

PARTNERING FOR A BETTER DAIRY INDUSTRY

THINK GLOBALLY, ACT NATIONALLY, DELIVER REGIONALLY



2007-08
Annual Report
Dairy Food Safety Victoria

THE ULTIMATE GOAL OF DAIRY FOOD SAFETY VICTORIA IS TO ENSURE THAT ALL DAIRY FOODS PRODUCED IN VICTORIA ARE SAFE, BUILDING CONSUMER CONFIDENCE AND ENHANCING PRODUCT SALES IN AUSTRALIA AND OVERSEAS.



1

28 August 2008

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, 2007 to 30 June, 2008.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Harlock', written in a cursive style.

Shirley Harlock
Chairman

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 (DFSV), 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.

2007-2

Contents

Vision/Mission/Value Statements	pg 1
Highlights	Pg 2
Chairman's Review	Pg 4
Chief Executive Officer's Report	Pg 8
The DFSV Board	Pg 11
2007/08 Operations Overview	Pg 14
Corporate Governance Report	Pg 25
Financial Statements	Pg 29
Auditor-General's Report	Pg 47
Disclosure Index	Pg 50

Dairy Food Safety Victoria ABN 19 045 433 005

HIGHLIGHTS

- Public health was protected from potential dairy food safety incidences and there were no market assurance breakdowns in 2007/08.
- *The National Framework for Food Regulation in the Australian Dairy Industry* was developed and agreed, paving the way for implementation of the national dairy standard *Standard 4.2.4: Primary Production and Processing Standard for Dairy Products*, in October 2008.
- The first graduates of the DFSV/ National Centre for Dairy Education Australia (NCDEA) course, *Fundamentals of Food Safety and Quality – for Dairy Manufacturers*, were presented with certificates by the Minister for Agriculture, the Hon. Joe Helper. This year, 78 participants from 23 manufacturers completed this new course.
- DFSV's enhanced reporting system was introduced, enabling manufacturers to compare their performance against the industry average, providing added impetus for those with variable or elevated results to strive to improve.
- DFSV successfully negotiated an agreement with Biosecurity Victoria, within the Department of Primary Industries, eliminating the need for duplicate regulatory audits on farm in relation to the use of agricultural and veterinary chemicals.
- The popular on-line library of Dairy Food Safety Notes was expanded to include: Notes on Allergen Management for Dairy Food Manufacturers, Microbiological Sampling and Testing of Dairy Products, Food Defence, and Building Construction Guidelines.
- The Learning Network forums were formally assessed as a valuable information sharing platform for manufacturers, with 100% of attendees surveyed indicating that they were a good investment of their time.



“WE HAVE FORGED NEW PARTNERSHIPS AND STRENGTHENED EXISTING ONES IN OUR EFFORTS TO BUILD ON OUR VALUE PROPOSITION TO INDUSTRY. WE REMAIN COMMITTED TO DELIVERING SAFE DAIRY FOOD TO CONSUMERS.”

Chairman's Review



It gives me great pleasure to present this Annual Report for the 2007/08 financial year.

This reporting period marks the completion of the eighth year of operation for Dairy Food Safety Victoria (DFSV) and we have continued to expand our circles of influence – regionally, nationally and globally.

We have forged new partnerships and strengthened existing ones in our efforts to build on our value proposition to industry. We remain committed to delivering safe dairy food to consumers.

A healthy score card

DFSV was established by the Victorian Parliament under the *Dairy Act 2000*. Its objective, as stated in Section 5 of the Act, is to ensure that the standards that safeguard public health are maintained in the Victorian dairy industry.

Our core responsibility, therefore, is to ensure the safety of all dairy foods produced in Victoria for domestic and international markets. We have delivered on that fundamental goal, continuing to administer government policy and – at the same time – adding value for our licensees and stakeholders.

Due to the prudent management of potential dairy food safety incidences, public health was protected and there

were no market assurance breakdowns in 2007/08. This is a healthy score card for the dairy industry.

Each and every licensee, from the smallest dairy farmer to the largest multi-national manufacturer, plays a pivotal role in maintaining our reputation for producing consistently safe, high-quality dairy foods and I commend industry for its efforts. It is this industry-wide commitment to ensuring dairy food safety, from the paddock to the plate, that is paying dividends in the market place.

A truly national approach

The reporting period saw the vision of a single national regulatory system take giant strides forward with the development of the *National Framework for Food Regulation in the Australian Dairy Industry* and its unanimous endorsement by all state bodies responsible for dairy regulation.

DFSV, in collaboration with our interstate colleagues, invested significant resources to drive the development of the framework and a consistent approach to the implementation of the new Food Standards Australia New Zealand (FSANZ) national Primary Production and

Processing Standard for Dairy Products, which will come into effect in October 2008.

The impact of the framework on the unification of the dairy industry and standardisation of regulations will see efficient and cost-effective use of finite resources and enhance the industry's ability to operate nationally.

Our goal is a consistent compliance system that reduces regulatory burden while maintaining high food safety standards and quality products. With the adoption of the new national framework we have moved closer to that goal.

Working with industry

In order to maintain best practice, DFSV's focus this year has been to work with its stakeholders to identify areas for improvement, providing science-based knowledge and resources to streamline processes, minimise risk and improve operating efficiencies.

We have: consulted with farmers and manufacturers; conducted non-audit support visits; expanded our library of Dairy Food Safety Notes and other web-based resources; hosted quarterly Learning Network forums for

Chairman's



“IN ORDER TO MAINTAIN BEST PRACTICE, DFSV’S FOCUS THIS YEAR HAS BEEN TO WORK WITH ITS STAKEHOLDERS TO IDENTIFY AREAS FOR IMPROVEMENT, PROVIDING SCIENCE-BASED KNOWLEDGE AND RESOURCES TO STREAMLINE PROCESSES, MINIMISE RISK AND IMPROVE OPERATING EFFICIENCIES.”

Review *continued*

manufacturers; provided guidance on standards interpretation; and developed a short course (*Fundamentals of Food Safety and Quality – for Dairy Manufacturers*), in conjunction with NCDEA.

DFSV's commitment to partnering with industry to enhance food safety knowledge, skills and competencies will continue to grow in the future, in parallel with our regulatory role.

Working with government

I would particularly like to acknowledge the on-going support of our Victorian Minister for Agriculture, the Hon. Joe Helper, exemplified by his participation in the graduation ceremony to mark the successful completion of our inaugural *Fundamentals of Food Safety and Quality – for Dairy Manufacturers* course.

We continue to work closely with government departments and authorities, including the Victorian Departments of Primary Industries and Human Services, the Australian Quarantine and Inspection Service (AQIS), FSANZ, Safe Food Production Queensland, Tasmanian Dairy Industry Authority, Dairy Authority of South Australia, New South Wales Food Authority and Western Australia Department of Health as well as the key dairy industry representative bodies.

DFSV has earned its place among the most influential food safety organisations and forums in the country, where it is working to help shape food regulatory policy, ensuring that Victoria's dairy farmers and manufacturers are well-represented.

Corporate governance

The DFSV Board establishes the strategic direction for the organisation via a challenging three-year Corporate Plan, demonstrating the organisation's innovative approach to regulation. It is a skills-based Board that reflects broad business, financial and industry expertise together with sound governance. Directors sit on DFSV committees in the areas of Science and Technology, Human Resources and Audit/Risk Management.

Most importantly, it is a Board whose independence underpins ethical decision making.

The very nature and purpose of this organisation sees a high level of Board focus on risk management while continuing to broaden its outlook in a bid to increase value for DFSV stakeholders. There is an expectation to deliver on government regulations and at the same time to monitor and proactively address emerging issues, such as the development of novel foods and packaging, biosecurity and the impact of the drought in relation to water and feed inputs – establishing appropriate internal policies to help guide the organisation.

I would like to recognise the diligence and commitment of my fellow Directors on the DFSV Board. Thank you for your unwavering dedication to the organisation's vision.

Foundation for the future

The market environment is seeing greater demand for dairy products, necessitating creativity, innovation and rapid commercialisation by producers and manufacturers. Consumers expectation of cheaper, healthier and more convenient food, produced in an environmentally sustainable manner, will place greater pressure on industry.

The Board has focused on positioning DFSV for the future and supported the projects undertaken by DFSV this year, including the development of the Learning Networks program, which was financially assisted by the Geoffrey Gardiner Dairy Foundation. We acknowledge this financial support.

DFSV's work programs and the strategic planning of the Board will continue to take the organisation forward.

A stakeholder communications plan is under way; a risk framework and mitigation strategy has been developed; a business continuity plan is in place; and industry has again endorsed the DFSV funding model, reviewed our four-year financial forecast and acknowledged our prudent financial management.

Our skilled and passionate team at DFSV, led by Chief Executive Officer, Anne Astin, augurs well for the future. We have recruited strategically and retained key talent to ensure we have an experienced staff committed to the values of the organisation.

External recognition and respect for the organisation and its staff is evidenced by Anne Astin's recent appointment as incoming chair of the National Food Regulatory Implementation Sub-Committee.

I offer my congratulations to Anne and her team on a very successful year and my appreciation is extended to the dairy industry as a whole for its on-going support. I look forward to building on our achievements in 2008/09.



Shirley Harlock
Chairman
Dairy Food Safety Victoria

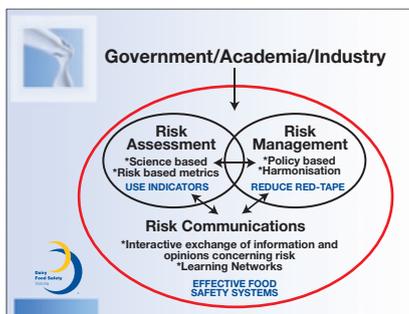


“ADVANCING VICTORIA’S REPUTATION FOR SAFE, QUALITY DAIRY PRODUCTS AROUND THE WORLD IS PART OF DFSV’S CHARTER.”

