

Annual Report 2006/07





28 August 2007

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 2006 to 30 June 2007.

Yours sincerely

Shirley Harlock  
Chairman

# 2006/07

## Our Circle of Success – Partners in Harmony

Critical to our success is the effective working partnership that has developed between government, the dairy industry and consumers.

Government plays a critical role overseeing food safety and is ultimately accountable to consumers, both in Australia and overseas. The dairy industry increasingly is taking responsibility for food safety outcomes.

Industry and consumers together are working to establish and respond to market trends. Consumers are making informed choices about the foods they consume and industry innovates to produce products that are both appealing and safe.

Government and Industry are working together in a co-regulatory environment, by sharing information for good food safety risk analysis; and collaborating in the management of food safety issues and crisis management.

Important partnering activities between government and consumers are consumer advocacy and education.

The success of this model is the result of effective communication and consultation; and an openness and transparency between all parties.

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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 grow.

# Highlights

### **Chemical and microbiological risk profiling**

In 2005/06, DFSV established a microbiological expert network to advise on pathogens as they affect food safety in dairy products. This led to DFSV involvement in a major US food defence project. In 2007/08, DFSV will move to establish a chemical expert network focusing on chemical residues and their impact on dairy food safety and dairy products.

### **Partnering enhances industry knowledge and learning**

DFSV produced seventeen new Dairy Food Safety Notes. Topics covered, that may affect the quality and safety of milk produced, include: drought conditions, antibiotics, pasteurisation, how the food regulatory system works and education initiatives in food safety for the industry.

### **Interpretation of food safety standards**

Victoria, through DFSV was a significant contributor to the development of the national Primary Production and Processing Standard for Dairy, gazetted in October 2006. The Minister for Agriculture launched the Guidelines For Food Safety – Dairy Food Manufacturers, a critical support tool for developing food safety programs and to help manufacturers meet their statutory obligations under Victoria's Code of Practice for Dairy Food Safety.

### **Contract audit management**

In February 2007, as part of its new service delivery model, independent auditor SAI Global commenced audits at sixty DFSV licensed domestic manufacturer establishments. DFSV continues to maintain full responsibility

for the performance of these manufacturers and all audits are verified by DFSV authorised officers.

### **Enforcement of legislation**

There were no prosecutions during the period and no public health incidents. There were also no incidents related to market access issues.

### **Industry skills and training**

DFSV analysed the training needs of the industry and developed a partnership with Goulburn Ovens Institute of TAFE and the National Centre for Dairy Education Australia to develop a food safety training program for small-to-medium-size dairy manufacturers. In August 2007, the program will be market-tested as a pilot with full rollout to follow.

### **Building organisational capability**

From the dairy and food industries, DFSV has attracted new people with specialist skills.



“To best achieve a service delivery system that is efficient and cost effective for everyone who produces and consumes dairy products, we need to work in a single national framework”.

- Shirley Harlock, Chairman

## chairman's review

When I became a Director at Dairy Food Safety Victoria (DFSV) a few years ago, I came with a focus: the need for a single national regulatory organisation. I can now see that a single national regulatory system will achieve the same outcomes as a single national regulatory organisation. This system will achieve safe food for consumers, as well as the outcomes industry needs for cost-effective regulation.

In a national system:

- AQIS, the Australian Quarantine and Inspection Service, can assure export markets that there is a nationally consistent Australian dairy food safety system
- Australian consumers know that the food safety systems operating nationwide will deliver uniform outcomes
- Licensees will see regulations both interpreted and applied consistently, and that there is equity in the system
- Governments can remain satisfied that consumers are protected

As an organisation, DFSV participates in all those national activities intended to achieve a consistent system. We also tailor our services to ensure that licensees are at the forefront of contemporary food safety standards, internationally and nationwide.

### **Welcome**

I am pleased to present this Annual Report of DFSV for the 2006/07 financial year.

While DFSV has been actively working in the background (our low profile ensures a successful reputation as the quiet achiever in dairy food safety regulation), the overriding success for this year has been our continuing partnership with both industry and our regulatory counterparts in Victoria and other states.

### **Knowledge**

In order to meet the challenges ahead, the dairy industry's reputable performance depends on it being well-informed about current and emerging food safety hazards.

These may arise as industry innovates and consumers continue to demand nutritious food for their health and well-being.

DFSV continues to develop a diverse range of guidelines, technical notes and technical standards to ensure the industry is kept well-informed and to improve its food safety performance.

In future, we shall continue with this strategy to ensure that our knowledge products remain tailored to stakeholder needs and priorities.

We have also partnered with leading dairy and food educational institutions, to further build knowledge and enhance industry's food safety skills and capabilities.

### **Consistent Interpretation**

The consistent interpretation of standards and legislation has been one of industry's major concerns.

DFSV's active participation in key national working groups looking at the consistent application of audit standards, compliance and enforcement activities is intended to work towards this goal.



In 2005/06, DFSV issued guidelines for the development of food safety programs on farms. Last year, manufacturers were provided with a similar document to guide the industry and support the National Primary Production and Processing Standard for Dairy.

**Communication**

Much of this year has been spent planning for the introduction of new information technology to meet our future business needs. The aim is to ensure the future integrity and compatibility of our data throughout the industry and to possess the appropriate communication channels that promptly deliver products to our target audience of farmers, manufacturers, distributors, carriers and consumers.

Next year, we are building a new IT system to interface with licensee databases and further enhance communication channels with our licensees and other key stakeholders.

**Compliance**

Our core responsibility is to ensure the safety of dairy products produced in Victoria. Increasingly, there is pressure to reduce the regulatory burden on industry while still delivering safe food outcomes.

During the year, DFSV was extensively reviewed by the Victorian Competition and Efficiency Commission (VCEC) as part of a statewide review of food regulation. Australia's dairy market access was reviewed by both the US Food and Drug Administration and the European Union.

While the final recommendations of these reviews, as yet, have not been received, DFSV is committed to working with associated regulatory organisations to improve Victoria's food regulatory systems.

Analysis of our contract audit system's first verification, introduced for dairy farms, has been completed. This review has enabled us to improve the current system with a revised Deed of Undertaking between DFSV and contract auditors, effective from 1 July 2007.

Our partnership with industry has been remarkably successful in improving the industry's food safety performance, its reputation and its compliance in meeting required statutory obligations. As a result of this success, DFSV has extended the contract audit system to sixty additional manufacturers of dairy products in the domestic market.

During the year, we progressed our on-going discussions with the Australian Quarantine and Inspection Service (AQIS). We anticipate the contract audit system to be extended to manufacturers of export dairy products in 2008.

It is interesting to note that all of these initiatives are the result of DFSV liaising with and listening to industry. It is vitally important that this valued relationship is maintained and reinforced to ensure the integrity of the system is not compromised.

**National Meeting**

In April, I invited the Chairmen and the Chief Executive Officers from our counterparts in each State to a national meeting hosted in Melbourne.

This productive gathering enabled us to acknowledge individual strengths and weaknesses while recognising the opportunities to work collaboratively towards common national goals.

**Governance**

The new DFSV Board has matured into its role of setting strategic directions to ensure a sustainable organisation. The Board retains a strong focus on science, risk, new technology and emerging hazards, while delivering bestpractice corporate governance to the organisation.

I value the confidence of our Minister and appreciate the support his Department provides. Respected relationships with our state and interstate counterparts, Commonwealth agencies, the United Dairyfarmers of Victoria, Australian Dairy Farmers, the Australian Dairy Products Federation, Dairy Australia and licensees are acknowledged.

My sincere appreciation is extended to Dr Anne Astin and our committed staff for the dedication and enthusiasm they have shown throughout the year.

We acknowledge the difficult seasonal conditions many of our licensees have endured this past year. With recently improved climatic and market forecasts predicted, we trust a more conducive environment will prevail for all our stakeholders in this forthcoming year.

Shirley Harlock  
Chairman  
Dairy Food Safety Victoria



“They are always there to assist with any queries, problems or questions. You feel supported and the response is timely. I know they will help straight away.”

- small dairy manufacturer

# chief executive officer's report

It has only become obvious to me, as I recently travelled and spoke in other countries, that in Australia we can underestimate the value of the excellent working relationships we enjoy between industry, government and the consumer.

Our equivalent dairy authorities in other countries do not seem to share this same relationship with their stakeholders.

In our case, we may not always agree but at least we have open and constructive dialogue. This means that we work in partnership to operate effective regulatory systems that have helped achieve our excellent record in dairy food safety.

## **Welcome**

I am pleased to report yet another year of successful achievement for Dairy Food Safety Victoria (DFSV). The year 2006/07 has been busy and productive with many excellent initiatives being developed and positive results gained.

## **National approach**

Our work with partners in other states fares well for the development of a truly national and consistent approach to food regulation. We continue to build on those areas we have in common, while recognising and understanding our differences, to seize opportunities that will help create this national framework.

This is why we commit resources on behalf of the industry, to make sure that the dairy industry can influence the framework rather than be subject to it and to any potential additional regulation.

## **Building the Knowledge Base**

Increasingly, I have found that at DFSV we are data rich but knowledge poor. We have data on all aspects of food safety for all licensed dairy businesses but we have not capitalised on the knowledge to be gained from its analysis.

To identify trends as well as our knowledge gaps in the science underpinning food safety risk assessment and management relating to current and emerging

food safety hazards, we continue to increase our investment in data analyses. A significant part of our licence fees is being used to partner with leading researchers in Australia and overseas to ensure the industry has access to contemporary food safety information that can enhance industry's performance. This is as a result of direct feedback from industry.

