

Annual Report • 2009-2010



9 September 2010

Mr Joe Helper
Minister for Agriculture
PO Box 4440
Melbourne VIC 3001

Dear Minister,

In accordance with the *Financial Management Act 1994*, I have pleasure in submitting to you the Annual Report and Financial Statements for Dairy Food Safety Victoria for the period 1 July, 2009 to 30 June, 2010.

Yours sincerely



Shirley Harlock
Chairman



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Vision

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

Mission

The independent authority to regulate dairy food safety.

Value statements

At Dairy Food Safety Victoria, we value:

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



Highlights

- > There were no prosecutions during this reporting period, highlighting industry's commitment to dairy food safety.
- > DFSV's new three-year Corporate Plan 2009–12 was universally welcomed by industry, highlighting the trust and support industry place in the authority.
- > DFSV's new IT system was delivered on time and on budget providing industry with a new generation licence management system capable of providing a platform for comprehensive analysis and streamlining of information for licensing requirements.
- > Two major projects are underway involving fingerprint analysis of pathogen strains. This work will enhance scientific knowledge that will be valuable in risk assessment and risk management in dairy food production and processing.
- > A new look website launched in April 2010 provides additional functionality, including online licence applications, improved search function and easier access to current news, training opportunities, regulatory information and technical notes.
- > DFSV received the Victorian Government's Fair and Flexible Employer Award.



Chairman's review

Right: Shirley Harlock
Chairman, DFSV



I am extremely proud to present Dairy Food Safety Victoria's Annual Report for 2009–10. This reporting period we have completed the first formative year of our new 2009–12 Corporate Plan and entered our 10th year of operations.

Both are milestone events. They have prompted us to reflect on our beginnings and the road we have travelled over the past decade and to consider the journey ahead, which we have embarked upon with industry as our travelling companion.

Tradition – Transition – Technology

Dairy Food Safety Victoria (DFSV) was established by the Victorian Parliament under the *Dairy Act 2000* to fulfill the traditional role of industry regulator.

Over the past decade, we have taken that traditional role and put our own stamp on it, transitioning from being the industry policeman to becoming the industry partner.

We have learnt much along the way. We have now gathered 10 years of historical data, enabling us to track trends and establish a benchmark for continuous improvement.

We have created a new culture of partnering with the dairy industry and an inclusive way of doing business, establishing our own tradition that will continue to govern what we do and how we do it moving forward.

And, we are embracing technology.

Through technological and scientific advances we are accelerating our knowledge, empowering industry, establishing contemporary food defence

protocols and investing in scientific research that has the potential to minimise the regulatory burden.

This year, the Board also authorised a major investment in IT infrastructure; enabling DFSV to continue to provide the best possible intelligence back to industry based on comprehensive data collection and analysis, as well as introduce new technology to streamline interaction with licensees.

The evolution of the new licence management system represents a significant body of work that has taken place behind the scenes and continues to advance and enable us to work more closely with our stakeholders. It also represents a major achievement and I congratulate the DFSV staff who have worked so diligently to deliver this major project on time and on budget.

DFSV has transitioned into a new era of technology and I am confident that all our stakeholders will reap the benefits in coming years.



Maintaining public health

While transitioning over the past decade, one thing remains assured and that is DFSV's commitment to protecting public health by maintaining the integrity and safety of Victoria's dairy food chain.

Once again, in 2009–10, DFSV fulfilled its primary mandate: public health was protected and there were no market assurance breakdowns.

While there were a number of potential dairy food safety issues during the year; in every case the situation was resolved through the diligence of DFSV and willingness of the affected licensees to implement all recommendations.

Rolling out the corporate plan

The first year of the new corporate plan has necessitated a significant amount of scoping work, research and planning within all four strategic theme areas. We have also consulted with industry, taking every opportunity to brief stakeholders on the new plan and the approach that will direct DFSV's work programs to 2012.

The dividends of this exhaustive planning and scoping process will become apparent next year as we implement year two of the three-year plan.

This is a plan for both our farmers and our manufacturers, building on the work undertaken to date to increase manufacturer skills and knowledge through the highly successful change Project LEADS.

Building our agricultural skills base

As a dairy farmer myself, I am particularly pleased to note initiatives designed to build the agricultural skills base. Taking over the family farm is no longer a given for today's generation. In fact, we are seeing more and more family farms either ceasing operation or changing ownership or commodity.

With this change in demography, we are also in danger of losing our knowledge base. DFSV recognises this risk and is working to help up-skill the agricultural sector. Together, we need to work to entice talent into the sector and build our existing talent pool through training and networking opportunities, as well as exploring means for capturing and transmitting knowledge.

We also need to consider emerging areas such as food defence and new technology in food science and ensure we, as an industry, have people who are highly skilled in these new areas.

DFSV is working to help bridge this gap through training partnerships with the National Centre for Dairy Education Australia and planning to investigate the potential of e-learning initiatives to build our farm knowledge base.

Industry – both on farm and manufacturing – can also do much to put the focus on building our skills base, maintaining capabilities, protecting the existing knowledge base and, importantly, building our workforce by attracting bright, young minds into the dairy industry.

Governance

October 2009 marked the commencement of the new term of office for the fourth Board of Dairy Food Safety Victoria.

Encouragingly, the majority of Board members willingly accepted reappointment by the Minister for Agriculture, Joe Helper. Director, Doug Day, chose to retire at the end of his term and I acknowledge Doug's significant contribution to the Board and to the respected organisation that DFSV has become.

The Board vacancy was filled by Barry Lierich. Like Doug, Barry is a manufacturing stalwart who has provided a valued industry perspective to everything the Board has considered during this reporting period.

Ours is an ambitious and diligent Board and I commend each and every one for their commitment. Apart from face-to-face Board meetings, all Board members undertake an additional workload by sitting on specialist committees including risk and audit, human resources and food science and technology; at all times delivering best practice corporate governance, and maintaining a strong focus on science, risk, new technology, emerging hazards and human resource practices.

Chairman's review

Acknowledgements

We continue to work closely with key government departments and agencies at both state and national levels, including the Victorian Departments of Primary Industries and Health, Australian Quarantine and Inspection Service, Food Standards Australia New Zealand and our interstate food safety counterparts.

We enjoy a close, supportive relationship with the key dairy industry representative bodies including United Dairyfarmers of Victoria, Australian Dairy Products Federation, the Geoffrey Gardiner Dairy Foundation, Australian Dairy Farmers, Dairy Industry Association of Australia and Dairy Australia.

I also extend my personal thanks to our Victorian Minister for Agriculture, Joe Helper and his department for their continued confidence and support.

Our work with these organisations truly demonstrates the power of partnerships.

I am pleased to congratulate our CEO Dr Anne Astin on her induction into the Victorian Honour Roll of Women, in March of this year, for her achievements as a pioneer for women in biochemistry and as an advocate for rural women.

I sincerely express my appreciation to, Dr Astin, and her dedicated team for always rising to the challenge.

While the Board is charged with corporate governance and strategic

leadership of DFSV, it is the staff whose day-to-day dedication and determination make the vision a reality.

Moving forward

DFSV's role is not to set the agenda but to gather reconnaissance, anticipate challenges and adapt. We are constantly moving the radar, monitoring developments and refining our direction in line with our changing environment.

Moving forward we need to understand and adapt to a range of technological advances, such as automated milking, which may have the potential to transform milk harvesting but brings with it new food safety challenges we will need to address.

Through partnerships with relevant research organisations and ongoing discussions with stakeholders we will seek solutions that do not impede adoption of innovative applications of technology. To achieve this, the dairy industry needs to continue appropriate and ongoing investment in dairy food safety research and development.

We will continue to monitor and influence regulatory issues and support licensees to meet changing regulatory requirements in the future, such as the outcome of the raw milk review which should be clarified during the next reporting period.

And we will continue working toward the ultimate goal – truly national regulation.

There remains much work to do and DFSV is committed to supporting Victoria's dairy industry to respond to the emerging challenges, ensuring that our dairy foods are safe and preferred, locally and internationally.



Shirley Harlock
Chairman
Dairy Food Safety Victoria

Chief Executive Officer's report



The level of industry support and encouragement received by Dairy Food Safety Victoria this year is without doubt my personal highlight of the current reporting period – if not the highlight of DFSV's first decade.

It is clear from the extensive consultation undertaken this year to share the strategic direction set down in our new corporate plan, that we have industry's trust and support.

There was widespread endorsement for the new plan; an overwhelmingly positive response to Project LEADS; and, high confidence in DFSV despite the difficult times industry is still experiencing.

A well-performing organisation

In 1965, Bruce Tuckman developed his now legendary model of group development, comprising four distinct developmental stages: forming, storming, norming and performing.

In 2000, DFSV was established and, as CEO for its first 10 years, I have had the privilege of witnessing the organisation transition through each of Tuckman's development stages to become a truly performing organisation.

