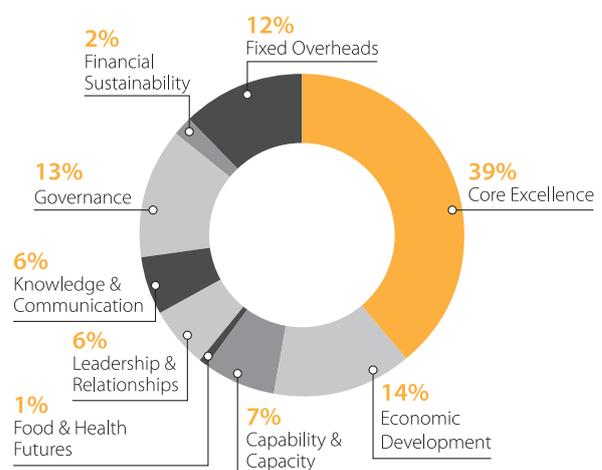
With a view to maintaining sound financial management practices and further streamlining our financial processes, a finance review was undertaken by DFSV in June/July 2012. This review examined the management and operational infrastructure of DFSV’s financial services, to determine where efficiency gains could be made, and to recommend new approaches to delivery of routine finance functions.

The next stage of the overall review of the finance area was to embark on a process to define, capture and cost the entire range of our organisational activities using an established activity-based costing (ABC) methodology. A breakdown of time taken for each of the (current and potential future) activities has enabled us to calculate a unit cost per activity and provided us with a cost structure for our current and future services and a platform upon which efficiency estimates have been made.

This will assist the DFSV Board in strategic planning with senior management to continue to develop DFSV’s capability. It will help to ensure that resources and revenue are aligned with strategic plan objectives. This model will continue to be refined; however, it already presents a clear view of organisational effort. It will assist in increasing organisational financial awareness, inform future strategic planning and allocation of resources, and provide transparency of reporting to our stakeholders.

Use of the ABC model has enabled us to clearly identify the allocation of budgetary resources across our organisational functions as shown in figure 1.

Figure 1: Resource allocations



# Core strategic outcomes

## Our performance under our strategic imperatives

Our key imperatives of core excellence, enhancing economic development, capability and capacity for a flexible future, and dairy food and health futures support our core strategic outcomes of maximising value from a single system approach and preparing for the future. They also align with the Victorian State Government's expectations of DFSV.

## Maximise value from a single system approach – Core excellence

It is DFSV's responsibility to regulate in partnership with stakeholders and the dairy industry to ensure state legislation and nationally agreed standards are met and the safety of all dairy product manufactured in Victoria is maintained. We do this by taking a risk-based regulatory approach, requiring businesses to identify potential risks to food safety and designing and documenting prevention controls in a food safety program.

We ensure the effectiveness of this system through licensing, review and approval of food safety programs, compliance auditing, enforcement of corrective actions as necessary, and through additional verification activities such as our Product Testing Program and the Australian Milk Residue Analysis (AMRA) Survey, our collaborative verification activities with TDIA and DASA, and auditor verification under the National Food Safety Audit Policy.

Victoria's dairy food safety system provides independent regulation of the safety of Victoria's dairy products and offers industry assurance and access to world markets. Our approach encourages and facilitates continuous improvement and we endeavour to translate any new information or learning about dairy food safety into manufacturers' food safety programs.

The implementation of our single system approach makes use of our regulatory model to streamline compliance systems and assurance arrangements for delivery of market access, delivering multiple benefits to industry, including red tape reduction wherever possible, whilst not compromising food safety.

We also make a significant contribution to improving national and state regulatory frameworks, working with other regulators and government to develop a coordinated approach to implementing effective, risk-based regulation, reducing duplication and building professional capability.

The integrity of our own systems is regularly subject to external review and we are committed to continuous improvement. In May 2013 our quality management system was audited for compliance with ISO 9001:2008 and certification was maintained. Continued ISO certification is an endorsement of our quality management system which is the critical business system underpinning more than 70 per cent of the activities we undertake towards achieving our strategic outcomes.

KPIs	Strategic activities	2012–13 performance
<i>The DFSV risk-based regulatory model is effective in ensuring public health and the integrity of DFSV's systems is maintained</i>	Seeking best outcomes for public health	<ul style="list-style-type: none"> <li>• Completed a project to ensure all licensed dairy carriers have approved food safety programs in place.</li> <li>• Completed 321 audits of manufacturers and 2115 farm audits.</li> <li>• No food safety incident due to DFSV system failure (see* note at end of this table).</li> <li>• Investigated 48 consumer complaints and 29 serious incidents.</li> <li>• 25 incidents were able to be controlled within company food safety program procedures.</li> <li>• Conducted risk assessments as a service for the Department of Health and DASA on non-DFSV licensee products.</li> <li>• Conducted three food safety risk assessments for milk companies following reported on-farm incidents.</li> <li>• Four 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, one resulted in a consumer level recall.</li> </ul>

