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Coming together is a beginning. Keeping together is progress. Working together is success.

Supporting Victoria's Dairy Businesses

3 September 2009

The Honourable Joe Helper
Minister for Agriculture
PO Box 4440
Melbourne VIC 3001

Dear Minister,

In accordance with the *Financial Management Act 1994*, I have pleasure in submitting to you the Annual Report and Financial Statements for Dairy Food Safety Victoria for the period 1 July, 2008 to 30 June, 2009.

Yours sincerely



Trevor Tappenden
Deputy Chairman

Dairy Food Safety Victoria is supporting Victoria's dairy businesses to do business better; ensuring consumers locally and overseas have access to safe, quality assured, premium dairy foods.

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VISION

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

MISSION

The independent authority to regulate dairy food safety.

VALUE STATEMENTS

At Dairy Food Safety Victoria, we value:

- Transparency, independence and integrity in our partnerships with stakeholders.
- Continuous improvement of our performance in all that we do.
- Being creative and innovative in developing and delivering services.
- Treating people fairly and giving them the opportunity to learn and grow.



Dairy Food Safety Victoria
ABN 19 045 433 005

Highlights

- Public health was protected from potential dairy food safety incidences and there were no market assurance breakdowns in 2008/09.
- There were no prosecutions during this reporting period which indicates industry's commitment to dairy food safety.
- The *National Framework for Food Regulation in the Australian Dairy Industry*, which came into effect in October 2008, enjoyed a seamless introduction due to the extensive background work and planning undertaken by DFSV and its interstate regulatory partners.
- The three-year change initiative in DFSV service delivery to industry (Project LEADS) was extensively reviewed and identified as the catalyst for a major shift in licensee support for DFSV, with most manufacturers agreeing that DFSV is meeting their information and communications needs. LEADS was also reviewed as part of the Victorian Government's *Reducing the Regulatory Burden* initiative, which revealed that it had resulted in direct savings to industry of more than \$1.6 million over the past three years.
- Industry preparedness in food defence was boosted through a Risk Analysis Training Program conducted by DFSV and Dr Charlie Yoe from the University of Maryland, USA. 52 industry and government representatives attended Dr Yoe's Risk Analysis workshops highlighting the fact that industry is now taking the issues associated with food safety risk and defence seriously.
- DFSV continued to build industry capability in dairy food safety with up to 600 trainees representing 30 dairy manufacturing companies graduating during the year from the DFSV/National Centre for Dairy Education Australia (NCDEA) *Fundamentals of Food Safety and Quality - for Dairy Manufacturers* training course. In addition, over 90 industry participants attended a *Pasteurisation Seminar* hosted by DFSV and the Dairy Industry Association of Australia – Victorian division.
- DFSV's enhanced performance reporting system through the Product Testing Program continued with good feedback received from manufacturers. The majority of companies are keen to benchmark their test results against the industry average and to improve their performance.
- DFSV's Emergency Management Protocol and Business Continuity Plans were thoroughly 'road-tested' and updated during the year to incorporate current risk management best practice procedures.
- DFSV received accreditation as a *Flexible Employer* by demonstrating a commitment to workplace flexibility and meeting the flexible employment needs of staff.
- Through careful and prudent budgeting, DFSV has remained financially sustainable during uncertain economic times and has maintained a high level of service with fees only increasing in line with CPI.
- Following an extensive review and consultation process, with considered input from staff, government, industry and other stakeholders, DFSV's new Corporate Plan 2009–2012 was developed and is now in effect.

I am proud to present Dairy Food Safety Victoria's Annual Report for 2008/09.

In a year characterised by environmental and financial challenges and uncertainty, one thing that has remained consistent and assured is the safety and quality of Victoria's dairy foods.

Safeguarding Public Health

It is the absence of dairy food safety issues that highlights the effectiveness of Dairy Food Safety Victoria (DFSV).

The organisation's mandate, as stated in the *Dairy Act 2000*, is to ensure that the standards that safeguard public health are maintained in the Victorian dairy industry.

I am pleased to report that we have again achieved that goal.

In 2008/09 there were no public health issues; no prosecutions; and, no market assurance failures. The Victorian dairy industry has maintained its reputation for first class dairy foods.

Supporting Victoria's Dairy Businesses

The operating environment that the dairy industry has

confronted this year has been extremely challenging and unpredictable.

The drought has continued to devastate; world milk and commodity prices have plummeted to unprecedented levels; and, the global financial crisis has cast a gloomy shadow. We have seen declining farm numbers, downsizing, cut backs, and further rationalisation within the manufacturing sector.

However, as industry has tightened its belt, the true value that DFSV has to offer has become evident.

Increasingly, DFSV is seen as an essential partner in helping industry to meet requirements and manage food safety risks, improving food safety performance overall. DFSV provides a range of specialist support services including standards interpretation and guidance, risk analysis,

and technical and scientific advice. DFSV also facilitates the provision of food safety education and training for industry.

Representing Industry's Interests

The uncertain operating environment has been compounded by governments' increasing their focus on food regulation and the growing number of reviews impacting the dairy industry.

These include the latest European Union Review in 2007/08; the Beale Quarantine and Biosecurity Review and the Victorian Competitions and Efficiency Commission's Inquiry into Food Regulation in Victoria. As part of government's response to this Inquiry, Victoria's Food Act has been reviewed with a plan on the horizon to review the *Dairy Act 2000*.



Chairman's Review

Increasingly, DFSV is seen as an essential partner in helping industry to meet requirements and manage food safety risks, improving food safety performance overall.



DFSV has invested significant time developing industry submissions to these reviews, hosting representative delegations and advocating food safety systems on behalf of industry, and it will continue to do so as governments increasingly put food regulation under the microscope.

Enhancing Industry Preparedness

The Chinese melamine in milk crisis sent shudders through our dairy industry in 2008, highlighting the enormous risk that exists when just one operator becomes complacent.

It also brought home the critical role DFSV has to play in assuring the reputation and safety of all dairy foods produced in Victoria for domestic and international markets.

Preparedness is a key plank in the DFSV approach and the melamine in milk crisis highlighted the fact that preparedness for any type of incident is vital. We need to be alert and prepared for unknown and emerging risks and issues and we need to be ready to respond as new challenges arise.

Biosecurity is an important issue as is the importance of improving our security against intentional food contamination within a world of terrorism and extortion.

DFSV is working to ensure the Victorian dairy industry is well positioned to tackle threats such as these head on.

A highlight this year was the risk analysis workshop presented by Dr Charlie Yoe from the University of Maryland, USA. This dairy specific training provided

an opportunity for industry representatives and regulators from Australia and New Zealand to become familiar with the latest concepts of risk analysis. 52 attendees participated in Dr Yoe's workshops, highlighting the topicality of food defence.

After the Fires

DFSV's preparedness strategy also held it in good stead in the wake of Victoria's devastating February bushfires.

The organisation was able to quickly instigate its Emergency Management Protocol to assess the impact on Victoria's dairy industry, immediately contacting manufacturers in bushfire regions to establish their need for assistance.

DFSV worked closely with the Department of Primary Industries (DPI) during the period, helping coordinate the crisis management response as required.

Moving Forward

At the completion of this reporting period DFSV had met the objectives laid down for it in its Corporate Plan 2006 -2009.

DFSV's new Corporate Plan 2009-2012 is now in effect.

This is the fourth Corporate Plan for the organisation and it reflects the respect DFSV has earned within the dairy industry and the wider food safety arena, both regionally and nationally.

In less than 10 years we have moved from being perceived as 'the Government Regulator' to being embraced as a trusted business partner, working with industry towards the ultimate goal of safe dairy products for consumers and increased product sales.

Increasingly, our licensees now recognise the value of their licence and their own Food Safety Program.

Our strategic approach to food safety management has changed and the organisational culture has changed to accommodate this shift. We are now ready to move forward with the new three-year Corporate

Plan that has been developed, through consultation with our stakeholders, to provide innovative food regulation that adds value to Victoria's dairy industry. The new plan is a plan for our farmers and manufacturers. It builds on the work undertaken to date to increase manufacturer skills and knowledge and incorporates new work streams to address farmers' needs.

Governance

The trust now placed in DFSV by our licensees is mirrored by government. I extend my personal thanks to our Victorian Minister for Agriculture, the Hon. Joe Helper and his Department for their ongoing support.

I would also like to acknowledge the commitment of the Directors in developing our new Corporate Plan and their strategic leadership of DFSV through the 2008/09 reporting period. At all times the Board has delivered best practice corporate governance to the organisation, maintaining a strong focus on science, risk, new technology and emerging hazards.

The Board has also been acutely aware of the financial pressures that 2008/09 has brought to our industry. We have maintained licence fees, in line with CPI, and worked diligently with DFSV

staff to reduce overheads and develop a prudent and responsible four-year budgeting process.

The tenure of the current Board expires in October 2009. To ensure continuity between Boards, the Chair tenure has been adjusted to the month of April before the appointment of the new Board. I am pleased to be continuing in this role for another three years.

I sincerely express my appreciation to our CEO, Dr Anne Astin, and her dedicated team for rising to the challenge. Their unrelenting commitment in an uncertain environment has continued to produce outstanding results.

Towards 2009/10

For many in our industry 2008/09 has been a testing year and we remain on the brink of the unknown.

On the horizon is a challenging global economic environment, climate change, the government's proposed Carbon Pollution Reduction Scheme, growing government pressure to reduce the regulatory burden for industry, and new intensive rules which are evolving to address issues such as food labelling, obesity, nutrition and public health in general.

DFSV will continue to partner with industry and be flexible in responding to

these challenges in order to maintain Victoria's reputation for food safety and integrity of production. Together we can ensure our Victorian dairy foods are preferred both at home and abroad.



Shirley Harlock
Chairman
Dairy Food Safety Victoria





2008/09 has marked the coming of age for Dairy Food Safety Victoria.

As we approach our 10th year of operations, it is clear that we have successfully moved from being viewed as 'simply a regulator' to being recognised as a resource for industry. We are an active partner providing support, intelligence and food safety knowledge adding value to the day-to-day operations of our licensees.

Achieving our 2006-09 Goals

As this reporting period drew to a close, so too did our 2006-09 Corporate Plan.

This was effectively a three year 'change' program designed to educate, inform and enhance food safety skills in Victoria's dairy industry. While the primary focus of this program to date has been on the manufacturing sector, the benefits have also flowed through to dairy farmers.

By delivering improved food standards interpretation and guidance and clearer communications, we now

have a better informed industry, better able to implement best practice dairy food safety protocols, generally resulting in improved compliance.

Our core strategic outcome for this three year change program – and importantly the 2008/09 financial year – was focused on building stakeholder confidence and their perceived value of the organisation.

The growing number of requests for information, advice and knowledge resources coupled with manufacturers' active participation in our educational forums,





and their willingness to share data through DFSV, is testimony to the fact that we have met that core objective.

We have also delivered on our four key operational goals – providing consistent and contemporary food safety services for licensees; driving the implementation of a national framework; building recognition and reputation for DFSV itself; and, assuring its organisational sustainability.

Evaluating Project LEADS

The 2008/09 financial year saw the culmination of our three year change initiative, Project LEADS – leading, enhancing and advancing dairy food safety.

The LEADS vision has been a driving force behind DFSV

for the past three years. It was developed to close information gaps identified through stakeholder consultation in 2004, in order to minimise duplication, streamline processes and bring improved, tailored efficiencies to every stage of dairy food production.

During 2008/09, with funding support from the Department of Primary Industries (DPI), LEADS was rigorously evaluated using both internal and external information and the services of an independent analyst. Results indicate a significant jump in manufacturer satisfaction with DFSV, with current services rated as 8 out of 10, which is an encouraging and positive outcome for a regulatory authority.

Most significantly, the LEADS approach to reducing industry's regulatory burden has resulted in a tangible saving to industry of over \$539,000 – a saving in excess of \$1.6 million over the past three years. In addition, LEADS has delivered opportunity savings of a further \$1.65 million as value-added services taken up by industry. This represents a saving of more than \$3.2 million over the past three years.