## **Collaborating on Food Defence**

Following on from our involvement in risk analysis training with the University of Maryland in the United States, Doug Eddy, our General Manager Knowledge Management was invited to participate on the steering committee for a US Government funded project: the Risk Analysis-Based Food Defense Certification Program for Professional and Academic Audiences.

In April this year, specialists from government, academia and industry, were brought together at the Conference Centre of the Maritime Institute in Linthicum Heights, Baltimore for a three-day workshop.

The information has enhanced our knowledge in this area and, increasingly, we shall analyse our own data to enhance our knowledge and awareness of trends in both the export and domestic industry.

#### **Industry training**

In 2004/05, an analysis of industry compliance performance identified a need to offer training programs specifically tailored to people working in the industry to enhance skills and competencies in dairy food safety systems. During this reporting period, an industry training initiative has been developed, partnering with Goulburn Ovens Institute of TAFE and the National Centre for Dairy Education Australia. Over the coming year, this training course will undergo a pilot to be modified based on direct feedback from participants.

#### **Streamlining performance**

To ensure that we continue to meet our core statutory functions while increasing investment in industry knowledge, skills and capabilities, during 2006/07 we developed a new licensing, audit and compliance policy. We shall continue to implement this policy to make sure we remove the potential for duplication of regulatory services to industry.

We also further streamlined our contract audit services. Following the success of the contract audit services to dairy farmers, during the year we moved to contract out manufacturer audit services to only those companies who supply to the domestic market with a sustained high-quality food safety record.

In July 2006, Letters of Intent and Exchange were developed between the Australian Quarantine and Inspection Service and all state dairy/food regulatory authorities. These are to establish commitment and support to harmonise the way the food safety regulatory framework will operate for domestic and export markets. When this harmonised approach is finally negotiated in 2007/08, contract audit arrangements should be established for those manufacturers registered for export of dairy products.

To continuously improve the integrity of the system and to remove perceptions of conflict of interest raised in the review of Australia's dairy industry by the European Union, we also reviewed and improved the Deed of Undertaking with dairy farm contract auditors.

Given the accountability of the organisation, the move to contract audit services has to be done in a measured way. This will ensure that the excellent food safety record of the industry is maintained and meets both public health and market access obligations.

#### **Enforcement**

With no prosecutions recorded this year, we continue to exercise a full range of available statutory powers to make sure the integrity of the system is assured.

Our system is without doubt world class, as demonstrated by the requests we receive to present to overseas delegations. This year, apart from the European Union and US Food and Drug Administration reviews, DFSV made presentations to delegations from China, Japan, Indonesia, Korea, Malaysia and Taiwan.

#### **Our success**

At present, Australian dairy products are attracting premium prices, both overseas and domestically. This is expected to continue.

One of the reasons for the current confidence in the marketplace is the safety and quality of our products.

DFSV, as the agency responsible for dairy food safety in Victoria, has managed to contain its costs during the recent difficult circumstances for farmers and has held off introducing increases in fees and charges for over 12 months.

To remain sustainable however, following consultation with industry, the DFSV Board has decided that for the licensing year 2007/08, all DFSV fees and charges will increase by 3 per cent, equivalent to cpi.

#### **Staff**

We attracted staff with specialist knowledge and industry skills, a diverse range of people experienced in Fast Moving Consumer Goods, cheese and ice cream manufacturing,

dairy farm operations and knowledge of New Zealand's food safety regulatory systems.

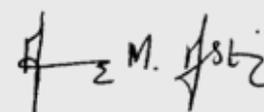
Two staff left the organisation to take up positions in the industry. With limited career opportunities within the organisation, it is encouraging to see that our investment in training and development makes our staff valuable to the industry.

#### **Looking to the future**

Next year we shall continue to develop our knowledge products to assist industry to improve its food safety management systems. With the introduction of the National Primary Production and Processing standard for Dairy from October 2008, a consistent national approach to the interpretation of the standard and guidance on its interpretation will be an important role for DFSV in partnership with Food Standards Australia and New Zealand.

We shall be introducing the systems, services and communication channels to support the dynamic food safety environment in which industry operates. Innovation and opportunities will be created as we consistently deal with the issues of climate change, natural resource availability and changing consumer desires.

It has been a pleasure to work with the new Board and all our staff. Their commitment, flexibility and adaptability to change while continuing to respond to a range of stakeholders needs is to be admired and appreciated. They never lose sight of their primary objective: to work in partnership in a national framework to effectively and efficiently regulate dairy food safety.



Dr Anne Astin  
Chief Executive Officer  
Dairy Food Safety Victoria

# board

## **Shirley Harlock – Chairman**

Dairy farmer, MAICD

The owner / operator of two, 400 cow dairy farms in Warrnambool, Ms Harlock has over 35 years of experience in the dairy industry. She is currently Chair of Warrnambool Co-op, a major cooperative with turnover in excess of \$32 million, a past Director of Australian Dairy Farmers Ltd, a former UDV Central Councillor and Executive member, and a member of the Water for Growth Committee. Ms Harlock is currently Chair of the Dairy Australia Future Dairy project.



## **Trevor Tappenden – Deputy Chairman**

ACA, FAICD

Mr Tappenden 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 RMIT University and RMIT Vietnam, The Victorian Interpreting and Translation Services (VITS) LanguageLink, The Committee for Economic Development of Australia (CEDA) and Heide Museum of Modern Art. Mr Tappenden is an Associate of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors.



## **Zoe Attwood**

MBA, GAICD, GradDipBusAd, BSc

Ms Attwood is Asia Pacific Innovation and NPD Manager for O-I, a glass container packaging company. Ms Attwood has a strong background in on-farm milk production, dairy manufacturing and processing. She has developed and commercialised a number of food products, ingredients and manufacturing processes. These include addressing aspects of food technology and food safety.



## **Margaret Darton**

BAppSc, DipAppCh, GradDipLib, GAICD

Ms Darton is Manager Food Policy, Department of Primary Industries Victoria and a member of the Dairy Food Safety Working Group, which established Dairy Food Safety Victoria. She has responsibility for the implementation of the Victorian Government's food safety policy for primary industries and coordination of the Department's involvement as joint venture party of Food Science Australia. Ms Darton is also a Member of the National Working Group for development of Primary Production and Processing Standards.



## organisational structure

As of 30 June 2007



### Sarah Crooke

Dip Medical Technology, FAICD, Australian Rural Leadership Program, dairy farmer and ice cream manufacturer.

Mrs Crooke has had 28 years experience managing a 450-cow farm. She has been the recipient of a Churchill Fellowship, for which she undertook at 6 month study tour of the US, UK and European dairy industries. In 2002 Sarah established a boutique dairy manufacturing business.



### Dr William (Bill) Darmody

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

Dr Darmody is Managing Director and Senior Consultant of Quality Solutions Now and comes from a dairy family. His experience and skills include a theoretical and practical knowledge of biosecurity issues affecting the dairy industry at the local, national and international level. In 1995 Dr Darmody was awarded a Churchill Fellowship to conduct international studies in food safety relating to the livestock industries.



### Doug Day

Dip Dairy Tech

Mr Day has more than 40 years experience in dairy manufacturing, including Factory Manager of the Yoplait factory in Echuca, and General Manager and 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. Mr Day is also on the Board for Murray Dairy.

“If we do not know something internally, we would go to DFSV as a consequence of our relationship. We would see we need to work together”

- Large Dairy Manufacturer



# operations report

## OUR PRODUCTS AND SERVICES

Central to Dairy Food Safety Victoria (DFSV) improving the food safety performance of Victoria's dairy industry is a robust risk analysis system based on sound science and appropriate risk management practices. During 2006/07, DFSV continued to develop the strategy of identifying new and emerging dairy food safety hazards using expert networks together with our own insight and expertise. In 2005/06, DFSV established a microbiological expert network linked to institutions with particular expertise in the study of pathogens and food safety management. DFSV is now part of an international consortium based within the US and funded by the US government that is studying food defence mechanisms around the world. DFSV General Manager Knowledge Management, Doug Eddy, was invited onto the

Steering Committee for this project which will assist the food industry to strengthen its defence against intentional product contamination.

During the year, Doug's visit to the US Food and Drug Administration and Maryland Department of Health and Mental Hygiene, provided the opportunity to investigate any potential hazards associated with the production of milk and dairy products from unpasteurised milk. We shall continue to work with Food Standards Australia and New Zealand (FSANZ) on this thorough risk assessment process.

As part of our commitment to industry, a Learning Network was established for dairy manufacturer licensees to exchange knowledge and experiences in food safety management, including advice on pathogens as they affect food safety in dairy products.

The Learning Network was funded with the assistance of the Geoffrey Gardiner Dairy Foundation. During the year, four rounds of five forums were conducted. Two were held in Melbourne at Dandenong and Fawkner; three others in regional Victoria at Camperdown, Kyabram and Morwell.

Feedback from the 154 attendees working at 123 companies has been positive. The range of topics included: staff competency and training, product testing and recalls, ingredient supplies, antibiotics, allergens and allergen labelling, food defence and water quality.

These forums demonstrate that industry is a willing supporter of the exchange of information on pre-competitive matters, such as food safety. The success of the forums has encouraged DFSV to continue hosting them during the coming year.