*Continued next page.*

KPIs	Strategic activities	2012–13 performance
<p><i>DFSVMaintains a management system that enables continuous improvement in business outcomes for both internal and external stakeholders</i></p> <p><i>Streamlined delivery of services through the implementation of a single system approach which maintains market access</i></p>	<p>Employing minimal regulatory intervention</p> <p>Striving for continuous improvement</p> <p>Consistently implementing national food policies and standards</p> <p>Implementing our single system approach</p>	<ul style="list-style-type: none"> <li>• Three product recalls occurred outside this risk assessment process when DFSV licensees or Department of Health enacted recall procedures under a precautionary approach.</li> <li>• DFSV authorised officers issued five orders under section 46 of the Dairy Act to stop the production and control the movement of dairy food known or suspected to be unfit for human consumption.</li> <li>• Required three licensees (dairy manufacturers) to undergo additional audits following identification of several serious non-compliance issues with licence requirements during scheduled audits.</li> <li>• Published DFSV's <i>Enforcement Model Guidelines</i> outlining enforcement actions that may be taken in response to non-compliance.</li> <li>• Published the <i>Food Safety Guide to Industry Innovation</i>, designed to assist licensees in assessing potential food safety risks associated with an innovative change.</li> <li>• Positively influenced Victoria's regulatory framework through active participation in the Forum of Primary Industries' Regulators and the Victorian Food Regulators Forum.</li> <li>• DFSV's Quality Management System audited for compliance with ISO 9001:2008 and accreditation maintained.</li> <li>• Improvements and upgrades to the licensing management system enabled more efficient processing of dairy farmer licence renewals for the 2012–14 licensing period and the 2013 industry licence renewals.</li> <li>• Contributed to the Parliamentary Inquiry into the Impact of Food Safety Regulation on Farm and Other Businesses.</li> <li>• The National Dairy Verification Plan reviewed and found to have achieved its purpose of verifying the implementation of the national dairy standard. A new approach agreed with the southern dairy states includes target verification throughout the dairy production system and incorporates the verification requirements of the National Food Safety Audit policy.</li> <li>• Chaired a joint DFSV, Dairy Australia and Australian Dairy Industry Council workshop for representatives from across industry and government to present on the emergency preparedness systems in place and test responses in scenario discussions.</li> <li>• Active and ongoing participation of the CEO on the Implementation Sub Committee for Food Regulation.</li> <li>• Input into the development and review of standards and guidelines, specifically the FSANZ Proposal P1017 (Criteria for <i>Listeria monocytogenes</i> Microbiological Limits for Foods) and Proposal P1022 (Primary Production &amp; Processing Requirements for Approved Raw Milk Products).</li> <li>• Under the MoU between DFSV and the EPA, commenced full implementation of the reporting system from 1 January 2013.</li> </ul>

*\*Note: At the time of writing this report the statement that there was 'No food safety incident due to a DFSV system failure' is the case for the year. Whilst DFSV acknowledges that the Listeriosis outbreak was a significant foodborne illness event, to date no failure in the DFSV system of food safety has been identified. Reviews will be conducted to examine this outbreak at state and national level. DFSV will participate fully in these reviews as required. It is not possible to predetermine what the outcomes of any of these reviews will be.*

Dairy licence statistics (as at 30 June 2013)

Licence	Total
Manufacturer (bovine)	163
Manufacturer (sheep, goat, and buffalo)	8
Farm (bovine)	4284
Farm (sheep, goat and buffalo)	20
Milk broker	2
Distributor	116
Carrier	39
Vendor	1
<b>Total</b>	<b>4633</b>

## Maximise value from a single system approach – Enhance economic development

This imperative delivers on the ministerial expectations of DFSV 'to support initiatives to enhance the economic growth of your sector'. In order to achieve this outcome DFSV has maintained a strong focus on activities to reduce regulatory burden, facilitate and support market access and support development of industry competence.

DFSV has taken a leadership role in negotiating and finalising the agreement and schedules for delivery of market assurance services for the majority of the Australian dairy industry in conjunction with TDIA and DASA. We provide further support to market access assurance through coordination of the AMRA survey for Australia's dairy industry and also through supporting streamlined systems for residue reporting.

Through a number of DFSV established forums we have maintained open communication to facilitate industry understanding of the single system approach and assurance system requirements for market access.

We continued to support development of industry competence through provision of specialist support services to licensees, including regulations and standards interpretation and guidance, risk analysis, technical and scientific advice, and technical information notes that provide practical food safety advice.

DFSV's Learning Network forums are also recognised as providing a means for industry to gain knowledge and develop competence, with more than a quarter of all licensed manufacturing sites represented at each round of forums held across Victoria.

To further support industry competence and improvement, DFSV provides performance reports and product testing results from the annual Product Testing Program to enable manufacturers to benchmark their performance within a designated product category. All dairy manufacturers licensed with DFSV participate each year in the program. The program provides an independent, risk-based means of determining the microbial profile of all types of dairy products manufactured in Victoria and thereby assesses the level of assurance of the safety of products released into the market place.

KPIs	Strategic activities	2012–13 performance
<i>DFSV provides a leadership role for dairy in the development of a consistent approach to regulation</i>	Focusing on facilitating market access	<ul style="list-style-type: none"> <li>• DAFF MoU and schedules all agreed and signed to ensure an auditable system is in place to deliver export market access assurance.</li> <li>• Coordinated the AMRA survey on behalf of other state regulatory authorities and DAFF. Results of the 2011–12 survey showed 100% compliance with the relevant Australian Standard.</li> <li>• Completed a Dioxin Testing Program to support market access assurance.</li> <li>• Revised the antibiotic residue notification system to better identify root cause and generate meaningful data for trend analysis.</li> <li>• The Industry Reference Group established by DFSV continued to be a key pre-competitive consultative forum for discussion about issues related to domestic and export market assurance.</li> </ul>
<i>DFSV provides a leadership role for dairy in market assurance services</i>	Making things as easy as possible for business	<ul style="list-style-type: none"> <li>• Commenced a project to engage with the Global Food Safety Initiative and look at the feasibility of recognising industry certification systems and how that might be incorporated into the DFSV regulatory process.</li> <li>• Chaired two meetings of the National Farm Auditor Working Group.</li> <li>• Conducted the annual DFSV Product Testing Program. (A summary report is available on the DFSV website).</li> </ul>
<i>Industry values DFSV's role in supporting the enhancement of industry competence</i>	<p>Reducing duplication and regulatory burden</p> <p>Supporting development of industry competence</p>	<ul style="list-style-type: none"> <li>• Convened two meetings of DATAC to discuss current issues facing dairy authorities and identify strategies and opportunities to enhance dairy food safety.</li> <li>• Participated in the Department of Business and Innovation trade mission to China.</li> <li>• Coordinated four rounds of Learning Network forums, with the milestone of the 100th forum reached in October 2012.</li> <li>• Following a 2012 review of the Learning Network, developed a three-year plan with strategies designed to further promote information sharing within the industry to support enhancement of industry competence.</li> <li>• Responded to 143 technical information requests with 91.6% responded to within two days, and 7.7% between three and seven days and 0.7% longer than seven days.</li> <li>• Completed a review of DFSV technical information notes and continue to progressively update information products on our website.</li> </ul>

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

Key to achieving strategic outcomes in this area is our ability to anticipate and respond to the needs of the dairy industry. A great deal of effort this year has been dedicated to making sure we have the appropriate knowledge and skills and robust business systems in place to service the industry now and into the future.