The LEADS philosophy will continue to guide DFSV's new three-year Corporate Plan, adding value to industry and helping our partners realise important financial savings, without sacrificing food safety standards.

Achieving National Consistency

When DFSV was established in 2000, I was constantly and consistently told by farmers and industry that we needed a national standard, and we now have that.

The new national *Primary Production and Processing Standard for Dairy Products* came into operation in October 2008. Due to the extensive background work undertaken in the lead up by DFSV, and our interstate counterparts, the transition was smooth not only for Victoria, but also the national dairy industry. This marks a milestone for the Australian dairy industry and provides a model for food regulation generally, not just dairy foods.

DFSV is becoming the first port of call for information and advice pertaining to all dairy food safety related issues.



We have also been actively involved in the development of the national plan to verify industry compliance with the new Standard, together with Safe Food Production Queensland, New South Wales Food Authority, Dairy Authority of South Australia, Department of Health WA, and the Tasmanian Dairy Industry Authority. Our 2008/09 Verification Plan was accepted by the Australian Quarantine and Inspection Service (AQIS) and work is now under way to finalise the 2009/10 National Dairy Verification Plan with a view to further improving national consistency.

Empowering Stakeholders

Increasingly, DFSV is becoming the first port of call for information and

advice pertaining to all dairy food safety related issues.

This year we have responded to a record number of requests regarding the interpretation of the new Standard and other food safety requirements; provided on-site industry guidance and support; and, continued to host the popular Learning Network forums. Despite the tougher economic climate and daily demands on individual stakeholders, attendance at the Learning Network forums continues to increase, with greatly enhanced information sharing and dialogue between participants, despite the fact that most participants are also competitors.

By utilising communications channels such as these face-to-face forums; the *Fundamentals of Food Safety and Quality-for Dairy*

Manufacturers' course; our seminars and workshops; and, traditional information conduits such as our website and growing library of Dairy Food Safety Notes, we have been able to provide tools to significantly increase industry's knowledge base and bridge previously identified gaps in dairy food safety competency.

We have now reached the point where 'I didn't know' is no longer an answer to a dairy food safety issue. Scientific information, benchmarking data and experienced advisors are all accessible through DFSV.

Enforcing Compliance

While this reporting period has been characterised by a strong partnership approach, DFSV never loses sight of its statutory obligations and its role as a food safety regulator.

We have continued to undertake farm verification visits, conduct audits and product testing throughout the year and we have investigated complaints and issues as they occurred.

During 2008/09 there were no prosecutions and no threats to public health. Our benchmarking data also shows that detections of *Listeria* species in dairy products have trended down as stakeholder competency and knowledge have increased.

To safeguard the industry as a whole and protect public health, licences are not easy to obtain and they are not automatically renewed. While there were no prosecutions, several manufacturers were placed on stricter compliance programs to ensure that the performance and integrity of the dairy food safety system was maintained.

Enforcement remains a central role for DFSV and the importance of that role has been highlighted by the creation of a new position of Enforcement Manager within the organisation. This appointment will ensure equitable and timely responses to intentional breaches of the *Dairy Act 2000* and instances where public health might be compromised.

Emergency Preparedness

With the ever changing environment, we acknowledge the importance of emergency management planning and DFSV has a comprehensive risk management framework in place to support this.

Our Emergency Management Protocol and Risk Register are regularly reviewed and updated and the DFSV Business Continuity Plan, prepared with the support of funds from the Victorian Managed Insurance Authority, has this year been thoroughly tested.

Acknowledging our People

DFSV is a fluid organisation responsive to the demands of a changing environment. Our people continue to develop their skills and our workforce composition changes as needed to ensure we meet our stakeholders' evolving needs.

This is evidenced in 2008/2009 by the creation of new roles when vacancies have arisen, namely the Enforcement Manager role, the establishment of an IT and Knowledge Manager role and the appointment of a Communications Coordinator. These positions have been created through

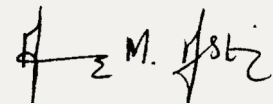
opportunities that have arisen in the organisation and overall we have not increased our full-time equivalents (FTE's) position.

This year, DFSV gained accreditation as a *Flexible Employer*. The accreditation process involved an extensive review of our policies and procedures covering work/life balance and staff feedback. This achievement acknowledges DFSV's excellence and progress in flexible work practices.

Our people are the strength behind the organisation and DFSV is committed to retaining key staff to ensure we can continue to deliver our corporate and strategic objectives.

I would like to pay tribute to our staff. While we have trimmed resources and budgets considerably to help us weather the global financial crisis, our staff has remained committed to the DFSV vision and the partnership philosophy of LEADS.

I would also like to acknowledge the unwavering support and trust placed in myself and my team by the Board. Strength in governance underpins DFSV and ensures we remain fiscally stable and strategically focused as we embrace our new Corporate Plan 2009-12 and enter our second decade of operations.



Anne Astin
Chief Executive Officer



The Dairy Food Safety Victoria Board is an independent, skills-based Board accountable to the Victorian Minister for Agriculture.



Shirley Harlock - Chairman
Dairy farmer / MAICD

Shirley brings widespread agricultural expertise to the DFSV Board, together with a solid understanding of government relations and regulatory process gleaned from a career within the public sector. She is a co-partner of Wollaston farms, a family operated enterprise comprising two 400 cow dairy farms in Warrnambool and a beef and sheep enterprise in South Australia. Shirley is currently Chair of the Dairy Australia Future Dairy research project looking at automated milking technology and advanced feedbase management. She is a past Director of Australian Dairyfarmers Ltd and a former United Dairyfarmers of Victoria Central Councillor and Executive member.



Trevor Tappenden – Deputy Chairman
ACA, FAICD

Trevor previously held the position of Managing Partner of Ernst & Young in Victoria, as well as other key management roles in that firm. He has extensive experience in financial management, strategic planning, auditing and accounting. His current Directorships include Bionomics Ltd, Metal Storm Ltd, RMIT University and RMIT Vietnam, VITS LanguageLink, and Heide Museum of Modern Art (Chairman). Trevor is an Associate of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors.



Doug Day
Dip Dairy Tech

Doug has more than 40 years experience in dairy manufacturing, including Factory Manager of the Yoplait factory in Echuca and General Manager/CEO of Meiji MGC Dairy Company. Since his retirement, he has been associated with Goulburn Ovens Institute of TAFE (GOTAFE) as Executive Officer of the Victorian Food Industry Centre, prior to it becoming the National Centre for Dairy Education Australia. Doug is also a Director of Murray Dairy.





Sarah Crooke
Dip Medical Technology,
FAICD

Sarah has broad industry experience representing farmers on the Australian Dairy Farmers Federation and executive of the United Dairyfarmers of Victoria, and as a Board member of the Dairy Research and Development Corporation, Dairy Australia, Goulburn Murray Water, the North East Catchment Management Authority and Genetics Australia. She has 28 years experience managing a 450 cow farm and she has been the recipient of a Churchill Fellowship, for which she undertook a six-month study tour of the US, UK and European dairy industries. In 2002, Sarah established a boutique ice cream manufacturing business.



Margaret Darton
BAppSc, DipAppCh,
GradDipLib, GAICD

Margaret is Manager Food Policy, Department of Primary Industries Victoria and was a member of the Government's Working Group that established Dairy Food Safety Victoria. She has responsibility for providing advice on food and food regulation policy as it relates to the agricultural sector at both state and national levels and is a member of the National Working Group for development of Primary Production and Processing Standards. Margaret is also responsible for coordination of the Department's involvement as joint venture party of Food Science Australia.



Zoe Attwood
MBA – Technology
Management, GAICD,
Grad Dip Bus Admin,
BSc – Microbiology &
Biochemistry

Zoe is Asia Pacific Innovation and NPD Manager for O-I (ACI Operations Pty Ltd), a glass container packaging company. She brings widespread commercial and research experience to DFSV, from across the manufacturing and on-farm sectors of the dairy industry, in both New Zealand and Australia, as well as other industries including forestry, wine, meat and packaging. Zoe has been responsible for the development and commercialisation of a number of food products, ingredients and manufacturing processes, which have included addressing aspects of food technology and safety. She is a past Director of TGR Biosciences Pty Ltd, Australian Ingredients Centre Ltd, and Dairy Ingredients Group of Australia.



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

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



Delivering Consistent and Contemporary Food Safety Services for Licensees

Dairy Food Safety Victoria has taken a unique approach to regulation that is proving very successful within the Victorian dairy industry.

By providing licensees with the information and resources they need to implement best practice food safety guidelines, DFSV is up-skilling industry, closing competency gaps and enhancing industry's preparedness to tackle future challenges and risks.

Through this partnership approach, DFSV is supporting Victoria's dairy businesses to do business better and, at the same time, it is fulfilling its statutory obligations by safeguarding public health.

LEADS

The LEADS philosophy
 - Leading, Enhancing, Advancing Dairy Food Safety
 - has been the strategic focus of DFSV for the past three years. Project LEADS has delivered an innovative approach to the delivery

of food safety regulatory services specifically targeting improvement in the areas of Information Services, Standards Interpretation and Guidance, Communication, Audit and Compliance.

It was developed in response to a 2004 review which revealed the importance

of - and industry need for - accessible, high quality information and facts about dairy food safety and regulatory matters. At the time, stakeholder consultation identified a gap between the services provided by DFSV and industry's needs.



Over the past three years DFSV has bridged this gap through an integrated work program based on the LEADS approach of support and partnership.

Project LEADS has been extensively evaluated by DFSV and also as part of the Victorian Government's *Reducing the Regulatory Burden* initiative, which found that LEADS has delivered a reduced administrative burden on industry, as well as financial savings. The project cost to DFSV was \$725,000 over three years and analysts estimate a return benefit to industry of \$3.2 million. This reflects reduced duplication and smarter business practices made possible through increased knowledge and communication.

Positive industry feedback gained through independent surveys conducted with licensees in January and March 2009 further highlight the success of the LEADS approach.

The LEADS philosophy was inherent in all work programs undertaken by DFSV in 2008/09 and an evolved version of LEADS has been used to form the basis of the new Corporate Plan 2009 - 2012.

Standards Interpretation & Guidance

Increasingly, DFSV is becoming the first port of call

for farmers, manufacturers and others seeking practical guidance and clarification regarding licensing, the interpretation and implementation of food standards and legislation.

During 2008/09 DFSV experienced a significant jump in requests for advice, with issues ranging from the interpretation of the new national dairy standard and other standards in the Food Standards Code (relating to aspects of labelling, product testing and ingredients), to case-specific enquiries relating to individual company issues.

To assist with its advisory role, DFSV monitors and analyses current technical information from around the world, enabling it to provide the most up-to-date guidance possible to help its stakeholders' businesses.

Manufacturer Support Visits

The non-audit support visitation program, commenced in 2007/08, continued this year, with industry welcoming the opportunity to raise any issues on an industry or company specific level with senior DFSV representatives.

Through this Stakeholder Relationship Management Plan, manufacturers receive visits from DFSV Board members and/or

"DFSV seems much more willing to help. Their aim of being a collaborative resource for industry is working."

Dairy Manufacturer, March 2009

management who provide information to enable better compliance through education and informal discussions. The visits allow discussions outside the audit context and enable DFSV to seek feedback on areas of priority concern to manufacturers.

Information Services

DFSV keeps its licensees informed and up-to-date through a wide range of knowledge products.

The DFSV website at www.dairysafe.vic.gov.au provides access to all DFSV resources, including the ever-expanding collection of technical notes, key standards documentation, relevant food acts and the Australia New Zealand Dairy Authorities Committee's (ANZDAC's) *Listeria* and *Salmonella* manuals.

This year, five new Dairy Food Safety Notes were added to the website.

Extensive work was also undertaken by DFSV to drive the development of an updated ANZDAC Pathogen Manual for adoption on a national basis. This manual will replace the current *Listeria* and *Salmonella* manuals.