To ensure that chemicals are used properly and not creating any public health risks, in 2007/08 DFSV will move to establish a chemical expert network. Its aim will be to focus on chemical residues and their impact on dairy food safety and dairy products.

It is pleasing to report, however, that during 2006/07 there were no hazards identified that potentially could have been a problem for food safety.

#### **Partnering enhances industry knowledge and learning**

To help industry achieve better compliance, DFSV has developed a range of practical food safety technical information products, called Dairy Food Safety Notes.

Based on feedback, both from industry and through the Learning Network, seventeen new notes were produced and promoted through the Network. Topics that may affect the quality and safety of milk produced include:

- what farmers need to be aware of in drought conditions
- the careful use of antibiotics, and
- what small to medium-size businesses need to know about pasteurisation.

This suite of products has been extended to include information on:

- how the food regulatory system works, not only in Victoria, but nationally, and
- education initiatives DFSV is looking to introduce to enhance industry's skills and competencies in food safety.

A list of publications appears in Appendix A to this Report and the information products are available at: [www.dairysafe.vic.gov.au](http://www.dairysafe.vic.gov.au)

#### **Interpretation of food safety standards**

In October 2006, the national Primary Production and Processing Standard for Dairy was finalised. This Standard, which has a two-year adoption period, is a significant achievement for industry and regulators. It means that the Victorian Code of Practice for Dairy Food Safety, mandated under the Dairy Act 2000, will be amended next year to incorporate the new national Standard. Importantly, however, the Standard and Code are closely aligned and there should not be any impact on Victoria's dairy licensees as they move into the national standards framework.

The Standard and Code of Practice are not prescriptive. They describe the outcomes to be achieved in producing safe dairy products. Food safety programs, the key tool to help industry deliver safe food, must be developed by dairy businesses and approved by DFSV before a dairy industry licence can be issued.

To assist industry, in 2005/06, DFSV issued Guidelines for Food Safety – Dairy Farms. During 2006/07, Guidelines for Food Safety – Dairy Food Manufacturers were launched by the Minister for Agriculture, the Honourable Joe Helper. This publication provides a framework to develop a food safety program, and outlines the minimum food safety outcomes any operator

of a dairy food manufacturing business should achieve. A critical support tool for manufacturers, it is based on the control and prevention of microbiological, chemical and physical contaminations, as well as effective product identification and traceability.

To ensure licensees are able to comply with their statutory obligations, a copy of the Guidelines has been circulated to every Victorian dairy manufacturer.

#### **Contract audit management**

Victoria's dairy industry is a major contributor to the State's economy. Through its Reducing the Regulatory Burden initiative, the Victorian Government is committed to the development of best practice regulatory systems.

In 2004, DFSV undertook a stakeholder survey to find out how the organisation might better tailor services to industry's future direction. Feedback reveals that licensees value advice received from DFSV staff during periodic audits, rather than the audit service, itself.

DFSV reviewed the value and the range of services it offers and reinvested resources to provide the information services industry requires. By doing this, DFSV has shifted its focus to being a strategic manager of the food safety regulatory system, without actually performing the daily audit operations.

In February 2007, independent auditor SAI Global was contracted by DFSV to undertake regulatory audits in sixty DFSV licensed domestic manufacturers.

This system has the potential to streamline and harmonise compliance systems and to remove many of the indirect costs incurred by industry in complying with its food safety statutory obligations.

DFSV continues to maintain full responsibility for the performance of these manufacturers and all audits are verified by DFSV authorised officers.

#### **Consistent audits on dairy farms**

Four years ago, DFSV introduced a contract audit system to Victorian dairy farms. Through this system, DFSV approved auditors can undertake both food safety regulatory audits and audits of the farm quality assurance programs dairy companies develop for their suppliers.

#### **Monitoring and surveillance programs**

On behalf of industry, the Australian Milk Residue Analysis Survey (AMRA) continues to be coordinated by DFSV and is conducted annually. It tests for chemical residues in milk and is funded by industry. The results are reported back to industry and, most importantly, these results are scrutinised by export markets.

AMRA is a key survey for maintaining market access and has been significantly redesigned to ensure it continues to meet market requirements. In 2006/07, 12,580 analyses were conducted on 950 samples taken from milk tankers. The performance of industry was outstanding: 100 per cent compliance with Australian residue standards.

#### **Enforcement of legislation**

Information on the number of dairy licensees at 30 June 2007 is provided in Appendix B. The industry continues to be dynamic and sustainable despite adverse conditions.

It is pleasing to report that there were no prosecutions nor public health issues during the period.

Of the two dairy product recalls conducted during 2006/07, one voluntary recall occurred as the result of undeclared sulphites in dip; the other was the result of an internal sample taken during manufacture in which non-pathogenic *Salmonella spp.* was detected.

There were 76 consumer complaints relating to food safety, labelling and quality of dairy products. All consumer product complaints received by DFSV are thoroughly investigated in accordance with DFSV policies and procedures.

# operations report cont.

DFSV has reviewed this system and analysed its effectiveness. To ensure the integrity of the system and assess the competency of the auditors, each year DFSV selects a random 10 per cent of farms, reviews the audit reports and undertakes a selected proportion of on-site visits with the auditors. Feedback is then provided to auditors and improvement plans are developed.

During the year, an Auditor Working Group was established to enhance the awareness and understanding of auditors approved to undertake this work on behalf of DFSV.

While there have been issues to resolve, the well-established process of partnering has improved the system. It is the most cost-effective way for farmers to meet their statutory obligations and DFSV is committed to continuing with this approach.

To ensure that there has been no deliberate breaches of the legislation, should there be any residue detected, a full investigation is undertaken.

The Product Testing Program is DFSV's independent and random testing program for finished dairy products. Its main purpose is to provide assurance to both public health authorities and consumers that they are not exposed to unacceptable residues in their dairy foods.

For the first time, last year, the results were analysed over the previous 18 month period. A report on overall performance was provided to the Learning Network, while business performance was provided to individual licensees.

To enhance understanding of the enforcement processes, the Offence Management Unit (OMU) in the Department of Primary Industries Victoria will be providing legal training to new and existing DFSV staff. This is in addition to the service agreement established with the OMU for provision of legal services in the management of prosecutions.

#### **AUSTRALIA'S NATIONAL FOOD REGULATORY FRAMEWORK**

##### **National Primary Production and Processing Standard for Dairy**

In 2000, when DFSV was formed, one of the important requirements learned from industry was the need for a national standard. As a result, DFSV invested significant resources to influence Food Standards Australia and New Zealand (FSANZ) to accelerate the development of a national standard.

In October 2006, the national Primary Production and Processing Standard for Dairy was gazetted by FSANZ. DFSV has delivered

on its commitment. This national standard will deliver further benefits by assuring overseas markets that Australia can meet the importing country requirements.

The first phase involved development of a standard for dairy products manufactured from pasteurised milk.

The next phase of the standard development will address potential risks for dairy products that may be produced using alternative technologies. DFSV will continue to invest its resources in support of the current risk assessment being undertaken by FSANZ, to ensure that it is both thorough and robust.

#### **Implementation of the Strategy for Consistent Implementation of Food Regulation in Australia**

Australian food regulators have adopted a strategy to guide the implementation of food regulations across all portfolios and all levels of government with responsibility for food regulation. This approach encourages integrated, streamlined and cost-effective compliance activities and resolves inconsistencies in standards interpretation.

To ensure high profile representation on this issue, DFSV is a participant, along with all other states and territories, and is committed to state and federal working groups and committees contributing to the harmonisation of regulation.

DFSV representation on national committees is referred to in Appendix C.

#### **Domestic and export regulatory systems in harmony**

DFSV acknowledges that industry, in particular, needs to see the consistent application of standards. Last year saw significant progress in moving toward this harmonisation through Letters of Intent and Exchange between the Australian Quarantine and Inspection Service (AQIS) and all State regulatory authorities with responsibility for administering dairy legislation: a process is anticipated to be completed during 2007/08.

This should lead to further streamlining of regulatory systems. While maintaining industry's statutory obligations, overall, there is less regulatory burden and more cost-effective outcomes.

#### **Industry skills and training**

Through technical information analyses, DFSV found that a significant proportion of non-compliance with food safety standards was related to the competencies and skills of people who work in the production and processing sectors of the industry.

DFSV has consulted with industry and produced a Training Needs Analysis Report. This was used to develop a partnership with Goulburn Ovens Institute of TAFE and the National Centre for Dairy Education Australia to establish appropriate training programs for these sectors.

In August 2007, DFSV will deliver a food safety and hygiene training pilot program targeted to small and medium-size dairy manufacturers. The aim is to provide cost-effective and relevant programs onsite. Feedback from this pilot program will be used to refine the training content for a planned rollout in 2007/08.

#### **OUR REPUTATION AND RECOGNITION**

This year, the industry has been severely impacted by drought. DFSV recognised these difficulties and has responded by working quietly to ensure that food safety standards are maintained with minimal impact on the more difficult issues facing farmers and the industry.

Our focus is to talk to a range of other key stakeholders by invitation at conferences, workshops and committees. Presentations given by our staff during 2006/07 are listed in Appendix D.

In late 2006, the industry's food safety performance was reviewed by the US Food and Drug Administration – there were no major issues of concern. The European Union review occurred in early 2007 and negotiations on the final outcome are still in progress.

As the global economic and trading environment changes and moves to increased market deregulation, it is imperative that industry maintains and enhances its dairy food safety standards and management systems. During the year, DFSV staff made presentations to international delegations from Taiwan, Japan, Indonesia, Korea and Malaysia.