The early years saw the establishment and a 'forming' period where DFSV's role was scoped, its jurisdiction defined and stakeholders identified and their needs and wants researched. This was the groundwork that would ultimately guide the development of DFSV's pioneering change program, Project LEADS – leading, enhancing and advancing dairy food safety.

By nature, there is a tendency to be suspicious of change and by nature there is a tendency to resent regulation. This was our 'storming' period. During this period we had to overcome resistance to licence fees, financial instability and some friction as we commenced the factory sampling collection program in 2003 and extended our regulatory role to include ice-cream manufacturers.

The development of Project LEADS, directly in response to industry needs and wants, and its implementation between 2006 and 2009 was our 'norming' period. Through Project LEADS we moved away from an audit-heavy approach to a more balanced service mix designed to meet industry's thirst for information and knowledge. Project LEADS simply became the way DFSV did business. It became our culture – the driving philosophy behind DFSV's approach to food regulation and assuring public health.

Chief Executive Officer's report



And now, moving into the second year of our new corporate plan, I believe we have shifted gear again. We are addressing the challenges, moving into unknown territories and getting the job done. The results translate into an organisation that is truly performing.

Setting the standard

The success of Dairy Food Safety Victoria's regulatory model continues to be evidenced by the increasing attention from similar industries and governments locally and also internationally.

The number of visitors to DFSV grows on an annual basis. This year we have hosted international delegations; contributed to international trade submissions, including a paper prepared by the Australian Quarantine and Inspection Service for Canada's regulators; and, presented our work at a number of meetings and international conferences.

Delivering the corporate plan

DFSV has successfully met its operational objectives for 2009–10, as laid down in the new Corporate Plan 2009–12.

This was the developmental year of an ambitious three-year plan. On the surface, industry will not have seen as

much progress as it saw during the final years of Project LEADS, but much work has been undertaken behind the scenes. We have prepared the environment and built partnerships that will deliver results as we roll out new initiatives and work programs over the next two years.

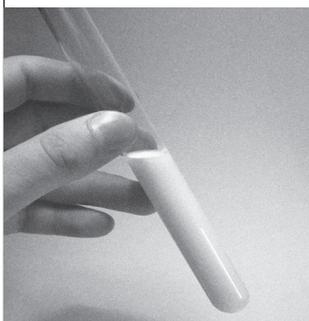
We acknowledge the significant challenge we face in streamlining farm assurance processes to continue to reduce the regulatory impost on farmers. The importance of achieving national consistency to enable the seamless delivery of dairy food safety regulation between state and Commonwealth entities, remains DFSV's ultimate goal.

Business as usual

In addition to the new work programs commenced this year, DFSV has continued to deliver many of the sustainable elements of LEADS that licensees have indicated are particularly valuable.

Programs including the Learning Network forums, performance feedback reporting, ongoing updating and expansion of our online library of Dairy Food Safety Notes, the Product Testing Program and non-audit support visits are now firmly entrenched as part of our service to licensees.





Partnerships

Establishing and maintaining mutually beneficial partnerships is a critical element of the Dairy Food Safety Victoria model. In 2009–10 we continued to enjoy a positive working relationship with stakeholders, government, interstate bodies and international bodies.

We also forged new partnerships to enable us to extend our reach and knowledge.

Through new scientific partnerships with Swinburne University, Melbourne University and the University of Tasmania we have embarked upon a number of research projects that are helping us better understand dairy pathogens, including traceability and the potential impact on human health of different contamination strains.

This is exciting new ground that has the potential to provide a scientific basis for positive regulatory change.

This year it also enabled us to show that a recall was not required for one licensee when we were able to scientifically demonstrate to the Department of Health that the nature of the pathogen detected in a certain dairy product did not pose any human risk whatsoever. Product withdrawal was avoided. Our licensee was delighted. Public health was not compromised.

We have also built on existing relationships with industry to enable

the implementation of a number of pilot programs ranging from exploring how we can use existing data better to minimise the regulatory load, to the effectiveness of e-learning initiatives to increase on-farm skills and knowledge.

Food defence

Our work in risk analysis, emergency preparedness and food defence continues to be a priority.

A particular highlight during this reporting period was our invitation to participate in the Department of Primary Industries' crisis simulation workshop 'Operation Diva'. Our inclusion points to the important role DFSV would be required to play should a livestock disease outbreak occur.

Financial sustainability

DFSV has met the financial targets set by the Board for 2009–10 and is financially stable. As a result of this financial stability, DFSV at the recommendation of its Funding Model Review Steering Committee consisting of industry representatives, has ensured that fees and charges will only be increased in line with the CPI increase for the coming year.

People

DFSV's ability to deliver innovative regulation that genuinely supports its licensees to do business better is directly attributable to the quality and commitment of its staff. We have become a truly performing organisation

Chief Executive Officer's report

due to the fact that our staff perform at the highest possible level at all times.

Our people not only get the job done, but many of them are personally contributing to the advancement of Victoria's dairy industry on many levels. We are represented on numerous committees and industry associations – of note is Doug Eddy's new role as Federal President of the Dairy Industry Association of Australia, and I was personally honored this year to have my own role as the Chairman of the National Food Regulatory Implementation Sub-Committee extended for a further two years.

As a small organisation, we recognise the skills and commitment of our staff and we continue to support them in their professional development. We are proud to be co-sponsoring, with Dairy Australia, Corrie Goodwin's participation in the Australian Rural Leadership Program and congratulate her upon her selection and her ability to manage the enormous additional workload she has taken on this year.

We are proud of our people and extremely proud of our low staff turnover and high levels of employee satisfaction. Outstanding results achieved in this year's annual People Matters survey, conducted across all Victorian government workplaces, underpins the health of the organisation.

This was further emphasised on receiving a Fair and Flexible Employee Award, along with 26 other recipients, in recognition of our commitment to

workplace flexibility to improve the family/work balance of our staff.

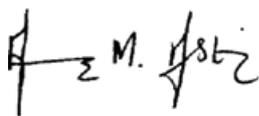
To everyone in our team, my heartfelt thanks.

I would also like to thank the Board for its ongoing support and the trust placed in myself and my team.

DFSV is an organisation that is performing at the highest level and it is delivering products and services that continue to meet the needs and wants of its licensees.

In fact, I was particularly pleased to have a senior industry executive sum up our efforts recently with the words, "Well, you're doing what you said you'd do and what we hoped you'd do."

No better report card could be wished for.



Anne Astin
Chief Executive Officer



The DFSV Board

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



**Shirley Harlock –
Chairman
Dairy farmer / MAICD**

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



**Trevor Tappenden –
Deputy Chairman
ACA, FAICD**

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



**Sarah Crooke
Dip Medical Technology,
FAICD**

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



**Margaret Darton
BAppSc, DipAppCh,
GradDipLib, GAICD**

Margaret is Manager Food Policy, Department of Primary Industries Victoria and was a member of the government's working group that established Dairy Food Safety Victoria. She has responsibility for providing advice on food and food regulation policy as it relates to the agricultural sector at both state and national levels and is a member of the National Working Group for development of Primary Production and Processing Standards.

The DFSV Board



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

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



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

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



Barry Lierich
(Commenced October 2009) CPA, MAICD

Barry brings 32 years experience in dairy product manufacturing with Tatura Milk Industries Limited where he held the position of CFO for 23 years prior to the position of CEO for the last two years of his employment. Barry has also contributed to the dairy industry holding positions in the Australian Dairy Products Federation and the Australian Dairy Industry Council.



Doug Day
(Retired October 2009)
Dip Dairy Tech

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

Charter and purpose

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

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

Objectives of the Authority

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

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

Functions of the Authority

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

- establish, maintain and improve:
 - (i) the food safety standards of dairy food;
 - (ii) the standards of construction and hygiene of plant and equipment in dairy manufacturing premises;
 - (iii) the standards of maintenance, cleanliness and hygiene of dairy transport vehicles;
- monitor and review the standards specified in (i) – (iii);
- approve and monitor the implementation of food safety programs;
- administer the licensing system under Part 3 of the *Dairy Act 2000*;

- ensure that appropriately qualified persons are appointed as authorised officers;
- fix and charge fees in respect of the carrying out of its functions or the exercise of its powers;
- in consultation with the Secretary to the Department of Health or a municipal council, protect public health;
- advise the Minister on matters relating to the administration of this Act; and
- carry out any other function that is conferred on the Authority by this Act or any other Act.

Powers of the Authority

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

Also, DFSV may:

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

Board of Directors

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

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

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

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

Each member holds office for three years and is eligible for re-appointment. The current Board term finishes in October 2012.