Chief Executive Officer's Report



I was pleased to be appointed as DFSV's first CEO in 2000 and now, as I look back on all that has been achieved in the current reporting period, I can confidently say that I am extremely proud to be leading an organisation that is gaining widespread recognition – regionally, nationally and globally – for its innovative approach to regulation.



Our regulation model

DFSV is focused on hazard identification and working with government, academia and industry to minimise the risks associated with those hazards.

Our model works to assess risk, using hard data and quality science; to efficiently manage that risk through the harmonisation of regulatory systems and standards; and to educate industry about potential risks and how these can be overcome to ensure effective food safety systems.

This is a continuous cycle, with each stage feeding into the next. It is also a model that requires buy-in from all stakeholders at every stage of the dairy food chain, hence DFSV's commitment to partnering, not just policing.

No new emerging food safety hazards have been identified in this reporting period.

Enhanced reporting

I have noted in the past that I have found DFSV to be richer in data than knowledge and we have been strenuously focused on rectifying that situation.

This financial year, significant resources have been invested to design, develop and introduce a new IT system that is already improving the service we provide to our licensees through an improved knowledge base.

The new system will allow us to provide more thorough reports, detailing product testing results and tracking trends. Through these improved reports, manufacturers can assess their own performance against the industry average to determine how their microbiological food safety standard compares. This is already proving an incentive to achieve better results, especially to those with variable or elevated results.

This is a significant new resource for both DFSV and our licensees, providing more useful knowledge and a solid foundation for the development of less cumbersome reporting procedures into the future.

Harmonisation of regulators

Locally, we are continuing to work to reduce the regulatory red tape, without sacrificing food safety and quality.

DFSV successfully negotiated an agreement with Biosecurity Victoria that

Chief Executive

has eliminated the need for duplicate regulatory audits on farm in relation to the use of agricultural and veterinary chemicals.

The establishment of the national dairy standard implementation framework this year is an industry milestone. As joint project manager, DFSV is proud to have played a key role in the development of the framework, working hand-in-hand with all the other Australian state regulatory authorities.

In June 2008, a Letter of Exchange between AQIS and all State dairy food regulatory authorities was agreed, effective to 30 June 2009, confirming the commitment to a national approach to certification of production, transporting and manufacturing of dairy products for export.

This year we have also continued to have a strong presence in a wide range of national food regulatory forums – not just dairy – to ensure that the systems we have built within the dairy industry are at the leading edge in food regulation.

Our role on the National Food Regulatory Implementation Sub-Committee is a case in point. DFSV has been an active participant in this forum since 2002 and I am personally honoured to have been appointed in-coming chair of the committee, effective July 2008.

My aim is to ensure that dairy remains at the forefront of effective food regulation.

Our growing reputation

During the previous reporting period, DFSV was reviewed extensively by the Victorian Competition and Efficiency Commission, as part of its report into food regulation in Victoria. Feedback from the Review Commissioner was positive, with DFSV being held up as a model for how regulatory organisations should be developing into the future.



Officer's Report *continued*

Our reputation also continues to build internationally.

In February 2008, I was invited to speak at the International Dairy Federation Conference in Bali. The presentation, Application of Risk-based Metrics by National Authorities, sparked immense interest in our work among academics and industry from as far afield as the Danish Dairy Board and the US Food and Drug Administration.

We will continue to build on these new relationships, aligning ourselves with similar organisations globally.

International relations

Advancing Victoria's reputation for safe, high-quality dairy products around the world is part of DFSV's charter.

We do this by ensuring a high profile at international industry meetings, conducting targeted visits to regulatory and industry organisations in key markets and by hosting reciprocal delegations to Australia from representatives and regulatory authorities of these markets.

We have presented to delegations from the European Union (EU), Taiwan, Japan, China and Korea providing these critical export markets with the assurances they seek to ensure market access is maintained.

European Union Review

We close this financial year awaiting the outcome of the 2008 EU Review.

The Review proved to be an exhaustive process and it consumed significant DFSV resources during 2007/08. While the Review team didn't visit Victoria, DFSV staff were intrinsically involved with the Review process, representing our licensees at major meetings and assisting our interstate counterparts.

At the time of writing, the deadline for notification of serious issues has passed and we are confident that Australia's reputation for safe, high-quality dairy food will be reinforced.

The way forward

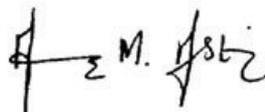
This has been a year of thinking globally, acting nationally and delivering regionally for DFSV.

This multi-faceted approach will continue to drive DFSV forward, enhancing the Victorian dairy industry's reputation for food safety and integrity of production in all markets.

We are also working to build the body of science around dairy food safety by partnering with academic institutions to influence areas of research and further develop the understanding and relevance of our own risk-based metrics approach to hazard identification. This is an area that will grow in stature as policy makers, distribution channels and consumers look for reassurance with respect to the scientific fundamentals on which our processes and decision making are based.

DFSV remains committed to delivering our regulatory obligations on behalf of industry, ensuring that consumers can confidently continue to enjoy Victorian dairy foods.

I extend my thanks to the DFSV Board for setting the strategic direction for the organisation, to DFSV's staff for bringing that strategy to life in the office and in the field and to industry for working with us to continue to make dairy food safety happen.



Anne Astin
Chief Executive Officer
Dairy Food Safety Victoria

“THIS HAS BEEN A YEAR OF THINKING GLOBALLY, ACTING NATIONALLY AND DELIVERING REGIONALLY FOR DFSV.”

The DFSV Board is an independent, skills-based Board accountable to the Victorian Minister for Agriculture.

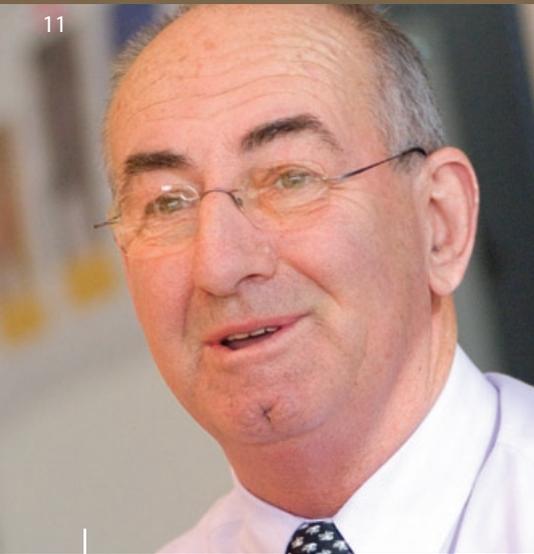


Shirley Harlock



Trevor Tappenden

11



Doug Day



Zoe Attwood



Sarah Crooke



Margaret Darton



William (Bill) Darmody

The DFSV Board

Shirley Harlock - Chairman

Dairy farmer, MAICD

Shirley brings widespread agricultural expertise to the DFSV Board, together with a solid understanding of government relations and regulatory process gleaned from a career within the public sector. She is a co-partner of Wollaston farms, a family-operated enterprise comprising two 400-cow dairy farms in Warrnambool and a beef and sheep property at Tarrone. Shirley is Chair of the Dairy Australia Future Dairy research project and a member of the Regional Land Use Change Advisory Committee. She is a past Director of Australian Dairy Farmers Ltd and a former United Dairyfarmers of Victoria (UDV) Central Councillor and Executive member.

Trevor Tappenden – Deputy Chairman

ACA, FAICD

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

Margaret Darton

BAppSc, DipAppCh, GradDipLib, GAICD

Margaret is Manager Food Policy, Department of Primary Industries Victoria and was a member of the Working Group

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

Doug Day

Dip Dairy Tech

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

Zoe Attwood

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

Zoe is Asia Pacific Innovation and NPD Manager for O-I (ACI Operations Pty Ltd), a glass container packaging company. Zoe brings widespread commercial and research experience to DFSV from across the manufacturing and on-farm sectors of the dairy industry in both New Zealand and Australia, as well as other industries including forestry, wine, meat and packaging. Zoe has been responsible for the development and commercialisation of a number of food products, ingredients and manufacturing processes including

addressing aspects of food technology and safety. She is a past Director of TGR Biosciences Pty Ltd, Australian Ingredients Centre Ltd and Dairy Ingredients Group of Australia.

Sarah Crooke

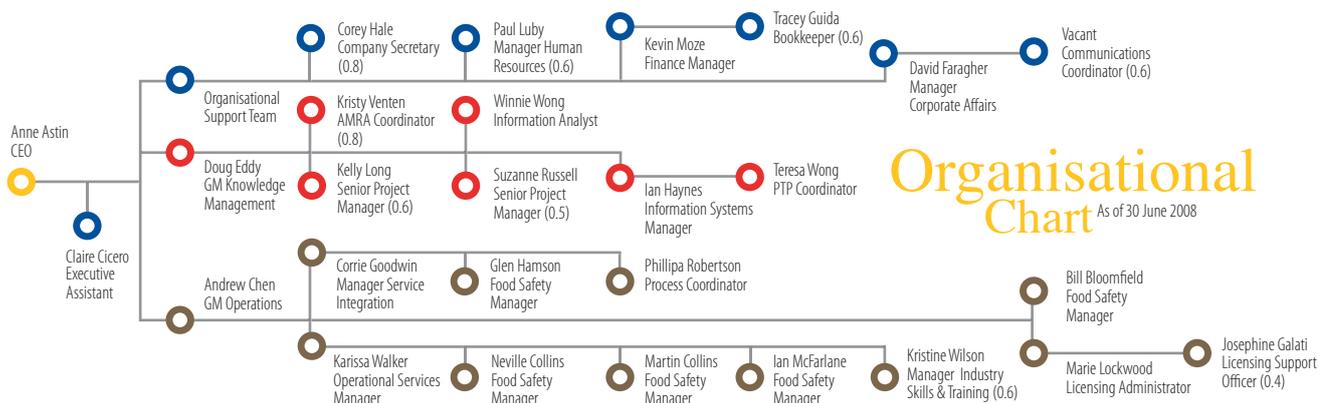
Dip Medical Technology, FAICD

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

William (Bill) Darmody

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

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





DFSV'S VISION IS CLEAR – WE BELIEVE THAT THE VICTORIAN DAIRY INDUSTRY'S REPUTATION FOR FOOD SAFETY AND INTEGRITY OF PRODUCTION WILL MAKE OUR PRODUCTS INTERNATIONALLY PREFERRED.

