

Dairy Food Safety Victoria

Annual Report 2003/04



13 September 2004

The Honourable Bob Cameron
Minister for Agriculture
PO Box 500
East Melbourne VIC 3002

Dear Minister,

In accordance with the Financial Management Act 1994, I have pleasure in submitting to you the Annual Report & Financial Statements for Dairy Food Safety Victoria for the period 1 July 2003 to 30 June 2004.

Yours Sincerely,



Dr Desmond E. Hore
Chairman

Contents

The Year's Highlights	01
Vision, Mission and Values	01
Chairman's Review	03
Chief Executive Officer's Report	05
Dairy Food Safety Victoria Board	09
Organisational Structure	09
Operations Report 2003-04	11
Corporate Governance Statements	20
Dairy Food Safety Victoria Contacts	22
Financial Statements	23

Highlights

The Year's Highlights

- > The Victorian dairy industry's reputation for food safety and the integrity of its production systems has remained intact in 2003–04 with only three recalls of Victorian dairy product.
- > All dairy farm businesses supplying cows' milk are now fully incorporated into Victoria's Dairy Food Safety Scheme, with all farms having undergone an implementation audit and many progressing towards the first compliance audit.
- > Excellent levels of cooperation from industry expedited the implementation of new arrangements for the collection of dairy licence fees. Closer monitoring made possible by the new arrangements has enabled anomalies to be rectified and greater equity for all participants.
- > The Victorian dairy industry was favourably reviewed by delegations from the United States Food and Drug Administration and Chile.
- > Contractual arrangements for the operation of external audits of food safety programs on dairy farms were completed and became effective from 1 July 2004.
- > Discussions to develop a national dairy food safety standard have been brought forward from 2005 to 2004 by Food Standards Australia New Zealand.
- > The new Board has strengthened the science and risk assessment focus for the organisation.

Vision

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

Mission

The independent Authority to regulate dairy food safety.

Values

Transparency
Integrity
Knowledge
Responsiveness



HAYDN
RUDDLE

NEVILLE
COLLINS

SUSAN
WARE



- > Food safety is a non-negotiable factor in securing ongoing access to international export as well as domestic markets.
- > Outstanding cooperation from the manufacturing sector and the vast majority of dairy farmers over the new arrangements for licensing.
- > The real value of the licence belongs to the industry.



Chairman

Chairman's Review

I am pleased to present the Annual Report of Dairy Food Safety Victoria (DFSV) for the year ended 30 June 2004.

During the year, the dairy industry faced further difficult circumstances owing to the volatile international exchange rate and production levels below long-term averages. However, at the time of writing there were indications of a return to more favourable conditions for the farming sector.

Whatever the conditions, however, it generally is recognised that food safety is a non-negotiable factor in securing ongoing access to international export as well as domestic markets.

A highlight of 2003–04 was the outstanding cooperation from the manufacturing sector and the vast majority of dairy farmers over the new arrangements for licensing. The Board remains committed to the belief that the integrity of the licensing system is fundamental to protecting market access and affording security for individual licence holders and the industry generally.

The new funding model arrangements have given us a more equitable system with all farmers contributing on the basis of ongoing production. This system allows for improved data integrity and traceback capabilities. Streamlining of the processes has also seen more cost-efficient revenue collection. Unfortunately, the investment of time and resources to deal with the licensing of a very small number of dairy farms has been a financial imposition on the industry.

It must be remembered that the Victorian dairy licence is the passport to trade in dairy foods produced and manufactured in this state. Contrary to some opinions, the real value of the licence belongs to the industry. DFSV and the Board remain committed to continue to add value to this dairy licence.

The food safety performance of the farm and manufacturing sectors has been satisfactory in 2003–04. Nevertheless, we will continue to work with all businesses to ensure that proper hygiene and good food safety practice is the norm.

DFSV has completed a comprehensive review of its strategic directions that will be published shortly in the Corporate Plan for the period to 2007. The review process highlighted the fact that a large measure of accountability for dairy food safety rests with the Board of DFSV acting on industry's behalf. The new plan therefore reasserts the industry leadership role that DFSV must play, as well as a series of planned service improvements.

I am pleased that progress is being made steadily in our efforts to see harmonisation of all dairy food safety requirements through achievement of a national standard. Discussions with Food Standards Australia New Zealand are ongoing.

Progress has also been positive in the development of a national framework with the Code of Practice for Dairy Food Safety now formally adopted by three States, and the commitment by all States and Territories to the development of a national dairy standard for safe food production.

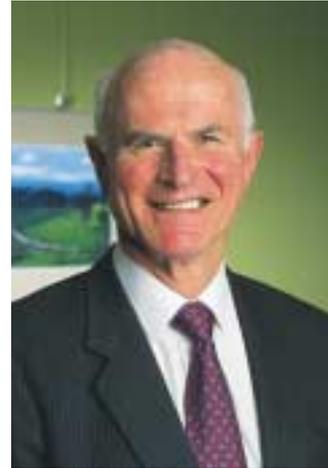
The newly appointed Board of DFSV has operated exceptionally well in its first 12 months and I express my gratitude for the members' conscientious yet innovative approach to the issues that come before them.

I acknowledge the active support of the Minister for Agriculture, the Department of Primary Industries, the United Dairyfarmers of Victoria, other industry bodies and the dairy companies in dealing promptly at all times with issues concerning dairy food safety.

To Dr Anne Astin and her team, I extend my gratitude for the assistance given to the Board and their contributions to DFSV throughout the year.



Dr Desmond E. Hore
Chairman





- > The major emphasis for the organisation this year was the implementation of the State's Dairy Food Safety Scheme.
- > Every Victorian farm supplying cows' milk to factories has its own food safety program in place.
- > The organisation has the diversity and depth of skills needed to continually move forward.
- > New licensing revenue arrangements have resulted in fair cost sharing between all industry participants that receive benefits from being part of the system.

I am pleased to present this Chief Executive Officer's report covering the operation of Dairy Food Safety Victoria for the year ended 30 June 2004.

The performance of the Victorian dairy industry in domestic and world markets is a priority for DFSV. Industry performance in 2003–04 was satisfactory with a steady rate of food safety non-compliance issues continuing to be detected and managed.

This does not mean that the level of performance against food safety standards has reached a plateau but rather that we are facing continual escalation in requirements such that issues being addressed are different from those of three years ago. Cooperation from industry has been outstanding and the outcomes undoubtedly will be beneficial for the industry over the longer term.

Dairy Food Safety Scheme

The major emphasis for the organisation this year was the implementation of the State's Dairy Food Safety Scheme (DFSS). Minimum standards of safety for dairy foods are ensured through the Scheme which requires all licensed dairy premises to have an individually approved food safety program and to have the program regularly audited.

Central to the DFSS is the requirement for all dairy industry businesses to hold a current Victorian dairy licence. Though viewed by some as purely a revenue device, the licence has far greater significance, particularly in today's environment where biosecurity is a matter of increasing importance.

New Services

Contract auditors

DFSV introduced a contract audit system for dairy farms in 2003–04. Victoria's *Dairy Act 2000* requires all licensed premises, including dairy farms, to have an approved food safety program and to be regularly audited. The food safety program requires an analysis of a farm's processes to identify and control potential food safety hazards.

I am very pleased to report we have reached the first milestone where every Victorian farm supplying cows' milk to factories has its own food safety program in place. Our task now is to ensure that the on-farm systems are working and that the independent auditors who check compliance with the food safety program are doing their job effectively. This should give farmers confidence that everyone is being treated equally and fairly, and performing to the required standards.

By using this approach, there have been considerable reductions in costs to the industry. Although these arrangements may reduce the opportunity for direct contact with dairy farmers, our Communications Strategy will be updated to ensure DFSV continues to interact directly with dairy farmers.

Science and new technology

The maintenance of food safety standards is a dynamic element of the Victorian dairy industry. We are faced with rapid progress in the development and implementation of new technologies, novel dairy foods and the potential for opportunistic microorganisms to emerge in the production and processing environment.

DFSV has a clear responsibility to monitor these developments and to identify, manage and communicate the inherent risk factors. This is a value-adding exercise undertaken on behalf of the industry that we will continue to develop.

The first stage of development saw recruitment of a Principal Advisor, Science and New Technology, to strengthen our risk identification and management capabilities.

Communication

Staff actively communicated with dairy farmer groups and other industry stakeholders during 2003–04. The purpose was to explain the objectives of the DFSS, the role of DFSV and the operation of the licensing system, as well as to indicate how licence revenues are expended.



Every opportunity was taken to emphasise the need for constant vigilance on safety matters because of the possible consequences for the Victorian industry in the event of a breakdown in dairy food safety standards.

DFSV also maintained close communication with dairy food safety regulators in other States. During the year, South Australia formally adopted the Code of Practice for Dairy Food Safety and incorporated it into the relevant legislation. DFSV has established very close working relationships with Queensland for the delivery of services and has continued to support Tasmania's program.

National Dairy Standards

For some time, DFSV has actively promoted the establishment of a national standard for dairy food safety. I am pleased to report that following discussions with Food Standards Australia and New Zealand the process to develop the national dairy standard commenced in July 2004. I believe that the level of industry participation in the process of drafting the standard will be critical to a successful outcome.

Victoria actively participated with the Australian Quarantine Inspection Service in its initiative to review its strategic directions, administrative systems and its legislative basis for export standards. This is part of the organisation's key objective to achieve harmonisation of export and domestic standards for the industry.

It is an ongoing challenge for DFSV to balance the natural tension that exists between maintaining public health and safety standards with market access and assurance objectives. We see our role as working constructively to resolve conflicting expectations while minimising the regulatory burden on industry.

Overseas Audits

An important role for DFSV is to facilitate visits to Victorian dairy manufacturing sites by food regulators from overseas countries who wish to audit food safety procedures in place here. During 2003-04, audits were conducted by the US Food and Drug Administration and the government regulatory body from Chile. No adverse reports were submitted, but discussions have led us to initiate a review of heat treatment processes.

People

Since its formation three years ago, DFSV has undergone a major transition with total staff turnover approaching 60%. The organisation now has the diversity and depth of skills needed to continually move forward. Our future professional development strategy will be to enhance our skills and expertise to continue to build a responsive and vibrant workforce.

In line with this we relocated to more modern facilities in Hawthorn, following the expiry of our lease in Abbotsford. Apart from offering a more effective work environment, the new premises have facilities that are increasingly being used by industry.

Finances

Being fully funded by industry, DFSV is aware of the need to be transparent in all its undertakings and to report and account for all revenues and expenditure. In this regard, I am pleased that the independent audit of the financial statements was once again unqualified.

At the same time, I am sensitive to the economic difficulties that have beset the industry for the past several years and realise the impact of even the very small increase in the dairy licence fee in the past year. We remain committed, however, to working with the industry Funding Model Review Steering Committee to ensure industry 'gets the best deal'.