Our proposed business analysis framework is a key deliverable within our key performance indicator (KPI) framework aimed at enhancing the business analysis infrastructure and operations of DFSV. This is a critical shift in the manner in which we will be using our electronic systems to capture data and enable us to better analyse this data to inform ourselves and our stakeholders, and to drive continuous improvement in dairy food safety and market access.

Ongoing improvements to our licence management system are automating many of our previously manual systems and creating a single repository for information relevant for each licensee. A good example of this are the efficiency gains made in the Product Testing Program with all relevant documentation now being stored with each individual licence on the licence management system which enabled a move to a paperless system.

We have thoroughly examined our information management and financial systems with a view to embedding streamlined, cost effective business systems that position us for the future.

A considerable amount of work has also been undertaken this year to assess our current skills and knowledge against our Strategic Plan and to anticipate future needs. This has informed development of a workforce plan to help us focus on what we need to deliver in capability, capacity, and flexibility.

KPIs	Strategic activities	2012–13 performance
<p><i>DFSV anticipates industry's needs and responds with people having the appropriate knowledge and skills</i></p> <p><i>DFSV business systems support improvements to our core business to position us for the future</i></p>	<p>Enhancing knowledge management</p> <p>Monitoring and analysing emerging trends</p> <p>Bringing in new skills and technology</p> <p>Being open to learning</p> <p>Succession planning</p>	<ul style="list-style-type: none"> <li>Completed an information architecture review to strategically examine current processes, resourcing and technology for receiving, capturing, storing and sharing information.</li> <li>Developed an enhanced business analysis framework which will focus on the analysis of information, including trending and benchmarking, enabled by the introduction of automated systems for the capture, input and reporting of information.</li> <li>Completed a skills assessment of the current DFSV workforce, a needs forecast and a gap analysis to inform development of workforce plans to ensure successful implementation of our strategic plan.</li> <li>Developed and implemented an activity-based costing model to cost the entire range of DFSV activities to help inform future strategic planning and allocation of resources.</li> <li>Committed resources to the Horizon 2020 dairy industry strategic project, commissioned by Dairy Australia and the Geoffrey Gardiner Dairy Foundation, to explore the factors likely to affect the future role, position and structure of the Australian dairy industry.</li> </ul>

## Prepare for the future — Dairy food and health futures

An area of emerging focus for DFSV is in monitoring and preparing to meet future potential demands as government concerns about public health, particularly obesity-related issues, drive expansion in the national food standards remit. We have, and will continue to monitor the food and health environment and maintain close relationships with relevant organisations to ensure our awareness of change that may impact on the regulation of dairy food safety.

KPIs	Strategic activities	2012–13 performance
<i>The DFSV system is adaptable to new directions in regulation</i>	Further developing and strengthening the single system approach	• Maintained relationships with relevant health and food safety organisations such as the Department of Health, CSIRO, and FSANZ.
<i>The dairy food safety and health policy environment is actively monitored</i>	Preparing to meet future demands as the scope of national food regulation expands	• Contributed to Victoria’s whole-of-government submissions on relevant food standards and reviews.

## Human resource management

### 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 during the year included:

- providing vaccinations for influenza and Q fever
- reviewing safety equipment provided to DFSV staff
- ergonomic assessments of all workstations in the business
- providing fresh fruit for staff each week
- providing space and lockers for staff who use the local gym or cycle to and from work
- introducing a tag and testing program of all electrical equipment in our workplace.

### Incident management

There were no occupational health and safety incidents or WorkCover claims lodged during the period 1 July 2012 to 30 June 2013.

## 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

This year DFSV staff updated their own 'Code of Conduct' based on the Code of Conduct for Victorian Public Sector Employees. DFSV also has its own corporate values built around Respect, Integrity, 'Can Do' and Fairness.

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

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

## Workforce data

Staff profile by position as at 30 June 2013

Position	Male 2013	Male 2012	Female 2013	Female 2012	Total 2013	Total 2012
Executive officers	2.0	1.0	2.0	3.0	4.0	4.0
Administrative staff	1.6	1.6	3.8	3.8	5.4	5.4
Financial/accounting staff	0.0	1.0	0.6	0.6	0.6	1.6
Technical staff	5.0	6.0	5.6	4.8	10.6	10.8
Temporary staff	0.0	0.0	0.0	0.6	0.0	0.6
Casuals	0.0	0.0	0.8	0.0	0.8	0.0
<b>Totals</b>	<b>8.6</b>	<b>9.6</b>	<b>12.8</b>	<b>12.8</b>	<b>21.4</b>	<b>22.4</b>

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 2012–13 (excluding GST)	Future expenditure (excluding GST)
AON Risk Services Australia	Insurable risk review of DFSV insurances	1/08/2012	15/10/2012	\$13,200	\$13,200	–
Chemskill (Starfare Pty Ltd)	Recruitment fees – Operational Services Manager	1/05/2013	31/05/2013	\$14,950	\$14,950	–
Coulson Management Consultants (Fentone P/L ATF The Coulson Family Trust)	Finance review	1/06/2012	15/09/2012	\$21,000	\$21,000	–
Coulson Management Consultants (Fentone P/L ATF The Coulson Family Trust)	Activity-based costing development, as varied	13/09/2012	31/12/2012	\$54,000	\$54,000	–
EC Integrators Pty Ltd	Information architecture review	8/10/2012	15/03/2013	\$24,900	\$24,900	–
Evolve Scientific Recruitment Pty Ltd	Recruitment fees – Chief Scientist	1/11/2012	28/02/2013	\$20,600	\$20,601	–
Horton International Pty Ltd	DFSV Board procurement	6/03/2012	12/10/2012	\$31,818	\$13,636	–
Minter Ellison	Legal advisory services	1/07/2012	30/06/2013	\$19,891	\$34,777	–
<b>Totals</b>				<b>\$200,359</b>	<b>\$197,064</b>	–

In 2012–13, the total amount for the seven consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000, amounted to \$30,552.78. All figures are excluding GST.

## Freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by DFSV as the prescribed authority for the purposes of the Act. For the 12 months ended 30 June 2013, there were no freedom of information requests received by DFSV.

Freedom of information requests must be made in writing describing the documents requested and including payment of the application fee of \$25.70. The fee may be waived if the payment is likely to cause hardship to the applicant. Assistance can be provided to applicants to help determine the type of documents being requested. Access charges may also apply once documents are processed and a decision on access is made; for example photocopying and search and retrieval charges.

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

Freedom of Information Officer  
Dairy Food Safety Victoria, PO Box 8221  
Camberwell North, Victoria 3124  
Further information regarding the Freedom of Information Act may be found at [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

## Compliance with the Building Act

DFSV does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

## National Competition Policy

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

## Compliance with Whistleblowers Protection and Protected Disclosure Acts

The former *Whistleblowers Protection Act 2001* was repealed and replaced with the *Protected Disclosure Act 2012* from 10 February 2013. As the change of legislation occurred midway through the 2012–13 financial year, this disclosure complies with the requirements of both Acts, for each of the relevant time periods.

### The Whistleblowers Protection Act

There were no disclosures of improper conduct or detrimental action by DFSV or its employees, under the *Whistleblowers Protection Act 2001*, for the period commencing on 1 July 2012 and ending on 9 February 2013.

## The Protected Disclosure Act

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

DFSV recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal improper conduct. It does not tolerate improper conduct by the organisation, its employees, officers or directors, nor the taking of detrimental action in reprisal against those who come forward to disclose such conduct.

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

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

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

Further information can be obtained from the:  
DFSV Protected Disclosure Coordinator  
(03) 9810 5900

PO Box 8221, Camberwell North, Victoria 3124  
[info@dairysafe.vic.gov.au](mailto:info@dairysafe.vic.gov.au) or at [www.dairysafe.vic.gov.au](http://www.dairysafe.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 and the implementation of a policy of double-sided and black and white printing of internal documents. From 1 July 2012, a paperless reporting and filing system for DFSV's product testing programs was initiated. These initiatives contributed to a reduction in photocopying and printing costs in 2012–13, most notably a 78 per cent reduction in the number of colour copies printed.

Relocation to a new office building in June 2012, with reduced floor space, open plan design, and energy efficient

lighting and appliances, has resulted in significant savings on operating costs. The new office has cycle-friendly facilities and is located in close proximity to train and tram lines. Staff are encouraged to, and where possible, use public transport.

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

### 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

## Five-year financial summary

	2013	2012	2011	2010	2009
Five-year financial summary	\$	\$	\$	\$	\$
Total income from transactions	5,180,359	5,015,346	4,633,033	4,536,568	4,470,577
Total expenses from transactions	4,383,569	4,714,764	4,368,895	4,322,710	4,108,219
Net result from transactions	796,790	300,582	264,138	213,858	362,358
Net cash flow from operating activities	769,070	880,207	318,376	353,036	252,280
Total assets	5,836,065	5,243,354	4,481,271	4,361,574	3,920,083
Total liabilities	1,219,960	1,420,915	945,871	1,090,708	863,132

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## Financial year ended:

- 2013** A net result from transactions of \$796,790 in 2012–13 was achieved. Increased production volumes contributed to income from manufacturer licence fees at a higher level than previous years. Operating expenditure was lower than expected, particularly due to reduced remuneration expenditure attributable to staff turnover and timing of re-appointment to vacant senior positions. In addition, rental costs incurred for DFSV's accommodation at Camberwell are significantly less than for its previous premises. Total assets continue their positive movement, largely due to capitalisation of office fit-out costs and further development of the licensing database and website updates. Cash deposit levels from income flows fund ongoing IT capital expenditure commitments and the ongoing Vision Super liability. Total liabilities have decreased in 2012–13, reflecting the reduced provision for employee entitlements arising from staff resignations during the financial year. In addition, accruals for the office fit-out have been capitalised, further reducing payables.
- 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 ongoing 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 ongoing expenditure on IT commitments in relation to the licensing database.
- 2010** The 2009–10 net result from transactions of \$213,858 demonstrated prudent fiscal management. Higher income from manufacturers licence fees, audit related services fees and initiatives was offset by reduced interest income from a lower interest rate environment. The increase in expenses from transactions was attributable to accruals for staff remuneration increments, higher depreciation expenses due to write offs of obsolete plant and equipment and the engagement of consultants for regulatory compliance services. Total assets continued to grow with a higher cash deposit base required to fund considerable ongoing IT commitments associated with the phase in of the new licensing database.
- 2009** In 2008–2009 DFSV achieved a net result from transactions of \$362,358. During the year additional income from initiatives increased to \$141,781. Higher than expected income from manufacturers licence fees was collected due to increased product manufactured. The reduction in other operating expenses was due to activities relating to reduced regulatory burden and timing differences associated with reversals of accruals. While both total income and expenses from transactions have steadily increased since 2004–2005, the net result from transactions has been relatively consistent over the past three years.



## Financial statements

for the financial year ended 30 June 2013

# Comprehensive operating statement

for the financial year ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Income from transactions</b>			
Licence and service fees	2(a)	4,974,408	4,837,755
Interest	2(b)	141,523	173,026
Other income	2(c)	64,428	4,565
<b>Total income from transactions</b>		<b>5,180,359</b>	<b>5,015,346</b>
<b>Expenses from transactions</b>			
Employee expenses	2(d)	2,393,683	2,877,600
Depreciation and amortisation	2(e)	230,662	147,076
Other operating expenses	2(f)	1,759,224	1,690,088
<b>Total expenses from transactions</b>		<b>4,383,569</b>	<b>4,714,764</b>
<b>Net result from transactions (net operating result)</b>		<b>796,790</b>	<b>300,582</b>
<b>Other economic flows included in net result</b>			
Gain/(loss) on disposal of non-financial assets		(3,124)	(13,543)
<b>Total other economic flows included in net result</b>		<b>(3,124)</b>	<b>(13,543)</b>
<b>Net result</b>		<b>793,666</b>	<b>287,039</b>
<b>Comprehensive result</b>		<b>793,666</b>	<b>287,039</b>