2007 ~ 2008 Operations Overview

Thinking Globally

DFSV's vision is clear – we believe that the Victorian dairy industry's reputation for food safety and integrity of production will make our products internationally preferred.

To achieve that vision, we are thinking globally and increasing our reach, relevance and reputation on the international food safety stage.

Despite our relatively small size and budget, we are increasingly being seen by international influencers as a world leader in dairy food safety and regulation.

During 2007/08 we boosted our international profile by: building strategic alliances with like-minded international organisations; reinforcing our role as a food safety innovator and leader; and show-casing the Victorian dairy industry to influential international visitors.

We have also worked to ensure we are at the forefront of international food defence initiatives.

Food chain integrity

DFSV's General Manager Knowledge Management, Doug Eddy, has continued his collaboration with the Food Defence project team at the University of Maryland, US and was the co-author of an article entitled *'The Value of the Food Defense Plan'* in the April/May issue of the *US Food Safety Magazine*.

DFSV has also contributed to the development of a program with US industry on food defence. The intention is to develop an on-line training program that can be accessed by distance learning. The CARVER+Shock analysis program, developed by Sandia Laboratories in conjunction with the US Food and Drug Administration, is being assessed for

its suitability as a tool to assist industry improve its security against intentional food contaminations. As part of our role in aiding the development of the new program, DFSV intends to introduce this assessment process to some Australian dairy manufacturers in order to obtain a comparative view and ensure relevance to our licensees.

European Union (EU) Review

A significant body of work was undertaken by the organisation during the current reporting period to satisfy the requirements of the EU Food Safety Directives in the wake of the February 2007 EU Review and in preparation for the follow-up Review, conducted in May – June 2008.

DFSV has actively participated in AQIS training programs for auditors and industry personnel outlining EU recommendations, general audit matters, farm-related recommendations, legislation and directives including importing country requirements.

DFSV also collaborated with all state regulatory bodies and AQIS to proactively manage and present a cohesive response to the 2008 EU Review. DFSV's CEO, Anne Astin, and Safe Food Production Queensland's CEO, Barbara Wilson, were elected as the prime contacts to liaise with AQIS on aspects of the Review on behalf of all state regulatory authorities.

In the lead up to this Review, DFSV co-ordinated 33 farm verification visits in Victoria with Authorised Officers from Safe Food Production Queensland and participated in a similar verification program in Western Australia, effectively piloting the national framework requirements to demonstrate their positive impact on assuring the quality of Australian dairy foods for international markets.

Operations

International Dairy Federation conference

DFSV has become a contributor to some of the world's leading dairy and food safety conferences.

In February, CEO Anne Astin presented at the prestigious International Dairy Federation conference in Bali. Her presentation *Application of Risk-based Metrics by National Authorities* detailed DFSV's innovative approach to regulation, sparking interest from some of the world's leading regulatory organisations including the US Food and Drug Administration, the Canadian Food Inspection Service and the Danish Dairy Board. It was clear from feedback that Australia is leading the way with its risk-based approach to hazards and upskilling of industry to ensure effective food safety systems are in place.

International relations

Building international markets' confidence in our dairy food safety system is essential, enabling smooth entry of dairy products, resolution of any concerns in current markets and the generation of new trade opportunities.

To this end, DFSV maintains an on-going international communications program, supporting Dairy Australia's initiatives and also hosting regular delegations from overseas.

Key presentations during 2007/08 included:

- *Australian Regulatory Controls and Food Safety Systems*, to a Chinese Delegation at Dairy Australia's 2007 Greater China Scholarship. The main focus of the delegation's visit was cheese, with a secondary focus on butter. Most participants were R&D managers of key dairy companies from Hong Kong, Taiwan and mainland China.
- *Food Safety Systems: A Model for Customer and Market Expectations*, at Dairy Australia's 2007 Japan Scholarship. There were 18 participants from major Japanese dairy companies and trading companies, focused on understanding Australian cheese and the sustainability of the Australian dairy industry.
- *Australian Regulatory Controls and Food Safety Systems*, at Dairy Australia's 2008 Korea Scholarship. This was to representatives of the Livestock Products Audit Division of the Korean National Veterinary Research and Quarantine Service (NVRQS) – the agency responsible for inspection of most dairy products on arrival in Korea. The dual objective of the meeting was to provide the visitors with a case study on how a robust food safety system works and to provide DFSV with the opportunity to brief senior NVRQS staff on the mechanisms in place to ensure the safety and integrity of dairy products exported to Korea. The depth of questioning from the visitors indicated that they were very interested in the Australian system and may implement some of DFSV's operational methods in the future.



Overview *continued*

Acting Nationally

DFSV's work programs evolve from our Corporate Plan, which is set by the Board of Directors and provides the strategic direction for the organisation.

The Corporate Plan for 2006–2009 highlights DFSV's commitment to acting nationally, with the establishment of a national framework for implementation of food regulation in the Australian dairy industry included as a corporate goal.

During this reporting period, DFSV has worked extensively to support the introduction of the national framework; reinforced its position as a national leader in food safety regulation; and acted as the nominated voice of the state regulatory bodies on several issues of national significance. We also increased our representation on national food regulatory committees.

By acting nationally, we are improving consistency and decreasing the regulatory burden on industry by reducing duplication and streamlining processes.

National framework

The national standard *FSANZ Standard 4.2.4: Primary Production and Processing Standard for Dairy Products* was introduced in October 2006, allowing all dairy businesses in Australia a two-year implementation period.

This standard addresses food safety issues across the dairy sector, from on-farm milk production to dairy product distribution, and mandates the adoption and use of appropriate risk management measures.

DFSV has been a significant contributor to the development of the national framework, actively representing licensees interests in meetings and on sub-committees. We have also worked with Safe Food Production Queensland to develop documents which will provide evidence of consistent implementation of the national dairy system. A new whole-of-chain verification system was piloted in Victoria, including 33 farm verification visits. These occurred in Gippsland and Western Victoria during a three-day

program, and were followed by a similarly intense verification schedule in WA.

Through this work, DFSV has achieved the objectives set in its 2006-2009 Corporate Plan, specifically to 'actively work to implement the national framework for food safety', and to 'maximise opportunities and minimise risks for DFSV and industry in the implementation of the national framework'.

Assisting Food Standards Australia New Zealand (FSANZ)

As well as its contribution to the development of the national framework, DFSV has provided assistance to FSANZ on the development of the guidelines (Part 1: Dairy Primary Production Requirements) to assist with the implementation of Standard 4.2.4. Work to date has covered the production (farm) component and there will be further input to the transport and manufacturing components of the guidelines.

Dairy Farm Auditor Working Group

DFSV acts as the co-ordinator and chair of the Dairy Farm Auditor Working Group.

This DFSV initiative was launched in May 2007 in response to the outcomes of the 2006 DFSV farm auditor verification and performance review which identified the need for a professional development forum to boost competency, promote consistency and keep auditors up to date. This has expanded to become a national forum, meeting twice yearly, with representation from other State Regulatory Authorities, AQIS, Biosecurity Victoria, independent audit companies and DFSV-approved farm auditors from large and small dairy companies. Key initiatives developed through this forum have included the drafting of an auditor protocol, and acceptance of a standard non-conformance classification matrix. DFSV is well positioned to implement the national initiatives forecast for 2008/09.

AUSVETPLAN

DFSV was involved in a government-industry workshop regarding the development of *Guidelines and Framework*

for Decision-Making: for the Collection, Transport, Processing and Disposal of Milk in the event of a possible outbreak of Foot-and-Mouth Disease in Australia. The workshop explored options to minimise the biosecurity risk of an outbreak, and highlighted the importance of traceability systems and co-operation by all parties to effectively isolate and control an outbreak. A test of industry preparedness was conducted in October 2007, as part of a wider training program to be rolled out by Dairy Australia, with the outcomes of this follow-up exercise being incorporated into the AUSVETPLAN.

In the event that a Foot-and-Mouth Disease case is confirmed, DFSV's primary role will most likely be to confirm compliance with permits and procedures set by the Chief Veterinary Officer/Department of Primary Industries control centre.

DIAA Dairy Science World Series 2007 conference

DFSV had a lead role in developing and organising the 2007 Dairy Industry Association of Australia (DIAA) conference, *Turning Barriers into Benefits – the Science Behind Dairy Regulation*, held in Melbourne in August 2007.

More than 100 delegates attended the conference where they heard a mix of international and national speakers consider a range of topical issues, including an extensive debate exploring all sides of the raw milk issue.

DFSV was well-represented at the conference with senior staff presenting two technical papers, *The Changing Face of Dairy Food Safety Regulation* (Astin/Eddy) and *Emerging Food Safety Hazards* (Eddy/Haynes). Both papers have been published in the *Australian Journal of Dairy Technology*.

Acknowledgement was given to Doug Eddy, DFSV General Manager Knowledge Management, for his contribution towards the organisation and success of the conference. During this reporting period, Doug was also the DIAA Senior Vice-President and Chair of its Publications Committee.

Operations



National representation

The Victorian dairy industry expects DFSV to represent its interests at influential forums nationally, and to ensure that dairy food safety remains at the forefront of food regulation in Australia.

In 2007/08 we actively participated in a wide range of influential national committees and working groups, including, but not limited to:

- Australian Food and Grocery Council's Auditor Competency Forum
- National Audit Policy Implementation Working Group
- Food Standards Australia New Zealand Dairy Standard Development Committee
- Dairy Export Industry Consultative Committee
- Australia New Zealand Dairy Authorities Committee
- Food Export Regulators Steering Committee.



Delivering Regionally

Dairy Food Safety Victoria's core strategic outcome is focussed on stakeholder confidence and their perceived value of the organisation.