The new dairy licensing revenue arrangements have proven to be a powerful aid in exposing certain, long-standing non-compliance issues by isolated individual operators and enabling them to be rectified, resulting in fair cost sharing between all industry participants that receive benefits from being part of the system.

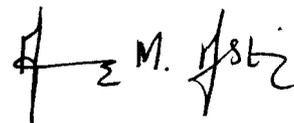
The introduction of the system has proceeded well thanks to the dedicated support from dairy companies and DFSV staff, and the significant majority of Victorian dairy farmers. Unfortunately, there was a small number who had difficulty in adapting to the new system. I am happy to report, however, that we achieved an outcome where all Victorian dairy farmers were licensed for the year.

Looking Forward

Our new Corporate Plan for 2004-2007 foreshadows further challenges over the next 2-3 years in our leadership role and the services we provide to the industry. It is our intention to continue to move the organisation to become an innovator in the strategic management of food safety issues in line with a national framework.

The opportunity to work with the new Board this year has been a pleasure and I would like to thank the Chairman and Directors for their remarkable insight and clarity of strategic direction to the organisation.

I value and appreciate the contribution of every staff member during another challenging year. I am now confident that our people have the skills, experience and commitment, and are well prepared for the challenges of 2004 and beyond.



Dr Anne Astin

Chief Executive Officer

Year in Review

"...cannot understand why farmers are making such a fuss about the collection of farm fees by manufacturers. It is the best system and should have been introduced years ago; as for me it is one less hassle than having to pay yearly." Victorian dairy farmer by telephone.

"The fact that every Victorian dairy farm must be fully licensed, be able to verify their operation procedures, and is subject to audit allows us to prove that we are fair dinkum about our commitment to food safety, and have the system to deliver it." Peter Owen, UDV President in The Weekly Times

"Our company has found that DFSV takes a balanced and risk based approach to issues." Dairy Manufacturing Stakeholder

"It (DFSV) has played a vital role in enhancing industry standards which safeguard public health." Bob Cameron, Minister for Agriculture

"Cheese has to be safe. End of story." David Brown, Millawa Cheese in The Age

"The challenge over the coming period will be for the Board to continue its leading role, with other state and national bodies, to achieve a national regulatory framework for the dairy industry." Bob Cameron, Minister for Agriculture

"Using the non-prescriptive, outcome based Code of Practice for Dairy Food Safety and associated food safety programs farmers can now run their farms how they want to, provided that they meet the food safety outcomes." Peter Owen, UDV President in Bendigo Advertiser

"DFSV approval and ongoing verification helps us gain access to many markets overseas." Murray Goulburn, Devondaler.

"In Victoria we are fortunate that Dairy Food Safety Victoria ensures that all farmers have these tracking systems in place...this ensures that we can export to markets following the European model." Nestlé Newsletter



STANDING L-R:
DESMOND HORE
PAUL FORD
MARGARET DARTON
SITTING L-R:
JENNIFER ROBERTSON
JOE SULLIVAN
SHIRLEY HARLOCK
INSET:
TREVOR TAPPENDEN



> The new DFSV Board has strenghtened the science and risk assessment focus for the organisation.

Desmond Hore

PhD, BV Sc

CHAIRMAN

Previously held positions as Chairman, Member or CEO of a wide range of Commonwealth, State, industry and academic bodies and Councils. Held positions as a field veterinarian and researcher for more than two decades. Currently, a member of the Victorian Casino and Gaming Authority and an advisor on livestock and related services. Was re-appointed Chairman in October 2003.

Shirley Harlock

Owner/operator of three, 400 cow dairy farms in Warrnambool with over 34 years experience in the dairy industry. Currently, Chair of the Warrnambool Co-operative, a major cooperative with turnover in excess of \$44 million, Director of Australian Dairyfarmers Ltd, UDV Central Councillor and past Executive member, Member of the Australian Institute of Company Directors and a former member of the Water for Growth Committee. Previously held a Government public sector position, and has 25 years experience in finance and administration.

Margaret Darton

BAppSci DipAppChem GradDipLib.

PRINCIPAL ANALYST FOOD SAFETY,
DEPARTMENT OF PRIMARY INDUSTRIES.

A member of the Dairy Food Safety Working Group to establish DFSV. Has responsibility for the implementation of the Victorian Government's food safety policy for primary industries. Member of the National Working Group for development of Primary Production and Processing Standards, OzFoodNet Management Committee and the Victorian Food Safety Council.

Paul Ford

Dip Dairy Technology, Fellow Australian Rural Leadership Program

GENERAL MANAGER INNOVATION,
NATIONAL FOOD INDUSTRY
STRATEGY LTD

Thirty years commercial experience in dairy processing. Founder Director, Australian Starter Culture Research Centre. Past Director, Dairy Research and Development Corporation. Past Director, Murray Dairy. Previously held senior management positions with the Commonwealth Department of Primary Industry, Bonlac Foods and the Australian Ingredient Centre.

Dr Jennifer Robertson

BSci (Hons) PhD AIFST

Previously General Manager, Technology and Innovation, National Foods. President of the Australian Institute of Food Science and Technology Incorporated, Australia's premier professional society for food science and technology. Member of various University Faculty Advisory Boards. Previously held positions of National Research & Development Manager for Pauls Limited and Scientific Director of Australia's National Food Authority.

Dr Joe Sullivan

BAGSci PhD MBA

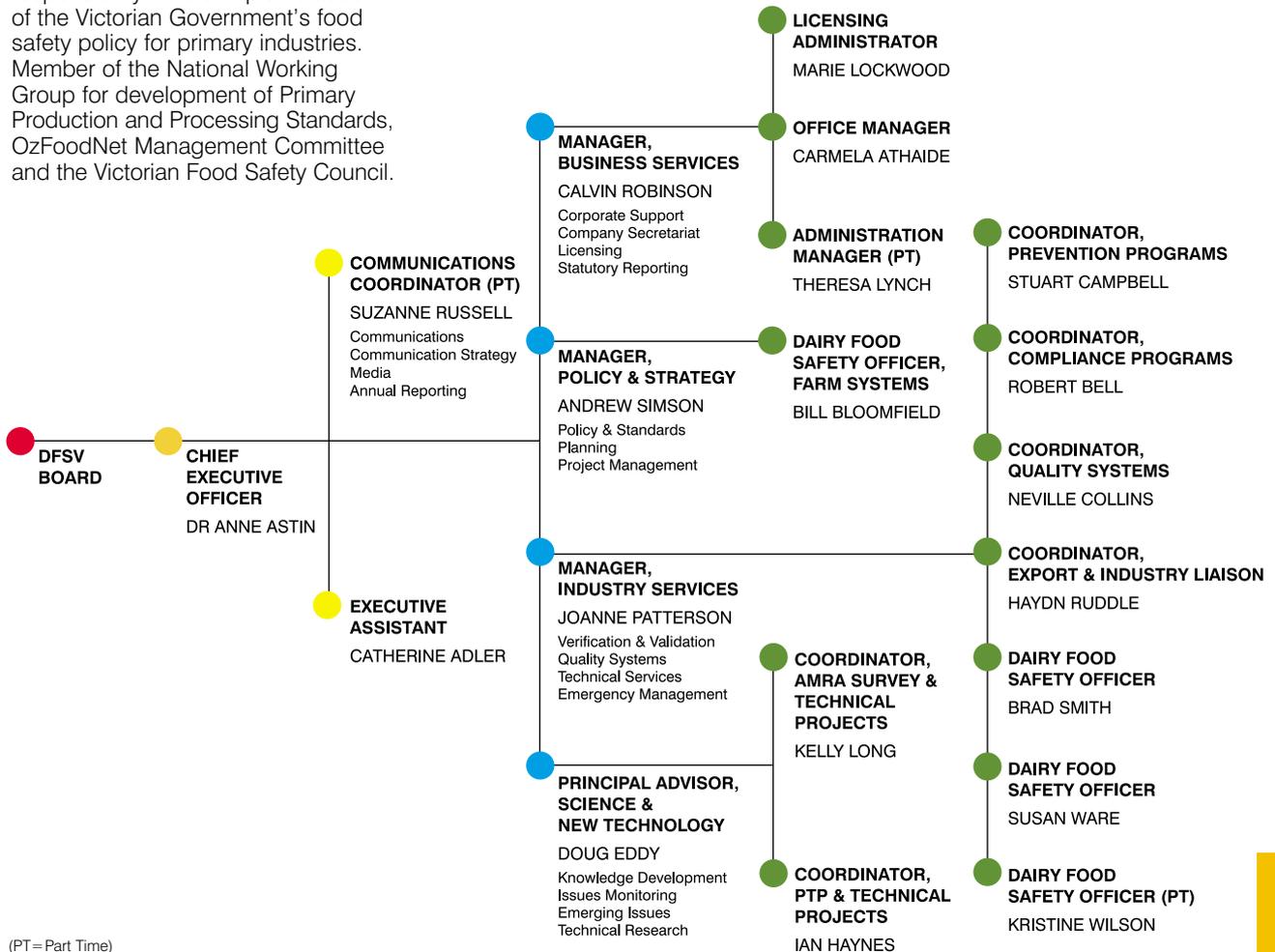
Currently a consultant in the area of dairy and food industry innovation. Previously held the position of Acting Managing Director/CEO, Dairy Research and Development Corporation with responsibility for managing the transition to Dairy Australia. Has held positions in a number of policy and operations roles in State and Commonwealth Government Departments of Primary Industries.