Record numbers participated in the quarterly Learning Network forums this year, highlighting the value manufacturers see in being able to exchange information with other manufacturers in a non-competitive environment. Guest speakers were a key draw card, providing specialist advice on topics such as *Biofilms* and *Building materials suitable for dairy manufacturing premises*.

As a platform for two-way communications, the forums also help DFSV determine the technical information needs



of dairy manufacturers. During the year representatives from over 60 licensed manufacturers attended at least one Forum event.

Industry Training

The *'Fundamentals of Food Safety and Quality-for Dairy Manufacturers'* course held across Victoria also attracted record numbers this year with up to 600 trainees attending from 30 dairy manufacturing companies. The course was developed by DFSV, in conjunction with the National Centre for Dairy Education Australia, to close competency gaps identified through stakeholder consultation in the development of Project LEADS.

Another highlight of the 2008/09 training calendar was a half day *Pasteurisation Seminar*, hosted by DFSV and the Victorian division of the

Dairy Industry Association of Australia at Food Science Australia in February. Over 90 people, representing 24 manufacturers and other industry bodies attended the event. This was an excellent turnout despite many registered attendees being unable to attend due to the bushfire conditions around the state at that time.

Hazard and Risk Preparedness

DFSV has been working in conjunction with local and international partners to ensure that the Victorian dairy industry remains at the forefront of food defence and risk analysis initiatives. Food defence is a combination of food safety (accidental contamination) and food protection (intentional contamination) and provides a new way of assessing risk in this context.

During the year, DFSV built on its work with the USA University of Maryland's food defence team by hosting a visit to Australia by the University's Dr Charlie Yoe, a world-recognised expert in food risk analysis. During his visit, Dr Yoe conducted a Risk Analysis Training program for 52 participants and representatives from a number of industry and government regulatory bodies.

The training, which was supported by the Geoffrey Gardiner Dairy Foundation, provided a comprehensive look at managing risks in the dairy industry, equipping participants with insights and tools to identify and manage hazards within their own facilities.

Dr Yoe and DFSV General Manager Knowledge Management, Doug Eddy, also conducted follow up on-site Food Defence assessments for major liquid milk processors in Australia and New Zealand.

In 2008/09, the topics of food defence, hazard analysis and risk management were kept high on the agenda with DFSV using many of its industry contact opportunities, such as the Learning Network forums and non-audit visits, to engage stakeholders in these areas. Additionally, DFSV participates in a range of state and national emergency management forums and exercises. This

year, for example, DFSV representatives were part of the Incident Management Group that was established by Food Standards Australia New Zealand (FSANZ) in response to the melamine in milk crisis originating in China. The group convened regularly by teleconference during the crisis to implement risk management strategies and communication initiatives.

The melamine crisis served to reinforce the importance of DFSV's initiatives in the areas of dairy-food related hazards and risk management, with the Australian dairy industry now recognising the need for industry preparedness to counter even the most unlikely threats.

Product Testing, Monitoring and Surveillance

During 2008/09 DFSV continued to undertake a number of key product analysis testing programs to verify the safety of Victoria's dairy foods.

The Product Testing Program is DFSV's independent testing program for finished dairy products. Through the program public health authorities and consumers are assured that they are not exposed to unacceptable microbiological contaminants in their dairy foods.

DFSV has been collecting this data for several years and is

now producing tailored trend reports by manufacturer and product type, enabling manufacturers to track their product quality against others in the same industry sector.

Increasingly, manufacturers are finding these new-look reports provide useful comparative data that can be used to benchmark and improve performance in both product safety and quality.

DFSV also coordinates the annual Australian Milk Residue Analysis survey on behalf of the Australian dairy industry which tests for chemical residues in milk. The survey results have proved to be of significant interest in export markets and they play an important role in maintaining market access. In 2008/09 13,430 analyses were conducted on 1,030 samples taken from milk tankers from all dairying regions of Australia, with 100% per cent compliance with Australian standards.

Audits and Compliance

During the year DFSV continued its on-going regulatory compliance program, with audits conducted by both contract auditors and DFSV authorised officers. The review and approval of Food Safety Programs against the requirements of the national standard continued and industry performance trends were monitored and reported.

Management of the audit process remains a high priority for DFSV, with the competency and conduct of DFSV's approved auditors regularly reviewed against the terms and conditions of the Deed of Undertaking. Opportunities for improvement are identified through this process and improvements were implemented throughout the year to fine-tune the audit process and minimise the administrative burden to industry.

DFSV is Chair of the National Dairy Farm Auditor Working Group which includes representatives from all State dairy regulatory authorities. The Group meets twice per year and the objectives are to boost auditor competency, promote consistency and keep auditors up-to-date. One of the key outcomes during the year from this Group is the ongoing provision of performance feedback. Contract auditors are presented with a 'report card' detailing their performance against the terms of the Deed of Undertaking in the previous quarter. To date feedback from auditors regarding this process has been extremely positive.

DFSV's policies and procedures for food safety compliance were updated during the year to incorporate the *National Food Safety Audit Policy*, and efforts to promote DFSV's policy and procedures

to key stakeholders are ongoing.

During 2008/09 there were three dairy related voluntary product recalls – one due to packaging that presented a potential choking hazard, another due to plastic fragments found in the product and the third, an *E. coli* contamination issue which saw DFSV staff working closely with the manufacturer to ensure appropriate food safety actions were adopted. No consumer injuries or illness were reported.

Enforcement of Legislation

DFSV's role as the industry regulator is critical for safeguarding the industry's reputation and protecting public health. While the organisation has been successful in helping licensees meet their food safety obligations through support and education, it remains empowered to enforce legislation when necessary.

During this reporting period DFSV has undertaken enforcement action on non-compliant dairy licensees and food safety matters relating to public health issues as required. DFSV staff also continued to provide input into the *National Enforcement Guideline* which has been established to provide a consistent approach to enforcement action by food regulators across Australia.

To maintain its enforcement capability, DFSV staff have undergone training in legal awareness and an Enforcement Manager role has been created and an appointment made, ensuring DFSV has a competent and confident workforce capable of managing enforcement issues.



Implementing a National Framework

DFSV has taken a national approach to improving consistency and decreasing the regulatory burden on industry by reducing duplication and streamlining processes.

This big picture approach has earned DFSV a voice at the country's most influential food regulatory forums and seen the organisation build mutually beneficial working relationships with key national bodies such as the Australian Quarantine & Inspection Service (AQIS) and all other state and territory dairy regulatory bodies dealing with dairy regulation.

National Standard

DFSV's first stakeholder survey, conducted approximately six years ago, gave a clear message that industry wanted a national standard. This has now been accomplished.





The national standard: *FSANZ Standard 4.2.4: Primary Production and Processing Standard for Dairy Products*, which addresses food safety issues across the dairy sector from on-farm milk production to dairy product distribution, came into effect on 5 October, 2008.

It was the culmination of much work done over the past few years to establish the framework for the new standard. Its introduction was seamless, largely due to the groundwork done by DFSV and its counterpart interstate regulatory authorities, who worked collaboratively to facilitate the implementation of this single standard, removing confusion and duplication.

During 2008/09 DFSV has supported the new standard, influencing the development of regulatory and non-regulatory tools to facilitate the implementation

process through its role with the Dairy Export Industry Consultative Committee, Food Export Regulators Steering Committee, Australia New Zealand Dairy Authorities Committee and other relevant forums. It also has an ongoing role, providing critical standards interpretation advice to its licensees.

National Dairy Verification Plan

The National Dairy Verification Plan was developed in 2008 to support consistent implementation of the new national dairy standard. Endorsed by the Food Export Regulators Steering Committee, the plan establishes annual targets for verification to provide a snapshot of the health and effectiveness of the national regulatory system.

The results will be used for benchmarking, trend

identification and to guide the future development of compliance and regulatory services in Australia. In overseas markets the verification will be used as further evidence of assurance, helping to maintain Victoria's reputation as a reliable supplier of safe, high quality dairy foods.

During the year DFSV staff conducted verification audits in South Australia and Tasmania fulfilling DFSV's cross-jurisdiction work commitment under the 2008/09 National Dairy Verification Plan. Staff from the Dairy Authority of South Australia also undertook a reciprocal review in Victoria.

Towards the end of the reporting period DFSV hosted a meeting with representatives from all state dairy regulators and AQIS to review delivery of the 2008/09 National Dairy Verification Plan and to draft the 2009/10 Plan.

Dairy Performance Outcomes Project (DPOP)

As secretariat for the Food Export Regulators Steering Committee's 'Dairy Performance Outcomes Project', DFSV played a central role coordinating the DPOP Technical Working Group, which also comprised personnel from AQIS, New South Wales Food Authority, Safe Food Production

Queensland, Dairy Australia and industry representatives.

The key objective of DPOP is to establish a framework to measure the overall performance of the national dairy food safety system. Performance data can then be used to further assure overseas markets of the integrity of the food safety system.

During the year this Group worked to identify areas in which key performance indicators (KPI's) for the dairy industry could be established. It then undertook to pilot the implementation of these KPI's, garnering industry cooperation to partner with the regulatory sub-group for the pilot project.

At the close of this reporting period significant progress had been made in key areas and the Food Export Regulators Steering Committee will review the development of the pilot project protocols at its next meeting.

Addressing the European Union's Review

The 2008 review of the Australian Meat and Dairy Industries by the European Union (EU) concluded in June 2008. Overall, this was a successful review for the dairy industry, with the EU accepting most of Australia's responses to its requirements.

Issues identified in the final EU report which remain unresolved at 30 June 2009 are expected to be included in the audit when the EU revisit Australia in November 2009.

EU concerns relate to the temperature of milk on-farm at collection and some of the arrangements that are in place regarding inhibitory substances, especially antimicrobial residues.

DFSV completed the first stage of a National Milk Cooling Project with the Food Safety Centre at the University of Tasmania in June 2009. With the financial support of Dairy Australia and industry data collected from Murray Goulburn Co-Operative, this project aims to review the food safety and quality implications of different cooling profiles for raw milk.

The findings of this project will deliver both an important validation tool for industry and further demonstrate that appropriate temperature controls are implemented during storage and transport of raw milk.

In addition, DFSV is assisting in government efforts to assure the EU that appropriate controls are in place to manage inhibitory substances.

Through data collection and analysis, such as the Australian Milk Residue Analysis Survey, there were no detections of unacceptable levels of

chemical residues which may have impacted on product exports or public health concerns. DFSV is confident that effective controls are in place and it will continue to provide assurance to keep the trade doors open.

Working with the Australian Quarantine & Inspection Service (AQIS)

At the beginning of this reporting period AQIS sought to extend its Letter of Exchange with the country's dairy regulators for the delivery of export dairy audits until June 2009.

All state and territory regulators, including DFSV, agreed to this extension of services and have worked with AQIS throughout 2008/09 in providing rigorous auditing services to meet the requirements of international markets.

Future service delivery arrangements with AQIS were being negotiated at the end of the current reporting period, with a new Letter of Exchange in place from July 2009.

Influencing Legislation

DFSV is committed to representing industry interests at a wide range of influential forums. Through discussions, involvement in meetings, input into reports and formal

submissions, DFSV ensures industry's voice is considered in major government regulatory reviews, such as the Beale Quarantine and Biosecurity Review and the Victorian Competency and Efficiency Commission's Inquiry into food regulation.

The possible consumption of raw milk by the wider public continues to pose food safety issues for the dairy industry and this year a significant amount of work has been undertaken to assist the development of relevant legislation and policies should raw milk product acceptance at a national level be adopted. DFSV also participates in the FSANZ Dairy Scientific Advisory Panel which supports the national risk assessment process for raw milk and raw milk products.

National Representation

DFSV is committed to ensuring dairy food safety remains at the forefront of food regulation in Australia. It does this by ensuring it has a place – and voice – at the most influential food regulatory tables around the country.

Most notably, this year, DFSV CEO Dr Anne Astin was appointed Chairman of the National Food Regulatory Implementation Sub-Committee (ISC), a role that is complementary to dairy food regulation.



In 2008/09, DFSV staff represented the Victorian dairy industry at a wide range of high profile national committees and working groups. A comprehensive list of DFSV's Committee Representation is provided in Appendix C.