DFSV's primary stakeholders are its 5,749 licensees, comprising dairy farmers, manufacturers, brokers, distributors and carriers (see Appendix B). DFSV works with these licensees to maintain the safety of dairy food products and ensure compliance to national standards, regulations, and codes of practice. DFSV's verification of these requirements reassures consumers and reinforces Victoria's reputation for high-quality, safe dairy food, ultimately boosting consumer confidence.

In addition to its regulatory role, DFSV works to upskill industry through its ongoing Project LEADS (Leading Enhancing and Advancing Dairy Food Safety). It does this by providing licensees with access to the information and knowledge that they



“The forums have been a real help to me. We are quite isolated and I have limited resources, particularly time. I have little opportunity to meet with other dairy people or to go to conferences which are normally held in Melbourne, which is a 2½ hour drive.”

“The direct benefits I have gained are through being able to trial some magnets to help treat bore water deposits, identifying areas that may be the cause of intermittent product contamination through a plant audit/inspection, and more recently getting useful information on the possible causes of gas production in mature cheese.”

Manufacturer feedback
2007/08

Overview *continued*

need to produce safe food; providing practical guidance and clarity regarding interpretation of food standards; and assisting licensees to understand how these standards apply in their workplace.

By delivering relevant services and products regionally, DFSV is adding value for its licensees and to the Victorian dairy industry.

Knowledge Products

DFSV aims to be the 'first stop shop' for dairy food safety information. To this end, it canvasses industry to identify priorities for the future delivery of information and updates its website (www.dairysafe.vic.gov.au) regularly. This ensures that even the most remote operator can quickly gain access to the most current information.

This year, DFSV has expanded its on-line library of Dairy Food Safety Notes. New topics include *Allergen Management for Dairy Food Manufacturers*, *Microbiological Sampling and Testing of Dairy Products*, *Food Defence* and *Building Construction Guidelines*.

The website also provides access to Australia and New Zealand Dairy Authorities Committee (and its predecessor, Australian Dairy Authorities Standards Committee) documentation, including *Minimum Sampling Guidelines and Validation and Verification of Heat Treatment Equipment and Processes*. The current *Listeria* and *Salmonella* manuals are also available. DFSV is currently driving the development of a single pathogen manual which will also refer to other pathogens such as *Bacillus cereus*, *Staphylococcus aureus* and *Escherichia coli*.

As part of our service to industry, DFSV's website hosts a number of historical documents that are no longer current regulatory requirements, but still contain useful and practical information.

Learning Networks

The Learning Network forums, originally established with funding from the Geoffrey Gardiner Dairy Foundation in January 2007, were formally assessed in July 2007 and found to be a valuable information sharing platform for manufacturers. 100% of attendees surveyed indicated that the forums were a good investment of their time.

The Networks bring manufacturers together to discuss pre-competitive issues relating to food safety so that all manufacturers have the opportunity to benefit from the collective knowledge within the industry.

Based on the positive response from manufacturers and their increasing attendance, DFSV continued to sponsor the program this financial year, hosting quarterly meetings in five regional locations which were attended by almost one-third of all licensed manufacturers.

Industry training

November 2007 saw the first graduates of the DFSV and NCDEA short course, *Fundamentals of Food Safety and Quality for Dairy Manufacturers*, presented with their completion certificates by the Hon. Joe Helper, Minister for Agriculture. The course, which comprises classroom-style learning delivered at a manufacturing facility followed by workplace assessment, was developed to meet the food safety and hygiene needs of small/medium-sized manufacturers.

At the completion of the reporting period, six courses had been conducted at six different manufacturing locations around Victoria with 78 participants from 23 manufacturers fully assessed in their workplaces.

A training program for 2008/09 is in place and there is interest from the Tasmanian Dairy Industry Authority to adopt the course next year.



“The partnership between DFSV and industry is obvious. ... DFSV has encouraged industry to view food safety as ‘pre-competitive’, that is, information on food safety should be shared, as it is in everyone’s interest that food safety is effectively managed. The fact that the first pilot course was hosted by Black Swan Dips at their manufacturing facility is testament to the partnerships and trust between DFSV and industry.”

The Hon. Joe Helper,
Minister for Agriculture,
November 2007

Operations

Manufacturer support visits

This year, DFSV has introduced a non-audit support visitation program to establish and enhance communication with manufacturers, outside the constraints of the audit program.

As part of the program, manufacturers received visits from various senior DFSV personnel including the Chairman and the Chief Executive Officer to enable a two-way exchange of information about current activities and concerns. The visits, which give manufacturers direct contact with DFSV, allow informal discussions outside the audit context, and have been widely welcomed by industry.

Around 65% of licensed manufacturers were visited this financial year, resulting in DFSV being able to provide practical solutions to a range of issues relating to micro-organism detection, equipment and cleaning. One manufacturer has changed its testing practice as a direct result of a non-audit DFSV support visit, which identified an unnecessary testing regime. Changing practice, based on DFSV advice, has the potential to save this manufacturer up to \$6,000 in internal costs per year.

Product Testing Program

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

In addition to targeted testing for the detection of specific pathogens in identified higher risk products, all product types are tested to assess their relative levels of microbiological safety.

DFSV has been gathering this type of data since 2006 and is now producing tailored trend reports by manufacturer and product type, which were introduced during the reporting year.

These new format reports provide manufacturers with information on their test results compared to other organisations operating in the same industry sector, giving them a confidential

indication of the level of microbiological quality of their products.

The reports have empowered and motivated manufacturers to improve processes and are proving to be a useful tool for the DFSV Operations team as they provide a clear indication of practical areas where improvements may be made.

Licensees have welcomed access to the new data, with the Australian Food and Grocery Council's Ice Cream Forum registering its thanks to DFSV for its initiative.

AMRA Survey

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. The survey has been designed to ensure that market requirements continue to be met. In 2007/08, 13340 analyses were conducted on 1030 samples taken from milk tankers.

The industry performance was outstanding: 100 per cent compliance with Australian residue standards.

Representing regional interests

As the independent regulator of dairy food safety, DFSV actively advocates on behalf of the Victorian dairy industry in a wide range of areas, seeking to maximise benefits to industry and minimise regulatory red tape without compromising food safety.

This year, DFSV supported regional producers to avert proposals on drought-related water restrictions that would have had an impact on the washing of milk delivery vehicles and washing down of dairy premises.

We also successfully streamlined the regulatory arrangements in relation to the verification of record-keeping requirements for agricultural and veterinary chemical use on-farm.



Overview *continued*

An additional schedule has been inserted into the Memorandum of Understanding between DFSV and Biosecurity Victoria. The schedule recognises DFSV's verification of dairy farm Food Safety Program audits as equivalent confirmation of dairy farm compliance to the Agricultural and Veterinary Chemicals (Control of Use) Regulations. This will exempt licensed dairy farms in Victoria from undergoing duplicate audits by Department of Primary Industries Victoria officers regarding agricultural and veterinary chemical use. A two-year transition period has been agreed for outstanding elements required by the Agricultural and Veterinary (Control of Use) Regulations 2007 to be implemented into dairy farm Food Safety Programs.

Similarly, DFSV undertakes verification of the Victorian dairy industry's compliance with the ruminant feed ban, regularly reporting to Animal Health Australia about compliance with the ban, thereby removing the potential for duplicate audits.

DFSV continues to be involved in a wide range of industry forums to ensure the dairy industry's interests are represented and to enable it to keep its licensees up to date on government requirements.

At the state level, our representations include the Livestock Industry Consultative Committee and its subcommittee, the Anthrax Consultancy Committee. Recommendation 14 of the 2007 Anthrax Review states: "DFSV in association with DPI should assist milk processors to review risk management plans for their arrangements for handling and segregation of milk during anthrax events". As part of DFSV's program to approve Food Safety Programs for dairy manufacturers, it is confirming that dairy manufacturers in the Goulburn Valley have appropriate risk management plans in place.

Farm audits

The second edition of the Deed of Undertaking for dairy farm audits was executed on July 1, 2007 with 13 Contract Auditors. Consistent with the National Food Safety Audit Policy, 84 auditors have been approved to conduct compliance audits of dairy farm approved food safety programs on behalf of DFSV. DFSV authorised officers continued to undertake verification of the approved auditor system to ensure that statutory obligations were met.

We completed the two year farm audit cycle June 30, 2008. Results will be analysed and used for improvements in the next cycle ending in 2010.

Manufacturer audits

302 audits of dairy manufacturers were conducted in 2007/08.

This year, contract auditing for domestic manufacturers was successfully integrated into the DFSV auditing regime, following the February 2007 appointment of independent auditor, SAI Global, to undertake compliance regulatory audits for domestic manufacturers.

SAI Global undertook approximately 70% of all domestic audits conducted this year, with DFSV carefully monitoring performance. During this period, systems were developed to assess SAI Global's auditor competency, taking into account the National Food Safety Audit Policy and relevant international standards.

Audited manufacturers were also surveyed to ascertain the performance of the SAI Global audit service. Overall feedback was positive, reinforcing the value of compliance and audit policies and procedures. Several areas for improvement were also identified and are being addressed by DFSV.

"Everything was perfect – just like the previous audits with DFSV. I am very satisfied with the audits and the service."

"A new auditor coming in cold is hard for both parties, but a fresh set of eyes is good. Some suggestions made from the audit were good and have improved the system."

"Generally we were happy with the service. It is good to have both ISO and DFSV audits performed by SAI together at the same time."

**Manufacturer feedback
2007/08**

Operations



People Strategy

The DFSV People Strategy is a progressive initiative that focuses on activities that deliver outcomes within six priority areas:

- Developing leaders
- Building the organisational culture
- Planning for the future workforce
- Continuing development of professional expertise
- Reviewing and enhancing systems & information
- Becoming a learning organisation.

Our structure continues to evolve to meet the needs of the organisation to enable optimum service delivery to our stakeholders. (Refer to organisational structure on p12 and staff profile on p28).