Trevor Tappenden

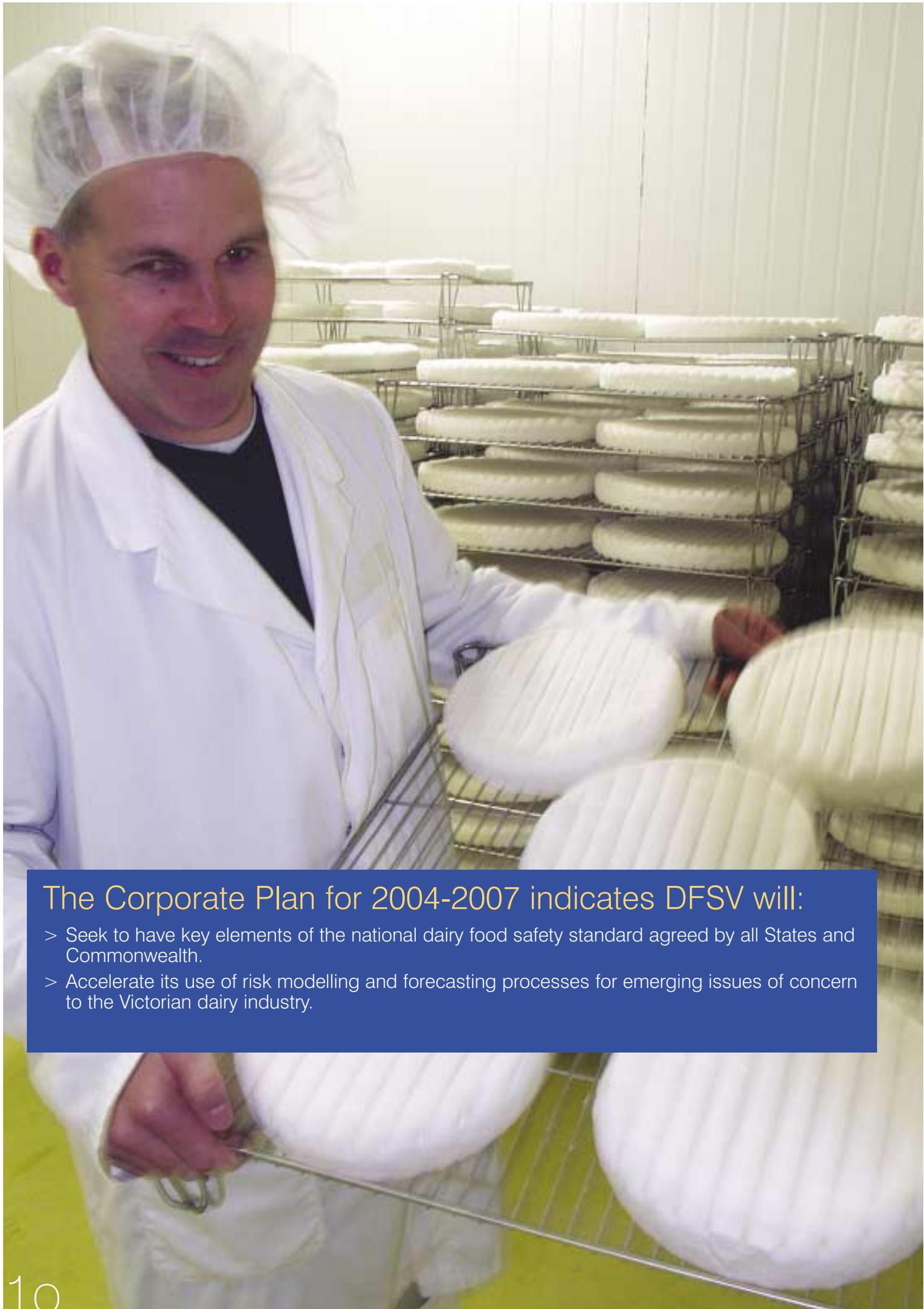
ACA FAICD

STRATEGIC ADVISOR

Previously held position as head of the Victorian Government Services Group at Ernst and Young. Has extensive experience in financial management, auditing and accounting, and held key managerial positions in Ernst and Young. Current Directorships include RMIT University, Victorian Interpreting and Translation Service, Southern Rural Water and Centre for Economic Development of Australia. An Associate of the Institute of Chartered Accountants in Australia and a Fellow of the Institute of Company Directors and the Taxation Institute of Australia.



(PT= Part Time)



The Corporate Plan for 2004-2007 indicates DFSV will:

- > Seek to have key elements of the national dairy food safety standard agreed by all States and Commonwealth.
- > Accelerate its use of risk modelling and forecasting processes for emerging issues of concern to the Victorian dairy industry.

Leadership

Operations Report 2003-04

'A national dairy food safety framework based on international best principles.'

Dairy Food Safety Scheme

In partnership with industry, DFSV defined and implemented the Dairy Food Safety Scheme (DFSS) for dairy farms during 2003-04. The DFSS provides the framework in which standards that safeguard public health are maintained in the Victorian dairy industry. The DFSS consists of a dairy licence, food safety program approval process (validation) and an audit system (verification).

By 30 June 2004, all Victorian dairy farm businesses supplying cows' milk had an approved food safety program in place and had undergone an initial audit. DFSV also approved 18 auditing companies, who employ 86 individual auditors, to audit food safety programs. Sheep and goat dairy farmers have submitted food safety programs for approval and DFSV is closely involved with them in an advisory capacity to enable them to be fully compliant by late 2004. Implementation of the DFSS for manufacturers and other licence holders will proceed in 2004-2005.

Implementation of the DFSS has enabled the dairy farming sector of industry to meet the requirements of the Code of Practice for Dairy Food Safety.

An Auditor Review Program was established to take effect from 1 July 2004. The Program provides for auditors, approved by DFSV under a Deed of Undertaking, to be audited by DFSV to ensure the competency and consistency of auditors and their audits.

National Standards

DFSV played a key role in discussions to facilitate a national framework for food safety. Following representations from Victoria and other States, Food Standards Australia and New Zealand (FSANZ) agreed to bring forward and convene a Standards Development Committee to develop the National Primary Production and Processing Standard for dairy, 12 months earlier than had been planned.

Victoria also made active representations to influence reviews and negotiations to harmonise Export Control (Processed Food) Orders with domestic standards for dairy food safety. It strongly supported discussions on a national approach to the recognition of competency skills for auditing and national arrangements for auditor training.

DFSV chaired the Australian Dairy Authorities' Standards Committee (ADASC). By reviewing and developing technical standards and management practices in Australia and New Zealand, ADASC is aiming to achieve uniformity and cost effectiveness of legislation and dairy food safety standards, all the while facilitating interstate and international trade.

An important undertaking currently being addressed by ADASC in this area is the development of heat treatment guidelines. Further work being conducted by ADASC includes a review of pathogen management manuals (i.e. Listeria and Salmonella Manuals), review of the ADASC minimum testing guidelines, and the establishment of national guidelines for food safety programs for dairy farms.

The organisation actively participated on various sub-committees of the Food Regulation Ministerial Council, including those working for agreement on national audit principles and implementation of national food regulation.

A DFSV staff member was invited to join two standing committees of the International Dairy Federation (IDF) concerned with microbiological and chemical residue analysis of dairy products. This participation in IDF enhances the Australian dairy industry's contribution to establishing and maintaining relevant dairy analytical methods at the international level.

An investigation was undertaken by DFSV of industry-based quality assurance systems for grain-based feedstuffs as part of a program to refine food safety programs through the voluntary stockfeed declaration system. It also actively supported a review of national water quality standards for farms and factories. The review was based on earlier research conducted by DFSV and has led to a risk assessment project supported by the Australian Quarantine and Inspection Service (AQIS) and Department of Primary Industries Victoria.

DFSV appreciates the importance of a science-based approach to the development of risk-based standards for dairy food safety. Accordingly, it has taken the initiative to establish a science and new technology function as an integral role within the organisation.

New Board for DFSV

The new DFSV Board was appointed in October 2003 with Dr Des Hore re-appointed as Chairman for the coming three years. The new Board has a stronger representation of science and risk assessment skills available to oversee standards for dairy food safety.



CALVIN ROBINSON

KEVIN MOZE



The Corporate Plan for 2004-2007 indicates DFSV will:

- > Review risk exposure associated with its new format of service delivery.
- > Identify systems and processes to support the continued roll out of the Dairy Food Safety Scheme.
- > Assess procedures enabling the use of external auditing for manufacturers.
- > Be an active partner in Biosecurity Victoria.



'Services aligned to a national dairy food safety framework.'

Education and Awareness

DFSV has adopted a clear policy of education and awareness, arising as the key tool for the promotion of the DFSS and dairy food safety standards generally. To that end, during the year DFSV staff were active in industry forums and technical committees throughout Australia.

Meetings were held with the quality and technical staff of a number of dairy companies allowing the exchange of information between the companies and DFSV. Feedback was also received concerning opportunities to improve DFSV's services.

Technical specialists from DFSV provided training sessions on audit, legislation, and standards to a number of individual companies to assist their staff understand these issues.

DFSV actively encouraged dairy manufacturers to take a proactive approach to the management of pathogens to reduce the incidences of pathogen and related toxin contaminations in dairy foods, and to minimise the risk of contaminated product entering the market place.

Specifically, a communication program was implemented emphasising not only prevention but also procedures to trace contaminated product, minimise the risk of the product entering the market place, investigation of the cause of any incident and appropriate corrective and preventative actions to be taken.

Export Facilitation

DFSV undertakes audits of manufacturing premises, fulfilling a requirement for the issue of a certificate for export by AQIS.

The organisation is a member of the Dairy Export Industry Consultative Committee working jointly with government and industry to facilitate exports through input to the strategic policy direction for AQIS export

certification. It also participated on a Steering Committee commissioned by Dairy Australia to review export inspection and certification systems.

DFSV also facilitates inspections and reviews of Victoria's dairy food safety arrangements by regulatory bodies from our trading partners. The USFDA and authorities from Chile reviewed the ability of companies to meet the export standards.

The Australian Milk Residue Analysis Survey funded by Dairy Australia was co-ordinated by DFSV. This Survey provides a national, credible, independent monitoring system for agricultural, veterinary and environmental chemical residues in milk. Throughout the 2003-04 survey year, over 1,500 analyses were conducted on the 774 milk samples that were collected. Only one of these samples was found to contain unacceptable levels of residues.

New discussions were facilitated by DFSV during the year to enable the export of Victorian cream to the USA and reprocessing of overseas product in Australia.

Protection of Public Health

DFSV has worked proactively with industry to ensure that standards to safeguard public health are maintained in the Victorian dairy industry. Nevertheless, DFSV considers any non-compliance with the DFSS to be a serious risk to public health and the integrity of industry.

Stringent enforcement policies have been developed by DFSV to address any non-compliance with the DFSS. These policies include criteria for closing out corrective action requests, issuing of orders to prevent manufacturing operations, seizure and destruction of dairy food, prohibiting the use of dairy processing equipment, and prosecution.

During 2003-04, DFSV undertook 388 audits of manufacturer premises and 26 audits of dairy stores. These numbers include premises involved in both domestic and export products.

Although industry performance was generally good during the year, specific instances of failure to meet standards resulted in three recalls of product. In addition, a successful prosecution for operating without a valid dairy licence was undertaken.

DFSV also continued to facilitate the Product Testing Survey (PTS) for Victorian dairy foods. The PTS is an independent monitoring survey of the food safety status of dairy foods. During 2003-04, 326 batches of dairy products (covering 6 dairy product categories) were tested for *Salmonella* spp., *Listeria monocytogenes*, *Escherichia coli* and coagulase positive staphylococci. The Survey showed 100% compliance for *Salmonella* spp. and coagulase positive staphylococci, 97.5% compliance for *E. coli* and 99.7% compliance for *L. monocytogenes*.