Board committees

The Risk Management and Audit Committee assists the Board to fulfil its corporate governance and statutory responsibilities in relation to financial reporting, internal control, risk management systems and internal and external audit functions. Members of this Committee at 30 June 2010 were Mr Trevor Tappenden (Chair), Ms Zoe

Attwood and Mr Barry Lierich. DFSV's outsourced internal audit service provider, Grant Thornton, is invited to attend committee meetings.

The Science and Technology Committee assists the Board in fulfilling its responsibilities relating to: assuring the safety of dairy foods produced and processed in Victoria for domestic and export markets; assuring compliance of Victorian dairy food licence holders and assessing new and emerging science and technology issues affecting dairy food safety. Members of this Committee at 30 June 2010 were Ms Margaret Darton (Chair), Ms Zoe Attwood, Dr Bill Darmody, Ms Sarah Croke and Dr Anne Astin.

The Human Resources Committee assists the Board in fulfilling its statutory responsibilities relating to the remuneration of the CEO and Executive Management Team. The Committee also assists the Board in the formulation of Human Resource Management policies and procedures. Members of this committee at 30 June 2010 were: Mr Barry Lierich (Chair), Dr Bill Darmody and Mr Trevor Tappenden.

Enterprise risk management

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

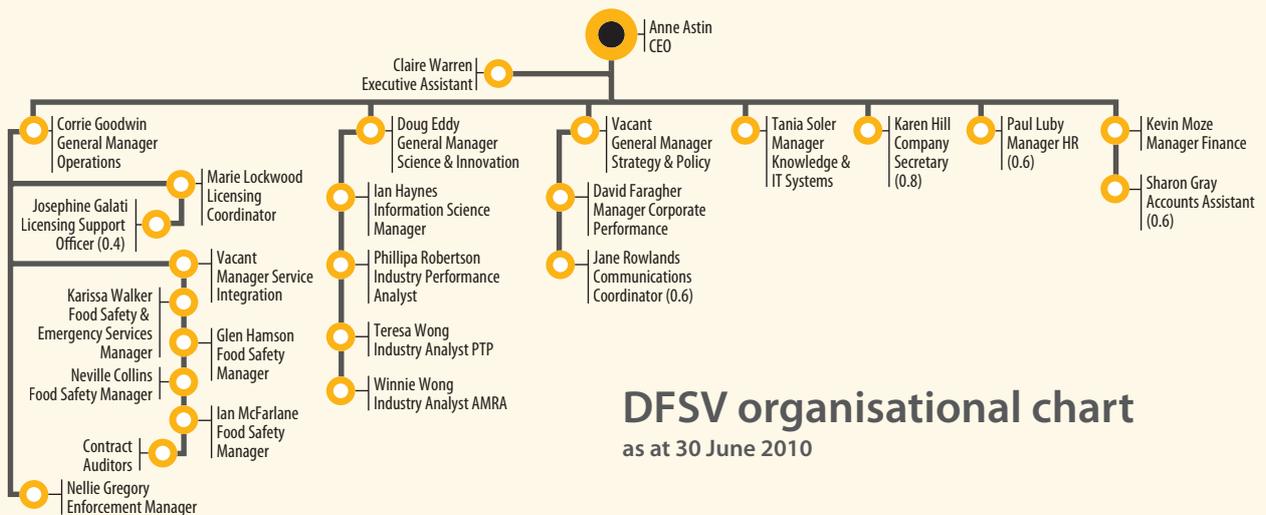
Attestation on compliance with the Australian/New Zealand Risk Management Standard

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



Shirley Harlock
Chairman
Dairy Food Safety Victoria
10 August 2010

Corporate governance



Human resource management

This year, DFSV underwent a major internal review of human resources to ensure it had the structure and skills in place to deliver the goals and objectives outlined in the new Corporate Plan 2009–2012.

Through a comprehensive workforce planning exercise, DFSV was able to correlate staff strengths with the requirements of each of the four strategic themes and realign responsibilities accordingly. Additionally, the review identified skills gaps for each area which are being used to aid decisions for staffing and training going forward. This has resulted in creation of the General Manager Strategy and Policy position.

DFSV recognises that its core strength is its small but committed staff. The organisation's people strategy is designed to promote continuous learning, develop leaders and grow the organisation's collective knowledge.

Ethical standards

DFSV has established its own Financial Code of Conduct which is consistent with Public Sector Standards and provides guidance on addressing

possible or perceived conflicts of interest. It covers areas such as declaration of pecuniary interests, financial inducements, gifts and hospitality, secondary employment, tendering and procurement processes, use of property, facilities and equipment and confidentiality.

Fair and flexible workplace

DFSV has also established its own Teamwork Agreement based on the Code of Conduct for Victorian Public Sector Employees. DFSV has a suite of human resources policies, including policies with respect to grievance resolution, recruitment, managing underperformance and managing diversity.

DFSV was recognised during 2010 as a Fair and Flexible Employer by the Minister of Industrial Relations and the Working Families Council of Victoria. This recognition is a result of:

- o a commitment to workplace flexibility by the CEO and management team
- o programs and practices that improve the work and family balance of employees
- o responding to employees' identified flexible employment needs

- o flexible work practices that have been integrated into the functions of the business.

Occupational health and safety

DFSV undertakes the full range of health and safety obligations to ensure that human and financial costs of occupational injury and illness are minimised. No WorkCover claims were lodged during the period 1 July 2009 to 30 June 2010.

Initiatives introduced during the year include:

- providing vaccinations for influenza and Q fever
- voluntary health checks provided to all staff
- review of safety equipment provided to DFSV staff.

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 2009 to 30 June 2010.

National Competition Policy

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

Freedom of information

The *Freedom of Information Act 1982* gives the public a right to apply for access to documents held by DFSV. DFSV is a prescribed authority for the purposes of the Act. During the 12 months ended 30 June 2010, no FOI requests were received by DFSV.

Freedom of Information requests must be made in writing describing the documents requested and including payment of the applicable application fee (\$23.90 as at 1 July 2010). The fee may be waived if the payment is likely to cause hardship to the applicant. Assistance can be provided to applicants to help determine the type

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

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

Requests for information should be sent to:

Freedom of Information Officer
Dairy Food Safety Victoria
PO Box 840
Hawthorn Victoria 3122

Whistleblowers' legislation

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

Disclosures made under the Whistleblowers Protection Act

Disclosures made to DFSV during the year Nil

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

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

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

Staff profile by position as at 30 June 2010

Position	Male 2010	Male 2009	Female 2010	Female 2009	Total 2010	Total 2009
Executive officers	1	2	2	1	3	3
Administrative staff	1.6	1.6	3.8	3.8	5.4	5.4
Financial / Accounting staff	1	1	0.6	0.6	1.6	1.6
Technical staff	4	5	6	7.6	10	12.6
Temporary staff	1	0	1	0	2	0
Casuals	0	0	0	0	0	0
Totals	8.6	9.6	13.4	13	22	22.6

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

Investigations for disclosed matters taken over by the Ombudsman from DFSV during the year	Nil
Requests made under section 74 during the year to the Ombudsman to investigate disclosed matters	Nil
Disclosed matters that DFSV has declined to investigate during the year	Nil
Disclosed matters that were substantiated on investigation and the action taken on completion of the investigation	Nil
Any recommendations of the Ombudsman under this Act that relate to DFSV	Nil
Disclosures of improper conduct or detrimental action by DFSV or its employees under the <i>Whistleblowers' Protection Act 2001</i> can be made to:	

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

The Ombudsman Victoria
 Level 9, 459 Collins Street
 Melbourne Victoria 3000
 Ph: 03 9613 6222
 Toll free: 1800 806 314

e: ombudsvic@ombudsman.vic.gov.au

Victorian Industry Participation Policy

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

Consultancies

For the year ended 30 June 2010, 15 consultancies were engaged at a total cost of \$132,071.

Quality Management System

A review during the year resulted in DFSV retaining its ISO 9001-2008 accreditation.

Compliance with the *Building Act 1993*

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

Environmental reporting

DFSV is committed to the development of a green office policy and is part of the Resource Smart Government Program. Some of the current environmental management initiatives implemented by DFSV include centralised printing, scanning and photocopying.

The recycling program incorporates paper, cardboard, plastic, aluminium, toner cartridges, obsolete IT equipment and mobile phones. DFSV has replaced its fleet vehicles with fuel-efficient cars and encourages staff to use public transport, wherever possible.

Statement of availability of other information

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

In adopting best practice disclosure policies and to ensure the entity discharges its accountability

obligations, where relevant, details about some of the following matters have been disclosed within this report:

- Statement that declarations of pecuniary interests and shares held have been duly completed by relevant officers.
- No shares are held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.
- Details of publications produced by the entity about the entity and the places where the publications can be obtained.
- Details of changes in prices, fees, charges, rates and levies charged by the entity for its services.
- There were no major external reviews carried out on the entity during the 2009–10 financial year.
- There was no major research or development activity carried out by the entity during the 2009–10 financial year.
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.
- Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and the services it provides.
- Details of assessments and measures undertaken to improve the occupational health and safety of employees.
- A general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes.