Financial Sustainability

The Board sets the fees and charges annually in consultation with industry. Industry representatives make up the membership of the Funding Model Review Steering Committee (FMRSC) and this Committee met in May 2008 and amongst other things reviewed the current and forecast financial position of the organisation. The Board endorsed the Committee recommendation that licence fees increase by CPI for the following year.

DFSV has met the financial targets set by the Board in 2007/08. The Operating surplus of \$398,826 for the Financial Year ended June 2008 includes an amount of approximately \$220,000 for new IT hardware, software and support costs that were committed but not expended in the current financial period. This expenditure will be incurred in 2008/09 as the IT strategy continues to be rolled out.

Enforcement of legislation

There were no prosecutions initiated in the reporting period indicating successful management of all matters of non-compliance.

Three consumer level dairy product recalls occurred in the reporting period. These were managed professionally in conjunction with the manufacturers concerned, and no public health issues arose as a result.

DFSV receives some consumer complaints about dairy products, although we recognise most complaints are made directly to the manufacturers. The 57 complaints received in 2007/08 by DFSV were generally claims related to food safety, labelling and quality of dairy products. All consumer complaints were investigated thoroughly by DFSV in accordance with its policies and procedures and followed-up with the manufacturers concerned.

Nine staff attended Legal Systems Training run by the Offence Management Unit of the Department of Primary Industries. This training has enhanced our internal capability to manage enforcement issues.

DFSV manages all critical non-compliance issues as they are raised or escalated.

In 2007/08 the issue of raw milk marketed for cosmetic use gained prominence and DFSV took a strong stand to protect compliant licensees business interests and ensure consumer safety.

Following several media reports, DFSV launched an investigation into unpasteurised milk positioned as 'cosmetic use only' beauty products.

Overview *continued*

DFSV officers purchased products and noted that retailers were selling and promoting these products as suitable for human consumption.

These 'cosmetic use' products were submitted for microbiological analyses and failed the standards set by the Food Standards Code in relation to high coliform levels.

DFSV took a public stance and responded to the media coverage with a press release warning consumers about the potential negative effects of consumption. Letters were sent to retailers and the manufacturer warning them that it is an offence to promote this product as food. Similar advice was sent to the co-ordinators of Victoria's Farmers' Markets.

DFSV will continue to monitor the marketing of 'cosmetic use only' products made from unpasteurised milk to ensure that its use and promotion complies with Victorian law. It will also continue to monitor production of such products to ensure that they do not pose a risk to public health.

With no evidence available to prove that issues had been satisfactorily addressed DFSV had no option but to cancel a licence.

A farm licence was cancelled due to the owner's failure to address non-compliances with the approved Food Safety Program. This resulted in an escalation of the ratings of the non-compliances. With no evidence available to prove that the issues had been satisfactorily addressed, DFSV had no option but to cancel the licence.

The licence was reissued on the second application but is conditional upon increased audit frequency by DFSV authorised officers to ensure ongoing compliance with the required Food Safety Program.

Progress Towards 2009

DFSV adheres to a rigorous performance accountability framework.

Each quarter, a comprehensive organisational performance summary is produced, reporting against deliverables in the 2006–2009 Corporate Plan and the deliverables for each objective or critical success factor set down for the current financial year in the Annual Operating Plan.

Data and systems in place enable DFSV to monitor, manage and report its performance include tangible facts and figures, stakeholder feedback and internal self assessments.

A 'traffic signal' matrix is then used to track progress. A green rating indicates excellent performance; amber indicates satisfactory performance and red indicates unsatisfactory performance.

At the end of the 2007/08 reporting period, and two-thirds of the way through the three-year Corporate Plan, DFSV had met – or was well on the way to meeting – each of the four Goals and Objectives and three Critical Success Factors laid down in its three-year Corporate Plan 2006–2009.

As we move forward DFSV is now focussed on:

- Refining the new DFSV Corporate Plan, which will steer the organisation post-2009.
- Evaluating the new service delivery model Project LEADS (Leading, Enhancing and Advancing Dairy Food Safety).
- Assisting the implementation of recommendations coming from the Victorian Competition and Efficiency Commission's inquiry into food regulation in Victoria, completed in 2007.
- Continuing to actively participate and influence national regulatory development.
- Monitoring emerging issues that have the potential to impact the dairy industry and compromise dairy food safety in the future, such as climate change, novel products and technologies and trade-related issues.

ROLLING SUMMARY 2007/2008				
	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Products & Services				
National Framework	Not Measured			
Recognition & Reputation	Not Measured			
Organisational Sustainability				
Financial Agility				
Effective Stakeholder Relationships				
Organisational Capability				

LEGEND TO SCORE CARD

Excellent Performance

Satisfactory Performance

Unsatisfactory Performance

Operations

APPENDIX A: PUBLICATIONS 2007-2008

Technical Notes:

- Note 21: Allergen Management for Dairy Factories
 Note 22: Food Defence
 Note 23: Microbiological Sampling and Testing of Dairy Products
 Note 24: Building Construction Guidelines
 Note 25: *Listeria monocytogenes* – Management in Dairy Factories
 Note 26: Internal Audits

APPENDIX B: DAIRY INDUSTRY LICENCE STATISTICS

Licence	Total	Transfers	New /Reinstated	Cancellations
Manufacturer (cow)	150	5	14	10
Manufacturer (sheep and goat)	7	1	0	1
Farm (cow)	5405	205	74	19
Farm (sheep & goat)	17	0	1	1
Milk Broker	2	0	0	0
Distributor	128	6	4	14
Carrier	40	0	2	5

APPENDIX C: COMMITTEE REPRESENTATION

Committee/Working Group	Purpose	DFSV Representatives	Term
AgriQuality Technical Proficiency Committee	To provide technical input into dairy industry laboratory proficiency testing programs.	D Eddy	Ongoing
Dairy Export Industry Consultative Committee (DEICC)	AQIS/industry group to discuss export issues.	A Astin A Chen C Goodwin	Ongoing
Manufacturing Advisory Committee (NCDEA)	To provide input into the manufacturing key initiatives of the NCDEA.	K Wilson	Ongoing
AMRA Survey Review Committee (coordinated by Dairy Australia)	To conduct an annual review of the AMRA Survey.	W Wong A Astin	Annual
Food Export Regulatory Standing Committee	To harmonise regulatory services for domestic and export services.	A Astin A Chen	Ongoing
Government Food Communicators Group (a sub-group of ISC)	To ensure consistent communication of food safety issues.	Communications Coordinator	Ongoing
Food Safety Council	To advise the 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
National Audit Framework (ISC sub-group)	To establish and maintain consistency for auditors and audits across the jurisdictions via the National Food Safety Audit Policy.	A Chen C Goodwin	Ongoing
National Enforcement Policy Working Group (ISC sub-group)	To establish a consistent and graduated approach to enforcement across the jurisdictions via the National Enforcement Policy.	A Chen	Ongoing
Standards Australia Committee – Dairy Products	To review Standards relating to dairy products.	I Haynes	Ongoing
DIAA Publications Committee	Oversight of DIAA publications.	D Eddy	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 Project Executive	Responsible and productive management of dairy effluent.	C Goodwin	Quarterly
Livestock Industry Consultative Committee (LICC)	Forum for livestock industry discussion.	C Goodwin	Ongoing

Overview *continued*

APPENDIX C: COMMITTEE REPRESENTATION *cont.*

Committee/Working Group	Purpose	DFSV Representatives	Term
Anthrax Consultancy Committee (LICC sub committee)	Input into strategic management of anthrax preparedness.	C Goodwin	Ongoing
Senior Field Officers Working Group	Discussion of farm issues.	C Goodwin	Ongoing
Animal Welfare Reference Group	Consultative dairy industry group regarding animal welfare issues.	C Goodwin	Ongoing
Bovine Johne's Disease (BJD) Dairy Advisory Committee	Input into strategic management of BJD issues.	C Goodwin	Ongoing
Enzootic Bovine Leucosis (EBL) Victorian Program Steering Group	Input into strategic management of EBL issues.	C Goodwin	Ongoing
Dairy Australia's Technical Issues Reference Group	To provide strategic input/discussion on technical issues.	D Eddy C Goodwin	Ongoing
RABQSA-NFSA Scheme Committee	To represent dairy industry. Auditor competency discussion with key industry stakeholders.	A Chen	Ongoing
DIAA Victorian State Executive Committee of Regulators	To provide direction to the activities of the Victorian DIAA. To provide role of Virtual Food Authority for Victoria.	D Eddy A Astin A Chen	Ongoing Ongoing

APPENDIX D: PRESENTATIONS 2007/2008

- Australian Dairy Food Safety and Quality Control System, Dairy Australia Annual Program, Scholarship Greater China, July 2007
- Legislation Applicable to the Dairy Industry National Centre for Dairy Education Australia (NCDEA), National Foods, July 2007
- Compliance Systems in the Australian Dairy Industry, Keep it Real Conference, Hobart, August 2007
- Next Steps in Food Safety Regulation, Australian Specialist Cheesemakers Association Annual Meeting, August 2007
- Australia's Food Safety System: A Model for Customer and Market Expectations, Dairy Australia Annual Program Scholarship Japan – Dairy Australia, August 2007
- The Changing Face of Dairy Food Safety Regulation, Dairy Science World Series conference, Melbourne, August 2007
- Turning Barriers into Benefits Emerging Food Safety Hazards, Dairy Science World Series conference, Melbourne, August 2007
- Summary of DFSV Industry Skills and Training Program, to Manufacturers Advisory Committee (DA), September 2007
- Industry training course Fundamentals of Dairy Food Safety and Quality for Dairy Manufacturers.
 - Pilot Course – Black Swan Dips, August 2007
 - Milawa Cheese, October 2007
 - Florida Cheese, October 2007
 - Dairy Fruits Australia, February 2008
 - Nestlé, Mulgrave, June 2008
- Presentation Ceremony for inaugural graduates of the Fundamentals of Dairy Food Safety and Quality course, hosting the Minister for Agriculture, November 2007
- Application of Risk-Based Metrics by National Authorities: A Regional Perspective, International Dairy Federation Conference, Bali, Indonesia, January 2008
- DFSV Role and Activities, Australian Food and Grocery Council Ice Cream Forum, Regal Cream, April 2008
- Regulations Relating to Cheesemaking, NCDEA Specialty Cheesemakers students, April 2008
- Australian Regulatory Controls and Food Safety Systems. Chinese Delegation at Department of Primary Industries, Melbourne, May 2008
- Australia's Dairy Food Safety System. European Union Review, Canberra, May 2008
- Food Safety Regulations for the Victorian Dairy Industry, NCDEA Diploma students, June 2008
- Risk-based Approach System of Auditing for the Victorian Dairy Industry, Environmental Health Australia, Melbourne, June 2008
- Australian Regulatory Controls and Food Safety Systems. Dairy Australia Annual Program Scholarship Korea – Dairy Australia, June 2008.