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

# Balance sheet

as at 30 June 2013

	Note	2013 \$	2012 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	12(a)	4,713,215	4,183,109
Receivables	3	357,892	316,535
<b>Total financial assets</b>		<b>5,071,107</b>	<b>4,499,644</b>
<b>Non-financial assets</b>			
Plant and equipment	4	396,256	414,174
Intangible assets	5	216,004	192,908
Other non-financial assets	6	152,698	136,628
<b>Total non-financial assets</b>		<b>764,958</b>	<b>743,710</b>
<b>Total assets</b>		<b>5,836,065</b>	<b>5,243,354</b>
<b>Liabilities</b>			
Payables	7	832,725	990,254
Provisions	8	387,235	430,661
<b>Total liabilities</b>		<b>1,219,960</b>	<b>1,420,915</b>
<b>Net assets</b>		<b>4,616,105</b>	<b>3,822,439</b>
<b>Equity</b>			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		2,816,105	2,022,439
<b>Net worth</b>		<b>4,616,105</b>	<b>3,822,439</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 2013

	Accumulated surplus \$	Contributions by owner \$	Total \$
<b>Balance at 1 July 2011</b>	1,735,400	1,800,000	3,535,400
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>
Comprehensive result for the year	793,666	-	793,666
<b>Balance at 30 June 2013</b>	<b>2,816,105</b>	<b>1,800,000</b>	<b>4,616,105</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 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from other entities		5,065,682	4,930,686
Interest received		141,523	173,026
Goods and services tax recovered from the ATO		112,522	74,921
<b>Total receipts</b>		<b>5,319,727</b>	<b>5,178,633</b>
<b>Payments</b>			
Payment to suppliers and employees		(4,550,657)	(4,298,426)
<b>Total payments</b>		<b>(4,550,657)</b>	<b>(4,298,426)</b>
<b>Net cash flows from operating activities</b>	12(b)	<b>769,070</b>	<b>880,207</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant and equipment		-	875
Payments for plant and equipment		(97,644)	(361,539)
Payments for intangible assets		(141,319)	(119,936)
<b>Net cash flows (used in) investing activities</b>		<b>(238,963)</b>	<b>(480,600)</b>
<b>Net increase in cash and cash equivalents</b>		<b>530,107</b>	<b>399,607</b>
Cash and deposits at the beginning of the financial year		4,183,109	3,783,502
<b>Cash and deposits at the end of the financial year</b>	12(a)	<b>4,713,215</b>	<b>4,183,109</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 2013

## 1 Summary of accounting policies

### Statement of compliance

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

The financial statements were authorised for issue by the Board on 16 August 2013.

### Basis of preparation

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

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

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

- the fair value of plant and equipment (see note h)
- superannuation expense (see note f)
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (see note 9(b)).

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

### Rounding of amounts

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

### Reporting entity

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

Dairy Food Safety Victoria  
Level 2, 969 Burke Road  
Camberwell VIC 3124

### Scope and presentation of financial statements

#### *Comprehensive operating statement*

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or other economic flows. This classification is consistent with the whole-of-government reporting format and is allowed under AASB 101 - Presentation of Financial Statements.

# Notes to the financial statements

for the financial year ended 30 June 2013

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows in an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

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

## **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 and 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**

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

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

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

DFSV fixes and charges fees for its services which covers annual licence fees, and audit and inspection fees. In addition, costs for the Australian Milk Residue Analysis (AMRA) survey are recovered from Dairy Australia.

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

Assets, liabilities, income or expenses arising from past transactions or past events:

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

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

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

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

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

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

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

## (e) Income recognition

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

### *Licence fees*

The identification and recording of revenue is at the time of generation of the invoice for manufacturers' licence fees, audit fees and distributors' and carriers' licence fees (upon request). Revenue identification and recording for farm licence fees, distributors' licence fees and carriers' licence fees is upon receipt of cash.

### *Interest revenue*

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

### *Other income*

Other income consists of miscellaneous income on an accrual basis.

## (f) Expenses

### *Employee benefits*

Employee benefits expense includes all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions. These are recognised when incurred.

### *Superannuation*

The amount charged to the comprehensive operating statement in respect of 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	5 years
Office equipment	3 to 10 years
Software	3 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 bank and short-term deposits. They represent highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

### *Receivables*

Receivables consist predominantly of debtors in relation to 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.

# Notes to the financial statements

for the financial year ended 30 June 2013

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

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

The following refers to financial instruments unless otherwise stated.

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

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

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

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

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

If DFSV 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 DFSV intends to hold to maturity.

DFSV 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. DFSV 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 DFSV 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, DFSV has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

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

## **(h) Non-financial assets**

### ***Plant and equipment***

Plant and equipment are measured at cost less accumulated depreciation and less any impairment. The threshold for recording assets was changed from \$100 to \$1,000 from 10 June 2013.

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

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

### ***Intangible assets***

Purchased intangible assets are initially measured at cost. The threshold for recording assets was changed from \$100 to \$1,000 from 10 June 2013. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the entity.

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

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

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

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

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

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

All other assets are assessed annually for indications of impairment, except for non-financial physical assets held for sale.

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.

# Notes to the financial statements

for the financial year ended 30 June 2013

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

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

## Other non-financial assets

### *Prepayments*

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

## (i) Liabilities

### *Payables*

Payables consist of creditors and other sundry liabilities.

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

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

The components of this current LSL liability are measured at:

- 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 seven years of continuous service and is disclosed as a non-current liability.

There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

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

***Employee benefits on-costs***

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

**(j) Commitments**

Commitments include those operating and capital commitments arising from non-cancellable contractual or statutory sources not recognised in the financial statements. Commitments are disclosed by way of a note (refer to Note 11 Commitments for expenditure) and are measured at their nominal value (inclusive of GST).

**(k) Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 18 Contingent assets and contingent liabilities) and, if quantifiable, are measured at their nominal value (inclusive of GST).