New corporate plan

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

This is the fourth corporate plan for the organisation and was developed, through consultation with our stakeholders, to provide innovative food regulation that adds value to Victoria's dairy industry.

The new plan builds on the work undertaken to date to enhance licensee skills and knowledge and build industry capability. It also includes a greater focus on addressing farm-related food safety issues.

Our operational focus to 2012 is on four strategic themes:

1. **Regulatory Innovation** – where we will work towards streamlined compliance and further reducing the regulatory burden through a model that is intended to set the benchmark for regulatory best practice.
2. **Innovative Science and Technology** – where we will use science to drive the improvement of new dairy food safety systems and work to streamline regulations relating to the development of new products and technologies.
3. **Emergency Preparedness and Response** – where we will continue to manage emerging risks to protect the market and help ensure the continuity of supply of safe dairy foods for consumers.

4. **National Consistency** – where we will maintain our focus on achieving consistent national implementation of food safety standards for the dairy industry.

Underpinning these four themes is a commitment to sound governance, effective communication and active partnerships.

Theme one: Regulatory Innovation

Outcome: *Streamlined compliance and reduced regulatory burden.*

Output: *One integrated system for regulatory compliance.*

Indicators: *Ease of doing business; compliance efficiency and effectiveness; reduced regulatory burden; and effective dairy food safety performance*

Reviewing the regulatory environment

Extensive developmental work was undertaken in 2009–10 to review the current regulatory environment and lay down the framework for activities to be implemented within the 'Regulatory Innovation' strategic theme area to 2012.

Working with management consultancy, Arrus Knoble, DFSV undertook a comprehensive review of current (and pending) regulation, identifying 24 Legislative Acts and more than 50 Regulations that impact on food production at the farm level. The review also identified the difficulty

faced by farmers in differentiating between 'regulatory' red tape and 'commercial' red tape, as mandated by the manufacturing companies or markets. The review reinforced the need to minimise the duplication of effort and highlighted information and communications technology as an underutilised resource, especially on-farm.

DFSV is now using this data to develop an alternative compliance model that will manage risk, grow licensee capabilities and skills, meet the regulatory needs of industry, regulators and markets and streamline processes to reduce the regulatory burden.

Partnerships

To build knowledge, increase industry capabilities and explore innovative solutions to reducing the regulatory burden, DFSV partnered with key industry organisations on a number of strategic projects in 2009–10.

DFSV has maintained strategic alliances with regulatory partners this financial year to reduce the regulatory impost on licensees by:

- contributing to the National Agricultural and Veterinary Chemicals Review
- continuing to work with Biosecurity Victoria
- working with Dairy Australia, and Biosecurity Victoria to clarify regulatory arrangements to administer the Maximum Residue Limits as set by the Australian Pesticide and Veterinary Medicines Authority

- working with the Environment Protection Authority (EPA) towards a streamlined audit process that will include environmental compliance requirements
- successfully negotiating to maintain current arrangements authorising DFSV auditors to check the registration of on-farm cooling towers rather than introducing an additional regulatory requirement for farmers following commencement of the *Public Health and Wellbeing Act 2008*.

DFSV continues to work with Dairy Innovation Australia Limited on projects with significance to the dairy industry.

Murray Goulburn Co-Operative's MG FarmC@re pilot project was launched in July 2009 with twenty farmers testing web-based reporting tools designed to reduce the administrative burden of record-keeping using automatic data transfer between service providers, such as stock feed companies, and the farm QA system. DFSV is a partner in the program, which aims to:

- provide MG suppliers with a whole-farm risk management system
- streamline compliance checks by facilitating off-site data review by authorised third parties
- utilise existing quality tests to demonstrate system performance.

Ultimately, this will reduce the reliance on audits as the sole means for dairy farms to demonstrate delivery of their statutory obligations. Phase two of MG FarmC@re, due to commence in July, will involve around 100 dairy farms testing the scope for e-learning tools to streamline on-farm record keeping

and further develop the performance-based regulatory model. Both projects have been supported by the Geoffrey Gardiner Dairy Foundation.

Continuous improvement

All work programs undertaken by DFSV within the 'Regulatory Innovation' strategic theme are focused on doing business better through continuous improvement.

During the year, data from the analysis of Project LEADS, the three-year change program delivered by DFSV in 2006–2009, and information on current auditing processes were provided to the Productivity Commission as part of its review on the impact of regulation on the cost of doing business.

The LEADS philosophy is now an integral part of the DFSV culture. It is inherent in all work programs and was used to form the basis of the current Corporate Plan 2009–12.

The Productivity Commission's research report *Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety* was released in December 2009, reflecting positively on the way in which DFSV administers regulation.

In comparing the regulatory approach in different jurisdictions, the Australian Dairy Industry reported that:

"The approach taken by DFSV is far more open and flexible than the prescriptive approach used historically in Victoria, in other States, . . . and in a number of our overseas dairy trading partner countries.

It allows for innovation and acceptance of new processes and technologies, while the integrity of the Food Safety System is not compromised and the targeted outcomes are still achieved. In general (companies) see Dairy Food Safety Victoria (DFSV) as very progressive in its management of food safety risk." (Australian Dairy Industry 2008 p.17)

Internally, DFSV has been participating in the Department of Primary Industries' Better Business Regulation Framework – a process that involves conducting a benchmark evaluation of DFSV processes in the delivery of regulation as well as identifying current gaps, areas for improvement and best practice processes.

Theme two: Innovative Science and Technology

Outcome: *Managing food safety risk in innovative applications of new technology.*

Outputs: *Food safety risk assessment tools for new products, processes and technology.*

Indicators: *Emerging dairy food risks are identified; risk is managed in industry adoption of new technologies.*

Project scoping

The aim of work undertaken within this strategic theme area is to support both regulatory and industry innovations,

whilst ensuring food safety risks are assessed in a measured, systematic and science-based manner.

Extensive developmental work has been undertaken to map out a process and framework to successfully achieve this project's outcomes and to identify partners for improved alliances across industry, government and academia.

Pathogen management

Dairy Food Safety Victoria is leading development of the Australia New Zealand Dairy Authorities Committee (ANZDAC) Pathogen Management Guidelines. This document aims to provide up-to-date guidelines for dairy food manufacturers in responding to product contaminations with pathogenic organisms. The new guidelines bring together the previous Listeria and Salmonella Manuals into one source; include a number of other pathogenic organisms; and provide for the accreditation of alternate management strategies submitted by dairy companies.

Ongoing work with Swinburne University and the University of Melbourne's Microbiological Diagnostic Unit will establish a firm foundation for the scientific basis upon which some regulatory innovation changes could be introduced in the future.

Swinburne University is using DNA 'fingerprinting' to investigate E.coli contamination of dairy products. Apart from determining whether the contaminants possess similar profiles to known pathogenic strains, the

work will also assist manufacturers in determining the potential sources of contamination through the process of product manufacture.

Melbourne University is also using DNA technology to investigate strains of Listeria monocytogenes to better understand their involvement in human listeriosis cases. Potentially this work provides a scientific basis for regulatory change as the relative numbers of these organisms are generally too low to cause human listeriosis and proliferation is effectively controlled by the dairy food safety programs that are in place.

Work has also commenced with the University of Tasmania's Food Safety Centre to develop a dairy-specific Predictive Microbiology Model by 2012.

Raw milk

DFSV has continued to monitor the raw milk debate and has worked closely with the Standards Development Committee of Food Standards Australia New Zealand (FSANZ) to consider appropriate control measures for manufacture of dairy products from raw milk. The current requirements in the Food Standards Code have been assessed and it has been recommended that only products where pathogens are eliminated and products where pathogens may survive but will not grow, be considered.

Until the FSANZ Standard is agreed, raw milk products are not permitted to be sold in Victoria and are not considered safe for human consumption. DFSV has worked with its interstate counterparts

to raise public awareness through the media of the dangers associated with consumption of raw milk products labelled 'for cosmetic use only'.

Milk Cooling Project

DFSV initiated a project that aims to scientifically validate the time-temperature relationship necessary to ensure the maintenance of safe dairy products through production and processing. Working with the University of Tasmania, the project involves modelling potential growth of pathogenic organisms under a range of times and temperatures. Project outcomes are being further developed with the assistance of Dairy Australia.

Theme three: Emergency Preparedness and Response

Outcome: *Community, political and industry confidence.*

Output: *Crisis response plan for DFSV.*

Indicators: *Acknowledgement of DFSV role; DFSV preparedness; emerging dairy food safety risks are effectively managed; DFSV plan integrated with national, state and industry plans.*

Project development

The Emergency Preparedness and Response team is working to produce an integrated emergency and crisis response plan by 2012.