Corporate

Charter and Purpose

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

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

Objectives of the Authority

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

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

Functions of the Authority

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

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



Governance Statement

Powers of the Authority

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

Also, DFSV may:

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

Board of Directors

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

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

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

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

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

Board Committees

The Risk Management and Audit Committee assists the Board to fulfil its Corporate Governance and statutory responsibilities in relation to financial reporting, internal control, risk management systems, and internal and external audit functions. Members of this Committee are Mr Trevor Tappenden (Chair), Ms Zoe Attwood and Ms Margaret Darton. This Committee has support from the outsourced internal audit service provider, Grant Thornton.

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

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

Enterprise Risk Management

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

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

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



Shirley Harlock
Chairman
Dairy Food Safety Victoria
28 August 2008

Ethical standards

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

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

Occupational Health and Safety

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

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 2007 to 30 June 2008.

National Competition Policy

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

Freedom of information

The *Freedom of Information Act 1982* gives the public a right to apply for access to documents held by DFSV. DFSV is a prescribed authority for the purposes of the *Freedom of Information Act 1982*. During the 12 months ended 30 June 2008, one FOI request was 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
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
Disclosures referred during the year by DFSV to the Ombudsman for determination as to whether they are public interest disclosures	Nil
Disclosed matters referred to DFSV during the year by the Ombudsman	Nil
Disclosed matters referred during the year by DFSV to the Ombudsman to investigate	Nil
Investigations for disclosed matters taken over by the Ombudsman from DFSV during the year	Nil
Requests made under section 74 during the year to the Ombudsman to investigate disclosed matters	Nil
Disclosed matters that DFSV has declined to investigate during the year	Nil
Disclosed matters that were substantiated on investigation and the action taken on completion of the investigation	Nil
Any recommendations of the Ombudsman under this Act that relate to DFSV	Nil

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

The Protected Disclosure Coordinator:
PO Box 840
Hawthorn Victoria 3122
Ph: 03 9810 5900
Fax: 03 9819 4299

The Ombudsman Victoria
Level 3, 459 Collins Street
Melbourne Victoria 3000
Ph: 03 9613 6222
Toll free: 1800 806 314

Governance Statement *continued*

Victorian Industry Participation Policy

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

Consultancies

For the year ended 30 June 2008, sixteen consultants were engaged at a total cost of \$204,057.

Quality Management System

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

Building Act 1993

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

Green office policy

DFSV is committed to the development of a green office policy and is part of the Resource Smart Government Program. Some of the current environmental management initiatives implemented by DFSV include centralised printing, scanning and photocopying. The recycling program incorporates paper, cardboard, plastic, aluminium and toner cartridges. DFSV has replaced its fleet vehicles with fuel-efficient cars.

Statement of availability of other information

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

In adopting best practice disclosure policies and to ensure the entity discharges its accountability obligations, where relevant, details about some of the following matters have been disclosed within this report:

- Statement that declarations of pecuniary interests and shares held have been duly completed by relevant officers.
- No shares are held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.
- Details of publications produced by the entity about the entity and the places where the publications can be obtained.
- Details of changes in prices, fees, charges, rates and levies charged by the entity for its services.

- There were no major external reviews carried out on the entity during the 2007/08 financial year.
- There was no major research or development activity carried out by the entity during the 2007/08 financial year.
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.
- Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and the services it provides.
- Details of assessments and measures undertaken to improve the occupational health and safety of employees.
- A general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes.

Staff profile by position as at 30 June 2007

Position	Male 2008	Male 2007	Female 2008	Female 2007	Total 2008	Total 2007
Executive officers	2	2	1	2	3	4
Administrative staff	1.6	2.1	3.2	4.2	4.8	6.3
Financial / Accounting staff	1	1	0.6	0	1.6	1
Technical staff	6	6	7.5	5	13.5	11
Casuals	-	-	-	-	-	-
Totals	10.6	11.1	12.3	11.2	22.9	22.3



Financial Statements

for the year ended 30 June 2008

Operating Statement

For the Financial year Ended 30 June 2008

	Note	2008 \$	2007 \$
Income			
Revenue	2(a)	4,345,187	4,091,052
Total income		4,345,187	4,091,052
Expenses			
Marketing expense	2(b)	16,851	35,457
Employee benefits expense	2(c)	2,043,521	1,919,077
Occupancy expense	2(d)	273,006	320,117
Depreciation and amortisation expense	2(e)	89,208	103,282
Administration and other expenses	2(f)	1,523,773	1,376,103
Total expenses		3,946,360	3,754,036
Net result for the year		398,826	337,016

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

Balance Sheet

As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash and cash equivalents	12(a)	3,325,989	2,696,542
Receivables	3	163,751	230,881
Other	4	17,426	19,438
Total current assets		3,507,166	2,946,861
Non-current assets			
Plant and equipment	5	184,093	237,190
Intangible Assets	6	72,382	-
Total non-current assets		256,475	237,190
Total assets		3,763,641	3,184,051
Current liabilities			
Payables	7	632,930	401,883
Provisions	8	402,113	460,857
Total current liabilities		1,035,043	862,740
Non-current liabilities			
Provisions	8	34,004	25,544
Total non-current liabilities		34,004	25,544
Total liabilities		1,069,047	888,284
Total Net Assets		2,694,593	2,295,767
Equity			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		894,593	495,767
Total equity		2,694,593	2,295,767
Contingent liabilities and contingent assets	19		
Commitments for expenditure	11		

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

Statement of Recognised Income & Expense

For the Financial year Ended 30 June 2008

	Accumulated surplus / (deficit) \$	Contributed capital \$	Total \$
1st July 2006	158,751	1,800,000	1,958,751
Net result for year	337,016	-	337,016
30th June 2007	495,767	1,800,000	2,295,767
Net result for year	398,826	-	398,826
30th June 2008	894,593	1,800,000	2,694,593

Cash Flow Statement

For the Financial year Ended 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts			
Receipts from other entities		4,289,743	4,182,312
Interest received		200,656	148,570
Goods and Services Tax recovered from the ATO		160,935	175,300
Total receipts		4,651,334	4,506,182
Payments			
Payment to suppliers and employees		(3,860,153)	(3,879,554)
Goods and Services Tax paid to the ATO		(52,115)	(54,472)
		(3,912,268)	(3,934,026)
Net cash flows from operating activities	12(b)	739,066	572,156
Cash flows from investing activities			
Proceeds from sale of plant and equipment		33,438	59,946
Payment for plant and equipment		(70,676)	(132,694)
Payment for intangible assets		(72,382)	
Net cash flows used in investing activities		(109,619)	(72,748)
Net increase in cash held		629,447	499,408
Cash and cash equivalents at the beginning of the financial year		2,696,542	2,197,134
Cash and cash equivalents at the end of the financial year	12(a)	3,325,989	2,696,542

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

1 Summary of accounting policies

Statement of Compliance

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

The financial report was authorised for issue by Mr K Moze on 4th August 2008.

Basis of preparation

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

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30th June 2008 and the comparative information presented for the year ended 30th June 2007.

(a) Objectives and funding

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

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

(b) Events after reporting date

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

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

(c) Goods and Services Tax (GST)

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

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

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

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

Interest revenue

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

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

Other income

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

(f) Expenses

Employee benefits

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

Superannuation

The amount charged to the operating statement in respect of the defined benefit superannuation plan represents the accrual of benefits during the reporting period. Further information is provided in note 9.

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:

Class of Asset	Useful life of asset
Furniture and fittings	10 years
Motor vehicles	7 years
Plant and equipment	Varies from 3 to 10 years

(g) Assets

Cash and cash equivalents

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

Receivables

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

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

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

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.

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

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

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

Employee benefits

Wages and salaries and annual leave

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

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

Long service leave

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

Current liability - unconditional LSL

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

The components of this current LSL liability are measured at:

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

Non-current liability - conditional

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

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

Employee benefits on-costs

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

(i) Commitments

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

(j) Contingent assets and contingent liabilities

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

(k) 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 change in value.

(l) Functional and presentation currency

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

(m) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30th June 2008 reporting year. DFSV has not, and does not intend to, adopt the following Standard early:

Revised AASB 101 'Presentation of Financial Statements', AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101' which are applicable to financial periods commencing on or after 1 January 2009. These changes will impact the presentation of the Financial Report but are not expected to impact the values disclosed.