**(l) Equity**

***Contributions by owners***

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

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

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

**(m) Cash flow statement**

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

**(n) Functional and presentation currency**

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

**(o) New accounting standards and interpretations**

Certain new AASs have been published that are not mandatory for the 30 June 2013 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.

# Notes to the financial statements

for the financial year ended 30 June 2013

As at 30 June 2013, the following AASBs have been issued by the AASB but are not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

## **New accounting standard**

## **Applicable to DFSV from:**

### ***AASB 9 - Financial Instruments***

***1 July 2015***

This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). Subject to AASB's further modifications to AASB 9, details of impacts will be assessed.

### ***AASB 13 - Fair Value Measurement***

***1 July 2013***

This standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.

Disclosure for fair value measurements using unobservable inputs are more detailed than disclosure for fair value measurements using observable inputs. Consequently, the standard may increase the disclosures required of assets measured using depreciated replacement cost.

### ***AASB 119 - Employee Benefits***

***1 July 2013***

In this revised standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.

While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions.

### ***AASB 1053 - Application of Tiers of Australian Accounting Standards***

***1 July 2013***

This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.

The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.

In addition to the new standards above, the AASB has issued amending standards that are not effective for the 2012-13 reporting period. In general, these amending standards include editorial and referencing changes that are expected to have insignificant impacts on DFSV's reporting.

	2013 \$	2012 \$
<b>2 Income from transactions:</b>		
<b>(a) Licence and service fees</b>		
Licence fees	4,138,376	4,065,648
Audit and inspection fees	417,041	323,984
Australian Milk Residue Analysis (AMRA) survey	418,991	448,123
<b>Total revenue from licence and service fees</b>	<b>4,974,408</b>	<b>4,837,755</b>
<b>(b) Interest</b>	141,523	173,026
<b>(c) Other income</b>	64,428	4,565
<b>Total income from transactions</b>	<b>5,180,359</b>	<b>5,015,346</b>
<b>Expenses from transactions</b>		
<b>(d) Employee expenses</b>		
Post employment benefits:		
Defined benefit superannuation expense	14,461	480,332
Defined contribution superannuation expense	177,215	177,141
Salaries, wages and employee entitlements	2,075,487	2,095,966
Other employee benefits expense	126,520	124,161
<b>Total employee expenses</b>	<b>2,393,683</b>	<b>2,877,600</b>
<b>(e) Depreciation and amortisation</b>		
Depreciation of plant and equipment	115,563	64,457
Amortisation of restoration costs written back	-	(20,000)
Amortisation expense	115,099	102,619
<b>Total depreciation and amortisation</b>	<b>230,662</b>	<b>147,076</b>
<b>(f) Other operating expenses</b>		
Supplies and services		
Audit fees (see note 15)	21,750	18,910
Consultancy, legal and professional services	286,137	62,972
Compliance expenses	71,471	67,997
Communications expenses	30,467	63,005
Directors fees	75,692	73,853
Product testing and laboratory evaluation costs	466,096	382,072
Rates and utilities	9,833	23,849
Insurance	98,461	98,911
Other administration expenses	559,648	582,189
Maintenance	17,693	18,809
Total supplies and services	1,637,248	1,392,567
Operating lease rental expenses	121,975	297,275
<b>Subtotal</b>	<b>1,759,224</b>	<b>1,689,842</b>
Bad debts	-	246
<b>Total other operating expenses</b>	<b>1,759,224</b>	<b>1,690,088</b>

# Notes to the financial statements

for the financial year ended 30 June 2013

	2013 \$	2012 \$
<b>3 Receivables</b>		
<b>Current</b>		
<b>Contractual</b>		
Trade debtors	204,715	105,417
Dairy industry licence fees	60,000	60,000
	264,715	165,417
Accrued interest	1,763	23,507
Other receivables	55,151	68,065
Total contractual receivables	321,629	256,989
<b>Statutory</b>		
GST input tax credit recoverable	36,262	59,546
<b>Total current receivables</b>	<b>357,892</b>	<b>316,535</b>
The average credit period for all receivables is 30 days. Refer to note 20 for an aging analysis and the nature and extent of risk.		
<b>4 Plant and equipment</b>		
<b>Non-current</b>		
<b>a) Carrying amounts</b>		
Leasehold improvements - at cost	239,918	331,595
Less: accumulated depreciation	(48,078)	(103,812)
	191,840	227,783
Furniture and fittings - at cost	92,526	96,675
Less: accumulated depreciation	(16,654)	(13,631)
	75,872	83,044
Office equipment - at cost	354,673	300,733
Less: accumulated depreciation	(226,131)	(197,386)
	128,543	103,347
Total plant and equipment - at cost	687,118	729,003
Less: total accumulated depreciation	(290,862)	(314,829)
<b>Total plant and equipment</b>	<b>396,256</b>	<b>414,174</b>
<b>(b) Movements in carrying amounts</b>		
<b>Opening balance</b>	414,174	131,511
Additions	97,644	361,539
Disposals	-	(14,419)
Depreciation expense	(115,562)	(64,457)
<b>Closing balance</b>	<b>396,256</b>	<b>414,174</b>

	Leasehold improvements \$	Furniture and fittings \$	Office equipment \$	Total \$
<b>Opening balance at 1 July 2011</b>	3,238	24,068	104,205	131,511
Additions	227,905	79,394	54,240	361,539
Disposals	(374)	(12,044)	(2,001)	(14,419)
Depreciation expense	(2,986)	(8,374)	(53,097)	(64,457)
<b>Closing balance at 30 June 2012</b>	<b>227,783</b>	<b>83,044</b>	<b>103,347</b>	<b>414,174</b>
Additions	9,928	2,035	85,681	97,644
Disposals	-	-	-	-
Depreciation expense	(45,871)	(9,207)	(60,484)	(115,562)
<b>Closing balance at 30 June 2013</b>	<b>191,840</b>	<b>75,872</b>	<b>128,544</b>	<b>396,256</b>