This includes a review and trial of the effectiveness and accuracy of the existing DFSV Emergency Management Protocol; an analysis of legislation to feed into project resources; a review of partner organisations' plans and protocols; and preparation of a comprehensive Emergency Preparedness and Response Risk Matrix.

Interim emergency and crisis protocols have been agreed; roles and responsibilities of all entities involved in internal and external responses clarified, and work undertaken to align DFSV response plans with existing stakeholder plans.

Emergency preparedness

DFSV has a role to play should a livestock disease outbreak occur and was invited by the Department of Primary Industries to participate in a workshop to improve the state's emergency response capabilities.

'Operation DIVA' considered a hypothetical outbreak of foot and mouth disease to identify and find solutions to potential problems that may arise in a heavily populated dairy farming region. The exercise identified a number of issues that will be further developed at both a state and national level.

Food defence

A primary objective for DFSV is to assure the integrity of the food chain.

DFSV has been working closely with the University of Maryland's food defence team on the development of an on-line training program. The curriculum was

finalised this year and the training modules will be available soon at www.jifsan.umd.edu. Arrangements for Australian dairy businesses to participate, with free access to the course, are in development.

DFSV has shared its food defence expertise with a range of like-minded organisations through the Food Supply Security and Continuity Network. The primary tool is the CARVER + Shock food defence vulnerability assessment tool, which was introduced to Australian manufacturers in 2008 by DFSV.

Assuring public health

In 2009–10 there were no public health issues or emerging food safety hazards identified, although there were a number of incidents involving product recall during the reporting period that had an impact on industry, requiring management and guidance.

- DFSV liaised closely with a manufacturer to resolve a Listeria contamination problem that sparked a trade level recall of shredded cheese in September 2009, and supervised a consumer level recall of Mozzarella cheese contaminated with Salmonella in April 2010. DFSV assisted both companies involved by investigating the possible causes and ensuring corrective actions were put in place to prevent a recurrence.
- Following an outbreak of the Hepatitis A virus linked to semi-dried tomatoes, DFSV identified and contacted 16 potential users of the product amongst its licensees. Compliance with government orders was checked during scheduled audits.

- DFSV, using DNA technology, investigated a recalled batch of milk identifying a diverse number of E. coli strains, supporting the investigation outcome that raw milk was the source of contamination. This information enabled the company to put corrective actions in place to prevent a recurrence.
- DFSV undertook a risk assessment and provided advice to a licensee who had manufactured ice cream using a soy milk product recalled due to exceptionally high levels of iodine. DFSV also issued an alert to all licensed ice cream manufacturers regarding the product recall and offered assistance in addressing any issues related to this.

Theme four: National Consistency

Outcome: *Consistent national implementation of food standards for the dairy industry.*

Output: *One Australian Dairy Regulatory System.*

Indicators: *All Victorian dairy on-farm and manufacturing systems operating with national consistency and compliant with Food Standards; access to domestic and export markets maintained.*

Refining the scope

The strategic objective for the first year of work within the National Consistency theme was to refine the scope for one Australian dairy regulatory system.

Key activities included quantification of DFSV's resource commitment, assessing DFSV capability and capacity to influence the delivery of a single national dairy regulatory system and formalising strategic partnerships to champion the initiative.

European Commission Review of the Australian Dairy Industry

During the first half of the financial year, DFSV participated in the European Commission 2009 audit of Residue Controls in the Australian dairy industry. The review, undertaken in Queensland, aimed to evaluate the official controls for veterinary chemicals and contaminants in animal products that are exported to the European Union.

DFSV helped Safe Food Production Queensland prepare, represented the State Dairy Authorities at entry and exit meetings, and accompanied the auditors on dairy farm assessments. The draft report received January 29, 2010 concluded:

"the Australian system for controlling residues of veterinary medicinal products and contaminants in food of animal origin intended for export to the European Union is based on sound science, has been developed using risk analysis principles and provided for a level of protection equivalent to that provided for in the European legal framework."

Overseas delegations

China's interest in Victoria's dairy industry and DFSV's innovative regulatory model continues to grow.

DFSV hosted a number of delegations in 2009–10 which involved meeting with senior DFSV staff and being informed about the Victorian Dairy Food Safety System.

DFSV's support was also enlisted by the Australian Quarantine and Inspection Service to assist in hosting a visit by Hong Kong officials to Tatura Milk Industries as part of an importing country review. The officials reviewed implementation of the national dairy regulatory system, toured the factory and visited a dairy farm.

This year DFSV also contributed to Dairy Australia's China Scholarship and Japan Scholarship Programs, providing participants with an overview of the national framework for food regulation in the Australian dairy industry, along with the partnerships and other regulatory and co-regulatory programs which support it. Feedback from both groups confirmed that participants' understanding and confidence in the Australian regulatory system improved as a result of the Dairy Australia scholarship program.

National standard implementation

The Food Standards Australia New Zealand Standard 4.2.4 Primary Production and Processing Standard for Dairy Products came into effect on October 5, 2008. DFSV continued to work with licensees to assist in the smooth transition to the new national standard through participation at farmer training programs and review of food safety programs.

The seamless introduction of this standard and the absence of dairy food safety issues nationwide is testimony to the success of the new national model, which has increased audit consistency and provided the opportunity to remove duplication.

National Dairy Verification Plan

The National Dairy Verification Plan supports consistent implementation of the new national dairy standard, establishing annual targets for verification in all states.

During the reporting period, the results from delivery of the 2008–09 National Dairy Verification Plan were analysed, with a final report prepared by DFSV and Safe Food Production Queensland. This report confirmed successful implementation of the Primary Production and Processing Standard for Dairy Products under state-regulated dairy food safety schemes and has been provided to the Australian Quarantine and Inspection Service for use in overseas markets as further evidence of Australia's dairy food safety assurance.

National Dairy Farm Auditor Working Group

The Auditor Working Group is facilitated by DFSV and provides a national forum to promote consistent interpretation of audit requirements and the development of tools to support national consistency.

National reviews and standards development

As the food safety voice of Victoria's dairy industry, DFSV continues to influence policy, regulation and legislation on behalf of its licensees, and its experts regularly provide advice on standards development and regulatory reviews.

In 2009–10, DFSV contributed to the National Review of Dairy Cleanser Registrations and the National Review of Agricultural and Veterinary Chemical Regulation.

DFSV is also a valued advisor to Standards Australia, providing technical expertise and analysis on both local and international standards, as well as standards in development or due for updating. Examples include:

- ISO 15174 'Milk and milk products — Microbial coagulants' and
- AS 1766.3.11–1991 'Examination of specific products – Dairy products – Test for penicillin'.

DFSV commenced implementation of the National Regulatory Food Safety Auditor Guideline, with DFSV staff and representatives from DFSV contract auditors, along with the Tasmanian Dairy Industry Authority (TDIA) and the Australian Quarantine and Inspection Service undertaking the required training in May 2010. Further training will be completed by this group in August 2010 and it is anticipated that DFSV high-risk auditors will undertake the required high-risk endorsement units in late 2010 or early 2011, prior to the implementation deadline of 25 October 2011.

DFSV has reviewed its policies and procedures in relation to the use of enforcement tools. A new enforcement procedure, drafted using the Australian & New Zealand Food Regulation Enforcement Guideline to ensure consistency of approach with the guideline, has been prepared. Implementation of this procedure will begin late 2010.

DFSV's senior management team ensures the dairy industry has a voice at all influential food safety forums in the country. In 2009–10 representation included (but is not limited to):

- Dairy Export Industry Consultative Committee
- Dairy Ministerial Task Force
- Food Export Regulatory Steering Committee
- Food Regulation Standing Committee – Implementation Sub Committee
- Australian New Zealand Dairy Authorities Committee.

Strategic enablers

Integral to the successful delivery of DFSV's four strategic themes is a commitment to effective communication; active partnerships; sound governance; contemporary information and knowledge management; efficient compliance and enforcement; and a progressive and supportive people management strategy.

These 'strategic enablers' underpin everything that the organisation does, providing a solid foundation that will

enable it to deliver innovative food regulation that adds value to Victoria's dairy industry.

Communication

DFSV maintains an on-going, proactive communications program designed to educate and inform. Its focus is on open and transparent two-way communication that is current and timely. In 2009–10 a number of high-profile communication activities were undertaken.

- Comprehensive new licence renewal kits were developed, including an improved renewal form and user guide to assist in accurate production quantity assessment for calculation of licence fees. The new kits were issued to all dairy manufacturers, milk brokers, distributors and dairy food carriers in September 2009, facilitating a smooth process for licence renewals and increasing the accuracy of captured information.
- DFSV consulted widely with industry and partner organisations to brief them on the success of the LEADS program, following its formal evaluation, and implementation of the new three-year corporate plan.
- Information to dairy farmers was distributed, on behalf of the Department of Sustainability and Environment (DSE), about the Government's Dairy Shed Water Licence initiative. By agreeing to distribute this information DFSV ensured dairy farmers were informed about the program while their privacy was protected. Dairy farmer names and addresses were not given or disclosed to DSE.