Technical Information Services

Technical advice and assistance was provided to dairy industry businesses on a variety of issues related to dairy food safety, such as:

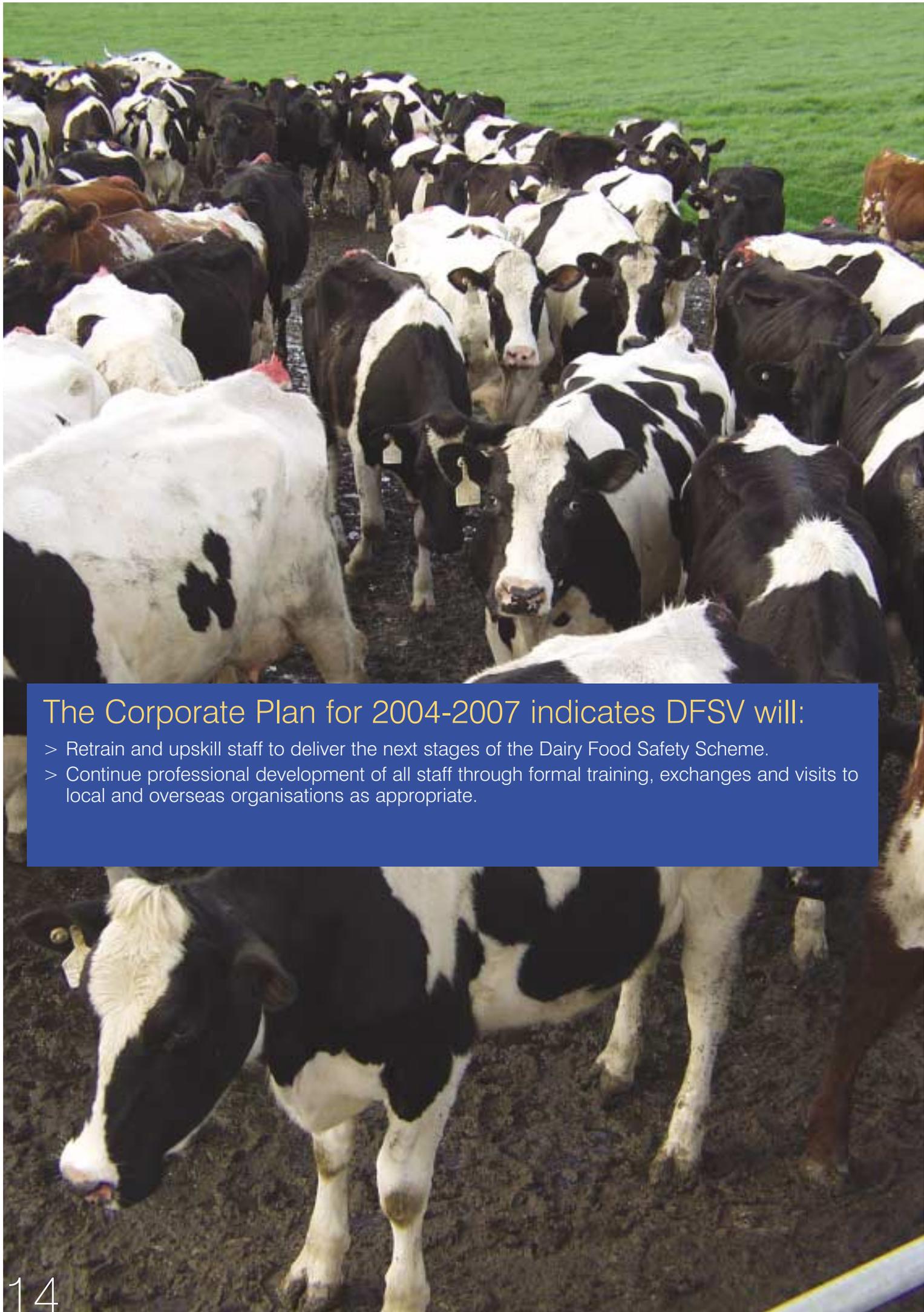
- > mycotoxin production from environmental moulds in cheese
- > processing technologies for the production of lactoferrin and other dairy protein isolates
- > chemical residue testing
- > food additives and preservatives
- > food labelling issues.

DFSV also provided access to technical information through its website, publications and e-mail responses to queries.

A number of submissions were made by DFSV to Food Standards Australia New Zealand concerning changes to the Food Standards Code. These included providing technical comment on the application for the sale of Roquefort cheese in Australia, amendments to the Maximum Residue Limits and microbiological limits for *Bacillus cereus* in infant formula.

Emergency Services

DFSV was represented at a national bioterrorism forum organised by the Department of Agriculture, Fisheries and Forestry, in Canberra. DFSV was also represented at Discussion Exercise Cadmium on bioterrorism and is also supporting a project conducted by the Department of Primary Industries to investigate the preparedness of the industry to manage an act of bioterrorism.



The Corporate Plan for 2004-2007 indicates DFSV will:

- > Retrain and upskill staff to deliver the next stages of the Dairy Food Safety Scheme.
- > Continue professional development of all staff through formal training, exchanges and visits to local and overseas organisations as appropriate.

'Experts in strategic management of food safety issues.'

Staff Numbers and Appointments

In line with its strategic objectives, staff turnover of approximately 20% for the year provided the recruitment opportunities to further upgrade the total skill set within the organisation.

The recent appointments to DFSV brought with them specialised skills and experience in chemical engineering, quality systems in food manufacturing and processing, accounting, microbiology, agriculture and communication.

Staffing trends	2001	2002	2003	2004
	17	17.6	18	18.4

Staff profile by position as at 30 June 2004

Position	Male 2004	Male 2003	Female 2004	Female 2003	Total 2004	Total 2003
CEO	-	-	1	1	1	1
Admin Staff	-	-	2.8	2.2	2.8	2.2
Technical	9	9.4	3.4	3.4	12.4	12.8
Accounting/ Finance	1	1	1	1	2	2
Casuals	-	-	0.2	-	0.2	-

Professional Development

Several staff undertook further study towards higher degrees in management and other technical areas such as risk assessment, auditing, company secretarial services and team building. A key area for the acquisition of highly specialised skills was in scientific risk assessment associated with the development and implementation of dairy food safety standards.

Performance Management

The Performance Management Process introduced three years ago continues to operate effectively, allowing staff the opportunity to be rewarded for superior performance, as well as focusing on the development of individual competencies to improve overall organisational performance.

Industrial Relations

The Victorian Dairy Industry Authority Award 1998 remains in place and there was no industrial disputation during the year.

Partnerships

Formal links were established with the New Zealand Food Safety Authority (NZFSA) and a series of visits and exchanges were established in both directions across the Tasman to promote a better understanding and greater harmonisation of food safety measures in both countries.

Presentations were made to overseas delegations and to relevant conferences concerning food safety in Australia and New Zealand.

Technical specialists from DFSV were invited to participate in the New Zealand Pathogen Focus Group. The group consists of representatives from NZFSA and the New Zealand food industry. The aim of the group is to develop guidance material for manufacturers for the management of pathogens from incoming raw materials to the point of retail.

External Contributions

DFSV staff have made positive contributions to the wider dairy industry in 2003-04 through participation on the following committees and working parties.

- > Australian Dairy Authorities' Standards Committee – Chair
- > Dairy Export Industry Consultative Committee
- > Steering Committee – Review of Dairy Export Inspection and Certification

- > Dairy Australia's Technical Issues Reference Group
- > New Zealand Pathogen Focus Group
- > ADASC Heat Treatment Working Group
- > Australian Institute of Management
- > Victorian Regulators Forum
- > International Dairy Federation Standing Committee of Microbiological Methods of Analysis
- > International Dairy Federation Standing Committee of Additives and Contaminant Methods
- > AgriQuality Proficiency Testing Technical Advisory Committee
- > Standards Australia Working Group for Microbiological Sampling of Dairy Foods
- > Dairy Industry Association of Australian Publications Committee
- > Implementation Sub-Committee Auditing Group
- > Victorian Dairy Food Safety Scheme Steering Committee
- > National Food Safety Auditor Competency Steering Committee

Accommodation

Early in the 2004 financial year, the organisation relocated from its premises in Abbotsford to offices in Hawthorn. The new premises have facilities that are regularly used by industry bodies for meetings of people from country areas. The offices in Hawthorn also provide additional parking and a more conducive work environment for staff.

DFSV also negotiated the relocation of the Shepparton office to smaller premises during 2003-04.



The Corporate Plan for 2004-2007 indicates DFSV will:

- > Develop an initiative to disseminate food safety information targeted to Victorian dairy farmers.
- > Improve awareness and understanding of the Dairy Food Safety Scheme.

Communication

Operations Report 2003-04

'Embracing all sectors of industry in partnership to ensure dairy food safety.'

Board and CEO

The Chairman and CEO continued their schedule of meetings with industry representatives and manufacturers.

During the year, the Board convened a joint meeting in Warragul with key industry representatives and the Department of Primary Industries.

Guests invited to Board meetings held in Melbourne included the Minister for Agriculture and the Secretary of the Department of Primary Industries.

Meetings

DFSV staff and Board members undertook farmer group discussions concerning the DFSS, the funding model and licence fee arrangements.

The Chief Executive attended meetings with key organisational groups including the Milk Processors Association of Victoria and United Dairyfarmers of Victoria Executive and District Councils.

Staff also accepted invitations to attend farmer supply meetings and meetings with senior operations, quality and operations staff and senior field staff from manufacturing companies.

DFSV staff met with contract auditors, the Dairy Food Safety Scheme Steering Committee and interstate food safety regulators to explain the direction of Victoria's DFSS and its progress.

DFSV extensively communicated information about the DFSS through rural and regional newspapers, and through factory newsletters.

Other Communication

The organisation's Communication Strategy was reviewed and updated in early 2004 and action to implement the new strategic direction for communication has started. The responsibility to coordinate all DFSV communication was assigned to a senior member of staff.

Steps have been taken to build effective working relationships with the quality control departments of major supermarket chains.

There was a significant increase in correspondence and personal enquiries to DFSV during the year concerning the administration of licensing and other issues. On all occasions, these were dealt with promptly and courteously.





The Corporate Plan for 2004-2007 indicates DFSV will:

- > Establish and secure the total funds required to deliver its mission and new strategies.
- > Further develop the business risk management strategy.
- > Achieve fee for service revenues in line with the targets established by the Funding Model Review Steering Committee.



'Sustainable funding and governance to meet corporate objectives.'

Funding Model

The key achievement for 2003–04 was the implementation of a new funding model for DFSV agreed in consultation with industry. The important elements of the model are a new fee structure, updated arrangements for the collection of farm licence fees and a complete database of licensed premises. A further review was held in May 2004 and confirmed that the new model is adequately meeting requirements for the industry.