	2013 \$	2012 \$
<b>5 Intangible assets</b>		
<b>Non-current</b>		
<b>Carrying amount - software development at cost</b>		
Opening balance	462,026	342,090
Additions	141,319	119,936
Disposals	(12,134)	-
<b>Closing balance</b>	<b>591,211</b>	<b>462,026</b>
<b>Accumulated amortisation</b>		
Opening balance	(269,118)	(166,499)
Amortisation expense	(115,099)	(102,619)
Disposals	9,010	-
<b>Closing balance</b>	<b>(375,207)</b>	<b>(269,118)</b>
<b>Total net book value at end of financial year</b>	<b>216,004</b>	<b>192,908</b>
<b>6 Other non-financial assets</b>		
<b>Current</b>		
Prepayments	152,698	136,628
<b>Total other non-financial assets</b>	<b>152,698</b>	<b>136,628</b>
<b>7 Payables</b>		
<b>Current</b>		
<b>Contractual</b>		
Supplies and services	267,297	366,468
Other payables	512,682	111,733
	779,978	478,201
<b>Statutory</b>		
Taxes payable	52,747	45,752
<b>Total current payables</b>	<b>832,725</b>	<b>523,953</b>
<b>Non-current</b>		
<b>Contractual</b>		
Other payables	-	466,301
<b>Total non-current payables</b>	<b>-</b>	<b>466,301</b>
<b>Total payables</b>	<b>832,725</b>	<b>990,254</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 2013

	2013 \$	2012 \$
<b>8 Provisions</b>		
<b>Current</b>		
Employee benefits - annual leave:		
Unconditional and expected to settle within 12 months	113,952	115,652
Employee benefits - long service leave:		
Unconditional and expected to settle after 12 months	129,730	167,760
	243,683	283,412
Provisions related to employee benefits on-costs		
Unconditional and expected to settle within 12 months	36,552	46,952
<b>Total current provisions</b>	<b>280,234</b>	<b>330,364</b>
<b>Non-current</b>		
Employee benefits - long service leave	93,044	87,215
Provisions related to employee benefits on-costs	13,957	13,082
<b>Total non-current provisions</b>	<b>107,001</b>	<b>100,297</b>
<b>Total provisions</b>	<b>387,235</b>	<b>430,661</b>
<b>(a) Movement of provision for restoration liability</b>		
Opening balance	-	18,667
Extinguish provision and write back in the comprehensive operating statement	-	(18,667)
<b>Closing balance disclosed as non-current</b>	-	-

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 and when it falls due.

Superannuation contributions for the reporting period are included as part of employee benefits in the comprehensive operating statement.

### (b) Information on superannuation funds:

#### Vision Super

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

The Fund's accumulation category, Vision 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 (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. 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 the 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 shortfall through the year and was informed formally of its share of the shortfall on 31 July 2012 which amounted to \$466,301 including the contributions tax. DFSV has elected to pay this shortfall by lump sum on the due date of 1 July 2013. DFSV has accounted for this shortfall in the comprehensive operating statement in Employee expenses (See Note 2(d)) and in the balance sheet in Payables (See Note 7).

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

	<b>31 December 2011</b>
	<b>\$'000</b>
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 30 June 2013 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 included a rental free period of eight months and two weeks. There is an option to renew on 1 April 2017 for the forthcoming five-year commitment. The operating commitment for 2014 is \$131,342 per annum. GST and annual fixed rate increases of 3.5% on the office premises are included in the following figures.

# Notes to the financial statements

for the financial year ended 30 June 2013

	2013 \$	2012 \$
<b>Non-cancellable operating lease payables</b>		
Not longer than one year	188,165	141,320
Longer than one year and not longer than five years	514,229	699,404
	702,394	840,725

## 11 Commitments for expenditure

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

### (a) Outsourcing commitments

Commitments under outsourcing contracts for information technology services in existence and payable at the 2012 reporting date but not recognised as liabilities, inclusive of GST:

Not longer than one year	-	35,937
Longer than one year and not longer than five years	-	-
	-	<b>35,937</b>

### (b) Lease commitments

Non-cancellable operating lease commitments inclusive of GST (as disclosed in note 10)

	<b>702,394</b>	<b>840,725</b>
<b>Total commitments for expenditure (inclusive of GST)</b>	<b>702,394</b>	<b>876,662</b>
Less GST recoverable from the Australian Taxation Office	(63,854)	(79,697)
<b>Total commitments for expenditure (exclusive of GST)</b>	<b>638,540</b>	<b>796,965</b>

## 12 Cash flow information

### (a) Cash and cash equivalents

Cash on hand	300	1,500
Cash at bank	674,050	212,744
Short-term deposits	4,038,865	3,968,865
<b>Total cash and deposits disclosed in the balance sheet</b>	<b>4,713,215</b>	<b>4,183,109</b>
<b>Balance as per cash flow statement</b>	<b>4,713,215</b>	<b>4,183,109</b>

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

Net result for the year	793,666	287,039
Non-cash movements:		
(Gain)/loss on sale or disposal of non-current assets	3,124	13,543
Depreciation and amortisation of non-current assets	230,662	167,076
Movements in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	(41,357)	(52,137)
Other non-financial assets	(16,070)	(10,359)
Increase/(decrease) in liabilities:		
Payables	(157,529)	416,622
Provisions	(43,426)	58,423
<b>Net cash from/(used in) operating activities</b>	<b>769,070</b>	<b>880,207</b>

### 13 Responsible persons

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

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

#### (a) Board members

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

Grant Davies	
Margaret Darton	
William (Bill) Darmody	Term expired 11/10/2012
Sarah Crooke	Term expired 11/10/2012
Zoe Attwood	
Barry Lierich	
Peter Bailey	Appointed 12/10/2012
Rob Greenall	Appointed 12/10/2012
Peter Moloney	Appointed 12/10/2012

#### (b) Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of DFSV during the year was in the range \$230,000 - \$239,999 (\$210,000 - \$219,999 in 2011-12).

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

Income band	Total remuneration	
	2013 No.	2012 No.
\$0 - \$9,999	6	3
\$10,000 - \$19,999	2	4
\$20,000 - \$29,999	-	1
\$30,000 - \$39,999	1	-
Total numbers	9	8
<b>Total amount</b>	<b>\$82,505</b>	<b>\$80,500</b>

Remuneration relating to the Minister is reported in the financial statements of the Department of Premier and Cabinet.