Operations overview

Stakeholder relations

Through its partnership approach DFSV has moved from being perceived as 'just a regulator;' to being embraced as an active partner by Victoria's dairy industry. It is committed to working hand in hand with its licensees, industry bodies, interstate counterparts and government to provide support, intelligence and food safety know-how to enhance Victoria's quality dairy offering locally and on the world stage.

Information services

DFSV has embraced information technology to provide access to comprehensive, current information to improve business efficiency and enhance knowledge.

A new licence management system rolled out in June establishes a base for automated workflows and improved tracking of the application process. It has delivered a platform for enabling licensee access to their own licensing information in coming years.

DFSV also worked closely with the Department of Industry, Innovation and Regional Development to develop a single 'smart form' for online application, transfer and cancellation of licences, which is now available through Business Victoria via the DFSV website.

A new look website was developed and launched in April, providing additional functionality including a new search facility and online licensee registration for Learning Network forums.

The DFSV website is a resource information hub for licensees providing

instant access to current news, training opportunities, regulatory information and technical notes.

Enforcement and compliance

The mandated mission of DFSV is to be the 'independent authority to regulate dairy food safety.'

The two-year farm audit cycle was completed on June 30, 2010; with 4714 audits completed.

During the year 298 audits of dairy manufacturers were conducted: 139 domestic audits and 159 export audits.

Audits continue to be conducted by both authorised DFSV officers and contract auditors. DFSV maintains strict control of the contract auditors to ensure audit consistency and quality. Quarterly reviews were held during the reporting period to assess contract auditor performance using a traffic light, risk-based model against objective measures of performance identified in the Deed of Undertaking—the terms and conditions of the appointment of the authorised auditors.

At the end of the reporting period, all contract auditors had either maintained or improved to a green or amber report card rating.

Licensee satisfaction with contract audit services

The fourth survey to gauge manufacturers' satisfaction rating of the SAI Global contract audit service was undertaken this financial year. The survey provided feedback on areas including professional conduct, audit findings and audit scheduling. For the

first time since the commencement of contract audits in 2007 (for domestic manufacturers) a 100 per cent satisfaction rating was achieved across all areas.

Ongoing DFSV activities

Day-to-day business for DFSV includes the development and implementation of a number of core support services for industry: representing industry on various boards and committees; managing the audit process; rectifying compliance issues and a range of other services.

The LEADS story

This year the full analysis of Project LEADS concluded and the success of the project was celebrated by DFSV and industry.

Over three years, LEADS streamlined processes, reduced industry's regulatory burden, opened up information channels, built knowledge and expertise and overall delivered benefits to Victoria's dairy industry estimated at more than \$1.6 million.

As part of the final analysis of the achievements of LEADS, DFSV published a case study, 'The LEADS Story', which was widely circulated throughout the industry, and also showcased in industry journals and at conferences, including the keynote speech by CEO, Dr Anne Astin, at the 2009 Environmental Health Australia Conference.

The LEADs philosophy of inclusion and cooperation remains at the heart of how DFSV does business better.

Sponsorships

In 2009–10, DFSV invested in several strategic sponsorships, maintaining a high profile by association with the industry's premier events, including the Australian Specialist Cheesemakers' Association Cheese Show and Annual Awards; Dairy Industry Association of Australia Victorian Division Annual Conference and United Dairyfarmers of Victoria Annual Conference and AGM.

DFSV also assisted with the organisation of the Dairy Industry Association of Australia 2010 Dairy Science World Series conference: Dairy Microbiology – the Good, the Bad, the Issues, held in Melbourne in 2010. This conference brings key note experts from Europe and the USA to provide the latest food safety science to the Australian dairy industry.

Representing industry

In 2009–10 DFSV continued to represent industry on a wide range of dairy and animal health related committees and working groups including the:

- Livestock Industry Consultative Committee
- Strategic Reference Group – Dairy Calf Management
- Enzootic Bovine Leucosis Victorian Program Steering Committee
- Anthrax Advisory Committee.

Industry skills and training

Building capability by up-skilling Victoria's dairy workforce is a priority for DFSV. This year, DFSV was part of the Reference Group for a Workplace Development Forum, initiated by Dairy Australia and the National Centre for Dairy Education in Australia; a member of the Manufacturing Advisory Committee (Industry training) and part of the development team for an e-Learning project jointly funded by Dairy Australia and the Australian Flexible Learning Framework (a joint Federal and State Government program), which will include an e-learning approach to delivery of food safety competencies.

AMRA survey

DFSV again coordinated the annual Australian Milk Residue Analysis survey. The survey, which is funded by industry, tests for agricultural, chemical and veterinary medicine residues in milk. The results are reported back to industry and used for maintaining market access in export markets. This year 13280 analyses were conducted on 1000 samples taken from milk tankers. 100% compliance with Australian residue standards was achieved.

Learning Network forums

Learning Network regional forums continue to be facilitated by DFSV. Trend data shows that approximately 60 per cent of all manufacturers have taken advantage of the program since its introduction in 2007.

Frequency of the forums has been reduced to three forums per year in each of the five regional areas. They continue to provide learning and networking opportunities for manufacturers in an informal environment. The use of specialist guest speakers either from industry support areas (cleaning, cool room maintenance) or from organisations of interest (Consumer Affairs Victoria, EPA, CSIRO, FSANZ) continues to add value to the forums.

Product Testing Program

The Product Testing Program is DFSV's independent testing program for verification of finished dairy product safety. This ongoing program tested 1080 samples during the reporting period to assess their relative levels of microbiological safety.

Using data collected over several years, DFSV is now providing manufacturers with important trend data by product type, enabling manufacturers to track their product quality against others in the same industry sector in a way that retains complete confidentiality of the manufacturers' identities.

Operations overview

As well as providing industry intelligence, the Product Testing Program provides an important quality assurance to health authorities, consumers and export markets.

This year, at the request of FSANZ, details of the historical and current approach towards product testing taken by DFSV was included in a report for the Canadian Food Inspection Agency on the various food testing regimes used in Australia.

Responding to industry requests

DFSV is now the first port of call for licensees seeking technical information, advice or standards clarification.

This year, the Knowledge Management team responded to 65 requests for technical information and 53 requests for standards interpretation.

Our people

Doug Eddy (General Manager, Science and Innovation DFSV) officially stepped into the role of Dairy Industry Association of Australia's Federal President on 1 September, 2009. This role provides DFSV with the opportunity to better understand the issues impacting on the national dairy industry and enable it to support the direction of this post-farmgate industry association as it endeavours to make better use of the knowledge and networking capacity that exists within the industry.

CEO Anne Astin has led implementation of national food regulation over the past two years as chair of the Implementation Sub Committee (ISC) of the Food Regulation Standing Committee. In acknowledging the value of her contribution to date, her tenure as chair has been extended for a further two years, from July 2010.

Corrie Goodwin, General Manager Operations was selected to participate in the Australian Rural Leadership Program — a unique opportunity to develop the skills, knowledge and networks needed to be effective in regional, state, national and international arenas.

Moving forward

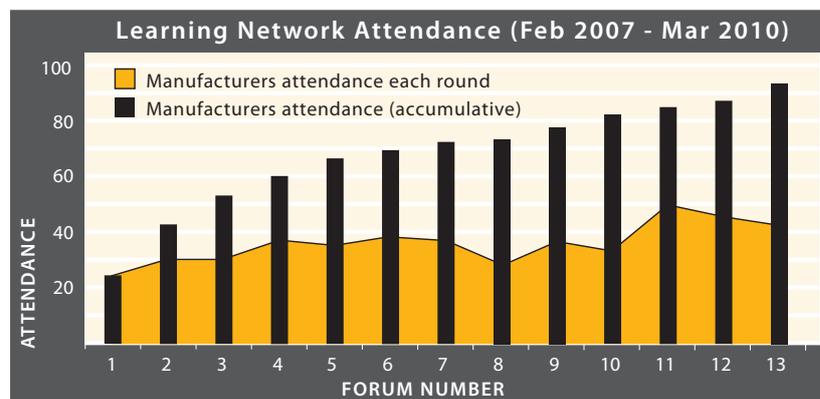
During this reporting period DFSV established the foundations for work in all four strategic theme areas of its new corporate plan: Regulatory Innovation; Innovative Science and Technology; Emergency Preparedness and Response; and National Consistency.

All four strategic themes have been rigorously scoped, targets defined and work plans established for the remainder of the three-year period.