Building Recognition and Reputation

DFSV's 2006 - 2009 Corporate Plan identified the need to ensure that the organisation's role is recognised and supported by its stakeholders.

Through the implementation of Project LEADS over the past three years, DFSV has succeeded in positioning itself as an important industry partner.



“DFSV has a considerably better service now compared with five years ago. Would rate current services as 8 out of 10, compared with a rating of 3 out of 10, five years ago.”

Dairy Manufacturer, January 2009

Locally DFSV is now recognised for adding value to the industry and its reputation for assuring the integrity of Victoria’s dairy foods is well established in vital foreign markets.

What the Stakeholders are Saying

DFSV encourages two-way communication and regularly seeks stakeholder input and feedback to ensure it continues to meet its licensees’ needs.

Four years ago there was a recognised gap between what industry wanted and what DFSV was delivering, however over the past three years through its range of value-added services, DFSV has succeeded in turning around stakeholder

perception, with perceived value of the organisation increasing significantly.

Testimony to stakeholders’ changing opinions is the following manufacturer feedback recorded in January 2009:

“DFSV has a considerably better service now compared with five years ago. Would rate current services as 8 out of 10, compared with a rating of 3 out of 10, five years ago.”

“I would never have contacted DFSV five years ago. The relationship I have now is excellent – a vast improvement in communication and services.”

Satisfaction in DFSV’s audit service has also increased. A recent stakeholder survey revealed a 100% satisfaction rate with the audit service currently delivered by DFSV staff with no areas for improvement suggested.

Representing Industry

DFSV’s representation on a wide range of dairy and animal health related committees and working parties continues to grow. Senior staff representatives are increasingly invited to participate at these meetings, using their technical expertise and experience to contribute to the debate on topical issues and assisting in the development of operational guidelines and protocols.

In 2008/09 DFSV’s representation included, but was not limited to:

- Department of Primary Industries (DPI) Victoria Anthrax Advisory Committee
- Bovine Johnes Disease Dairy Advisory Committee
- Dairy Industry Forum on Bobby Calf Issues
- Enzootic Bovine Leucosis Victorian Program Steering Group
- DPI Biosecurity Audit
- Livestock Industry Consultative Committee
- Dairy Cleanser Advisory Group

Presentations and International Representation

DFSV senior staff regularly present at a wide range of meetings, locally and overseas. A sample of key presentations given during the year is provided in Appendix D.

This year’s highlight presentation was given by DFSV Manager Operations, Strategy and Policy, Corrie Goodwin, who travelled to China at the invitation of Dairy Australia in December to present to 30 alumni of the DA China Scholarship and meet with the Chairman and Deputy Chair of the Chinese Dairy Industry Association. The primary intent of the visit was to outline the Australian dairy industry’s food safety and quality management systems, in the wake of China’s melamine in milk crisis.

DFSV is committed to building strong international relationships and showcasing its approach to assuring the integrity of local dairy products in order to boost international markets confidence in Victorian dairy foods.

In August 2008, General Manager Operations, Andrew Chen travelled to the USA to attend the “*Better Process Cheese School Workshop*”, and the “*International Association of Food Protection (IAFP) Conference*” in Columbus, Ohio. The event provided an excellent opportunity for DFSV to gain a broader understanding of the food safety trends and issues faced on an international stage and to forge closer working relationships with food safety professionals around the world.

As part of its international relations strategy, DFSV regularly hosts international

delegations visiting Australia from both existing and emerging markets.

Key meetings with international delegates in 2008/09 included:

- A presentation to Korean executives at Dairy Australia on Australia's dairy food safety systems.
- A presentation to delegates from south-east Asia on Australia's food safety systems, as well as DFSV's role in food safety and licensing from paddock to plate.
- A presentation to Directors and Vice Directors of the Wuhan City (and districts) Food and Drug Administration, China, detailing the regulatory framework in Australia and the mechanisms by which food safety assurance was delivered within the Victorian dairy industry.
- A meeting with representatives from the Macau Food Inspectorate who were interested in how Australia's dairy industry is regulated, and in particular how dairy regulation in Australia is able to provide assurance on issues such as melamine.

Working with Biosecurity Victoria

Last year DFSV successfully negotiated an agreement with the Chemical Standards Branch of Biosecurity Victoria that eliminated the need

for duplicate regulatory audits to monitor compliance with record-keeping requirements for the use of agricultural and veterinary chemicals on dairy farms.

This year the two organisations worked closely together to fulfill their Memorandum of Understanding and monitor the effectiveness of the single audit system, and have identified future opportunities to work together to further reduce the regulatory red tape for dairy farmers.

Sponsorships

In 2008/09 DFSV invested in several strategic sponsorship opportunities, maintaining a high profile for the organisation by aligning it with the industry's premier events, including:

- The Australian Specialist Cheesemaker's Association Annual Awards – August 2008.
- The Australian Institute for Food Science and Technology's 13th Australian Food Microbiology Conference – March 2009.
- The 24th Annual Dairy Industry Association of Australia Victorian State Conference – May 2009.
- The Victorian Farmers Federation / United Dairyfarmers of Victoria Annual Conference – June 2009.



International Organisation for Standardisation (ISO) Reviews

In recognition of DFSV's specialist expertise and industry standing, Standards Australia enlisted its assistance this year to review and refine 27 draft ISO dairy standards.

In future, Australian Standards for the analysis of dairy products will adopt ISO standards wherever possible, after the applicable standards have been reviewed by DFSV to ensure that they encompass methods that are practicable and suitable for the Australian industry.

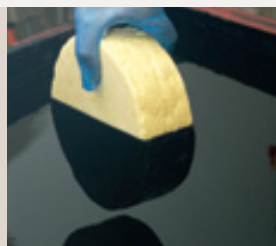
Emergency Management Task Force Participation

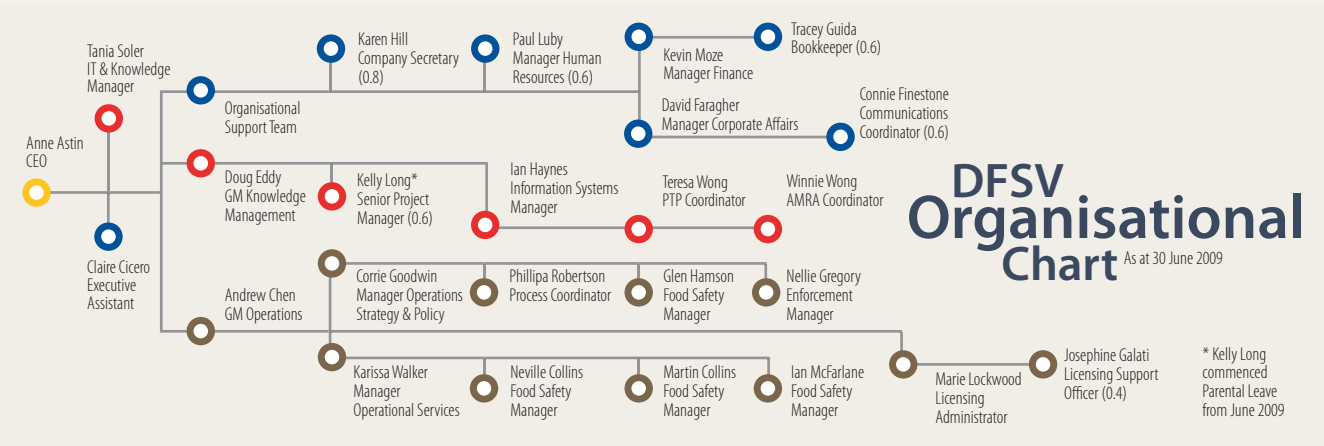
From the intentional melamine contamination of Chinese infant formula to

the Black Saturday bushfires to a potential influenza pandemic, 2008/09 was characterised by an unprecedented level of crises that had the potential to adversely impact Victoria's dairy industry.

DFSV's preparedness strategy held it in good stead with DFSV senior managers recruited to specialist government emergency task forces to help manage and contain risks associated with the Chinese melamine crisis and the aftermath of the Victorian bushfires.

DFSV also took a leading role relating to the potential influenza pandemic, hosting a meeting in November with relevant authorities to explore possible actions should a pandemic occur.





Maintaining Organisational Sustainability

DFSV is a sustainable organisation, committed to effective and transparent business processes.

The long term viability of the organisation has been based on sound governance, ethical business practices, professional integrity and a commitment to continuous improvement.

Financial Sustainability

DFSV's rolling four-year financial plan has ensured it remains financially stable despite this year's economic uncertainty. The organisation's funding model provides for a reasonable lead time for any financial impacts to be absorbed, allowing for organisational strategies to be amended accordingly.

In 2008/09 DFSV met the financial targets set by its Board. Through diligent control of expenditure and investment, additional manufacturer licence fee income (due to higher than forecast production) and by attracting supplementary funding for non-core projects, DFSV achieved an operating surplus of \$362,358 for the year ended 30 June 2009.

The organisation remains committed to pursuing supplementary funding for non-core projects. During the year DFSV was successful in obtaining funding from the Geoffrey Gardiner Dairy Foundation for the Risk Analysis Training Workshops presented by Dr Charlie Yoe. Funding was also sourced from DPI to undertake the Reducing the Regulatory Burden study during the year.

Organisational Capability

DFSV's organisational structure and capabilities continue to evolve to reflect industry's changing needs, attitudes and growing food safety competency.

In 2008/09 DFSV's organisational structure was changed to clearly identify the two key operational streams: the delivery of audit services and enforcement; and, the provision of knowledge products and services.

A full-time Enforcement Manager was recruited to build on DFSV's enforcement capability and a full-time Information Technology and Knowledge Manager was appointed to oversee information and analysis and enhance DFSV's internal technical skills. A part-time Communications Coordinator was also appointed during the year.

Continuous improvement strategies are also in place within DFSV to provide all staff with a continuous learning and professional development environment, ensuring that DFSV remains an intelligent, well-informed learning organisation, capable of meeting stakeholders' needs now and in the future.

People Strategy

The strength of DFSV continues to be its staff. The organisation experiences low employee turnover, maintaining its corporate knowledge base, specialist skills and experience.

Staff satisfaction remains high, according to the results of the 'People Matter Survey', an employee perception survey conducted annually by the State Services Authority. The survey gathers information on a broad range of people

management issues such as: public sector values; employment principles; work environment; and job satisfaction. In all areas DFSV recorded an increase in the 'Percentage Agreement' and 'Percentage Satisfied' rankings by staff, compared to the 2007 results.

This year DFSV also gained accreditation as a 'Flexible Employer'. The accreditation process involved an extensive review of DFSV's policies and procedures covering work/life balance, as well as a staff survey and interviews. This achievement acknowledges DFSV's excellence and progress in flexible work practices.



Enhancing IT Capacity

The development, refinement and implementation process for DFSV's new IT system continued this financial year.

Significant resources have been committed to this project which will improve DFSV's reporting and analysis capability, allowing it to provide more thorough reports, detailing product testing results and tracking trends.

Additionally, development work commenced this financial year on a new website for DFSV, which will go live in 2009/10. The new site will deliver improved functionality as well as being the 'first-stop' shop for information on dairy food safety. It will also facilitate the sharing of information across industry.

Emergency Management Planning

The very nature and purpose of DFSV sees the Board and management focus on risk management and preparedness.

DFSV has an enterprise risk management framework in place to ensure that appropriate procedures exist for the identification, quantification and management of risks. This year the Emergency Management Protocol was revised and updated and the Business Continuity Plan was thoroughly 'road tested' through an external review. Both plans have now been updated to incorporate learnings from the assessments and incorporated into current risk management best practice procedures.



Moving Forward

At the completion of this reporting period DFSV met the objectives laid down in its Corporate Plan 2006 -2009.

Evaluation and stakeholder feedback has identified a significant shift in attitude towards DFSV and the Victorian dairy industry's overall food safety capability and the commitment to food safety and quality assurance is apparent.

The culture has changed and DFSV's new three year Corporate Plan 2009 - 2012 has been developed to reflect this change in culture and the changing needs of stakeholders.