In October 2006, the Chief Executive Officer spoke at the International Dairy Federation Congress held in Beijing, China. While there, Dr Astin spoke to officials from the Chinese quarantine service and the state food and drug administration agency, advocating the integrity of Victoria's dairy food safety standards and regulatory management systems.

With significant changes to our service delivery model, DFSV has invested in the development of a new Stakeholder Relationship Management Strategy. This will be important in maintaining our contact with industry and ensuring that we remain relevant and responsive to food safety needs.

DFSV is greatly encouraged by the level of industry participation and its willingness to support the ongoing work of the organisation.

#### **OUR ORGANISATIONAL SUSTAINABILITY**

##### **Financial Sustainability**

The DFSV Funding Model Review Steering Committee (FMRSC) convened in March 2007.

Consisting of industry representatives, FMRSC made a number of recommendations to the DFSV Board. The key recommendation, endorsed by the Board, was to increase fees and charges by CPI, during the coming year.

The Board determines fees and charges annually, based on consultation with industry. FMRSC is an essential body in this process with several new industry members joining during the year.

Importantly, in terms of financial performance, DFSV has met the financial targets set by the Board for the reporting period.

### Enterprise Risk Management

During the year, a robust new Enterprise Risk Management framework was developed. The Risk Register has been aligned with the DFSV corporate and business objectives. It ensures that all business risks have been identified and can be managed.

A new 3-year rolling audit plan has been completed and a new contractor appointed from July 2007.

### Developing the IT strategy

DFSV intends to introduce a new IT system during 2007/08. A complete analysis of business needs has been carried out. Again, this is in partnership with key industry organisations.

### Organisational governance

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

### Our Staff

In anticipation of the forecast downturn in milk production during 2006/07, DFSV implemented a staff restructure which resulted in the removal of one senior executive position. In addition, there was a 33pc staff turnover.

It is pleasing to report that two staff members moved to employment within the dairy industry. Because of the limited career development opportunities within the organisation, DFSV will continue to invest in developing its people with a view to the dairy industry acquiring their skills in the future.

Importantly, our new staff members bring a broad range of skills and expertise: from retail, environmental health, farm management systems, ice cream and cheese manufacturing, the fast moving consumer goods sector as well as overseas regulatory systems.

### LOOKING AHEAD

In line with its 2006/09 Corporate Plan, during the coming year DFSV will focus on:

- further streamlining service delivery
- its role in the national regulatory framework
- enhancing industry knowledge in food safety skills and competencies, and
- our core role as regulator partnering with scientific, technical and industry organisations to make sure the dairy industry's reputation in food safety remains excellent.

# operations report cont.

## Appendix A - PUBLICATIONS 2006/2007

Guidelines For Food Safety – Dairy Food Manufacturers (October 2006)\*

Technical Notes\*

- Note 4: Preparing a Cleaning and Sanitising Program
- Note 5: CIP (Cleaning in Place) Systems
- Note 6: Introduction to Pest Control Programs
- Note 8: Food Safety Programs on Dairy Farms
- Note 9: Product Identification and Traceability
- Note 10: Introduction to Maintenance Programs
- Note 11: Calibration
- Note 12: The National Training Framework

Note 13: Food Safety & HACCP Training for Dairy Food Manufacturers

Note 14: The VET System

Note 15: Engaging an External Food Safety Training Provider

Note 16: Antibiotic Classes and Usage Patterns

Note 17: Metal Detection

Note 18: X-ray Detection of Extraneous Matter

Note 19: Drought and Dairy Food Safety

Note 20: Food Allergies: the basics for food manufacturers

\* These publications are available on the Dairy Food Safety Victoria website at [www.dairysafe.vic.gov.au](http://www.dairysafe.vic.gov.au)

## Appendix B - DAIRY INDUSTRY LICENCE STATISTICS 2006/07

LICENCE	TOTAL	TRANSFERS	CANCELLATIONS	NEW APPLICATIONS
Manufacturer (cow)	148	9	11	9
Manufacturer (sheep and goat)	8	0	0	1
Farm (cow)	5346	217	134	35
Farm (sheep & goat)	16	0	3	1
Milk Broker	2	0	0	0
Distributor	135	7	10	7
Carrier	43	0	3	2

## Appendix C - COMMITTEE REPRESENTATION

COMMITTEE/WORKING GROUP	PURPOSE	DFSV REPRESENTATIVES	TERM
AgriQuality Technical Proficiency Committee	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	Ongoing
Manufacturing Advisory Committee (NCDEA)	Provide input into the manufacturing key initiatives of the NCDEA	K Wilson J Patterson	Ongoing
AMRA Survey Review Committee (coordinated by Dairy Australia)	To conduct an annual review of the AMRA Survey.	K Venten A Astin	Annual
Food Export Regulatory Standing Committee	To harmonise regulatory services for domestic and export services	A Astin	Ongoing
Government Food Communicators Group (a sub-group of ISC)	Ensure consistent communication of food safety issues.	C Adler	Ongoing
Food Safety Council	To advise Minister for Health on food matters relating to public health.	A Astin	Ongoing
Implementation Sub Committee	To implement the strategy for consistent implementation of food regulation in Australia.	A Astin	Ongoing
Food safety management tools working group	To develop a set of regulatory and non-regulatory management tools for food regulation	A Astin	July 2008
National Audit Framework	To establish and maintain consistency for auditors and audits across the jurisdictions via the National Food Safety Audit Policy.	A Chen P Robertson	Ongoing
National Enforcement Working Group	To establish a consistent and graduated approach to enforcement across the jurisdictions via the National Enforcement Policy.	A Chen P Robertson	Ongoing
Standards Australia Committee – Dairy Products	Review Standards relating to dairy products.	I Haynes	Ongoing
Australia New Zealand Dairy Authorities' Committee (ANZDAC)	Harmonisation/sharing of technical information.	D Eddy	Ongoing
Standards Development Committee (FSANZ)	Development of the national dairy standard.	D Eddy A Astin	Ongoing
Dairy Scientific Advisory Panel (FSANZ)	Provide technical input into the development of FSANZ dairy standards.	D Eddy	Ongoing
Dairy Gains Steering Committee	Responsible and productive management of dairy effluent.	A Astin C Goodwin	Quarterly
Livestock Industry Consultative Committee	Forum for livestock industry discussion.	A Astin C Goodwin	Ongoing
Senior Field Officers Working Group	Discussion of farm issues.	C Goodwin	Ongoing
National Animal Welfare Steering Committee	Consultative dairy industry group regarding animal welfare issue.	C Goodwin	Ongoing
Dairy Australia's Technical Issues Reference Group	Provide strategic input/discussion on technical issues.	D Eddy	Ongoing
RABQSA-NFSA Scheme Committee	Represent dairy industry. Auditor competency discussion with key industry stakeholders.	A Chen	Ongoing
DIAA Victorian State Executive	Provide direction to the activities of the Victorian DIAA	D Eddy	Ongoing
DIAA Publications Committee	To oversight the DIAA publications.	D Eddy	Ongoing

## Appendix D - PRESENTATIONS 2006/2007

- Australian Specialist Cheesemakers Association Annual General Meeting, Technical Seminar, Melbourne August 2006.
- Training Needs Analysis (TNA) Manufacturer focus group sessions August/September 2006.
- IDF 2006 Shanghai China – Food Chain Management in Shanghai in October 2006. Talk was on Australia's Dairy Industry and the Food Regulatory System and Operation of Australia's Dairy Food Safety System.
- Value Chain Traceability, Department of Primary Industries Victoria Seminar, November 2006.
- Opening meeting for the EU auditors for the 2007 Review – EU Review meeting in Canberra, February 2007.
- Legislation applicable to the Dairy Industry at the National Centre for Dairy Education Australia, March 2007.
- National Centre for Dairy Education Australia Food Microbiology Training Course, April 2007.
- National Centre for Dairy Education Australia's Dairy Legislation Seminar, April 2007.
- Joint Institute for Food Safety and Applied Nutrition Food Defense Advisory Workshop for the Risk Analysis-Based Food Defense Certification Program for Professional and Academic Audiences Project, Baltimore, April 2007.
- Dairy Industry Legislation to representatives of National Foods, Goulburn Owens Institute of TAFE, May 2007.
- National Centre for Dairy Education Australia Cheesemakers Course, May 2007.
- Chinese Cheese Scholarship Program to explain the Australian Dairy Export Inspection System, June 2007.
- National Foods Pty Ltd In-house training course on food safety, June 2007.
- Indonesian delegation, Food Safety and Quarantine and Implementation of Food Safety Policy in Australia, June 2007.
- Dairy Australia/National Centre for Dairy Education Australia, Manufacturers Advisory Committee, Industry Skills and Training Program, June 2007.

“We have rapport - they are listening”

- Specialty Cheese Manufacturer

#### Functions of the Authority

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

- a. establish, maintain and improve:
  - i. the food safety standards of dairy food;
  - ii. the standards of construction and hygiene of plant and equipment in a dairy manufacturing premises;
  - iii. the standards of maintenance, cleanliness and hygiene of dairy transport vehicles.
- b. monitor and review the standards specified in paragraph (i).
- c. approve and monitor the implementation of food safety programs.

#### 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:

- a. enter into agreements or arrangements for the provision of services to the Authority or for the provision of services by the Authority;
- b. fix and charge fees for the carrying out of its functions or the provision of its services or the services of authorised officers; and
- c. expend any part of 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.