As DFSV moves into the second year of its corporate plan cycle, its focus is now on:

- developing and implementing innovative compliance models
- using scientific and technological advances to develop tools that support and improve food safety
- completing the DFSV integrated Emergency and Crisis Response Plan
- confirming industry and market acceptance of the One Australian Dairy Regulatory System.

The coming financial year will also mark a significant milestone for DFSV as it celebrates 10 years of operation.



Operations overview

APPENDIX A: PUBLICATIONS 2009-2010

Technical Notes:

Note 29 - Minimising Food Safety Risks of Water used in Milking

APPENDIX B: DAIRY INDUSTRY LICENCE STATISTICS

Licence	Total	Transfers	New Applications	Cancellations
Manufacturer (cow)	140	0	0	1
Manufacturer (sheep, goat & buffalo)	8	0	0	0
Farm (cow)	5190	17	1	2
Farm (sheep, goat & buffalo)	15	0	0	0
Milk Broker	2	0	0	0
Distributor	135	0	0	0
Carrier	38	0	0	0

Note: There were a number of dairy farmer licences pending cancellation at the end of this reporting period. Farmers can continue to hold a dairy licence for the full two years of the licensing period. The next licensing period will begin in July 2012 at which time farmers who have ceased operations will not be eligible to renew their dairy licence.

APPENDIX C: COMMITTEE REPRESENTATION

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

Operations overview

APPENDIX C: COMMITTEE REPRESENTATION cont.

Committee/Working Group	Purpose	DFSV Representatives	Term
Livestock Industry Consultative Committee (LICC)	Forum for livestock industry discussion.	C Goodwin	Ongoing
Anthrax Consultancy Committee (LICC sub-committee)	Input into strategic management of anthrax preparedness.	C Goodwin	Ongoing
Senior Field Officers Working Group	Discussion of farm issues.	C Goodwin	Ongoing
Animal Welfare Reference Group	Consultative dairy industry group regarding animal welfare issues.	C Goodwin	Ongoing
Bovine Johne's Disease (BJD) Dairy Advisory Committee	Input into strategic management of BJD issues.	C Goodwin	Ongoing
Enzootic Bovine Leucosis (EBL) Victorian Program Steering Group	Input into strategic management of EBL issues.	C Goodwin	Ongoing
Dairy Australia's Technical Issues Reference Group	To provide strategic input/discussion on technical issues.	D Eddy C Goodwin	Ongoing
DIAA Victorian State Executive	To provide direction to the activities of the Victorian DIAA.	D Eddy	Ongoing
DIAA State Representative Committee	To provide direction to the activities of the DIAA nationally.	D Eddy	Ongoing
Environmental Health Australia Food Safety Special Interest Group	Forum for discussion of food safety issues.	K Walker	Ongoing
AQIS Dairy Industry Ministerial Taskforce	To develop a reform agenda for export certification.	A Astin	To be determined

APPENDIX D: PRESENTATIONS 2009-2010

- Australia's dairy food safety system, Dairy Australia China Scholarship Group, July 2009
- The LEADS story, Australian Specialty Cheese makers' Association forum, August 2009
- Australian Dairy Food Safety system, presentation to China Dairy Industry Association annual conference, Nanjing, August 2009
- FSANZ PPP Model and Food Regulation Framework, Dairy Cleanser Advisory Group, September 2009
- Doing Dairy Differently, Environmental Health Australia Symposium, October 2009
- Australian Milk Residue Analysis Survey, EU FVO review, November 2009
- Food Security and Food Defence, RMIT Hamilton, November 2009
- Listeria in the Dairy Industry, Australian Society for Microbiology conference, Hobart, November 2009
- Innovative Food Regulation that adds value to Victoria's Dairy Industry, Murray Goulburn Co-operative, January 2010
- Food safety regulations for the dairy industry in Victoria, Animal Health Australia, February 2010
- AMRA survey, Taste of Tomorrow Food safety forum, Canberra, February 2010
- Regulations relating to cheese making, National Centre for Dairy Education Australia, Farmhouse cheese making course, April 2010
- Australia's dairy food safety system, Hong Kong Duties visit to Australia, April 2010
- Farm System Overview, Fonterra farm approved auditors, April 2010
- Food Safety Regulations for the dairy Industry May 2010 Diploma students, National Centre for Dairy Education Australia (NCDEA), May 2010
- The good, the bad, the deadly, Food Industry Association of Western Australia, May 2010
- Australia's dairy food safety system, Chinese delegation, May 2010
- Dairy Food Safety Victoria, National Centre for Dairy Education – Australia students, Dairy Australia, June 2010
- Doing Dairy Differently, Department of Primary Industries regulators forum, June 2010
- Regulation principles and practices, Forum of primary industries regulators, June 2010

Financial statements

F O R T H E Y E A R E N D I N G

3 0 J U N E 2 0 1 0



COMPREHENSIVE OPERATING STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Continuing Operations			
Income from transactions			
Licence and service fees	2(a)	4,238,884	4,180,790
Interest	2(b)	131,488	148,006
Other income	2(c)	166,253	141,781
Total income from transactions		4,536,625	4,470,577
Expenses from transactions			
Employee expenses	2(d)	2,381,987	2,273,067
Depreciation and amortisation	2(e)	143,657	116,398
Other operating expenses	2(f)	1,797,066	1,718,754
Total expenses from transactions		4,322,710	4,108,219
Net result from transactions (net operating result)		213,915	362,358
Other economic flows included in net result		-	-
Comprehensive result		213,915	362,358

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

BALANCE SHEET

AS AT 30 JUNE 2010

	Note	2010 \$	2009 \$
Assets			
Financial assets			
Cash and deposits	12(a)	3,590,164	3,457,514
Receivables	3	322,125	172,412
Total financial assets		3,912,289	3,629,926
Non-financial assets			
Other non-financial assets	4	105,396	24,388
Plant and equipment	5	135,182	177,514
Intangible Assets	6	208,707	88,255
Total non-financial assets		449,285	290,157
Total assets		4,361,574	3,920,083
Liabilities			
Payables	7	623,644	439,606
Provisions	8	467,064	423,526
Total liabilities		1,090,708	863,132
Net Assets		3,270,866	3,056,951
Equity			
Contributed capital		1,800,000	1,800,000
Accumulated surplus		1,470,866	1,256,951
Net Worth		3,270,866	3,056,951
Commitments for expenditure	11		
Contingent liabilities and contingent assets	19		

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Equity at 1 July 2009	Total Comprehensive result	Equity at 30 June 2010
	\$	\$	\$
Accumulated surplus	1,256,951	213,915	1,470,866
Contributed capital	1,800,000	-	1,800,000
Total equity at end of the financial year	3,056,951	213,915	3,270,866

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

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

C A S H F L O W S T A T E M E N T
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Receipts			
Receipts from other entities		4,357,594	4,418,012
Interest received		131,488	148,006
Goods and Services Tax recovered from the ATO		132,600	202,206
Total receipts		4,621,682	4,768,224
Payments			
Payment to suppliers and employees		(4,238,987)	(4,467,334)
Goods and Services Tax paid to the ATO		(29,659)	(48,610)
Total payments		(4,268,646)	(4,515,944)
Net cash flows from operating activities	12(b)	353,036	252,280
Cash flows from investing activities			
Proceeds from sale of plant and equipment		182	22,727
Payments for plant and equipment		(55,896)	(103,482)
Payments for intangible assets		(164,672)	(40,000)
Net cash flows used in investing activities		(220,386)	(120,755)
Net increase in cash and cash equivalents		132,650	131,525
Cash and cash equivalents at the beginning of the financial year		3,457,514	3,325,989
Cash and cash equivalents at the end of the financial year	12(a)	3,590,164	3,457,514

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

1 Summary of accounting policies

Statement of Compliance

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

Basis of preparation

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

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30th June 2010 and the comparative information presented for the year ended 30th June 2009.

Reporting entity

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

Its principal address is:

Dairy Food Safety Victoria
Level 1, 313 Burwood Road
Hawthorn VIC 3122

Scope and presentation of financial statements

Comprehensive operating statement

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

Balance Sheet

Items of assets and liabilities in the balance sheet are:

- ranked in liquidity order;
- aggregated into financial and non-financial assets;
- classified according to GFS terminology, but retain measurement and disclosure rules under existing accounting standards applicable to DFSV; and
- current versus non-current assets and liabilities are disclosed in the notes where relevant.

Statement of changes in equity

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

Cash flow statement

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

(a) Objectives and funding

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

(b) Events after reporting date

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

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

(c) Goods and Services Tax (GST)

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

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

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

(d) Income Tax

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

(e) Income Recognition

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

Licence fees

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

Interest revenue

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

Other income

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

(f) Expenses

Employee benefits

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

Superannuation

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

Depreciation and Amortisation

Depreciation is provided on plant and equipment and is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements and capitalised software are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

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

(g) Financial assets

Cash and deposits

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

Receivables

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

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

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

Plant and equipment

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

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

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

(h) Liabilities

Payables

Payables consist predominantly of creditors and other sundry liabilities.