Extensive work was undertaken throughout this financial year to develop the new Corporate Plan, in consultation with government, manufacturers, farmers and DFSV staff.

As the organisation moves forward its operational focus will incorporate four strategic themes:

Regulatory Innovation – working towards streamlined compliance and further reducing the regulatory burden through a model that is intended to become the benchmark for regulatory best practice.

Innovative Science and Technology – managing food safety risk in innovative applications of new technology, using science to drive the improvement of new dairy food safety systems and working to streamline the regulatory requirements impacting the development of new products and technologies.

Emergency Preparedness and Response – enhancing community, government and industry confidence in Victoria's dairy food safety, managing emerging risks to protect the market and ensuring the continuity of supply of safe dairy food for consumers.

National Consistency – continuing to work towards seamless delivery of dairy food safety regulation between state and Commonwealth entities, working towards consistent, national implementation of food safety standards for the dairy industry.

Through implementation of the new Corporate Plan, industry and government will see innovative food regulation continuing to add value to Victoria's dairy industry.



APPENDIX A: PUBLICATIONS 2008-2009

Technical Notes:

- Note 25 - *Listeria monocytogenes* - Management in Dairy Factories
- Note 26 - Internal Audits - Verification of Food Safety Programs
- Note 27 - Product Labelling – What are the requirements?
- Note 28 - Standards – Microbiological Compliance for Dairy Products
- Note 29 - Minimising Food Safety Risks of Water used in Milking
- Note 2 - Detection Limits of Antibiotic Residue Kits - updated

APPENDIX B: DAIRY INDUSTRY LICENCE STATISTICS

Licence	Total	Transfers	New Applications	Cancellations
Manufacturer (cow)	143	2	9	16
Manufacturer (sheep, goat & buffalo)	9	0	2	0
Farm (cow)	5462	263	68	8
Farm (sheep, goat & buffalo)	14	0	2	5
Milk Broker	2	0	0	0
Distributor	132	1	13	9
Carrier	38	0	1	3

Note: There were a number of dairy farmer licences pending cancellation at the end of this reporting period. Farmers can continue to hold a dairy licence for the full two years of the licensing period. The next licensing period will begin in July 2010 at which time farmers who have ceased operations will not be eligible to renew their dairy licence.

APPENDIX C: COMMITTEE REPRESENTATION

Committee/Working Group	Purpose	DFSV Representatives	Term
AgriQuality Technical Proficiency Committee	To provide technical input into dairy industry laboratory proficiency testing programs.	D Eddy	Ongoing
Dairy Export Industry Consultative Committee (DEICC)	AQIS/industry group to discuss export issues.	A Astin A Chen C Goodwin	Ongoing
Manufacturing Advisory Committee (NCDEA)	To provide input into the manufacturing key initiatives of the NCDEA.	K Wilson D Faragher	Ongoing
AMRA Survey Review Committee (coordinated by Dairy Australia)	To conduct an annual review of the AMRA Survey.	W Wong A Astin	Annual
Food Export Regulators Steering Committee	To harmonise regulatory services for domestic and export services.	A Astin A Chen C Goodwin	Ongoing
Government Food Communicators Group (ISC sub-group)	To ensure consistent communication of food safety issues.	C Finestone	Ongoing
Food Safety Council	To advise the Minister for Health on food matters relating to public health.	A Astin	Ongoing
Implementation Sub Committee	To develop the strategy for consistent implementation of food regulation in Australia.	A Astin	Ongoing
National Enforcement Policy Working Group (ISC sub-group)	To establish a consistent and graduated approach to enforcement across the jurisdictions via the National Enforcement Policy.	A Chen	Ongoing
Standards Australia Committee – Dairy Products	To review Standards relating to dairy products.	I Haynes	Ongoing
Dairy Industry Association of Australia (DIAA) Publications Committee	To oversee DIAA publications.	D Eddy	Ongoing
Australia New Zealand Dairy Authorities Committee (ANZDAC)	Harmonisation/sharing of technical information.	D Eddy	Ongoing
Standards Development Committee (FSANZ)	To develop the national dairy standard.	D Eddy A Astin	Ongoing

APPENDIX C: COMMITTEE REPRESENTATION *cont.*

Committee/Working Group	Purpose	DFSV Representatives	Term
Dairy Scientific Advisory Panel (FSANZ)	Provide technical input into the development of FSANZ dairy standards.	D Eddy	Ongoing
Dairy Gains Project Executive	Responsible and productive management of dairy effluent.	C Goodwin	Quarterly
Livestock Industry Consultative Committee	Forum for livestock industry discussion.	C Goodwin	Ongoing
Anthrax Consultancy Committee (LICC sub committee)	Input into strategic management of anthrax preparedness.	C Goodwin	Ongoing
Senior Field Officers Working Group	Discussion of farm issues.	C Goodwin	Ongoing
Learning Network Forums	Discussion of dairy manufacturer issues.	I Haynes	Ongoing
Animal Welfare Reference Group	Consultative dairy industry group regarding animal welfare issues.	C Goodwin	Ongoing
Bovine Johne's Disease (BJD) Dairy Advisory Committee	Input into strategic management of BJD issues.	C Goodwin	Ongoing
Enzootic Bovine Leucosis (EBL) Victorian Program Steering Group	Input into strategic management of EBL issues.	C Goodwin	Ongoing
Dairy Australia's Technical Issues Reference Group	To provide strategic input/discussion on technical issues.	D Eddy C Goodwin	Ongoing
RABQSA-National Food Safety Auditor Scheme Committee	To represent the dairy industry. Auditor competency discussion with key industry stakeholders.	A Chen	Ended 30 June 2009
DIAA Victorian State Executive	To provide direction to the activities of the Victorian DIAA.	D Eddy	Ongoing
DIAA State Representative Committee	To provide direction to the activities of the DIAA nationally.	D Eddy	Ongoing
Environmental Health Australia Food Safety Special Interest Group	Forum for discussion of food safety issues.	K Walker	Ongoing
AQIS Dairy Industry Ministerial Taskforce	To develop a reform agenda for export certification.	A Astin	To be determined

APPENDIX D: PRESENTATIONS 2008/2009

- Regulations in the Dairy Industry, National Centre for Dairy Education Australia (NCDEA) Diploma students, July 2008
- Australia's Dairy Food Safety Systems, Korean Delegation at Dairy Australia, July 2008.
- National Framework for Food Regulation in the Australian Dairy Industry, Dairy Australia Japan Scholarship Group, August 2008.
- How to Keep Your Business Safe, Australian Specialty Cheesemaker's Association Forum, August 2008.
- The National Food Safety Framework, Milk Processors Association of Victoria, September 2008.
- Thinking Globally, Acting Nationally, Delivering Regionally, RMIT, September 2008.
- National Framework for Food Regulation in the Australian Dairy Industry, Dairy Australia Japanese Scholarship Group, October 2008.
- Requirements and Procedures – *Listeria* or *L. monocytogenes* Detections, Department of Human Services, November 2008.
- Managing Industry Information and Knowledge, Milk Processors Association of Victoria (MPAV), November 2008.
- Australia's Dairy Food Safety System, Dairy Australia China Scholarship and Chinese Dairy Industry Association, December 2008, China.
- Food Regulation in Australia and Victoria's Dairy Industry, Wuhan City, Hubei Province, China Officials Visit, January 2009.
- Overview of the Pasteurisation Process, Pasteurisation Seminar, February 2009.
- Regulatory Requirements and Standards Relating to Pasteurisation, Pasteurisation Seminar, February 2009.
- Tracking Pathogens and Implications for Industry: *Salmonella* and *Listeria*, Australian Institute of Food Science and Technology's 13th Food Microbiology Conference, March 2009.
- Changing Food Processes – the Challenges and the Regulatory Environment, Australian Institute of Food Science and Technology's 13th Food Microbiology Conference, March 2009.
- Food Safety Regulations for the Dairy Industry, Diploma Year Food Science Students, NCDEA, April 2009.
- Regulations Relating to Cheesemaking, participants enrolled in Farmhouse Cheesemaking Course, NCDEA, April 2009.
- Thinking Globally, Acting Nationally, Delivering Regionally, United Dairyfarmers of Victoria Executive Council, May 2009.



Charter and Purpose

Dairy Food Safety Victoria (DFSV) was established under the *Dairy Act 2000*.

The organisation is a statutory authority that reports to the Minister for Agriculture.

Objectives of the Authority

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

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

Functions of the Authority

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

- establish, maintain and improve:
 - (i) the food safety standards of dairy food;
 - (ii) the standards of construction and hygiene of plant and equipment in dairy manufacturing premises;
 - (iii) the standards of maintenance, cleanliness and hygiene of dairy transport vehicles;
- monitor and review the standards specified in (i) – (iii);
- approve and monitor the implementation of food safety programs;
- administer the licensing system under Part 3 of the *Dairy Act 2000*;
- ensure that appropriately qualified persons are appointed as authorised officers;
- fix and charge fees in respect of the carrying out of its functions or the exercise of its powers;

- in consultation with the Secretary to the Department of Health or a municipal council, protect public health;
- advise the Minister on matters relating to the administration of this Act; and
- carry out any other function that is conferred on the Authority by this Act or any other Act.

Powers of the Authority

DFSV, subject to the *Dairy Act 2000*, has all the powers necessary to enable it to perform its functions.

Also, DFSV may:

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

Board of Directors

The DFSV Board consists of seven members, who are appointed on the basis of their skills and expertise rather than industry sector representation.

The Minister appoints the Chairman and may also appoint one member nominated by the Secretary of the Department of Primary Industries. The Minister appoints the remaining five members acting upon the recommendations of a selection committee.

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

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

Each member holds office for three years and is eligible for re-appointment. The current Board term finishes in October 2009.

Board Committees

The Risk Management and Audit 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 are Mr Trevor Tappenden (Chair), Ms Zoe Attwood and Ms Margaret Darton. This Committee has representation from the outsourced internal audit service provider, Grant Thornton.

The Science and Technology Committee assists the Board in fulfilling its responsibilities relating to: assuring the safety of dairy foods produced and processed in Victoria for domestic and export markets; assuring compliance of Victorian dairy food licence holders and assessing new and emerging science and technology issues affecting dairy food safety. Members of this Committee are Ms Margaret Darton (Chair), Ms Zoe Attwood, Dr Bill Darmody, Mr Doug Day and Dr Anne Astin.

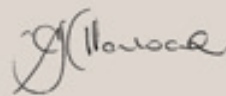
The Human Resources Committee assists the Board in fulfilling its statutory responsibilities relating to the remuneration of the CEO and Executive Management Team. The Committee also assists the Board in the formulation of Human Resource Management policies and procedures. Members of this committee are: Ms Sarah Croke (Chair), Dr Bill Darmody and Mr Trevor Tappenden.

Enterprise Risk Management

DFSV has a risk management framework in place that is consistent with the standard (AS/NZS 4360: 2004), to ensure that appropriate procedures exist for the effective identification, quantification and management of risks. The risk management framework is further enhanced by the Business Continuity Plan that was developed in 2007/08.

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

"I, Shirley Harlock certify that Dairy Food Safety Victoria has risk management processes in place consistent with the Australian/ New Zealand Risk Management Standard and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Board and the Risk Management and Audit Committee verifies this assurance and that the risk profile of Dairy Food Safety Victoria has been critically reviewed within the last 12 months."



Shirley Harlock
Chairman

26 August 2009

Statement



Ethical Standards

DFSV has established its own Financial Code of Conduct which is consistent with Public Sector Standards and provides guidance on addressing possible or perceived conflicts of interest. It covers areas such as declaration of pecuniary interests, financial inducements, gifts and hospitality, secondary employment, tendering and procurement process, use of property, facilities and equipment and confidentiality.

Human Resources Management

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

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

During the year DFSV was accredited and recognised as a flexible employer by demonstrating the following:

- A commitment to workplace flexibility by the CEO and management team
- Responding to employees' identified flexible employment needs
- Flexible work practices that have been integrated into the functions of the business.