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

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

	Note	2008 \$	2007 \$
2 Net result from continuing operations includes:			
Income			
(a) Revenue			
Licence fees		3,524,359	3,419,576
Audit and inspection fees		193,373	117,817
Australian Milk Residue Analysis (AMRA) survey		370,697	327,135
Interest received and receivable from investments		200,656	148,570
Other income		56,101	77,954
Total Income		4,345,187	4,091,052
Expenses			
(b) Marketing expenses			
Promotions and promotional material		8,185	11,253
Publicity expenses		8,666	24,204
		16,851	35,457
(c) Employee benefits expense			
Salaries and wages expense		1,691,363	1,621,281
Post employment benefits:			
Defined benefit expense		96,646	110,156
Other superannuation expense		78,794	47,965
Other employee benefits expense		176,718	139,675
		2,043,521	1,919,077
(d) Occupancy expenses			
Rent - minimum lease payments		175,992	249,504
Rates and utilities		22,311	20,594
Insurance		4,184	2,230
Cleaning and maintenance		13,764	14,359
Other		56,756	33,430
		273,006	320,117
(e) Depreciation and amortisation expense			
Depreciation of non-current physical assets		83,215	103,282
Written down value of assets scrapped		5,993	-
		89,208	103,282
(f) Administration and other expenses			
Audit fees	14	51,500	14,000
Bad and doubtful debts		1,815	3,587
Loss on disposal of plant and equipment		5,993	20,165
Operating leases - minimum lease payments		90,550	63,851
Consultancy, legal and professional services		204,929	174,838
Product testing and laboratory evaluation costs		327,165	301,613
Other expenses		841,821	798,049
		1,523,773	1,376,103
(g) Significant items			
No significant items were included in the results from ordinary activities.		-	-
3 Receivables			
Trade debtors		85,345	161,281
Dairy Industry licence fees		45,000	40,000
Other debtors		33,406	30,146
Allowance for doubtful debts		-	(546)
		163,751	230,881

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

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

	Note	2008 \$	2007 \$
4 Other assets			
Prepayments		17,426	19,438
5 Plant and equipment			
Leasehold improvements - at cost		151,755	151,755
Less: Accumulated depreciation		(134,635)	(126,413)
		17,121	25,342
Furniture and fittings - at cost		85,644	82,028
Less: Accumulated depreciation		(43,245)	(35,054)
		42,399	46,974
Motor Vehicles - at cost		36,783	107,815
Less: Accumulated depreciation		(11,060)	(22,840)
		25,723	84,975
Plant and equipment - at cost		536,861	471,497
Less: Accumulated depreciation		(438,011)	(391,598)
		98,850	79,899
Total plant & equipment cost		811,044	813,095
Total accumulated depreciation		(626,951)	(575,905)
Total plant and equipment		184,093	237,190

	Leasehold improvements \$	Furniture and fittings \$	Motor Vehicles \$	Plant and equipment \$	Total \$
Balance at 1st July 2006	33,413	55,155	116,132	83,189	287,889
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)
Balance at 1st July 2007	25,342	46,974	84,975	79,899	237,190
Additions	-	5,361	-	63,643	69,005
Disposals	-	(1,343)	(39,314)	-	(40,657)
Scrapped assets	-	-	-	-	-
Depreciation / amortisation expense	(8,221)	(8,594)	(19,938)	(44,692)	(81,444)
Balance at 30th June 2008	17,121	42,399	25,723	98,850	184,093

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 1st July 2004 was \$11,000 which has been reflected in leasehold improvements at cost.

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

6 Intangible Assets	2008	2007
Work in progress to 30th June 2008	\$	\$
Software	72,382	-
	72,382	-

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

	2008	2007
	\$	\$
7 Payables		
Trade creditors	122,078	124,444
Other creditors	510,852	277,439
	632,930	401,883
The average credit period of all payables is 30 days . No interest is charged on payables.		
8 Provisions		
Current		
Employee benefits	401,225	460,080
Restoration of leased premises	888	777
	402,113	460,857
Non-current		
Employee benefits	20,224	12,541
Restoration of leased premises	13,780	13,003
	34,004	25,544
(a) Employee benefits		
Current employee benefits		
Annual leave entitlements	126,602	138,174
Unconditional long service leave entitlements	274,623	321,906
	401,225	460,080
Current employee benefits that:	-	-
Are expected to be utilised within 12 months after the end of the reporting period	126,602	144,567
Are expected to be utilised more than 12 months after the end of the reporting period	274,623	315,513
	401,225	460,080
Non-current		
Conditional long service leave entitlements	20,224	12,541
	421,449	472,621
(b) Movement of provision for restoration of leased premises		
Opening Balance	13,780	12,892
Additional provision raised for year and charged in the Operating Statement	888	888
	14,668	13,780
Closing balance	14,668	13,780
Current	888	777
Non-current	13,780	13,003
	14,668	13,780

(c) Restoration liability

The current lease of the principal place of business commenced on 1st July 2003 for three years, with the option to further renew on a 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 1st July 2004 was measured at \$11,700 in the balance sheet.

9 Superannuation

(a) Contributions

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

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

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

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

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

	Contribution for the year 2008	Contribution for the year 2007	Contribution outstanding at year end 2008	Contribution outstanding at year end 2007
Vision Super (formerly LASB Super)	5,282	5,927	-	-
Emergency Services & State Super (Formerly Government Superannuation Office)	9,132	62,547	-	-
Victorian Superannuation Fund - Vic Super	42,232	41,682	-	-
Care Super	7,430	5,932	-	-
AXA Life Ltd	-	2,536	-	-
AMP Life Ltd	4,334	1,231	-	-
AOM Master Trust	3,255	-	-	-
CAAR Super	-	3,137	-	-
Colonial First State	3,512	-	-	-
Health Super	3,773	-	-	-
HESTA	4,547	-	-	-
Westpac Life	2,803	5,896	-	-
REST Super	7,502	6,030	-	-
MLC Super	-	220	-	-
Unlimited Super	7,683	4,955	-	-
Mercer Super Trust	12,924	5,350	-	-
Australian Super	14,953	7,028	-	-
Various other	6,078	5,650	-	-
Total	175,440	158,121	-	-

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

(b) Information on superannuation funds:

Vision Super (formerly LASB Super)

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

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

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

DFSV makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 30th 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 30th June 2007 actuarial investigation pursuant to the requirements of Australian Accounting Standard AAS25 as follows:

	30/6/07 \$'000
Net Market Value of Assets	4,102,154
Accrued Benefits (per accounting standards)	3,923,436
Difference between Assets and Accrued Benefits	178,718
Vested Benefits	3,572,589

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 2007 indicates no adverse impact on the Balance Sheet of DFSV at that date.

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

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

DFSV pays employer superannuation contributions of between 8.6% to 9.4% of salaries in respect of its members who are in the New Scheme. The Consolidated Fund of the Victorian State Government is responsible for the unfunded liability related to employees of DFSV. This scheme is closed to new members. The fund is a Defined Benefits Plan.

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

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

Victorian Superannuation Fund - Vic Super

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

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

Other Superannuation Funds

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

(c) Loans

DFSV has no loans with any of the superannuation funds.

10 Leases

Operating Lease Commitments

Operating leases relate to lease rental expense commitments at 30th June 2008 and are in respect of premises (at Melbourne and Shepparton), office equipment and motor vehicles. Operating leases generally provide DFSV with a right of renewal at which time all terms are renegotiated.

DFSV entered into the second term of the Heads of Agreement to lease premises at 313 Burwood Road, Hawthorn from 1 July 2006 for a period of three years. The option to renew is open for review by 31st December 2008 for the forthcoming three year commitment. The operating commitment for 2009 is \$ 173,794 per annum (plus yearly CPI increases).

	2008 \$	2007 \$
Non-cancellable operating leases		
Not longer than 1 year	270,521	244,300
Longer than one year and not longer than five years	100,061	242,266
	370,582	486,566

11 Commitments for Expenditure

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

(a) Remuneration Commitments

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

	\$	\$
Within one year	1,517,744	1,009,193
Later than one year, but not later than five years	788,140	776,997
	2,305,884	1,786,190

(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	148,938	67,426
Later than one year, but not later than five years	-	67,426
	148,938	134,852

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

	2008 \$	2007 \$
(c) Leases		
Non-cancellable operating lease commitments are disclosed in note 10 to the financial statements.		
Total Commitments for Expenditure	\$	\$
Total commitments for expenditure (Inclusive of GST)	2,619,885	2,464,101
Less GST recoverable from the Australian Taxation Office	(60,065)	(56,493)
Total commitments for expenditure (exclusive of GST)	2,559,820	2,407,608
12 Cash Flow Information		
(a) Cash and cash equivalents	\$	\$
Cash on hand	1,934	1,934
Cash at bank	170,190	40,743
Interest bearing deposits	3,153,865	2,653,865
Balance as per cash flow statement	3,325,989	2,696,542
(b) Reconciliation of net result for period to net cash flows from operating activities	\$	\$
Net result for the year	398,826	337,016
(Gain) / Loss on sale or disposal of non-current assets	26,062	20,165
Depreciation and amortisation of non-current assets	84,103	103,282
Doubtful debts provided (reduced)	(546)	(1,309)
Changes in net assets and liabilities:	(72,382)	-
(Increase) / Decrease in assets:		
Receivables	69,143	(119,335)
Other assets	53,097	289,739
Increase / (Decrease) in liabilities:		
Payables	231,047	(106,919)
Provisions	(50,284)	49,517
Net cash from/(used in) operating activities	739,066	572,156

13 Responsible Persons

(a) Board members

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

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

(b) Remuneration

The number of Board members of DFSV in each of their relevant remuneration bands is shown hereunder with the exception of the Chief Executive Officer whose remuneration is included in the remuneration for Executive Officers.

	2008	2007
\$0 - \$9,999	6	9
\$10,000 - \$19,999	-	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	56,485	49,538
Superannuation contributions	4,892	4,219

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

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

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

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

(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 \$39,462 (2007: \$37,426) in respect of a contract insuring the members and executive officers of DFSV against a liability arising as a result of work performed in their capacity as members or executive officers.

14 Remuneration of Executives

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

Income band	Total remuneration		Base remuneration	
	2008 No.	2007 No.	2008 No.	2007 No.
\$210,000 - \$219,999	1	-	-	-
\$200,000 - \$209,999	-	1	-	-
\$170,000 - \$179,999	-	-	1	-
\$160,000 - \$169,999	-	-	-	1
\$140,000 - \$149,999	1	-	-	-
\$120,000 - \$129,999	1	-	-	-
\$110,000 - \$119,999	-	2	1	-
\$100,000 - \$109,999	-	-	1	-
\$90,000 - \$99,999	-	-	-	2
\$70,000 - \$79,999	1	-	-	-
\$60,000 - \$69,999	-	-	1	-
Total numbers	4	3	4	3
Total amount	\$549,097	\$440,179	\$458,257	\$365,053

The base remuneration of executive officers is exclusive of bonus payments, superannuation, long-service leave, redundancy payments and retirement benefits. One executive left the organisation mid way through the reporting period.