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

There have been no transactions with any Board members other than those related to employee relationships in carrying out the duties of Board members (other than Licence Fees). Where Board members are licensees of DFSV, the standard trading terms apply.

#### (c) Related party disclosures

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

#### (d) Insurance premiums

During the financial year, DFSV paid an insurance premium of \$41,311 (2012: \$46,574) 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 2013

## 14 Remuneration of executives

The number of DFSV executive officers, other than the Accountable Officer, and their total remuneration are shown in the first two columns in their relevant annual remuneration bands.

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

Income band	Total remuneration		Base remuneration	
	2013 No.	2012 No.	2013 No.	2012 No.
<\$100,000	4	1	4	1
\$120,000 - \$129,999	-	-	-	1
\$130,000 - \$139,999	1	1	1	-
\$150,000 - \$159,999	-	-	-	1
\$160,000 - \$169,999	-	1	-	-
Total numbers	5	3	5	3
Total annualised employee equivalent (AEE)	2.65	2.71	2.65	2.71
<b>Total amount</b>	<b>\$400,145</b>	<b>\$354,024</b>	<b>\$413,448</b>	<b>\$363,357</b>

The number and remuneration of executives shown is impacted by a new executive appointment mid-2011/12, and two resignations and two new appointments during 2012/13.

Annualised employee equivalent (AEE) is based on working 38 ordinary hours per week over the 52-week reporting period.

## 15 Remuneration of auditors

	2013	2012
<b>Victorian Auditor-General's Office</b>	<b>\$</b>	<b>\$</b>
Audit of the financial statements	21,750	18,910

## 16 Subsequent events

No subsequent events have occurred 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 defined benefits superannuation liabilities of the Vision Super Pty Ltd Superannuation Fund. Favourable or unfavourable variations may arise should the claims experience of the fund differ from the assumptions made by the Fund's actuary in estimating the Fund's accrued benefits liability.

## 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 2013 \$	Carrying amount 2012 \$
<b>Contractual financial assets:</b>			
Cash and deposits	12(a)	4,713,215	4,183,109
Receivables		321,629	256,989
<b>Total contractual financial assets</b>		<b>5,034,844</b>	<b>4,440,098</b>
<b>Contractual financial liabilities:</b>			
Payables	7	779,978	944,502
<b>Total contractual financial liabilities</b>		<b>779,978</b>	<b>944,502</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 one month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$
<b>2013</b>											
<b>Financial assets</b>											
Cash and deposits	12(a)	3.23%	4,713,215	3,000,000	1,038,865	674,350					
Receivables			321,629	693	1,070	319,866	304,251	16,996	-	382	-
<b>Total financial assets</b>			<b>5,034,844</b>	<b>3,000,693</b>	<b>1,039,935</b>	<b>994,217</b>	<b>304,251</b>	<b>16,996</b>	-	<b>382</b>	-
<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:			256,989	20,485	3,021	233,482	243,289	12,553	1,147	-	-
<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>	-	-

## (d) Liquidity risk

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

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

# Notes to the financial statements

for the financial year ended 30 June 2013

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

	Note	Carrying amount	Interest rate exposure			Maturity dates				
			Weighted average interest rate %	Fixed interest rate	Variable interest rate	Non-interest bearing	Not past due and not impaired	Less than one month	1-3 months	3 months to 1 year
		\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>2013</b>										
<b>Financial liabilities</b>										
Payables	7	779,978	-	-	779,978	313,677	466,301	-	-	-
<b>Total financial liabilities</b>		<b>779,978</b>	<b>-</b>	<b>-</b>	<b>779,978</b>	<b>313,677</b>	<b>466,301</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2012</b>										
<b>Financial liabilities</b>										
Payables	7	944,502	-	-	944,502	478,201	-	-	-	466,301
<b>Total financial liabilities</b>		<b>944,502</b>	<b>-</b>	<b>-</b>	<b>944,502</b>	<b>478,201</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>466,301</b>

## (e) Market risk

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

### Interest rate risk

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

### Sensitivity disclosure analysis

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

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

	Note	Carrying amount	Interest rate risk			
			-0.5% (-50 basis points)		+0.5% (+50 basis points)	
	\$	\$	Equity \$	Net result \$	Equity \$	Net result \$
<b>2013</b>						
<b>Contractual financial assets:</b>						
Cash and deposits						
Cash at bank	12(a)	674,050	-	-	-	-
Short-term deposits	12(a)	4,038,865	(20,194)	(20,194)	20,194	20,194
Cash on hand		300	-	-	-	-
<b>Total impact</b>		<b>4,713,216</b>	<b>(20,194)</b>	<b>(20,194)</b>	<b>20,194</b>	<b>20,194</b>
<b>2012</b>						
<b>Contractual financial assets:</b>						
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
Cash on hand		1,500	-	-	-	-
<b>Total impact</b>		<b>4,183,109</b>	<b>(19,844)</b>	<b>(19,844)</b>	<b>19,844</b>	<b>19,844</b>

#### Fair value

(f) The aggregate net fair values of financial assets and liabilities approximate their carrying values in the balance sheet and notes to the financial statements.

## Accountable officers' and Chief Finance and Accounting Officer's declaration

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, presents fairly the financial transactions during the year ended 30 June 2013 and financial position of Dairy Food Safety Victoria as at 30 June 2013.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 16 August 2013.



Grant Davies  
CHAIRMAN



Catherine Hollywell  
CHIEF EXECUTIVE OFFICER



Karen Armitage  
Acting CHIEF FINANCE & ACCOUNTING OFFICER

Melbourne  
16 August 2013



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 2013 of Dairy Food Safety Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Accountable Officer's and Chief Finance and Accounting Officer's declaration has been audited.

#### *The Board Members' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

*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 2013 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 2013 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  
19 August 2013

  
John Doyle  
Auditor-General

# Disclosure index

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

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Published by Dairy Food Safety Victoria

September 2013

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