Occupational Health and Safety

DFSV undertakes the full range of health and safety obligations to ensure that human and financial costs of occupational injury and illness are minimised.

Initiatives introduced during the year include:

- Ergonomic assessments conducted on all work stations and
- Providing vaccinations for influenza and Q fever.

Multicultural Statement

DFSV is committed to policies, programs and strategies that deliver culturally appropriate services to all Victorians. Special initiatives were not needed by the organisation during the period 1 July 2008 to 30 June 2009.

National Competition Policy

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

Freedom of Information

The *Freedom of Information Act 1982* gives the public a right to apply for access to documents held by DFSV. DFSV is a prescribed authority for the purposes of the *Freedom of Information Act 1982*. During the 12 months ended 30 June 2009, no FOI requests were received by DFSV.

Freedom of Information requests must be made in writing describing the documents requested and including payment of a \$23.40 application fee. The fee may be waived if the payment is likely to cause hardship to the applicant. Assistance can be provided to applicants to help determine the type of documents being requested.

Further charges may be payable, for example searching for documents (at \$20 per hour) and photocopying (at 20 cents per page).

Further information regarding the *Freedom of Information Act 1982* may be found at www.foi.vic.gov.au

Requests for information should be sent to:

Freedom of Information Officer:

*Dairy Food Safety Victoria
PO Box 840
Hawthorn Victoria 3122*

Whistleblowers' Legislation

The *Whistleblowers' Protection Act 2001* is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector and to provide a framework for the investigation of these matters.

Disclosures made under the Whistleblowers Protection Act 2001

Disclosures made to DFSV during the year	Number
	Nil

Disclosures referred during the year by DFSV to the Ombudsman for determination as to whether they are public interest disclosures	Number
	Nil

Disclosed matters referred to DFSV during the year by the Ombudsman	Number
	Nil

Disclosed matters referred during the year by DFSV to the Ombudsman to investigate	Number
	Nil

Investigations for disclosed matters taken over by the Ombudsman from DFSV during the year	Number
	Nil

Requests made under section 74 during the year to the Ombudsman to investigate disclosed matters	Number
	Nil

Disclosed matters that DFSV has declined to investigate during the year	Number
	Nil

Disclosed matters that were substantiated on investigation and the action taken on completion of the investigation	Number
	Nil

Any recommendations of the Ombudsman under this Act that relate to DFSV	Number
	Nil

Disclosures under the *Whistleblowers' Protection Act 2001* can be made to:

The Protected Disclosure Coordinator:

*PO Box 840
Hawthorn Victoria 3122*

*Ph: 03 9810 5900
Fax: 03 9819 4299*

The Ombudsman Victoria:

*Level 3, 459 Collins Street
Melbourne Victoria 3000*

*Ph: 03 9613 6222
Toll free: 1800 806 314*

Victorian Industry Participation Policy

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

Consultancies

For the year ended 30 June 2009, eighteen consultants were engaged at a total cost of \$190,596.

Quality Management System

A review during the year resulted in DFSV retaining its ISO 9001-2000 accreditation.

Building Act 1993

DFSV did not undertake any building works which fall within the provisions of the *Building Act 1993*.

Green Office Policy

DFSV is committed to the development of a Green Office Policy and is part of the Resource Smart Government Program. Some of the current environmental management initiatives implemented by DFSV include centralised printing, scanning and photocopying. The recycling program incorporates paper, cardboard, plastic, aluminum, toner cartridges, obsolete IT equipment and mobile phones. DFSV has replaced its fleet vehicles with fuel-efficient cars and encourages staff to utilise public transport, wherever possible.

Statement of availability of other information

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

In adopting best practice disclosure policies and to ensure the entity discharges its accountability obligations, where relevant, details about some of the following matters

have been disclosed within this report:

- Statement that declarations of pecuniary interests and shares held have been duly completed by relevant officers.
- No shares are held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.
- Details of publications produced by the entity about the entity and the places where the publications can be obtained.
- Details of changes in prices, fees, charges, rates and levies charged by the entity for its services.
- There were no major external reviews carried out on the entity during the 2008/09 financial year.
- There was no major research or development activity carried out by the entity during the 2008/09 financial year.
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.
- Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and the services it provides.
- Details of assessments and measures undertaken to improve the occupational health and safety of employees.
- A general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes.

Staff profile by position as at 30 June 2009

Position	Male 2009	Male 2008	Female 2009	Female 2008	Total 2009	Total 2008
Executive officers	2	2	1	1	3	3
Administrative staff	1.6	1.6	3.8	3.2	5.4	4.8
Financial / Accounting staff	1	1	0.6	0.6	1.6	1.6
Technical staff	5	6	7.6	7.5	12.6	13.5
Casuals	0	0	0	0	0	0
Totals	9.6	10.6	13	12.3	22.6	22.9

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

Financial Statements

F O R T H E Y E A R E N D I N G
3 0 J U N E 2 0 0 9



C O M P R E H E N S I V E O P E R A T I N G S T A T E M E N T

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 \$	2008 \$
Continuing Operations			
Income from transactions			
Licence and service fees	2(a)	4,180,790	4,088,430
Interest	2(b)	148,006	200,656
Other income	2(c)	141,781	56,101
Total income from transactions		4,470,577	4,345,187
Expenses from transactions			
Employee benefits	2(d)	2,273,067	2,038,364
Depreciation and amortisation	2(e)	116,398	89,208
Other operating expenses	2(f)	1,718,754	1,818,788
Total expenses from transactions		4,108,219	3,946,360
Net result from transactions (net operating result)		362,358	398,826
Other economic flows included in net result		-	-
Comprehensive result		362,358	398,826

The above Comprehensive Operating Statement should be read in conjunction with the accompanying notes.

B A L A N C E S H E E T

A S A T 3 0 J U N E 2 0 0 9

	Note	2009 \$	2008 \$
Assets			
Financial assets			
Cash and cash equivalents	12(a)	3,457,514	3,325,989
Receivables	3	172,412	163,751
Total financial assets		3,629,926	3,489,740
Non-financial assets			
Other assets	4	24,388	17,426
Plant and equipment	5	177,514	184,093
Intangible Assets	6	88,255	72,382
Total non-financial assets		290,157	273,901
Total assets		3,920,083	3,763,641
Liabilities			
Payables	7	439,606	632,930
Provisions	8	423,526	436,117
Total liabilities		863,132	1,069,047
Net Assets		3,056,951	2,694,593
Equity			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		1,256,951	894,593
Total equity		3,056,951	2,694,593
Commitments for expenditure	11		
Contingent liabilities and contingent assets	19		

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Equity at 1 July 2008	Total Comprehensive result	Equity at 30 June 2009
	\$	\$	\$
Accumulated surplus	894,593	362,358	1,256,951
Contributed capital	1,800,000	-	1,800,000
Total equity at end of financial year	2,694,593	362,358	3,056,951

	Equity at 1 July 2007	Total Comprehensive result	Equity at 30 June 2008
	\$	\$	\$
Accumulated surplus	495,767	398,826	894,593
Contributed capital	1,800,000	-	1,800,000
Total equity at end of financial year	2,295,767	398,826	2,694,593

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

C A S H F L O W S T A T E M E N T
F O R T H E F I N A N C I A L Y E A R E N D E D 3 0 J U N E 2 0 0 9

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Receipts			
Receipts from other entities		4,418,012	4,289,743
Interest received		148,006	200,656
Goods and Services Tax recovered from the ATO		202,206	160,935
Total receipts		4,768,224	4,651,334
Payments			
Payment to suppliers and employees		(4,467,334)	(3,860,153)
Goods and Services Tax paid to the ATO		(48,610)	(52,115)
Total payments		(4,515,944)	(3,912,268)
Net cash flows from operating activities	12(b)	252,280	739,066
Cash flows from investing activities			
Proceeds from sale of plant and equipment		22,727	33,438
Payments for plant and equipment		(103,482)	(70,676)
Payments for intangible assets		(40,000)	(72,382)
Net cash flows used in investing activities		(120,755)	(109,619)
Net increase in cash and cash equivalents		131,525	629,447
Cash and cash equivalents at the beginning of the financial year		3,325,989	2,696,542
Cash and cash equivalents at the end of the financial year	12(a)	3,457,514	3,325,989

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

1 Summary of accounting policies

Statement of Compliance

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

Basis of preparation

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

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30th June 2009 and the comparative information presented for the year ended 30th June 2008.

Scope and presentation of financial statements

Early adoption of AASB 101 (September 2007)

As a result of state wide policy to improve consistency in public sector reporting, DFSV has revised the presentation of its complete set of financial statements to align with the AASB 1049 presentation format, used in the Financial Report for the State and the general government sector. In addition, DFSV has also early adopted the September 2007 version of AASB 101. In keeping with AASB 101 (September 2007) this complete set of financial statements includes the following changes:

- a complete set of financial statements rather than using financial report;
- changes in equity rather than movements in equity; and
- transactions with owners in their capacity as owners rather than transactions with owners as owners.

(b) references to equity holders as owner.

Some of the changes applied to the financial statements and notes as a result of alignment to AASB 1049 that are allowable under AASB 101 (September 2007) include the following:

- extended operating statement incorporating non-owner changes in equity, which is now referred to as the Comprehensive Operating Statement;
- items being presented by liquidity order in the balance sheet;
- the inclusion of a limited number of Government Finance Statistics (GFS) classifications, such as income or expenses from transactions, and other economic flows; and
- a glossary of terms included in the notes explaining certain terms, including GFS terms adopted.

Comprehensive operating statement

The comprehensive operating statement includes items previously included in the statement of changes in equity. Income and expenses in the comprehensive operating statement are separated into either 'transactions' or 'other economic flows'.

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 GFS terminology, but retain measurement and disclosure rules under existing accounting standards applicable to DFSV; and
- current versus non-current assets and liabilities are disclosed in the notes where relevant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Statement of changes in equity

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

Cash flow statement

The cash flow statement classifies by operating, investing and financing activities in accordance with AASB 107 Cash Flow Statements. There were no significant changes due to alignment of DFSV's financial statements presentation formats to AASB 1049.

(a) Objectives and funding

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

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

(b) Events after reporting date

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

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

(c) Goods and Services Tax (GST)

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

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

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

(d) Income Tax

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

(e) Income Recognition

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

Licence fees

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

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 gains / losses on disposal of plant and equipment, and other miscellaneous income. Any gain or loss is recognised at the date control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

(f) Expenses

Employee benefits

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

Superannuation

The amount charged to the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Depreciation and Amortisation

Depreciation is provided on plant and equipment and is generally 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:

Class of Asset	Useful life of asset
Furniture and fittings	10 years
Motor vehicles	5 years
Plant and equipment	Varies from 3 to 10 years
Software	3 years

(g) Assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and short-term deposits. They represent highly liquid investments with an original maturity of 4 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.

Plant and equipment

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

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

Operating lease payments are recognised as an expense in the operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

(h) Liabilities

Payables

Payables consist predominantly of creditors and other sundry liabilities.

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

Provisions

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

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

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

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

Employee benefits

Wages and salaries and annual leave

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

Those liabilities that are expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities and are measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

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

Current liability - unconditional LSL

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

The components of this current LSL liability are measured at:

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

Non-current liability - conditional

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

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

Employee benefits on-costs

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

(i) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value.

(j) Contingent assets and contingent liabilities

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

(k) 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.

(l) Cash flow statement

For the purposes of the cash flow statement, cash comprises cash on hand, cash at banks 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.

(m) Functional and presentation currency

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

(n) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30th June 2009 reporting year. As advised above in note 1, DFSV has already adopted the September 2007 version of AASB 101. DFSV has not, and does not intend to, adopt the following Standard early:

AASB 108 'Operating Segments' which is applicable to financial periods commencing on or after 1 January 2009. The impact is expected to be insignificant.