The new funding model establishes greater equity for all participants as licence fees are now generally assessed on the volume of production for every business. Significant quantities of dairy produce previously unaccounted were detected when the new funding model was implemented and some previously unlicensed farmers were brought into the DFSS.

The new licensing arrangements have provided greater traceability through both licence numbers and company supplier numbers, and have further enhanced the integrity of the DFSS.

The Board has decided that the rates used to determine dairy licence fees for 2004–2005 will be unchanged from 2003–04.

Dairy Licence Statistics

Number of Victorian Dairy Licences on issue as at 30 June 2004:

> Dairy Farms	6242
> Manufacturers	149
> Carriers	53
> Distributors	138

Quality Certification

DFSV was certified as meeting the requirements for the updated Quality Standard, ISO 9000/2000. The upgrading process requires DFSV to undergo process re-engineering and introduce continuous improvement to all key business processes.

Financial

The organisation received an unqualified audit of its balance sheet and statement of accounts. The program of scheduled internal financial audits was completed and recommendations implemented.

The Department of Treasury and Finance compliance database was implemented by DFSV, including the recommended financial risk management module.

Also implemented were recommendations from the reviews of Board performance and corporate governance. Specifically, changes were made in the following areas:

- > A formal Board Charter was established
- > Committee Charters were reviewed and revised
- > Risk management strategies were developed
- > Formal delegations from the Board to management were established
- > A communication policy was developed
- > A compliance monitoring program was put in place
- > Board member skills and competencies were more closely defined
- > An annual Board agenda was put in place so as to ensure the strategic focus of the Board
- > More time was allocated by the Board for strategic planning
- > The Operations Policy and Review Committee was refocused to ensure a strategic focus by that committee.

An activity based costing review was completed and implemented to drive new fee-for-service arrangements to enable recovery of 15% of DFSV operating costs from these services in 2004–2005.

Directors and Officers insurance coverage for DFSV was increased during the year to \$40 million due to risks facing food safety generally. Computer servers and software were upgraded to 2004 specifications.



JOANNE PATTERSON

DOUG EDDY

MARIE LOCKWOOD

Corporate

Corporate Governance Statements

Charter and Purpose Establishment of the Authority

DFSV is established under the *Dairy Act 2000*. The organisation is a statutory authority that reports to the Minister for Agriculture.

Objectives of the Authority

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

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

Functions of the Authority

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

1. establish, maintain and improve:
 - the food safety standards of dairy food;
 - the standards of construction and hygiene of plant and equipment in a dairy manufacturing premises;
 - the standards of maintenance, cleanliness and hygiene of dairy transport vehicles.
2. monitor and review the standards specified in paragraph (1).
3. approve and monitor the implementation of food safety programs.
4. administer the licensing system under Part 3.
5. ensure that appropriately qualified persons are appointed as authorised officers.
6. fix and charge fees in respect of the carrying out of its functions or the exercise of its powers.

7. protect public health in consultation with the Secretary to the Department of Human Services or a municipal council.
8. advise the Minister on matters relating to the administration of this Act.
9. carry out any other function that is conferred on the Authority by this Act or any other Act.

Powers of the Authority

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

Also, DFSV may:

- a. enter into agreements or arrangements with third parties for the provision of services to or by DFSV;
- b. fix and charge fees for its services including the services of its authorised officers; and
- c. 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 Chairperson and may also appoint one member nominated by the Secretary to 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 new Board for 2003–2006 was appointed in October 2003.

Board Committees

The Board has established a Risk Management and Audit Committee (formerly the Finance and Audit Committee) to assist the Board to fulfil its Corporate Governance and statutory responsibilities in relation to financial reporting, internal control, structure and risk management systems and internal and external audit functions. Members of this Committee are Mr Trevor Tappenden (Chair) and Ms Shirley Harlock. This Committee has representation from the outsourced internal audit service provider, Ernst and Young.

The Food Safety and Policy Committee (formerly the Operations Review and Policy Committee) has been established to assist the Board of DFSV in fulfilling its responsibilities relating to assuring the safety of dairy foods produced and processed in Victoria for domestic and export markets. Members of this Committee are Mr Paul Ford (Chair), Ms Margaret Darton, Dr Jennifer Robertson and Dr Joe Sullivan.

The Remuneration and Human Resources Policy Committee has been established to assist the Board in fulfilling its statutory responsibilities relating to the remuneration of the CEO and Executive Management Team. The Committee also assists the Board in the formulation of Human Resource Management policies and procedures. Members of this committee are Ms Shirley Harlock (Chair), Dr Jennifer Robertson and Mr Trevor Tappenden.

Ethical Standards

DFSV continues to operate under The Code of Conduct for the Victorian Public Service, which provides guidance on addressing possible or perceived conflicts of interest. All employees are required to act with the utmost integrity and objectivity at all times in all dealings.

Victorian Public Service guidelines for protecting merit and equity are observed wherever appropriate.

Occupational Health and Safety

An OH&S Committee consisting of staff and management representatives undertakes the full range of health and safety obligations to ensure that human and financial costs of occupational injury and illness are minimised.

Freedom Of Information

DFSV is a prescribed authority for the purposes of the Freedom of Information Act 1982. During the 12 months ended 30 June 2004, there were no FOI requests received by DFSV. Freedom of Information requests must be made in writing describing the documents requested and including payment of a \$20.50 application fee. Requests for information should be sent to: FOI Officer, DFSV, Level 1, 313 Burwood Road, Hawthorn, Victoria, 3122.

Whistleblowers' Legislation

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

Disclosures under the Whistleblowers' Protection Act 2001 can be made to any of the following:

The Protected Disclosure Coordinator:

Calvin Robinson
Business Services Manager
1/313 Burwood Road
Hawthorn Victoria 3122
Email: crobinson@dairysafe.vic.gov.au
Ph: 9810 5907
Fax: 9819 4299

The Protected Disclosure Officers:

Stuart Campbell
Dairy Food Safety Officer
1/313 Burwood Road
Hawthorn Victoria 3122
Email:
scampbell@dairysafe.vic.gov.au
Ph: 9810 5909
Fax: 9819 4299

Suzanne Russell
Communications Coordinator
1/313 Burwood Road
Hawthorn Victoria 3122
Email: srussell@dairysafe.vic.gov.au
Ph: 9810 5921
Fax: 9819 4299

The Ombudsman Victoria
Level 22, 459 Collins Street
Melbourne Victoria 3000
Ph: 9613 6222
Toll Free: 1800 806 314

For 2003–04 there were no disclosures made under the Whistleblowers' Protection Act 2001.

Consultants

During the 12 months ended 30 June 2004, eight consultants were engaged at a total cost of \$20,611. For the year ended 30 June 2003, 11 consultants were engaged at a total cost of \$91,971.

Building Act 1993

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

Office Based Environmental Impacts

Action was taken during the year to reduce paper usage through the introduction of improved printing facilities. Recycling of paper continued and, with the move to new office premises, bottles and cans are also recycled.

Declaration

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

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

- > Statement that declarations of pecuniary interests and shares held have been duly completed by relevant officers
- > Details of publications produced by the entity about the entity and the places where the publications can be obtained
- > Details of changes in prices, fees, charges, rates and levies charges by the entity for its services – in the Report of Operations
- > Details of any major external reviews carried out on the entity

- > Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- > Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and the services it provides
- > Details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations
- > A general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations
- > Details of any other research and development activities undertaken by the entity that are not otherwise covered either in the Report of Operations or in a document which contains the financial report and Report of Operations and
- > A list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved

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 2003 to 30 June 2004.

National Competition Policy

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

Contacts

Dairy Food Safety Victoria Contacts

Head Office

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313 Burwood Road
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Email: info@dairysafe.vic.gov.au
Web address:
<http://www.dairysafe.vic.gov.au>

Chief Executive Officer

Dr Anne Astin
Email: aastin@dairysafe.vic.gov.au

Manager, Policy & Strategy

Mr Andrew Simson
Email: asimson@dairysafe.vic.gov.au

Manager, Business Services

Mr Calvin Robinson
Email: crobinson@dairysafe.vic.gov.au

Principal Advisor, Science and New Technology

Mr Doug Eddy
Email: deddy@dairysafe.vic.gov.au

Manager, Industry Services

Ms Joanne Patterson
Email: jpatterson@dairysafe.vic.gov.au

Licensing Officer

Ms Marie Lockwood
Email: mlockwood@dairysafe.vic.gov.au

Warrnambool Regional Office

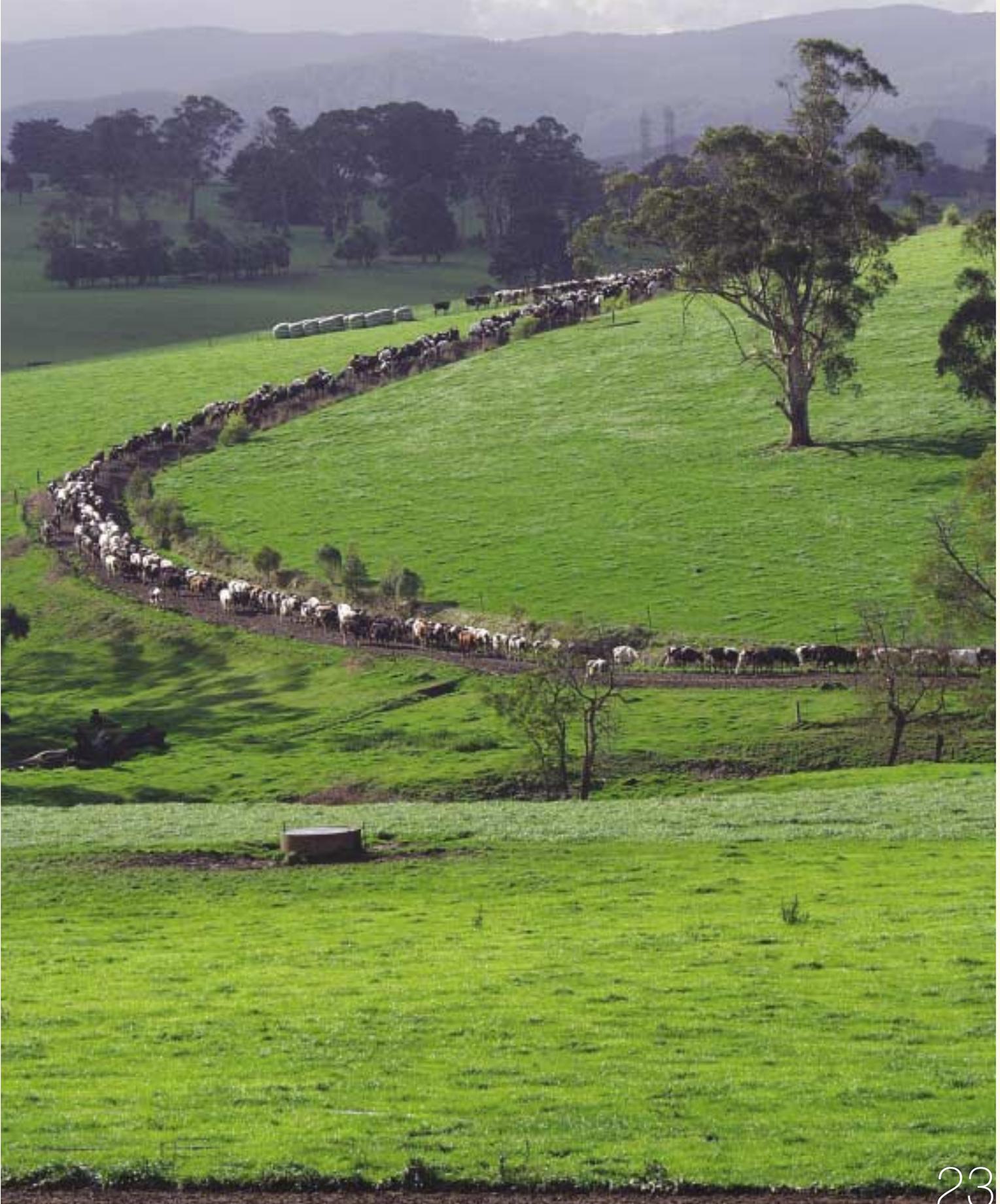
222 Lava Street
Warrnambool Vic 3280
Ph: (03) 5561 3089
Fax: (03) 5562 6884