# corporate governance statements

#### 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:

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

- d. administer the licensing system under Part 3 of the *Dairy Act 2000*.
- e. ensure that appropriately qualified persons are appointed as authorised officers.
- f. fix and charge fees in respect of the carrying out of its functions or the exercise of its powers.
- g. in consultation with the Secretary to the Department of Human Services or a municipal council, protect public health.
- h. advise the Minister on matters relating to the administration of this Act.
- i. carry out any other function that is conferred on the Authority by this Act or any other Act.

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

Each member holds office for three years and is eligible for re-appointment. The new Board for 2006-2009 was appointed in October 2006.

#### **Board Committees**

The Risk Management and Audit Committee was established to assist 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, Ernst and Young.

The Science and Technology Committee was established to assist the Board of DFSV in fulfilling its responsibilities relating to assuring the safety of dairy foods produced and processed in Victoria for domestic and export markets. Members of this Committee are Ms Margaret Darton (Chair), Ms Zoe Attwood, Dr Bill Darmody and Mr Doug Day.

The Human Resources Committee was established to assist 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 Crooke (Chair), Dr Bill Darmody and Mr Trevor Tappenden.

#### **Ethical Standards**

DFSV has established its own Financial Code of Conduct which provides guidance on addressing possible or perceived conflicts of interest.

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

#### **Occupational Health and Safety**

A Risk Committee consisting of management undertakes the full range of health and safety obligations to ensure that human and financial costs of occupational injury and illness are minimised. The Committee regularly consults with all staff on workplace safety matters.

#### **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 2006 to 30 June 2007.

#### **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 Dairy Food Safety Victoria. DFSV is a prescribed authority for the purposes of the *Freedom of Information Act 1982*. During the 12 months ended 30 June 2007, there was 1 FOI request received by DFSV.

Freedom of Information requests must be made in writing describing the documents requested and including payment of a \$22 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).

Requests for information should be sent to:

**Freedom of Information Officer**  
Dairy Food Safety Victoria  
P O Box 840  
(Level 1, 313 Burwood Road)  
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 Number**

Disclosures made to DFSV during the year	Nil
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Disclosures referred during the year by DFSV to the Ombudsman for determination as to whether they are public interest disclosures	Nil
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Disclosed matters referred to DFSV during the year by the Ombudsman	Nil
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Disclosed matters referred during the year by DFSV to the Ombudsman to investigate	Nil
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Investigations for disclosed matters taken over by the Ombudsman from DFSV during the year	Nil
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Requests made under section 74 during the year to the Ombudsman to investigate disclosed matters	Nil
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Disclosed matters that DFSV has declined to investigate during the year	Nil
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Disclosed matters that were substantiated on investigation and the action taken on completion of the investigation	Nil
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Any recommendations of the Ombudsman under this Act that relate to DFSV	Nil
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Disclosures under the *Whistleblowers' Protection Act 2001* can be made to:

#### **The Protected Disclosure Coordinator**

Dairy Food Safety Victoria  
P O Box 840  
(Level 1, 313 Burwood Road)  
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

### Consultancies

During the 12 months ended 30 June 2007, twelve consultants were engaged at a total cost of \$126,560. For the year ended 30 June 2006, ten consultants were engaged at a total cost of \$76,881.

### Building Act 1993

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

### Victorian Industry Participation Policy

Dairy Food Safety Victoria has not undertaken any projects during the financial reporting period relevant to the Victorian Industry Participation Policy.

- Details of changes to fees and charges set by the entity for its services – in the Report of Operations.
- Details of any major external reviews carried out on the entity;
- 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, not otherwise detailed in the Report of Operations;
- A general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations;
- Details of any other research and development activities undertaken by the entity that are not otherwise covered either in the Report of Operations or in a document which contains the financial report and Report of Operations; and
- A list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved.

# corporate governance statements cont.

### Statement of Availability of Other Information

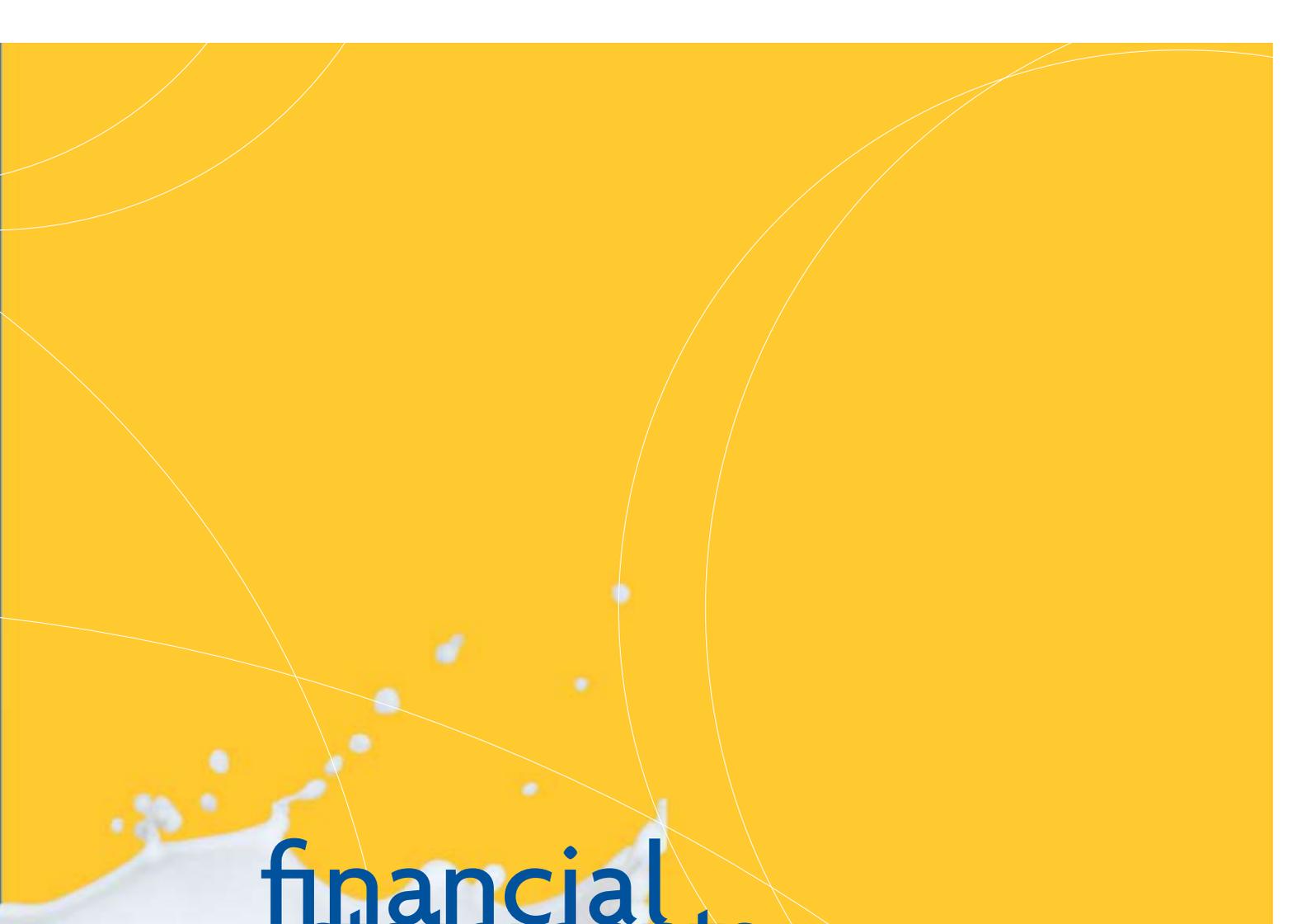
In compliance with the requirements of the ministerial directions of the Minister for Finance, details in respect of the information items below have been retained by the entity and are available to the relevant ministers, members of parliament and the public (subject to the Freedom of Information requirements,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

However, 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;
- Details of publications produced by the entity about the entity and the places where the publications can be obtained;

Staff Profile by position as at 30 June 2007

Position	Male 2007	Male 2006	Female 2007	Female 2006	Total 2007	Total 2006
Executive officers	2	3	2	2	4	5
Administrative staff	2.1	–	4.2	4.2	6.3	4.2
Financial / Accounting staff	1	1	0	0.6	1	1.6
Technical staff	6	5	5	5	11	10
Casuals	-	-	-	-	-	-
Totals	11.1	9	11.2	11.8	22.3	20.8



# financial statements

for the year ended 30 june 2007

# Operating Statement

For the Financial Year Ended 30 June 2007

	Note	2007 \$	2006 \$
<b>Income</b>			
Revenue	2(a)	4,091,052	3,894,866
<b>Total income</b>		<b>4,091,052</b>	<b>3,894,866</b>
<b>Expenses</b>			
Marketing expense	2(b)	35,457	42,006
Employee benefits expense	2(c)	1,919,007	1,898,521
Occupancy expense	2(d)	320,117	293,266
Depreciation and amortisation expense	2(e)	103,282	120,407
Administration and other expenses	2(f)	1,376,103	1,336,762
<b>Total expenses</b>		<b>3,754,036</b>	<b>3,690,962</b>
<b>Net result for the year</b>		<b>337,016</b>	<b>203,904</b>