In addition to the Accounting Standards listed above, the AASB has also released a number of other Accounting Standards and Australian Interpretations. The application of these Accounting Standards and Australian Interpretations are not applicable to DFSV. Consequently, they have not been specifically identified above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 \$	2008 \$
2 Income from transactions:			
(a) Licence and service fees			
Licence fees		3,557,252	3,524,359
Audit and inspection fees		245,853	193,373
Australian Milk Residue (AMRA) survey		377,685	370,697
Total revenue from licence and service fees		4,180,790	4,088,430
(b) Interest			
Interest from financial assets not at fair value through P/L:			
Interest on bank deposits		148,006	200,656
Total interest revenue		148,006	200,656
(c) Other income			
Profit on disposal of plant and equipment		3,605	-
Other income		138,176	56,101
Total other income		141,781	56,101
Expenses from transactions			
(d) Employee benefits			
Salaries and wages		1,846,033	1,686,206
Post employment benefits:			
Defined benefit superannuation expense		82,323	96,646
Other superannuation expense		92,406	78,794
Other employee benefits expense		252,305	176,718
Total employee benefits		2,273,067	2,038,364
(e) Depreciation and amortisation expense			
Depreciation of non-current assets		92,271	83,215
Amortisation of non-current intangible assets		24,127	-
Written down value of assets scrapped		-	5,993
Total depreciation and amortisation		116,398	89,208
(f) Other operating expenses			
Audit fees	15	48,960	51,500
Bad debts from transactions		-	1,815
Loss on disposal of plant and equipment		-	5,993
Operating leases - minimum lease payments		280,178	266,542
Consultancy, legal and professional services		147,938	204,929
Product testing and laboratory evaluation costs		379,145	327,165
Promotions and promotional material		12,925	8,185
Publicity expenses		25,651	8,666
Rates and utilities		29,284	22,311
Insurance		66,347	67,780
Cleaning and maintenance		14,434	13,764
Other		713,892	840,137
Total other operating expenses		1,718,754	1,818,788
3 Receivables - current			
Trade debtors		78,411	85,345
Dairy industry licence fees		45,000	45,000
Other debtors		49,001	33,406
Total receivables		172,412	163,751

The average credit period for all receivables is 30 Days. Although no interest is charged, a late fee is charged 14 days after the invoice becomes due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$
4 Other assets - current		
Prepayments	24,388	17,426
5 Plant and equipment - non-current		
(a) Carrying amounts		
Plant, equipment and vehicles at cost	877,742	811,044
Less: Accumulated depreciation	(700,228)	(626,951)
Net carrying amount of plant and equipment	177,514	184,093

	Plant, equipment and vehicles at cost	Plant, equipment and vehicles at cost
(b) Movements in carrying amounts		
Opening Balance	184,093	237,190
Additions	103,482	69,005
Disposals	(19,123)	(40,657)
Depreciation expense	(90,938)	(81,444)
Closing Balance	177,514	184,093

Plant and equipment - restoration asset

The restoration asset is included in plant and equipment.

In accordance with *AASB 116 Plant and Equipment*, DFSV has capitalised restoration costs in relation to the premises that it leases in Hawthorn. An amount of \$20,000 was considered reasonable to restore the premises at the expiration of the lease. The present value of \$20,000 at 1st July 2004 was \$11,000 which has been reflected in leasehold improvements at cost.

The restoration costs are being amortised on a straight line basis over the lease term.

	Capitalised software development 2009	Capitalised software development 2008
6 Intangible Assets - non-current		
<i>Gross Carrying amount - Software development</i>	\$	\$
Opening Balance	72,382	-
Additions	40,000	72,382
Closing Balance	112,382	72,382
<i>Accumulated amortisation</i>		
Opening Balance	-	-
Amortisation expense	(24,127)	-
Closing Balance	(24,127)	-
Net book value at the end of the financial year	88,255	72,382

7 Payables - current		
Trade creditors	188,370	122,078
Other creditors	251,236	510,852
Total payables	439,606	632,930

The average credit period of all payables is 30 days. No interest is charged on payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$
8 Provisions		
Current		
Employee benefits	360,340	401,225
Total current provisions	360,340	401,225
Non-current		
Employee benefits	47,185	20,224
Restoration of leased premises	16,001	14,668
Total non-current provisions	63,186	34,892
Total provisions	423,526	436,117
(a) Employee benefits		
Current employee benefits		
Annual leave entitlements	133,268	126,602
Unconditional long service leave entitlements	227,072	274,623
	360,340	401,225
Current employee benefits that:		
Are expected to be utilised within 12 months after the end of the reporting period	133,268	126,602
Are expected to be utilised more than 12 months after the end of the reporting period	227,072	274,623
	360,340	401,225
Non-current		
Conditional long service leave entitlements	47,185	20,224
Total employee benefits	407,525	421,449
(b) Movement of provision for restoration of leased premises		
Opening Balance	14,668	13,780
Additional provision raised for year and charged in the Operating Statement	1,333	888
Closing balance	16,001	14,668
Non-current	16,001	14,668
	16,001	14,668

(c) Restoration liability

The current lease of the principal place of business commenced on 1st July 2003 for three years, with the option to further renew on a 3x3 lease term to 2012.

AASB 137 Provisions, Contingent Liabilities and Contingent Assets requires that the liability be measured at the amount required to settle the present obligation at reporting date. The present value of the liability for restoration as at 1st July 2004 was measured at \$11,700 in the balance sheet.

9 Superannuation

(a) Contributions

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

DFSV does not recognise any defined benefit liability in respect of the defined benefit plan because DFSV has no legal or constructive obligation to pay future benefits relating to its employees. Its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial report.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

The name and details of the major employee superannuation funds and contributions made by DFSV are as follows:

	Contribution for the year 2009	Contribution for the year 2008	Contribution outstanding at year end 2009	Contribution outstanding at year end 2008
Vision Super (formerly LASB Super)	5,834	5,282	-	-
Emergency Services & State Super (formerly Government Superannuation Office)	30,356	49,132	-	-
Victorian Superannuation Fund - Vic Super	46,133	42,232	-	-
Care Super	7,843	7,430	-	-
AMP Super Leader	3,268	-	-	-
AMP Life Ltd	6,606	4,334	-	-
AON Master Trust	5,367	3,255	-	-
REI Super	5,323	-	-	-
Colonial First State	6,907	3,512	-	-
Health Super	4,074	3,773	-	-
HESTA	4,979	4,547	-	-
Westpac Life	-	2,803	-	-
REST Super	1,750	7,502	-	-
MLC Super	3,270	-	-	-
Unlimited Super	7,596	7,683	-	-
Mercer Super Trust	12,031	12,924	-	-
Australian Super	18,441	14,953	-	-
Various other	4,951	6,078	-	-
Total	174,729	175,440	-	-

DFSV has no outstanding contributions to any of the employee superannuation funds, other than normal accruals recognised at the reporting date.

(b) Information on superannuation funds:

Vision Super (formerly LASB Super)

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

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

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

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

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

The Fund's liability for accrued benefits was determined in the 31st December 2008 actuarial investigation pursuant to the requirements of Australian Accounting Standard AAS25 as follows:

	31/12/08
	\$'000
Net Market Value of Assets	3,630,432
Accrued Benefits (per accounting standards)	3,616,422
Difference between Assets and Accrued Benefits	14,010
Vested Benefits	3,561,588

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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

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

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

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

DFSV pays employer superannuation contributions of 9.4% of salaries in respect of its members who are in the New Scheme. The Consolidated Fund of the Victorian State Government is responsible for the unfunded liability related to employees of DFSV. This scheme is closed to new members. The fund is a Defined Benefits Plan.

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

DFSV pays employer superannuation contributions of 17.3% of salaries in respect of its members who are in the Revised Scheme. The Consolidated Fund of the Victorian State Government is responsible for the unfunded liability related to employees of DFSV. This scheme is closed to new members. The fund is a Defined Benefits Plan.

Victorian Superannuation Fund - Vic Super

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

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

Other Superannuation Funds

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

(c) Loans

DFSV has no loans with any of the superannuation funds.

10 Leases

Operating Lease Commitments

Operating leases relate to lease rental expense commitments at 30th June 2009 and are in respect of premises at Hawthorn, office equipment and motor vehicles. Operating leases generally provide DFSV with a right of renewal at which time all terms are renegotiated.

DFSV entered into the third term of the Heads of Agreement to lease premises at 313 Burwood Road, Hawthorn from 1 July 2009 for a period of three years. The option to renew was exercised on 31st December 2008 for the forthcoming three year commitment. The operating commitment for 2010 is \$178,330 per annum (plus yearly CPI increases).

	2009	2008
	\$	\$
Non-cancellable operating leases		
Not longer than 1 year	276,723	270,521
Longer than one year and not longer than five years	433,664	100,061
	710,387	370,582

11 Commitments for Expenditure

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

(a) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities and are payable:

	\$	\$
Within one year	532,971	1,517,744
Later than one year, but not later than five years	170,135	788,140
	703,106	2,305,884

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$
(b) Outsourcing Commitments		
Commitments under outsourcing contracts for Information Technology services in existence at the reporting date but not recognised as liabilities and are payable:		
Within one year	65,379	148,938
Later than one year, but not later than five years	-	-
	65,379	148,938

(c) Leases		
Non-cancellable operating lease commitments are disclosed in note 10 to the financial statements.		
Total Commitments for Expenditure	\$	\$
Total commitments for expenditure (Inclusive of GST)	1,478,872	2,619,885
Less GST recoverable from the Australian Taxation Office	(33,905)	(60,065)
Total commitments for expenditure (exclusive of GST)	1,444,967	2,559,820

12 Cash Flow Information

(a) Cash and cash equivalents	\$	\$
Cash on hand	1,500	1,934
Cash at bank	202,149	170,190
Interest bearing deposits	3,253,865	3,153,865
Balance as per cash flow statement	3,457,514	3,325,989

(b) Reconciliation of net result for period to net cash flows from operating activities	\$	\$
Net result for the year	362,358	398,826
(Gain) / Loss on sale or disposal of non-current assets	(3,605)	5,993
Depreciation and amortisation of non-current assets	115,065	84,103
Doubtful debts provided (reduced)	-	(546)
Changes in net assets and liabilities:	-	-
(Increase) / Decrease in assets:		
Receivables	(8,661)	69,143
Other assets	(6,962)	784
Increase / (Decrease) in liabilities:		
Payables	(193,324)	231,047
Provisions	(12,591)	(50,284)
Net cash from/(used in) operating activities	252,280	739,066

13 Responsible Persons

(a) Board members

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

Ms S Harlock, Chairman
 Mr T Tappenden, Deputy Chairman
 Ms Z Attwood
 Ms S Crooke
 Mr W Darmody
 Ms M Darton
 Mr D Day

(b) Remuneration

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

	2009	2008
\$0 - \$9,999	6	6
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	-	1
\$210,000 - \$219,999	-	1
\$230,000 - \$239,999	1	-

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

	\$	\$
Remuneration excluding superannuation	270,267	245,133
Superannuation contributions	28,374	28,036

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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

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

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

(c) Related Party Disclosures

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

During and subsequent to the end of the financial year, no member or Director of DFSV has received or become entitled to receive a benefit other than a benefit included in the aggregate amount of members' remuneration by reason of a transaction between DFSV or a related body corporate with a member or director or with a member or director related party.

(d) Other Responsible Persons

Responsible Minister: The Honourable Joe Helper MP, Minister for Agriculture

(e) Insurance Premiums

During the financial year, DFSV paid an insurance premium of \$38,345 (2008: \$39,462) in respect of a contract insuring the members and executive officers of DFSV against a liability arising as a result of work performed in their capacity as members or executive officers.

14 Remuneration of Executives

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

Income band	Total remuneration		Base remuneration	
	2009 No.	2008 No.	2009 No.	2008 No.
\$140,000 - \$149,999	1	1	-	-
\$120,000 - \$129,999	1	1	1	-
\$110,000 - \$119,999	-	-	1	1
\$100,000 - \$109,999	-	-	-	1
\$70,000 - \$79,999	-	1	-	-
\$60,000 - \$69,999	-	-	-	1
Total numbers	2	3	2	3
Total amount	\$275,736	\$337,305	\$236,565	\$285,664

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

15 Remuneration of auditors	2009	2008
Victorian Auditor General's Office	\$	\$
Audit of the financial report	16,900	15,100
Other service providers		
Other non-audit services - Internal audit	32,060	36,400
	48,960	51,500

16 Subsequent Events

DFSV has no subsequent events.