15 Remuneration of auditors

Victorian Auditor General's Office

Audit or review of the financial report

	2008	2007
	\$	\$
Audit or review of the financial report	15,100	14,000

Other service providers

Other non-audit services

Other non-audit services	36,400	-
Total	51,500	14,000

16 Subsequent Events

DFSV has no significant events.

17 Charge over Assets

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

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:

	2008 Intra \$	2008 Inter \$	2007 Intra \$	2007 Inter \$
Assets	-	-	-	-
Liabilities	-	-	-	-
Revenues	-	200,656	-	148,750
Expenses	130,968	97,328	96,494	86,819

"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.

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

19 Contingent liabilities and contingent assets

Contingent Liabilities

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

20 Segment Information

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

21 Financial Instruments

a) Significant accounting policies

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

(b) Categorisation of financial instruments

Financial assets:	Category	Note	Carrying amount 2008 \$	Carrying amount 2007 \$
Cash at bank and on hand	N/A	12	172,124	42,677
Term Deposits	N/A	12	3,153,865	2,653,865
Receivables	Receivables (at amortised cost)	3	163,751	230,881
Total			3,489,740	2,927,423
Financial liabilities:	Financial liabilities measured at			
Payables	amortised cost	7	632,930	401,883
Total			632,930	401,883

(c) Credit Risk

The maximum exposure to credit risk at balance date to each class of financial assets is the carrying amount as disclosed in the Balance Sheet.

DFSV does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by DFSV.

Financial Assets that are either past due or impaired

Currently DFSV does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no event to indicate that any of the financial assets were impaired.

Interest rate exposure and ageing analysis of financial assets

	Note	Weighted average effective interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$	Not past due and not impaired \$	Less than one month \$	1 - 3 Months \$	3 months one to year \$	1-5 years \$	Impaired financial assets \$
2008 Financial Assets:												
Cash and cash equivalents												
Cash on hand and at bank	12(a)	0.0%	172,124	-	-	172,124	172,124	-	-	-	-	-
Interest bearing deposit	12(a)	6.8%	3,153,865	-	3,153,865	-	3,153,865	-	-	-	-	-
Trade and other receivables	3	0.0%	163,751	-	14,754	148,997	163,751	136,451	20,388	6,913	-	-
Total			3,489,740	-	3,168,620	321,121	3,489,741	136,451	20,388	6,913	-	-
2007 Financial Assets:												
Cash and cash equivalents												
Cash on hand and at bank	12(a)	0.0%	42,677	-	-	42,677	42,677	-	-	-	-	-
Interest bearing deposit	12(a)	6.3%	2,653,865	-	2,653,865	-	2,653,865	-	-	-	-	-
Trade and other receivables	3	0.0%	230,881	-	9,054	221,827	230,881	165,496	26,794	38,592	-	-
Total			2,927,423	-	2,662,919	264,504	2,927,423	165,496	26,794	38,592	-	-

Notes to the Financial Statements

For the Financial year Ended 30 June 2008

Liquidity Risk

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

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

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

2008	Note	Weighted average effective interest rate %	Carrying amount \$	Interest Rate Exposure					Maturity Dates			Impaired financial assets \$
				Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$	Not past due and not impaired \$	Less than one month \$	1 - 3 Months \$	3 months one to year \$	1-5 years \$	
Payables	7	0.0%	632,930	-	-	632,930	632,930	119,883	512,671	376	-	-
Total	7		632,930	-	-	632,930	632,930	119,883	512,671	376	-	-
2007												
Payables	7	0.0%	401,883	-	-	401,883	401,883	400,912	615	356	-	-
Total	7		401,883	-	-	401,883	401,883	400,912	615	356	-	-

Market Risk

- (e) DFSV's exposure to market risk is through interest rate risk.

Interest rate risk

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

Sensitivity disclosure analysis

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

Parallel shift of +1 per cent and -1 per cent in market interest rates (AUD) from year end rates of 7.7%

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

2008	Note	Carrying amount \$	Interest rate risk				
			-1% (-100 basis points)	Equity \$	Net result \$	1% (100 basis points)	Equity \$
Financial Assets:							
Cash and cash equivalents							
	Cash on hand and at bank	12(a)	172,124	-	-	-	-
	Interest bearing deposit	12(a)	3,153,865	(31,539)	(31,539)	31,539	31,539
	Trade and other receivables	3	163,751	-	-	-	-
Financial liabilities							
	Payables	7	632,930	-	-	-	-
Total increase/(decrease)			3,489,740	(31,539)	(31,539)	31,539	31,539

Fair Value

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

Accountable Officer's Declaration

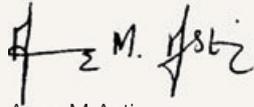
We certify that the attached financial statements for Dairy Food Safety Victoria have been prepared in accordance with *Standing Direction 4.2 of the Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the 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 30th June 2008 and financial position of Dairy Food Safety Victoria as at 30th June 2008.

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



Anne M Astin
CHIEF EXECUTIVE OFFICER



Kevin Moze
FINANCE MANAGER

28 August 2008

INDEPENDENT AUDITOR'S REPORT

To the Board Members of Dairy Food Safety Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2008 of Dairy Food Safety Victoria comprises an 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 accountable officers' declaration has been audited.

The Board Members Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial statements published in both the annual report and on the website of Dairy Food Safety Victoria for the year ended 30 June 2008. The Board Members of Dairy Food Safety Victoria are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Dairy Food Safety Victoria web site.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

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 2008 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 August 2008



D D R Pearson
Auditor-General

Financial Review

of Operations and Financial Conditions

	2008 \$	2007 \$	2006 \$	2005 \$	2004 \$	2003 \$	2002 \$
Financial Summary							
Revenue from operating activities	4,088,430	3,864,528	3,779,827	3,700,858	3,142,390	2,951,336	2,675,826
Other revenue from non operating activities	256,757	226,524	115,039	119,668	129,042	95,182	162,950
Total revenue	4,345,187	4,091,052	3,894,866	3,820,526	3,271,432	3,046,518	2,838,776
Net surplus (deficit) from operating activities	398,826	337,016	203,904	204,473	(19,675)	36,909	(169,489)
Net cash flow from operating activities	739,066	572,156	528,520	335,165	(90,733)	48,329	67,315
Total assets	3,763,642	3,184,051	2,904,437	2,597,992	2,355,855	2,323,736	2,455,277
Total liabilities	1,069,047	888,284	945,686	843,145	803,864	752,070	904,525
Total net assets / equity	2,694,594	2,295,767	1,958,751	1,754,847	1,551,991	1,571,666	1,550,752

Financial Year ended:

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

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

Legislation	Requirements	Reference
MINISTERIAL DIRECTIONS		
Report of Operations - FRD Guidance		
Charter & Purpose		
FRD 22B	Manner of establishment and the relevant Minister	page 25
FRD 22B	Objectives, functions, powers and duties	page 25/26
FRD 22B	Nature and range of services provided	page 14-24
Management and Structure		
FRD 22B	Organisational structure	page 12
Financial and other Information		
FRD 22B	Operational and budgetary objectives and performance against objectives	page 21
FRD 22B	Employment and conduct principals	page 27
FRD 22B	Occupational health and safety	page 27
FRD 29	Workforce data disclosures	page 28
FRD 15B	Executive officer disclosures	page 43
FRD 22B	Summary of financial results for the year	page 49
FRD 22B	Significant changes in financial position during the year	N/A
FRD 22B	Major changes or factors affecting performance	N/A
FRD 22B	Subsequent events	page 34
FRD 22B	Application and operation of Freedom of Information Act 1982	page 27
FRD 22B	Compliance with building and maintenance provisions of the Building Act 1993	page 28
FRD 22B	Statement of National Competition Policy	page 27
FRD 22B	Application and operation of the Whistleblowers Protection Act 2001	page 27
FRD 25	Victorian Industry Participation Policy disclosures	page 28
FRD 22B	Details of consultancies over \$100,000	N/A
FRD 22B	Details of consultancies under \$100,000	page 28
FRD 12A	Disclosure of major contracts	N/A
FRD 24B	Reporting of office-based environmental impacts	page 28
FRD 22B	Statement of availability of other information	page 28
FRD 10	Disclosure index	page 50
FRD 8A	Budget portfolio outcomes	N/A
Financial Statements		
<i>Financial statements required under part 7 of the FMA</i>		
SD 4.2(b)	Operating statement	page 30
SD 4.2(b)	Balance sheet	page 31
SD 4.2(a)	Statement of recognised income and expense	page 32
SD 4.2(b)	Cash flow statement	page 33
Other Requirements Under Standing Directions 4.2		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	page 34
SD 4.2(c)	Compliance with Ministerial directions	page 46
SD 4.2(c)	Accountable officer's declaration	page 46
SD 4.2(d)	Rounding of amounts	N/A
SD 4.2(f)	Compliance with model financial report	page 46
Other disclosures in notes to the financial statements		
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	N/A
FRD 21A	Responsible person and executive officer disclosures	page 42/43
LEGISLATION		
<i>Freedom of Information Act 1982</i>		page 27
<i>Building Act 1993</i>		page 28
<i>Whistleblowers Protection Act 2001</i>		page 27
<i>Victorian Industry Participation Policy Act 2003</i>		page 28
<i>Financial Management Act 1994</i>		page 34
<i>Multicultural Victoria Act 2004</i>		N/A
<i>Audit Act 1994</i>		page 47



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Acknowledgements

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

Exquisine
Florida Cheese
National Foods Ltd
Poseidon & Black Swan Dips

PARTNERING FOR A BETTER DAIRY INDUSTRY

THINK GLOBALLY, ACT NATIONALLY, DELIVER REGIONALLY



2007-08
Annual Report
Dairy Food Safety Victoria