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

# Balance Sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
<b>Current assets</b>			
Cash and cash equivalents	11(a)	2,696,542	2,197,134
Receivables	3	230,881	410,304
Other	4	19,438	9,110
<b>Total current assets</b>		<b>2,946,861</b>	<b>2,616,548</b>
<b>Non-current assets</b>			
Plant and equipment	5	237,190	287,889
<b>Total non-current assets</b>		<b>237,190</b>	<b>287,889</b>
<b>Total assets</b>		<b>3,184,051</b>	<b>2,904,437</b>
<b>Current liabilities</b>			
Payables	6	401,883	508,802
Provisions	7	460,857	410,378
<b>Total current liabilities</b>		<b>862,740</b>	<b>919,180</b>
<b>Non-current liabilities</b>			
Provisions	7	25,544	26,506
<b>Total non-current liabilities</b>		<b>25,544</b>	<b>26,506</b>
<b>Total liabilities</b>		<b>888,284</b>	<b>945,686</b>
<b>Total Net Assets</b>		<b>2,295,767</b>	<b>1,958,751</b>
<b>Equity</b>			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		495,767	158,751
<b>Total equity</b>		<b>2,295,767</b>	<b>1,958,751</b>
Contingent liabilities and contingent assets	19		
Commitments for expenditure	10		

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

# Statement of Recognised Income and Expense

For the Financial Year Ended 30 June 2007

	Accumulated surplus (deficit) \$	Contributed capital \$	Total \$
<b>1 July 2005</b>	(45,153)	1,800,000	1,754,847
Net result for year	203,904	-	203,904
<b>30 June 2006</b>	<b>158,751</b>	<b>1,800,000</b>	<b>1,958,751</b>
Net result for year	337,016	-	337,016
<b>30 June 2007</b>	<b>495,767</b>	<b>1,800,000</b>	<b>2,295,767</b>

The above Statement of Recognised Income and Expense should be read in conjunction with the accompanying notes.

# Cash Flow Statement

For the Financial Year Ended 30 June 2007

	Note	2007 \$	2006 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from other entities		4,182,312	3,723,817
Interest received		148,570	114,283
Goods and Services Tax recovered from the ATO		175,300	147,199
Total receipts		4,506,182	3,985,299
Payment to suppliers and employees		(3,879,554)	(3,408,593)
Goods and Services Tax paid to the ATO		(54,472)	(48,186)
		(3,934,026)	(3,456,779)
<b>Net cash flows from operating activities</b>	11(b)	<b>572,156</b>	<b>528,520</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant and equipment		59,946	35,086
Payment for plant and equipment		(132,694)	(169,720)
<b>Net cash flows used in investing activities</b>		<b>(72,748)</b>	<b>(134,634)</b>
<b>Net increase in cash held</b>		499,408	393,886
Cash and cash equivalents at the beginning of the financial year		2,197,134	1,803,248
<b>Cash and cash equivalents at the end of the financial year</b>	11(a)	<b>2,696,542</b>	<b>2,197,134</b>

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

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

## 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, Interpretations and other mandatory professional requirements. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS).

The financial report was authorised for issue by Mr K Moze on 28 August 2007.

### Basis of preparation

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

In the application of A-IFRS, 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 circumstance, the results of which forms 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 A-IFRS 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 30 June 2007 and the comparative information presented for the year ended 30 June 2006.

#### (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.

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

## 1 Summary of accounting policies (continued)

### (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, are 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**

Biennial licence fees payable by dairy farmers are based on monthly milk production. Annual licence fees are payable by manufacturers and treated as Income when received. Revenue received from licence fees is non-reciprocal as there is no expectation that either the amount will be repaid or that direct services of the same value will be provided to the licensee. As a result, revenue from these fees is recognised when the fees are raised.

#### **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 include 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 8.

#### **Depreciation**

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 are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

<b>Class of Asset</b>	<b>Useful life of asset</b>
Furniture and fittings	10 years
Motor vehicles	6.7 years
Plant and equipment	Varies from 3 to 10 years

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

## 1 Summary of accounting policies (continued)

### (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 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

#### **Receivables**

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

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

A provision for doubtful debts receivable 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.

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

## 1 Summary of accounting policies (continued)

### (h) Liabilities (continued)

#### **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, measured at 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) Cash flow statement

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

### (l) Functional and presentation currency

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

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

## 1 Summary of accounting policies (continued)

### (m) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises departments and other entities of their applicability and early adoption where applicable.

At 30 June 2007, the following applicable standards and interpretations (applicable to DFSV) had been issued but were not mandatory for financial years ending 30 June 2007. DFSV has not, and does not intend to adopt these standards early.

#### *AASB 7 Financial Instruments Disclosures*

New standard replacing disclosure requirements of AASB 132. Applicable for annual reporting periods beginning 1 January 2007. AASB 7 is a disclosure standard so will have no direct impact on the amounts in the financial statements. However, the amendments may result in changes to the financial instrument disclosures included in the financial report.

#### *AASB 2005-10 Amendments to Australian Accounting Standards*

arising from AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038.

Amendments arise from the release in August 2005 of AASB 7 Financial Instruments: Disclosures. Applicable for annual reporting periods beginning 1 January 2007. This is a disclosure standard which is not expected to impact on the amounts included in the financial statements.

#### *AASB 101 Presentation of Financial Statements (revised)*

Removes Australian specific requirements from AASB 101, including the Australian illustrative formats of the income statement, balance sheet and statement of changes in equity which entities were previously encouraged to adopt in preparing their financial statements. Applicable for annual reporting periods beginning 1 January 2007. Impact on presentation not expected to be significant.

#### *AASB 2007-3: Amendments to Australian Accounting Standards*

arising from AASB 8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038).

An accompanying amending standard, also introduced consequential amendments into other standards. Applicable for annual reporting periods beginning 1 January 2009. Impact not expected to be significant.

	2007 \$	2006 \$
<b>2 Net result from continuing operations includes:</b>		
<b>Income</b>		
<b>(a) Revenue</b>		
Licence fees	3,419,576	3,271,131
Audit and inspection fees	117,817	201,293
Australian Milk Residue (AMRA) survey	327,135	307,403
Interest received and receivable from investments	148,570	114,283
Other income	77,954	756
<b>Total Income</b>	<b>4,091,052</b>	<b>3,894,866</b>
<b>Expenses</b>		
<b>(b) Marketing expenses</b>		
Promotions and promotional material	11,253	24,466
Publicity expenses	24,204	17,540
	<b>35,457</b>	<b>42,006</b>

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

	Note	2007 \$	2006 \$
<b>(c) Employee benefits expense</b>			
Salaries and wages expense		1,621,281	1,557,975
Post employment benefits:			
Defined benefit expense		110,156	111,752
Other superannuation expense		47,965	44,871
Other employee benefits expense		139,675	183,923
		1,919,077	1,898,521
<b>(d) Occupancy expenses</b>			
Rent - minimum lease payments		249,504	206,817
Rates and utilities		20,594	21,138
Insurance		2,230	1,573
Cleaning and maintenance		14,359	14,202
Other		33,430	49,536
		320,117	293,266
<b>(e) Depreciation and amortisation expense</b>			
Depreciation of non-current physical assets		103,282	110,296
Written down value of assets scrapped		-	10,111
		103,282	120,407
<b>(f) Administration and other expenses</b>			
Audit fees	14	14,000	13,100
Bad and doubtful debts		3,587	1,854
Loss on disposal of plant and equipment		20,165	20,851
Operating leases - minimum lease payments		63,851	74,432
Consultancy, legal and professional services		174,838	209,802
Product testing and laboratory evaluation costs		301,613	272,080
Other expenses		798,049	744,643
		1,376,103	1,336,762
<b>(g) Significant items</b>			
No significant items were included in the results from ordinary activities.		-	-
<b>3 Receivables</b>			
Trade debtors		161,281	41,945
Dairy Industry licence fees		40,000	310,787
Other debtors		30,146	59,426
Allowance for doubtful debts		(546)	(1,854)
		230,881	410,304
The average credit period for all receivables is 30 Days. Although no interest is charged, a late fee is charged after 14 days.			
<b>4 Other assets</b>			
Prepayments		19,438	9,110

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

	2007 \$	2006 \$
<b>5 Plant and equipment</b>		
Leasehold improvements - at cost	151,755	151,055
Less: Accumulated depreciation	(126,413)	(117,642)
	25,342	33,413
Furniture and fittings - at cost	82,028	82,028
Less: Accumulated depreciation	(35,054)	(26,873)
	46,974	55,155
Motor Vehicles - at cost	107,815	131,250
Less: Accumulated depreciation	(22,840)	(15,118)
	84,975	116,132
Plant and equipment - at cost	471,497	417,891
Less: Accumulated depreciation	(391,598)	(334,702)
	79,899	83,189
Total cost	813,095	782,224
Total accumulated depreciation	(575,905)	(494,335)
<b>Total plant and equipment</b>	<b>237,190</b>	<b>287,889</b>

	Leasehold improvements \$	Furniture and fittings \$	Motor Vehicles \$	Plant and equipment \$	Total \$
<b>Carrying amount</b>					
Balance at 1 July 2005	29,890	58,934	78,662	116,895	284,381
Additions	11,145	4,134	101,874	52,567	169,720
Disposals	-	-	(45,694)	(111)	(45,805)
Scrapped assets	-	-	-	(10,111)	(10,111)
Depreciation/amortisation expense	(7,622)	(7,913)	(18,710)	(76,051)	(110,296)
<b>Balance at 1 July 2006</b>	<b>33,413</b>	<b>55,155</b>	<b>116,132</b>	<b>83,189</b>	<b>287,889</b>
Additions	700	-	78,438	53,556	132,694
Disposals	-	-	(80,111)	-	(80,111)
Scrapped assets	-	-	-	-	-
Depreciation/amortisation expense	(8,771)	(8,181)	(29,484)	(56,846)	(103,282)
<b>Balance at 30 June 2007</b>	<b>25,342</b>	<b>46,974</b>	<b>84,975</b>	<b>79,899</b>	<b>237,190</b>

## Plant and equipment - restoration asset

The restoration asset is included in leasehold improvements.