17 Charge over Assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

18 Transactions with other Victorian Government Controlled Entities

During the financial period, transactions were undertaken with other Victorian Government controlled entities. These transactions are summarised as follows:

	2009 Intra \$	2009 Inter \$	2008 Intra \$	2008 Inter \$
Assets	-	-	-	-
Liabilities	-	-	-	-
Revenues	49,396	163,825	-	200,656
Expenses	174,010	112,452	130,968	97,328

"Intra" transactions are between entities within the Department of Primary Industries (DPIV) portfolio.

"Inter" transactions are with entities outside the Department of Primary Industries Victoria portfolio but controlled by the Victorian Government.

19 Contingent liabilities and contingent assets

Contingent Liabilities

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

On the basis of advice received from Vision Super Pty Ltd, DFSV believes there is no actual or contingent liability to Vision Super at 30 June 2009. Vision Super has also advised that *the plan* for the next actuarial calculation is 30 June 2010.

20 Segment Information

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

21 Financial Instruments

(a) Significant accounting policies

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

(b) Categorisation of financial instruments

Financial assets:	Category	Note	Carrying amount 2009 \$	Carrying amount 2008 \$
Cash at banks and on hand	N/A	12	203,649	172,124
Term Deposits	N/A	12	3,253,865	3,153,865
Receivables	Receivables (at amortised cost)	3	172,412	163,751
Total			3,629,926	3,489,740
Financial liabilities:	Financial liabilities measured at amortised cost			
Payables		7	439,606	632,930
Total			439,606	632,930

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Interest rate exposure and ageing analysis of financial assets

	Note	Weighted average effective 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 one to year \$	1-5 years \$	Impaired financial assets \$
2009 Financial Assets:												
Cash and cash equivalents												
Cash on hand and at banks	12(a)	0.0%	203,649	-	-	203,649	203,649	-	-	-	-	-
Interest bearing deposit	12(a)	5.0%	3,253,865	-	3,253,865	-	3,253,865	-	-	-	-	-
Trade and other receivables	3	0.0%	172,412	-	13,050	159,362	146,948	20,395	5,069	-	-	-
Total			3,629,926	-	3,266,915	363,011	3,604,462	20,395	5,069	-	-	-
2008 Financial Assets:												
Cash and cash equivalents												
Cash on hand and at banks	12(a)	0.0%	172,124	-	-	172,124	172,124	-	-	-	-	-
Interest bearing deposit	12(a)	6.8%	3,153,865	-	3,153,865	-	3,153,865	-	-	-	-	-
Trade and other receivables	3	0.0%	163,751	-	14,754	148,997	136,451	20,388	6,913	-	-	-
Total			3,489,740	-	3,168,620	321,121	3,462,441	20,388	6,913	-	-	-

(d) Liquidity Risk

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

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

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

	Note	Weighted average effective interest rate %	Carrying amount \$	Interest Rate Exposure				Maturity Dates				Impaired financial assets \$
				Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$	Not past due and not impaired \$	Less than one month \$	1 - 3 Months \$	3 months one to year \$	1-5 years \$	
2009												
Payables	7	0.0%	439,606	-	-	439,606	188,286	251,299	21	-	-	-
Total			439,606	-	-	439,606	188,286	251,299	21	-	-	-
2008												
Payables	7	0.0%	632,930	-	-	632,930	119,883	512,671	376	-	-	-
Total			632,930	-	-	632,930	119,883	512,671	376	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

(e) Market Risk

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

Interest rate risk

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

Sensitivity disclosure analysis

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

a Parallel shift of +1% and -1% in market interest rates (AUD) from year end rates of 3.2%

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.

2009	Note	Carrying amount \$	Interest rate risk			
			-1% (-100 basis points)		1% (100 basis points)	
			Equity \$	Net result \$	Equity \$	Net result \$
Financial Assets:						
Cash and cash equivalents						
Cash on hand and at banks	12(a)	203,649	-	-	-	-
Interest bearing deposit	12(a)	3,253,865	(32,539)	(32,539)	32,539	32,539
Trade and other receivables	3	172,412	-	-	-	-
Financial liabilities						
Payables	7	439,606	-	-	-	-
Total increase/(decrease)			(32,539)	(32,539)	32,539	32,539

(f) Fair Value

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

ACCOUNTABLE OFFICERS AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30th June 2009 and financial position of Dairy Food Safety Victoria as at 30th June 2009.

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 2 September 2009.



Trevor Tappenden
DEPUTY CHAIRMAN



Anne M Astin
CHIEF EXECUTIVE OFFICER



Kevin Moze
FINANCE MANAGER

2 September 2009

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board, Dairy Food Safety Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2009 of Dairy Food Safety Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officers and chief finance and accounting officer's declaration has been audited.

The Board Member's Responsibility for the Financial Report

The Board Members of Dairy Food Safety Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

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. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance 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.

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Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of Dairy Food Safety Victoria for the year ended 30 June 2009. The Board Members of Dairy Food Safety Victoria are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Dairy Food Safety Victoria website.

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.

Auditor's 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 2009 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
3 September 2009

for 
D D R Pearson
Auditor-General

FIVE YEAR FINANCIAL SUMMARY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$	2007 \$	2006 \$	2005 \$
Five Year Financial Summary					
Total income from transactions	4,470,577	4,345,187	4,091,052	3,894,866	3,820,526
Total expenses from transactions	(4,108,219)	(3,946,360)	(3,754,036)	(3,690,962)	(3,616,053)
Net result from transactions	362,358	398,827	337,016	203,904	204,473
Net cash flow from operating activities	252,280	739,066	572,156	528,520	335,165
Total assets	3,920,083	3,763,642	3,184,051	2,904,437	2,597,992
Total liabilities	863,132	1,069,047	888,284	945,686	843,145

Financial Year ended:

- 2009 In 2008/2009 DFSV achieved a net result from transactions of \$362,358. During the year additional income from initiatives increased to \$141,781. Higher than expected income from manufacturers licence fees was collected due to increased product manufactured. The reduction in other operating expenses was due to activities relating to reduced regulatory burden and timing differences associated with reversals of accruals. While both total income and expenses from transactions have steadily increased since 2004/2005, the net result from transactions has been relatively consistent over the past three years.
- 2008 During the Financial period ending 30th June 2008, delivery of services and expenses incurred were within budgetary objectives, except for under expenditure in Information Technology capital commitments, resulting in reduced depreciation expenditure incurred within the period. This can be attributed to the timing of the implementation of a new licensing system and further expenditure will be incurred in the 2008/2009 financial year. Additional income was received from better than anticipated returns on funds invested through the Treasury Corporation of Victoria.
- 2007 For the Financial year ended 30 June 2007, in general, delivery of services and expenses incurred were within budgetary objectives with two exceptions. Under-expenditure in remuneration was due to staff turnover and timing of re-appointment to vacant positions. Under-expenditure in IT capital commitments resulted in reduced depreciation expense. IT expenditure will be incurred in the 2007/2008 financial year. While, total revenue from licence fees increased, this is due to manufacturers fees being calculated historically on the previous financial year's total annual production. Due to drought conditions, lower income is anticipated in the 2007/2008 financial year.
- 2006 For the Financial year ended 30 June 2006 delivery of normal services and expenses incurred were within budgetary objectives. Under expenditure in Strategic objectives is related to delays in Information Technology software developments as part of the major change Project-LEADS. Expenditure is expected to be incurred in the 2006/2007 financial year.
- 2005 In general, delivery of services and expenses incurred were within defined budgetary objectives, except for the following matter. Dairy Food Safety Victoria was required to cover unfunded superannuation liabilities relating to members of Vision Super, including employees of the Victorian Dairy Industry Authority who did not transfer to Dairy Food Safety Victoria and employees who did transfer to Dairy Food Safety Victoria. An amount of \$150,110 was paid to Vision Super during the 2005 year, and a further amount of \$46,000 was recognised as a liability at 30 June 2005 to cover interest payments.

D I S C L O S U R E I N D E X

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

Legislation	Requirements	Reference
MINISTERIAL DIRECTIONS		
Report of Operations - FRD Guidance		
Charter & Purpose		Page No
FRD 22B	Manner of establishment and the relevant Minister	Page 24
FRD 22B	Objectives, functions, powers and duties	Page 24
FRD 22B	Nature and range of services provided	Page 12-23
Management and Structure		
FRD 22B	Organisational structure	Page 20
Financial and other Information		
FRD 22B	Operational and budgetary objectives and performance against objectives	Page 20
FRD 22B	Employment and conduct principles	Page 26
FRD 22B	Occupational health and safety	Page 26
FRD 29	Workforce data disclosures	Page 28
FRD 15B	Executive officer disclosures	Page 44
FRD 22B	Summary of financial results for the year	Page 51
FRD 22B	Significant changes in financial position during the year	N/A
FRD 22B	Major changes or factors affecting performance	N/A
FRD 22B	Application and operation of <i>Freedom of Information Act 1982</i>	Page 26
FRD 22B	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	Page 27
FRD 22B	Statement of National Competition Policy	Page 26
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	Page 27
FRD 22B	Subsequent Events	Page 44
FRD 25	Victorian Industry Participation Policy disclosures	Page 27
FRD 22B	Details of consultancies over \$100,000	N/A
FRD 22B	Details of consultancies under \$100,000	Page 27
FRD 12A	Disclosure of major contracts	N/A
FRD 24B	Reporting of office-based environmental impacts	Page 27
FRD 22B	Statement of availability of other information	Page 28
FRD 10	Disclosure index	Page 52
FRD 8B	Budget portfolio outcomes	N/A
SD 4.5.5	Risk Management compliance attestation	Page 25
SD 4.2(j)	Sign-off requirements	Page 48
Financial Statements		
<i>Financial statements required under part 7 of the FMA</i>		
SD 4.2(a)	Statement of changes in Equity	Page 32
SD 4.2(b)	Comprehensive Operating statement	Page 30
SD 4.2(b)	Balance Sheet	Page 31
SD 4.2(b)	Cash flow statement	Page 33
Other Requirements Under Standing Directions 4.2		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 34
SD 4.2(c)	Compliance with Ministerial directions	Page 48
SD 4.2(c)	Accountable officer's declaration	Page 48
SD 4.2(d)	Rounding of amounts	N/A
SD 4.2(f)	Compliance with Model Financial Report	Page 48
Other disclosures in notes to the financial statements		
FRD 9A	Entity's disclosure of administered assets and liabilities	N/A
FRD 11	Disclosure of ex-gratia payments	N/A
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 21A	Responsible person and executive officer disclosures	Page 43/44
FRD 103D	Non-current physical assets	Page 39
FRD 109	Intangible assets	Page 39
FRD 112B	Defined benefit superannuation obligations	Page 41/42
FRD 114A	Financial Instruments - General Government Entities and public non-financial corporations	Page 45-47
FRD E119	Contributions by Owners	Page 37
LEGISLATION		
<i>Freedom of Information Act 1982</i>		Page 26
<i>Building Act 1983</i>		Page 27
<i>Whistleblowers Protection Act 2001</i>		Page 27
<i>Victorian Industry Participation Policy Act 2003</i>		Page 27
<i>Financial Management Act 1994</i>		Page 34
<i>Multicultural Victoria Act 2004</i>		N/A
<i>Audit Act 1994</i>		Page 49

Acknowledgements

DFSV would like to thank the following companies and their staff for allowing us to use photographs taken on their premises.

National Foods Ltd
Red Hill Cheese
Exquisite P/L
Florida Cheese Pty Ltd
Poseidon Tarama Pty Ltd



Dairy Food Safety Victoria
uses **Greenhouse Friendly™**
ENVI Carbon Neutral Paper

CONSUMER

ENVI Carbon Neutral Paper is an Australian Government certified Greenhouse Friendly™ Product.



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