Shepparton Regional Office

Suite 4B
140–142 Welsford Street
Shepparton Vic 3630
Ph: (03) 5831 2302
Fax: (03) 5831 2307

Financial

Financial Statements for the Year Ended 30 June 2004



Statement

of financial performance for the year ended 30 June 2004

	NOTE	2004 \$	2003 \$
Revenue from ordinary activities			
Revenue	2(a)	3,271,432	3,046,518
Expenses from ordinary activities			
Marketing Expenses		27,475	44,513
Occupancy Expenses		310,778	219,307
Administration Expenses		2,952,854	2,745,789
Total expenses	2(b)	3,291,107	3,009,609
Net surplus (deficit) from ordinary activities		(19,675)	36,909
Total revenues, expenses and revaluation adjustments recognised directly in equity		0	0
Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner	9	(19,675)	36,909

The above statement of financial performance should be read in conjunction with the accompanying notes.

Statement

of financial position as at 30 June 2004

	NOTE	2004 \$	2003 \$
Current Assets			
Cash assets		73,893	67,803
Receivables	4	490,033	271,526
Other Financial Assets	5	1,520,103	1,805,815
Total Current Assets		2,084,029	2,145,144
Non - Current Assets			
Plant and equipment	6	271,826	178,592
Total Non - Current Assets		271,826	178,592
Total Assets		2,355,855	2,323,736
Current Liabilities			
Payables	7	404,739	321,861
Provisions	8	174,327	186,609
Total Current Liabilities		579,066	508,470
Non - Current Liabilities			
Provisions	8	224,798	243,600
Total Non - Current Liabilities		224,798	243,600
Total Liabilities		803,864	752,070
Total Net Assets		1,551,991	1,571,666
Equity			
Accumulated deficit	9	(248,009)	(228,334)
Contributed equity	10	1,800,000	1,800,000
Total Equity		1,551,991	1,571,666
Contingent liabilities and capital commitments	15		

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement

of cash flows for the year ended 30 June 2004

	NOTE	2004 \$	2003 \$
Cash flows from operating activities			
Receipts from customers including GST		3,020,708	3,059,774
Payment to suppliers and employees including GST		(3,325,298)	(3,221,463)
Interest received		72,786	75,941
Net GST received - Australian Taxation Office		141,071	134,077
Net cash provided by (used in) operating activities	17 (b)	(90,733)	48,329
Cash flows from investing activities			
Proceeds from sale of fixed assets		6,256	17,530
Fixed asset purchases		(195,773)	(94,011)
Net cash provided by (used in) investing activities		(189,517)	(76,481)
Cash flows from financing activities			
Net cash provided by (used in) financing activities		–	–
Net increase (decrease) in cash held		(280,250)	(28,152)
Cash at the beginning of the financial year		1,867,803	1,895,955
Cash at the end of the financial year	17 (a)	1,587,553	1,867,803

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes

to the Financial Statements for the year ended 30 June 2004

1 Statement of significant accounting policies

This general purpose financial report that has been prepared in accordance with the Financial Management Act 1994, Australian Accounting Standards, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.

The following is a summary of the material accounting policies adopted by the entity in the preparation of the financial report.

(a) Basis of accounting

The accompanying financial statements have been prepared in accordance with the historical cost convention using the accrual basis, and do not include current valuations of non-current assets except where stated. The accounting policies adopted, and the classification and presentation of items, are consistent with those of the previous year, except where a change is required to comply with an Australian accounting standard or Urgent Issues Group Consensus View, or an alternative accounting policy permitted by an Australian accounting standard is adopted to improve the relevance and reliability of the financial report. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year.

(b) Objectives and funding

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

The entity fixes and charges fees for its services which covers annual licence fees payable by dairy farmers and manufacturers, and audit and inspection fees.

(c) Revenue Recognition

Monthly licence fees payable by dairy farmers are generally based on monthly milk production. Annual licence fees payable by manufacturers relate to a calendar year but may be paid by quarterly instalments. Revenue received from licence fees is non-reciprocal as there is no expectation that either the amount will be repaid or that direct services of the same value will be provided to the licensee. As a result, revenue from these fees is recognised when the fees are raised.

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

(d) Other financial assets - investments

Investments are shown at cost and represent interest bearing deposits. All investments are invested for short term.

(e) Cash

For the purpose of the statement of cash flows, cash includes cash at bank, cash on hand and short term investments that are readily convertible to cash on hand and are subject to insignificant risk of changes in value, net of outstanding cheques yet to be presented by the entity's suppliers and creditors.

(f) Receivables

Collectability of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(g) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal.

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liability undertaken at the date of acquisition plus incidental costs directly attributed to the acquisition.

In the event that any part of the cash consideration is deferred, the amounts payable in the future would be discounted to their present value as at the date of the acquisition. The discount rate that would be used would be the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Notes

to the Financial Statements for the year ended 30 June 2004

(h) Depreciation and amortisation of plant and equipment

Depreciation is calculated on a straight line basis so as to write off the net cost of property over its expected useful life to the entity. Estimates of the remaining useful lives for all assets are reviewed at least annually. The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the entity, whichever is shorter.

The expected useful lives for the financial years ending 30 June 2004 and 30 June 2003 are as follows:

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

(i) Leasehold improvements

The cost of improvements to or on leasehold properties are amortised over the unexpired period of the lease or the estimated useful life of the improvement to the entity, whichever is the shorter. Leasehold improvements held at reporting date are being amortised over 5 years.

(j) Disposal of Fixed Assets

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal. The proceeds on sale, cost of assets disposed and profit / loss on sale are separately disclosed in the financial statements.

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received prior to 30 June, whether or not billed to the entity. The amounts are unsecured and are usually paid within the terms set by the provider of the goods or service.

(l) Employee Benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured as the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the entity to the respective superannuation funds.

(iv) Employee benefits on-costs

Employee benefits on-costs, including payroll tax and workcover, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Notes

to the Financial Statements for the year ended 30 June 2004

(m) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to the ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

The entity only utilises operating leases and does not have any finance leases. Operating lease payments are not capitalised and rental payments are expensed in the period in which they are incurred.

(n) Income Tax

Dairy Food Safety Victoria 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 1936 section 24AR.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the statement of financial position. The GST component of a receipt or payment is recognised on a gross basis in the Statement of Cash Flows in accordance with Accounting Standard AAS 28 Statement of Cash Flows.

(p) Changes in accounting policy for revenue recognition

In the reporting period ended 30 June 2003, revenue recognition for dairy farmers was based on annual licence fees raised during December for a twelve month period.

For the reporting period ended 30 June 2004, most dairy farmers' licence fees were paid monthly based on the prior month's milk production from 1 December 2003.

This change in accounting policy for revenue recognition resulted in seven months of income from dairy 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.

(q) The impacts of adopting AASB equivalents to IASB standards

For annual reporting periods ending on or after 30 June 2004, AASB 1047 disclosing the impacts of Adopting AASB Equivalents to International Reporting Standards requires narrative disclosures of how the transition process is being managed and an explanation of the key differences in accounting policies that are expected to arise from the transition to AASB equivalents to IASB pronouncements. Refer to Note 21 for further details.

(r) Change in accounting policy for employee benefits - 2003

For the period ended on 30 June 2003, the entity was required by AASB 1028 Employee Benefits, to measure provisions for employee benefits at remuneration rates expected to apply when the obligation was settled, including the expected future increases in remuneration rates.

The impact of this change was to increase the accumulated deficit by \$15,995 and to increase the provision for annual leave by \$15,995.

Notes

to the Financial Statements for the year ended 30 June 2004

	NOTE	2004 \$	2003 \$
2			
RESULT FROM ORDINARY ACTIVITIES INCLUDING NET GAINS, EXPENSES AND OTHER ITEMS:			
(a) Net Gains			
<u>Revenues from operating activities</u>			
Audit and inspection fees		186,395	164,401
Australian Milk Residue (AMRA) survey		292,795	275,665
Licence fees		2,663,200	2,511,270
		3,142,390	2,951,336
 <u>Revenues from non operating activities</u>			
Interest received and receivable from investments		72,786	75,941
Proceeds on sale of fixed assets		6,256	17,530
Other income		50,000	1,711
		129,042	95,182
Total revenue		3,271,432	3,046,518
 (b) Expenses:			
<u>Expenses from operating activities</u>			
Audit fees	12	17,806	15,025
Bad debts written off		–	–
Depreciation and amortisation	6	102,538	114,668
Operating lease rentals		285,916	232,899
Doubtful debts		–	(1,155)
Written down value of assets sold		–	17,025
Salary costs and related expenses		1,779,758	1,573,946
Other administrative expenses		1,105,089	1,057,201
		3,291,107	3,009,609
 (c) Other Items:			
Profit / (Loss) on sale of fixed assets		6,256	505
 3			
CASH ASSETS			
Cash on hand		1,002	1,152
Cash at Bank		72,891	66,651
Total Cash Assets		73,893	67,803