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 1 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 12 years being the lease term resulting in an annual amortisation charge of \$917. This amount is included in the depreciation charge for leasehold improvements.

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

	2007 \$	2006 \$
<b>6 Payables</b>		
Trade creditors	124,444	136,874
Other creditors	277,439	371,928
	401,883	508,802
<p>The average credit period of all payables is 30 days . No interest is charged on payables.</p>		
<b>7 Provisions</b>		
<b>Current</b>		
Employee benefits	460,080	409,490
Restoration of leased premises	777	888
	460,857	410,378
<b>Non-current</b>		
Employee benefits	12,541	14,502
Restoration of leased premises	13,003	12,004
	25,444	26,506
<b>(a) Employee benefits</b>		
<b>Current employee benefits</b>		
Annual leave entitlements	138,174	137,110
Unconditional long service leave entitlements	321,906	272,380
	460,080	409,490
<b>Current employee benefits that:</b>		
Are expected to be utilised within 12 months after the end of the reporting period	144,567	155,000
Are expected to be utilised more than 12 months after the end of the reporting period	315,513	254,490
	460,080	409,490
<b>Non-current</b>		
Conditional long service leave entitlements	12,541	14,502
<b>Total employee benefits</b>	472,621	423,992
<b>(b) Movement of provision for restoration of leased premises</b>		
Opening Balance	12,892	12,278
Additional provision raised for year and charged in the Operating Statement	888	614
Closing balance	13,780	12,892
Current	777	888
Non-current	13,003	12,004
	13,780	12,892

**(c) Restoration liability**

The current lease of the principal place of business commenced on 1 July 2003 for three years, with the option to further renew on a 3x3x3 lease term to 2015.

*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 1 July 2004 was measured at \$11,700 in the balance sheet.

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

## 8 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.

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

	Cont'bn for the year 2007 \$	Cont'bn for the year 2006 \$	Cont'bn o'standing at year end 2007 \$	Cont'bn o'standing at year end 2006 \$
Vision Super (formerly LASB Super)	5,927	4,950	-	-
Emergency Services & State Super (Formerly Government Superannuation Office)	62,547	62,750	-	-
Victorian Superannuation Fund - VicSuper	41,682	44,052	-	-
Care Super	5,932	5,226	-	-
AXA Life Ltd	2,536	3,320	-	-
AMP Life Ltd	1,231	8,197	-	-
CAAR Super	3,137	10,156	-	-
Westpac Life	5,896	5,671	-	-
REST Super	6,030	5,270	-	-
MLC Super	220	5,720	-	-
Unlimited Super	4,955	-	-	-
Mercer Super Trust	5,350	-	-	-
Australian Super	7,028	-	-	-
Various other	5,650	1,311	-	-
	158,121	156,623	-	-

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.

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

## 8(b) Superannuation (continued)

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 30 June 2006, 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 30 June 2006 actuarial investigation pursuant to the requirements of Australian Accounting Standard AAS25 as follows:

	<b>30/6/2006</b>
	<b>\$'000</b>
Net Market Value of Assets	3,443,686
Accrued Benefits (per accounting standards)	3,319,598
Difference between Assets and Accrued Benefits	124,088
Vested Benefits	3,040,443

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

Net Investment Return	8.0% p.a.
Salary Inflation	5.5% p.a.
Price Inflation	3.0% p.a.

A review of the reported net market value of the assets and accrued benefits of the Fund at 30 June 2006 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 between 8.8% to 9.7% 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 17.0% 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 - VicSuper

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

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

### Other Superannuation Funds

All other funds are 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.

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

## 9 Leases

### Operating Lease Commitments

Operating leases relate to lease rental expense commitments at 30 June 2007 and are in respect of premises (at Melbourne, Shepparton and Warrnambool), 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 a Heads of Agreement to lease premises at 313 Burwood Road, Hawthorn from 1 July 2003 for a period of three years. The option to renew the agreement has been exercised and the operating lease commitment for the year ending 30 June 2008 is \$181,653 per annum (plus yearly CPI increases).

	2007 \$	2006 \$
<b>Non-cancellable operating leases</b>		
Not longer than 1 year	244,300	263,439
Longer than one year and not longer than five years	242,266	485,878
	486,566	749,317

## 10 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	1,009,193	586,330
Later than one year, but not later than five years	776,997	159,393
	1,786,190	745,723

### (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	67,426	59,400
Later than one year, but not later than five years	67,426	118,800
	134,852	178,200

### (c) Leases

Non-cancellable operating lease commitments are disclosed in note 9 to the financial statements.

### Total Commitments for Expenditure

Total commitments for expenditure (Inclusive of GST)	2,464,101	1,757,560
Less GST recoverable from the Australian Taxation Office	(56,493)	(84,320)
Total commitments for expenditure (exclusive of GST)	2,409,608	1,673,240

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

	2007 \$	2006 \$
<b>11 Cash Flow Information</b>		
<b>(a) Cash and cash equivalents</b>		
Cash on hand	1,934	1,434
Cash at bank	40,743	73,272
Interest bearing deposits	2,653,865	2,122,428
Balance as per cash flow statement	2,696,542	2,197,134
<b>(b) Reconciliation of net result for period to net cash flows from operating activities</b>		
Net result for the year	337,016	203,904
(Gain) / Loss on sale or disposal of non-current assets	20,165	20,830
Depreciation and amortisation of non-current assets	103,282	110,296
Doubtful debts provided (reduced)	(1,309)	1,855
Changes in net assets and liabilities:		
(Increase) / Decrease in assets:		
Receivables	(119,335)	89,624
Other assets	289,739	(530)
Increase / (Decrease) in liabilities:		
Payables	(106,919)	61,383
Provisions	49,517	41,158
Net cash from/(used in) operating activities	572,156	528,520

## 12 Responsible Persons

### (a) Board members

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

Ms S Harlock	Chairman
Ms M Darton	
Mr T Tappenden	
Mr D Day	Appointed 11/10/2006
Dr W Darmody	Appointed 11/10/2006
Ms S Croke	Appointed 11/10/2006
Ms Z Attwood	Appointed 11/10/2006
Mr P Ford	Appointment ceased 11/10/2006
Dr J Robertson	Appointment ceased 11/10/2006
Dr J Sullivan	Appointment ceased 11/10/2006

### (b) Remuneration

The number of Board members of DFSV in each of their relevant remuneration bands (including those that have resigned) is shown hereunder with the exception of the Chief Executive Officer whose remuneration is included in the remuneration for Executive Officers.

	2007	2006
\$0 - \$9,999	9	5
\$10,000 - \$19,999	1	1
\$20,000 - \$29,999	-	1

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

Remuneration excluding superannuation	49,538	51,570
Superannuation contributions	4,219	2,600

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

## 12 Responsible Persons

### (b) Remuneration (continued)

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 responsible person of DFSV.

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

There have been no transactions between related parties and Board members, other than 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 arm's 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: Hon J. Helper MP

### (e) Insurance Premiums

During the financial year, DFSV paid an insurance premium of \$37,426 (2006: \$37,724) 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.

## 13 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	
	2007 No.	2006 No.	2007 No.	2006 No.
\$200,000 - \$209,999	1	-	-	-
\$190,000 - \$199,999	-	-	-	-
\$180,000 - \$189,999	-	1	-	-
\$170,000 - \$179,999	-	-	-	-
\$160,000 - \$169,999	-	-	1	-
\$150,000 - \$159,999	-	-	-	1
\$140,000 - \$149,999	-	-	-	-
\$130,000 - \$139,999	-	1	-	-
\$120,000 - \$129,999	-	-	-	-
\$110,000 - \$119,999	2	2	-	1
\$100,000 - \$109,999	-	-	-	-
\$90,000 - \$99,999	-	-	2	2
<b>Total numbers</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>4</b>
<b>Total amount</b>	<b>\$440,179</b>	<b>\$543,927</b>	<b>\$365,053</b>	<b>\$460,057</b>

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

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

	2007 \$	2006 \$
<b>14 Remuneration of auditors</b>		
<b>Victorian Auditor General's Office</b>		
Audit or review of the financial report	14,000	13,100
Other non-audit services	-	-
<b>15 Ex-gratia payments</b>		
<b>DFS V has made the following ex-gratia payments:</b>		
Ex-gratia payments	-	-

## 16 Subsequent Events

DFS V has no material or significant events occurring after the reporting date.

## 17 Charge over Assets

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

## 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:

	2007 Intra \$	2007 Inter \$	2006 Intra \$	2006 Inter \$
Assets	-	-	-	-
Liabilities	-	-	-	-
Revenues	-	148,750	-	114,283
Expenses	96,494	86,819	21,070	84,646

"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

DFS V 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.

## 20 Segment Information

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

## 21 Financial Instruments

### (a) Financial risk management objectives

The activities of DFS V expose it primarily to the financial risks of interest rates. DFS V does not enter into derivative financial instruments to manage its exposure to interest rate risk.