Notes

to the Financial Statements for the year ended 30 June 2004

	2004	2003
	\$	\$
4 RECEIVABLES		
Current		
Trade debtors	101,448	113,160
Provision for doubtful debts	(4,000)	(4,000)
	97,448	109,160
Other debtors		
Dairy industry licence fees	278,646	119,111
Other	117,939	47,255
Provision for doubtful debts	(4,000)	(4,000)
	392,585	162,366
Total Receivables (net)	490,033	271,526
5 OTHER FINANCIAL ASSETS		
Interest bearing deposits	1,513,660	1,800,000
Prepayments	6,443	5,815
Total Other Financial Assets	1,520,103	1,805,815
6 PLANT AND EQUIPMENT		
Leasehold improvements		
At cost	127,980	91,761
Accumulated amortisation	(102,258)	(91,761)
	25,722	0
Furniture and fittings		
At cost	78,384	29,359
Accumulated depreciation	(13,526)	(7,169)
	64,858	22,190
Plant and equipment		
At cost	374,533	264,004
Accumulated depreciation	(193,287)	(107,602)
	181,246	156,402

Notes

to the Financial Statements for the year ended 30 June 2004

	2004	2003
	\$	\$
6 PLANT AND EQUIPMENT (cont.)		
Summary of Plant and equipment		
At cost	580,897	385,124
Accumulated depreciation	(309,071)	(206,532)
Total plant and equipment	271,826	178,592

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year are set out below:

	Carrying amount at start of year	Additions	Disposals at written down value	Depreciation	Carrying amount at end of year
Leasehold improvements	0	36,219	0	10,497	25,722
Furniture and fittings	22,190	49,025	0	6,357	64,858
Plant and equipment	156,402	110,528	0	85,684	181,246
	178,592	195,772	0	102,538	271,826
				2004	2003
				\$	\$

7 PAYABLES		
Trade creditors	177,023	87,992
Other creditors	227,716	233,869
Total Payables	404,739	321,861

8 PROVISIONS		
Current Liabilities		
Provision for annual leave	149,349	136,950
Provision for long service leave	24,978	49,659
	174,327	186,609
Non - Current Liabilities		
Provision for long service leave	224,798	243,600
Aggregate carrying amount of provisions	399,125	430,209
Average number of employees during the year	18	18

Notes

to the Financial Statements for the year ended 30 June 2004

	2004	2003
	\$	\$
8 PROVISIONS (cont.)		
As explained in Note 1, the amounts for long service leave are measured at their present values. The following assumptions were adopted in measuring present values:		
Weighted average rates of increase in annual employment entitlements to settlement of the liabilities	4.5%	4.8%
Weighted average discount rates vary from year 1 to year 12:	5.2 to 5.9%	4.6 to 5.1%
Weighted average terms to settlement of the liability	13 years	13 years
9 ACCUMULATED DEFICIT		
Accumulated Deficit at beginning of financial year	(228,334)	(249,248)
Adjustments resulting from change in accounting policy - Note 1(r)	-	(15,995)
Net result for reporting period	(19,675)	36,909
Accumulated Deficit at end of financial year	(248,009)	(228,334)

10 CONTRIBUTED EQUITY

When the entity was incorporated in 2000, an establishment grant of \$1,800,000 was received from the Government of Victoria.

11 FINANCIAL INSTRUMENTS

(a) Credit risk exposures

The credit risk on financial assets of the entity which have been recognised on the statement of financial position, is generally the carrying amount, net of any provisions for doubtful debts.

The entity does not have any off-balance sheet derivative financial instruments. Credit risk also arises from the potential failure of counter-parties to meet their obligations under respective contracts at maturity.

(b) Interest rate risk exposures

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

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

Notes

to the Financial Statements for the year ended 30 June 2004

2004	NOTE	Floating Interest Rate \$	Fixed Interest maturing within 1 year \$	Fixed Interest maturing 1 to 5 years \$	Non-interest bearing \$	Total 2004 \$	Weighted Average Effective Interest Rate % 2004
Financial Assets							
Cash assets	3	–	–	–	73,893	73,893	–
Receivables	4	–	–	–	490,033	490,033	–
Other financial assets - interest bearing deposits	5	1,513,660	–	–	–	1,513,660	5.2%
		1,513,660	–	–	563,926	2,077,586	
Financial Liabilities							
Payables	7	–	–	–	404,739	404,739	–
Net financial assets (liabilities)		1,513,660	–	–	159,187	1,672,847	
2003	NOTE	Floating Interest Rate \$	Fixed Interest maturing within 1 year \$	Fixed Interest maturing 1 to 5 years \$	Non-interest bearing \$	Total 2003 \$	Weighted Average Effective Interest Rate % 2003
Financial Assets							
Cash assets	3	–	–	–	67,803	67,803	–
Receivables	4	–	–	–	271,526	271,526	–
Other financial assets - interest bearing deposits	5	1,800,000	–	–	–	1,800,000	4.7%
		1,800,000	–	–	339,329	2,139,329	
Financial Liabilities							
Payables	7	–	–	–	321,861	321,861	–
Net financial assets (liabilities)		1,800,000	–	–	17,468	1,817,468	

Notes

to the Financial Statements for the year ended 30 June 2004

(c) Net fair value of financial assets and liabilities

(i) On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

(ii) Off-balance sheet

The entity has a potential financial liability which may arise from a contingency disclosed in note 15 (b). No material losses are anticipated in respect of that contingency.

(iii) The carrying amounts and net fair values of financial assets and liabilities at reporting date are:

	NOTE	2004 Carrying amount \$	2004 Net fair value \$	2003 Carrying amount \$	2003 Net fair value \$
On-balance sheet financial instruments					
Financial assets					
Cash assets	3	73,893	73,893	67,803	67,803
Receivables	4	490,033	490,033	271,526	271,526
Other financial assets - interest bearing deposits	5	1,513,660	1,513,660	1,800,000	1,800,000
		2,077,586	2,077,586	2,139,329	2,139,329
Financial liabilities					
Payables	7	404,739		321,861	
Off-balance sheet financial instruments		-	-	-	-
Financial liabilities					
Contingent liability	15	-	167,913	-	150,110

None of the classes of financial assets and liabilities are readily traded on organised markets in standardised form. Net fair value is exclusive of costs which would be incurred on realisation of an asset, and inclusive of costs which would be incurred on settlement of a liability.

	2004 \$	2003 \$
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12 AUDITOR'S REMUNERATION

Amount paid and due and payable for audit services:

Amounts paid and due and payable to the Auditor General for auditing the accounts of DFSV
Other Services

	17,806	15,025
	-	-
Amount paid and due and payable for audit services	17,806	15,025

Notes

to the Financial Statements for the year ended 30 June 2004

13 RESPONSIBLE PERSONS, REMUNERATION AND RETIREMENT BENEFITS

(a) Board Members

The names of the Board of Directors who have held office at any time during the financial year are:

Dr D E Hore	Chairman
Mr P Ford	
Ms M Darton	
Ms S Harlock	Deputy Chair Appointed 12/10/2003
Mr T Tappenden	Appointed 12/10/2003
Mr J Robertson	Appointed 12/10/2003
Mr J Sullivan	Appointed 12/10/2003
Mrs W A Adams	Appointment ceased 11/10/2003
Dr R L Welton	Appointment ceased 11/10/2003
Mr C Nixon	Appointment ceased 11/10/2003
Professor V Lin	Appointment ceased 11/10/2003

Remuneration

The number of responsible persons of the Authority 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:

	<u>2004</u>	<u>2003</u>
\$0 - \$9,999	10	6
\$10,000 - \$19,999	-	-
\$20,000 - \$29,999	1	1

The total remuneration of the responsible persons referred to above during their term of office for the financial year is:

Remuneration excluding superannuation	\$60,000	\$57,440
Superannuation contributions	\$5,400	\$5,169

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 responsible person or related party of a responsible person of DFSV. There have been no transactions with any responsible persons other than those related to employee relationships in carrying out the duties of responsible persons (other than Licence Fees). There have been no transactions between related parties and responsible persons.

(b) 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:

	<u>Total Remuneration 2004</u>	<u>Total Remuneration 2003</u>	<u>Base Remuneration 2004</u>	<u>Base Remuneration 2003</u>
\$160,000 - \$169,999	1			
\$150,000 - \$159,999		1	1	
\$140,000 - \$149,999				1
\$120,000 - \$129,999	1			
\$110,000 - \$119,000		1	1	
\$100,000 - \$110,000	1		1	1

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

Notes

to the Financial Statements for the year ended 30 June 2004

(c) Other Responsible Persons

Responsible Minister: Hon B. Cameron MP

(d) Insurance Premiums

During the financial year, DFSV paid an insurance premium of \$15,448 (2003 - \$10,940) 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 RELATED PARTY DISCLOSURES

The members and directors of the economic entity 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 the entity would have adopted if dealing with the members and directors at arm's length in similar circumstances.

During or since the financial period no member or director of the economic entity 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 the DFSV or a related body corporate with a member or director or with a member or director related party.

15 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

(a) Capital Expenditure Commitments Contracted for

	2004	2003
	\$	\$
Plant and Equipment		
Not later than 1 year	–	8,000
Later than 1 year, but not later than 5 years	–	–
Total capital expenditure commitments	–	8,000

(b) Contingent Liabilities

The Local Authorities Superannuation Fund is claiming an amount of \$167,913, which included interest of \$17,803, from Dairy Food Safety Victoria to cover unfunded superannuation liabilities relating to employees of Victorian Dairy Industry Authority who did not transfer to Dairy Food Safety Victoria. This claim is being disputed.

(c) Operating Lease Commitments

Non - cancellable operating leases contracted for but not capitalised in the financial statements.

Lease rental expense commitments at 30 June 2004 are in respect of premises (at Melbourne, Warragul, Shepparton and Warrnambool), office equipment and motor vehicles. Operating leases generally provide the entity with a right of renewal at which time all terms are renegotiated. Dairy Food Safety Victoria entered into a Heads of Agreement to lease premises at 313 Burwood Road, Hawthorn from 1 July 2004 for a period of three years. The operating lease commitment is \$164,520 per annum with a rent free period of two months at the commencement of the lease.

Within one year	251,218	266,200
Later than one year, but not later than five years	338,112	435,890
Total operating lease commitments	589,330	702,090

Notes

to the Financial Statements for the year ended 30 June 2004

	2004	2003
	\$	\$
(d) 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	595,556	818,547
Later than one year, but not later than five years	379,696	873,872
Total remuneration commitments	975,252	1,692,419

(e) 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	–	59,400
Later than one year, but not later than five years	–	59,400
Total outsourcing commitments	0	118,800

16 SUPERANNUATION

(a) The name and details of the major employee superannuation funds and contributions made by the entity are as follows:

Vision Super (formerly LASB Super)	5,200	5,408
Government Superannuation Office	55,322	64,727
Victorian Superannuation Fund - VicSuper	41,613	28,348
CPSL Super	–	1,106
Unisuper	2,599	2,018
AXA Life Ltd	4,836	2,233
AMP Life Ltd	8,185	6,116
CAAR Super	9,071	7,939
Westpac Life	623	–
REST Super	1,243	–
MLC Super	3,100	–
Health Super	367	–
Macquarie	184	–
Total	132,343	117,895

Superannuation contributions for the reporting period are included as part of salaries and associated costs in the statement of financial performance of the entity.

The above amounts were measured as at 30 June of each year, or in the case of employer contributions, they relate to the year ended 30 June.

Notes

to the Financial Statements for the year ended 30 June 2004

(b) Information on superannuation funds:

Vision Super (formerly LASB Super)

Under the provisions of the *Local Authorities Superannuation Act 1988*, DFSV and some of its employees are required to make contributions to a superannuation fund administered by Local Authorities Pty Ltd ("LAS"). The current employer contribution to LAS is 9.25% of salaries. The fund is a Defined Benefits Fund. The LAS confirmed that there is a unfunded liability for DFSV as at 31 December 2003 of \$6,672. DFSV has an ongoing obligation to share in the future experience of the 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.

Government Superannuation Fund - New Scheme

The DFSV pays employer superannuation contributions of between 9.0% to 9.5% of salaries in respect of its members who are in the New Scheme. The Consolidated Fund of the Victorian State Government is responsible for the unfunded liability related to employees of DFSV. This scheme is closed to new members. The fund is a Defined Benefits Fund.

Government Superannuation Fund - Revised Scheme

DFSV pays employer superannuation contributions of 15.5% 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 Fund.

Victorian Superannuation Fund - VicSuper

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

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

Other Superannuation Funds

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

(c) DFSV has no loans with any of the superannuation funds.

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

Notes

to the Financial Statements for the year ended 30 June 2004

17 CASH FLOW INFORMATION

	NOTE	2004 \$	2003 \$
(a) Reconciliation of cash			
Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related Statement of Financial Position items as follows:			
Cash assets	3	73,893	67,803
Short term interest bearing investments	5	1,513,660	1,800,000
Total		1,587,553	1,867,803
(b) Reconciliation of result from ordinary activities to net cash inflow from operating activities			
Net surplus / (deficit) for the reporting period		(19,675)	36,909
Adjustments for non-cash income and expense items:			
Depreciation and amortisation	2	102,538	114,668
Annual leave and long service leave		(31,084)	(42,805)
Doubtful Debts provided (reduced)		–	(1,155)
(Profit) / Loss on sale of fixed assets (net)		(6,256)	(505)
Change in operating assets and liabilities:			
Decrease/(Increase) in receivables		(218,506)	48,680
Decrease/(Increase) in prepayments		(628)	18,182
Increase/(Decrease) in payables		82,878	(109,650)
Increase/(Decrease) in provisions adjusted for amount taken directly to Accumulated Deficit in accordance with change in accounting policy		–	(15,995)
Net Cash Flows from operating activities		(90,733)	48,329

18 SEGMENT INFORMATION

The entity 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.

19 CHARGE OVER ASSETS

There are no liabilities secured by a charge over the assets of Dairy Food Safety Victoria.

Notes

to the Financial Statements for the year ended 30 June 2004

20 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:

	2004 Intra \$	2004 Inter \$	2003 Intra \$	2003 Inter \$
Assets	–	1,513,660	–	1,800,000
Liabilities	–	–	–	–
Revenues	–	72,786	–	75,942
Expenses	–	62,215	–	65,947

“Intra” transactions are between entities within the Department of Primary Industries (DPI) portfolio.

“Inter” transactions are with entities outside the DNRE portfolio but controlled by the Victorian Government.

21 IMPACTS OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

For reporting periods beginning on or after 1 January 2005, all Australian reporting entities are required to adopt the financial reporting requirements of the Australian equivalents to International Financial Reporting Standards (IFRS). This requirement also extends to any comparative financial information included within the report. The first day of the comparative period, 1 July 2004, effectively becomes the transition date for the entity. Any adjustments arising from changes in the recognition or measurement of assets and liabilities at the transition date arising from the adoption of IFRS will be made against accumulated funds at the transition date.

The entity has taken the following steps in managing the transition to Australian equivalents to IFRS:

- established a steering committee for the oversight of the transition to and implementation of the Australian equivalents to IFRS;
- reviewed the entities current accounting policies and the proposed new standards to identify key issues and the likely impacts resulting from the adoption of Australian equivalents to IFRS;

The entity has identified changes to the existing accounting policies that may have a material impact on the entity's future financial position and performance following the adoption of the requirements of Australian equivalents to IFRS (the new standard). These include:

- Impairment of assets. Under the new standards, an asset will be required to be assessed for impairment each year. If indicators of impairment exist, the carrying value of an asset will need to be assessed to ensure that the carrying value does not exceed its recoverable amount, which is the higher of its value-in-use and fair value less costs to sell. For the entity, value-in use of an asset is its depreciated replacement cost. Where the carrying value of an asset exceeds its recoverable amount, the difference will be written-off as an impairment loss to the statement of financial performance except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset. Any impairment losses at transition date will be adjusted against the accumulated funds.
- the impacts of the proposed standards on the entity have yet to be fully analysed. Certain decisions have yet to be made where choices of accounting policies are available.

22 SUBSEQUENT EVENTS

There are no circumstances that have arisen, or information that has become available, after balance date that would alter the financial statements as presented.

23 ENTITY'S DETAILS

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

Dairy Food Safety Victoria
 Level 1, 313 Burwood Road
 Hawthorn VIC 3122
 Web Site: www.dairysafe.vic.gov.au

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

Summary

Financial Review of Operations and Financial Conditions

	2004	2003	2002	2001
	\$	\$	\$	\$
Financial Summary				
Revenue from operating activities	3,142,390	2,951,336	2,675,826	1,759,866
Other revenue from non operating activities	129,042	95,182	162,950	187,846
Total revenue	3,271,432	3,046,518	2,838,776	1,947,712
Net surplus (deficit) from operating activities	(19,675)	36,909	(169,489)	(79,759)
Net cash flow from operating activities	(90,733)	48,329	67,315	(229,697)
Total assets	2,355,855	2,323,736	2,455,277	2,390,535
Total liabilities	803,864	752,070	904,525	670,294
Total net assets / equity	1,551,991	1,571,666	1,550,752	1,720,241

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 as set out in Note 1 (p) to the financial statements. 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.

Revenue from operating activities for the year ended 30 June 2004 has shown an upward trend in line with budget. The upward trend in revenue is due to an increase in licence fees to cover:

- relocation costs of the organisation;
- ordinary operating costs of the entity due to exhaustion of the starting government grant; and
- recruitment of additional scientific expertise within the entity.

In general, delivery of services and expenses incurred were within defined budgetary objectives.

Note: The year 2001 represents nine months of operations

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

Legislation	Requirements	Reference
MINISTERIAL DIRECTIONS		
Report of Operations		
<i>Charter and Purpose</i>		
FRD 22	Manner of establishment and the relevant Minister	Annual report
FRD 22	Objectives, functions, powers and duties	Annual report
FRD 22	Nature and range of services provided	Annual report
<i>Management and Structure</i>		
FRD 22	Organisational structure	Annual report
<i>Financial and other Information</i>		
FRD 22	Statement of workforce data and merit and equity	Annual report
FRD 22	Summary of financial results for the year	Financial report
FRD 22	Significant changes in financial position during the year	Financial report
FRD 22	Operational and budgetary objectives and performance against objectives	Annual report
FRD 22	Major changes or factors affecting performance	Annual report
FRD 22	Subsequent events	Financial report
FRD 22	Application and operation of Freedom of Information Act 1982	Annual report
FRD 22	Compliance with building and maintenance provisions of the Building Act 1993	Annual report
FRD 22	Statement of National Competition Policy	Annual report
FRD 22	Application and operation of the Whistleblowers Protection Act 2001	Annual report
FRD 22	Details of consultancies over \$100,000	N/A
FRD 22	Details of consultancies under \$100,000	Annual report
FRD 12	Disclosure of major contracts	N/A
FRD 22	Statement of availability of other information	Annual report
FRD 22	Occupational health and safety	Annual report
FRD 15	Executive officer disclosures	Annual report
FRD 10	Disclosure index	Financial report
FRD 24	Reporting of office-based environmental impacts	Annual report
FRD 25	Victorian Industry Participation Policy disclosures	Annual report
FRD 28	Budget portfolio outcomes	Annual report
<i>Financial Statements Preparation</i>		
<i>Financial statements required under part 7 of the FMA</i>		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	Financial report
SD 4.2(c)	Ministerial directions	Financial report
SD 4.2(d)	Rounding of amounts	N/A
SD 4.2(c)	Accountable officer's declaration	Financial report
SD 4.2(b)	Statement of financial performance	Financial report
SD 4.2(b)	Statement of financial position	Financial report
SD 4.2(b)	Statement of cash flows during the year	Financial report
<i>Other disclosures in notes to the financial statements</i>		
FRD 9	Entity's disclosure of administered assets and liabilities	N/A
FRD 11	Disclosure of ex-gratia payments	N/A
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 21	Responsible person and executive officer disclosures	Financial report
FRD 23	Superannuation liabilities and disclosure	Financial report
LEGISLATION		
Freedom of Information Act 1982		
Building Act 1983		
Whistleblowers Protection Act 2001		
Victorian Industry Participation Policy Act 2003		

Declaration

Accountable Officers' 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.

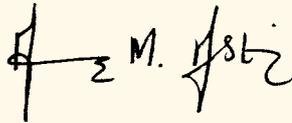
We further state that, in our opinion, the information set out in the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2004 and financial position of the entity as at 30 June 2004.

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

Signed at Melbourne on 25th August 2004.



Dr Desmond E. Hore
CHAIRMAN



Dr Anne M Astin
CHIEF EXECUTIVE OFFICER



Calvin Robinson
BUSINESS MANAGER



AUDITOR GENERAL
VICTORIA

DAIRY FOOD SAFETY VICTORIA
REPORT OF AUDITOR-GENERAL'S DELEGATE

To the Members of Parliament of Victoria, responsible Ministers and the Members of the Board of Dairy Food Safety Victoria

Audit Scope

The accompanying financial report of Dairy Food Safety Victoria for the year ended 30 June 2004, comprising the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, has been audited under the delegated authority provided by the Auditor-General under the *Audit Act 1994*. The Members of the Board are responsible for the preparation and presentation of the financial report and the information it contains. An independent audit of the financial report has been carried out in order to express an opinion on it to the Members of Parliament of Victoria, the responsible Ministers and members of the Board as required by the *Audit Act 1994*.

The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Authority's financial position, financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of Dairy Food Safety Victoria as at 30 June 2004 its financial performance and cash flows for the year then ended.

David Nairn
HLB Mann Judd
Delegate of
JW CAMERON
Auditor-General

Melbourne
2 September 2004