DFS V does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes. The use of financial instruments is governed by DFS V's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

The policies for managing these risks are discussed in more detail below.

# Notes to the Financial Statements

For the Financial Year Ended 30 June 2007

## 21 Financial Instruments (cont'd)

### (b) Significant accounting policies

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

### (c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to DFSV. DFSV has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. DFSV measures credit risk on a fair value basis.

DFSV does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of the financial assets recorded in the financial statements, net of any allowances for losses, represents DFSV's maximum exposure to credit risk without taking account of the value of any collateral obtained.

### (d) Interest rate risk

DFSV's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as DFSV intends to hold fixed assets and liabilities to maturity.

	Note	Weighted average effective interest rate %	Maturity dates				Total \$
			Variable interest rate \$	Less than 1 year \$	1-2 years \$	Non- interest bearing \$	
<b>2007 Financial Assets:</b>							
Cash and cash equivalents							
- cash on hand and at bank	11	0.0%	-	-	-	42,677	42,677
- interest bearing deposit	11	6.3%	2,653,865	-	-	-	2,653,865
Trade and other receivables	3	0.0%	-	-	-	230,881	230,881
			2,653,865	-	-	273,558	2,927,423
<b>2007 Financial Liabilities:</b>							
Payables	6	0.0%	-	-	-	401,883	401,883
Employee benefits	7	0.0%	-	-	-	472,621	472,621
			-	-	-	874,504	874,504
<b>2006 Financial Assets:</b>							
Cash and cash equivalents							
- cash on hand and at bank	11	0.0%	-	-	-	74,706	74,706
- interest bearing deposit	11	5.5%	2,122,428	-	-	-	2,122,428
Trade and other receivables	3	0.0%	-	-	-	410,304	410,304
			2,122,428	-	-	485,010	2,607,438
<b>2006 Financial Liabilities:</b>							
Payables	6	0.0%	-	-	-	508,802	508,802
Employee benefits	7	0.0%	-	-	-	423,992	423,992
			-	-	-	932,794	932,794

# Accountable Officer's Declaration

## (e) Fair value

Management consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices, and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except as detailed in the following table, DFSV considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values:

	Note	2007		2006	
		Carrying amount \$	Net fair value \$	Carrying amount \$	Net fair value \$
<b>Financial assets:</b>					
Cash and cash equivalents	11	2,696,542	2,696,542	2,197,134	2,197,134
Receivables	3	230,881	230,881	410,301	410,304
		2,927,423	2,927,423	2,607,435	2,607,438
<b>Financial liabilities:</b>					
Payables	6	401,883	401,883	508,802	508,802
Employee benefits	7	472,621	472,621	423,992	423,992
		874,504	874,504	932,794	932,794

## 22 Entity's Details

The registered office and principal place of business of the entity is:

Dairy Food Safety Victoria  
Level 1, 313 Burwood Road, Hawthorn VIC 3122  
Web Site: [www.dairysafe.vic.gov.au](http://www.dairysafe.vic.gov.au)

The Parliament of Victoria enacted the *Dairy Act 2000 – Act No. 37/2000* to establish Dairy Food Safety Victoria.

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.

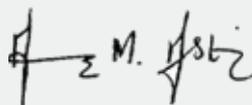
We further state that, in our opinion, the information set out in the Operating Statement, the Balance Sheet, the Statement of Change in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2007 and financial position of the Dairy Food Safety Victoria as at 30 June 2007.

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

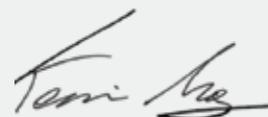


Shirley Harlock  
CHAIRMAN

28 August 2007



Anne M Astin  
CHIEF EXECUTIVE OFFICER



Kevin Moze  
FINANCE MANAGER

## INDEPENDENT AUDITOR'S REPORT

### DAIRY FOOD SAFETY VICTORIA

#### To the Members of the Parliament of Victoria and Members of the Board of the Authority

##### *The Financial Report*

The accompanying financial report for the year ended 30 June 2007 of Dairy Food Safety Victoria which comprises the operating statement, balance sheet, statement of recognised income and expense, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the certification has been audited.

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

The Members of the Board of Dairy Food Safety Victoria are responsible for the preparation and the 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; and
- making accounting estimates that are reasonable in the circumstances.

##### *Auditors Responsibility*

As required by the *Audit Act 1994*, under the delegated authority provided by the Auditor-General 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 internal control relevant to the Board Members' 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 Dairy Food Safety Victoria'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 obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Independent Auditor's Report (continued)

### *Independence*

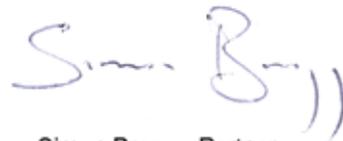
The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. The Auditor-General, his staff and delegates comply with all applicable independence 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 2007 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

28/08/2007



Simon Bragg - Partner

DFK Collins  
Chartered Accountants  
Delegate of  
D.D.R. PEARSON  
*Auditor-General*

# Financial Review

## of Operations and Financial Conditions

	2007 \$	2006 \$	2005 \$	2004 \$	2003 \$	2002 \$
<b>Financial Summary</b>						
Revenue from operating activities	3,864,528	3,779,827	3,700,858	3,142,390	2,951,336	2,675,826
Other revenue from non operating activities	226,524	115,039	119,668	129,042	95,182	162,950
Total revenue	4,091,052	3,894,866	3,820,526	3,271,432	3,046,518	2,838,776
Net surplus (deficit) from operating activities	337,016	203,904	204,473	(19,675)	36,909	(169,489)
Net cash flow from operating activities	572,156	528,520	335,165	(90,733)	48,329	67,315
Total assets	3,184,051	2,904,437	2,597,992	2,355,855	2,323,736	2,455,277
Total liabilities	888,284	945,686	843,145	803,864	752,070	904,525
Total net assets / equity	2,295,767	1,958,751	1,754,847	1,551,991	1,571,666	1,550,752

### Financial Year ended:

**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.

**2004** For the financial year ended June 2004, the entity's results from ordinary activities was affected by a change in accounting policy for revenue recognition. This change in accounting policy for revenue recognition resulted in seven months of income from farm licence fees being recognised to 30 June 2004. The impact of this change in accounting policy upon revenue recognition for the year ended 30 June 2004 was a shortfall in revenue of \$393,136 over the prior year.

# Disclosure Index

## of Operations and Financial Conditions

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

<b>Legislation Requirements</b>	<b>Reference</b>
<b>Ministerial Directions</b>	
<b>Report of Operations - FRD Guidance</b>	
<b>Charter &amp; Purpose</b>	
FRD 22B Manner of establishment and the relevant Minister	Annual report
FRD 22B Objectives, functions, powers and duties	Annual report
FRD 22B Nature and range of services provided	Annual report
<b>Management and Structure</b>	
FRD 22B Organisational structure	Annual report
<b>Financial and other information</b>	
FRD 22B Operational and budgetary objectives and performance against objectives	Annual report
FRD 22B Employment and conduct principals	Annual report
FRD 22B Occupational health and safety	Annual report
FRD 29 Workforce data disclosures	Annual report
FRD 15B Executive officer disclosures	Annual report
FRD 22B Summary of financial results for the year	Financial report
FRD 22B Significant changes in financial position during the year	Financial report
FRD 22B Major changes or factors affecting performance	Annual report
FRD 22B Subsequent events	Financial report
FRD 22B Application and operation of Freedom of Information Act 1982	Annual report
FRD 22B Compliance with building and maintenance provisions of the Building Act 1993	Annual report
FRD 22B Statement of National Competition Policy	Annual report
FRD 22B Application and operation of the Whistleblowers Protection Act 2001	Annual report
FRD 25 Victorian Industry Participation Policy disclosures	Annual report
FRD 22B Details of consultancies over \$100,000	N/A
FRD 22B Details of consultancies under \$100,000	Annual report
FRD 12A Disclosure of major contracts	N/A
FRD 24B Reporting of office-based environmental impacts	Annual report
FRD 22B Statement of availability of other information	Annual report
FRD 10 Disclosure index	Financial report
FRD 8A Budget portfolio outcomes	Annual report
<b>Financial Statements</b>	
<b>Financial statements required under part 7 of the FMA</b>	
SD 4.2(b) Operating statement	Financial report
SD 4.2(b) Balance sheet	Financial report
SD 4.2(a) Statement of changes in equity	Financial report
SD 4.2(b) Cash flow statement	Financial report
SD 4.2(c) Compliance with Australian accounting standards and other authoritative pronouncements	Financial report
SD 4.2(c) Compliance with Ministerial directions	Financial report
SD 4.2(c) Accountable officer's declaration	Financial report
SD 4.2(d) Rounding of amounts	N/A
<b>Other disclosures in notes to the financial statements</b>	
FRD 13 Disclosure of parliamentary appropriations	N/A
FRD 9A Entity's disclosure of administered assets and liabilities	N/A
FRD 11 Disclosure of ex-gratia payments	Financial report
FRD 21A Responsible person and executive officer disclosures	Financial report
<b>Legislation</b>	
<i>Freedom of Information Act 1982</i>	
<i>Building Act 1983</i>	
<i>Whistleblowers Protection Act 2001</i>	
<i>Victorian Industry Participation Policy Act 2003</i>	
<i>Financial Management Act 1994</i>	
<i>Audit Act 1994</i>	



**Dairy Food Safety Victoria**

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