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

Provisions

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

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

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

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

Employee benefits

Wages and salaries and annual leave

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Long service leave

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

Current liability - unconditional LSL

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

The components of this current LSL liability are measured at:

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

Non-current liability - conditional

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

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

Employee benefits on-costs

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

(i) Commitments

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

(j) Contingent assets and contingent liabilities

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

(k) Equity

Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

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

(l) Cash flow statement

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

(m) Functional and presentation currency

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

(n) New accounting standards and interpretations

Certain new AAS's have been published that are not mandatory for the 30 June 2010 reporting period. The Department of Treasury and Finance advises the impact of these new standards and advises DFSV of their applicability and early adoption where applicable.

The entity has not early adopted any new standards.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
2 Income from transactions:			
(a) Licence and service fees			
Licence fees		3,583,025	3,557,252
Audit and inspection fees		265,353	245,853
Australian Milk Residue (AMRA) survey		390,506	377,685
Total revenue from licence and service fees		4,238,884	4,180,790
(b) Interest			
Interest from financial assets not at fair value through income statement:			
Interest on bank deposits		131,488	148,006
Total interest revenue		131,488	148,006
(c) Other income			
Profit on disposal of plant and equipment		57	3,605
Other income		166,196	138,176
Total other income		166,253	141,781
Expenses from transactions			
(d) Employee expenses			
Post employment benefits:			
Defined benefit superannuation expense		100,901	82,323
Defined contribution superannuation expense		93,521	92,406
Termination benefits		28,845	63,703
Salaries, wages and long service leave		1,961,895	1,782,330
Other employee benefits expense		196,825	252,305
Total employee expenses		2,381,987	2,273,067
(e) Depreciation and amortisation			
Depreciation of plant and equipment		81,754	92,271
Amortisation expense		44,220	24,127
Written down value of assets scrapped		17,683	-
Total depreciation and amortisation		143,657	116,398
(f) Other operating expenses			
Supplies and services			
Audit fees	15	39,576	48,960
Consultancy, legal and professional services		177,476	147,938
Product testing and laboratory evaluation costs		354,809	379,145
Promotions and promotional material		10,959	12,925
Publicity expenses		32,580	25,651
Rates and utilities		25,724	29,284
Insurance		86,023	66,347
Other		769,392	713,892
Maintenance		16,158	14,434
Total supplies and services		1,512,697	1,438,576
Operating lease rental expenses		281,574	280,178
Subtotal		1,794,271	1,718,754
Bad debts from transactions		2,795	-
Total other operating expenses		1,797,066	1,718,754

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
3 Current receivables		
Contractual		
Sale of services	239,341	123,411
Accrued Investment income	51,215	13,050
Other receivables	200	200
Statutory		
Amount owing from Victorian Government	-	8,800
GST Input Tax credit recoverable	31,369	26,951
Total current receivables	322,125	172,412

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

4 Other non-financial assets - current		
Current other assets		
Prepayments	105,396	24,388
Total current other assets	105,396	24,388

5 Plant and equipment - non-current		
(a) Carrying amounts		
Plant, equipment and vehicles at cost	622,551	877,742
Less: accumulated depreciation	(487,369)	(700,228)
Net carrying amount of plant and equipment	135,182	177,514

(b) Movements in carrying amounts	Plant, equipment and vehicles at cost	Plant, equipment and vehicles at cost
Opening Balance	177,514	184,093
Additions	55,896	103,482
Disposals and assets scrapped	(17,807)	(19,123)
Depreciation expense	(80,421)	(90,938)
Closing Balance	135,182	177,514

Plant and equipment - movements

During the financial year, \$311,088 at cost and \$293,281 in accumulated depreciation was written off due to assets scrapped.

6 Intangible Assets - non-current	Capitalised software development 2010 \$	Capitalised software development 2009 \$
Carrying amount - Software development at cost		
Opening Balance	112,382	72,382
Additions	164,672	40,000
Closing Balance	277,054	112,382
Software development - accumulated amortisation		
Opening Balance	(24,127)	-
Amortisation expense	(44,220)	(24,127)
Closing Balance	(68,347)	(24,127)
Net book value at the end of the financial year	208,707	88,255

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
7 Current payables		
Contractual		
Supplies and services	218,257	188,370
Other payables	340,532	196,508
	558,789	384,878
Statutory		
Taxes payable	64,855	54,728
Total payables	623,644	439,606
The average credit period of all payables is 30 days . No interest is charged on payables.		
8 Current Provisions		
Employee benefits - annual leave:		
Unconditional and expected to settle within 12 months	127,338	115,885
Employee benefits - long service leave:		
Unconditional and expected to settle within 12 months	201,745	193,011
	329,083	308,896
Provisions related to employee benefits on-costs:		
Unconditional and expected to settle within 12 months	54,703	51,444
Total current provisions	383,786	360,340
Non-current provisions		
Employee benefits	65,944	47,185
Restoration of leased premises	17,334	16,001
Total non-current provisions	83,278	63,186
Total provisions	467,064	423,526
(a) Employee benefits and related on-costs		
Current employee benefits		
Annual leave entitlements	127,338	115,885
Long service leave entitlements	201,745	193,011
	329,083	308,896
Non-current		
Long service leave entitlements	65,944	47,185
Total employee benefits	395,027	356,081
Current on-costs	54,703	51,444
Total on-costs	54,703	51,444
Total employee benefits and related on-costs	449,730	407,525
(b) Movement of provision for restoration of leased premises		
Opening Balance	16,001	14,668
Additional provision raised for year and charged in the Operating Statement	1,333	1,333
Closing balance	17,334	16,001
Non-current	17,334	16,001
	17,334	16,001

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

(c) Restoration liability

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

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

9 Superannuation

(a) Contributions

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

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

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

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

	Contribution for the year 2010	Contribution for the year 2009	Contribution outstanding at year end 2010	Contribution outstanding at year end 2009
Vision Super (formerly LASB Super)	5,899	5,834	-	-
Emergency Services & State Super (formerly Government Superannuation Office)	34,505	30,356	-	-
Victorian Superannuation Fund - Vic Super	54,216	46,133	-	-
Care Super	13,334	7,843	-	-
AMP Super Leader	1,299	3,268	-	-
AMP Life Ltd	6,730	6,606	-	-
AON Master Trust	5,763	5,367	-	-
REI Super	5,468	5,323	-	-
Colonial First State	6,857	6,907	-	-
Health Super	-	4,074	-	-
HESTA	5,041	4,979	-	-
REST Super	2,403	1,750	-	-
MLC Super	1,908	3,270	-	-
Unlimited Super	7,252	7,596	-	-
Mercer Super Trust	4,123	12,031	-	-
Australian Super	23,597	18,441	-	-
Various other	4,731	4,951	-	-
Total	183,126	174,729	-	-

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

(b) Information on superannuation funds:

Vision Super (formerly LASB Super)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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

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

The Fund surplus or deficit (ie the difference between fund assets and liabilities) is calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS25 to provide the values needed for the AASB 119 disclosure in DFSV's financial statements. AAS25 requires that the present value of the defined benefit liability to be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue. The actuarial investigation concluded that although the Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, DFSV was advised that no additional contributions are required for 30 June 2010. The Actuary has commenced undertaking the next actuarial investigation to ascertain if additional contributions would be required. The Actuarial review will be as at 30 June 2010.

The result of the actuarial review is expected to be finalised during October 2010. Should the review identify a funding shortfall requiring additional contributions, DFSV will be notified of any amount payable by November 2010 for payment on 1 July 2011. A further actuarial review will be undertaken as at 30 June 2011. Based on the result of this further review, a detailed funding plan will be developed and implemented to achieve the target of fully funding the Fund by 31 December 2013.

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

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

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

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

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

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

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

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

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

Victorian Superannuation Fund - Vic Super

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

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

Other Superannuation Funds

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

(c) **Loans**

DFSV has no loans with any of the superannuation funds.

10 Leases

Leasing arrangements

Operating leases relate to lease rental expense commitments at 30th June 2010 and are in respect of premises at Melbourne, office equipment and motor vehicles. Operating leases generally provide DFSV with a right of renewal at which time all terms are renegotiated.

DFSV entered into the third term of the Heads of Agreement to lease premises at 313 Burwood Road, Hawthorn from 1 July 2009 for a period of three years. The option to renew was exercised on 31st December 2008 for the forthcoming three year commitment. The operating commitment for 2011 is \$183,864 per annum (plus yearly CPI increases).

	2010 \$	2009 \$
Non-cancellable operating lease payables		
Not longer than one year	240,697	276,723
Longer than one year and not longer than five years	217,433	433,664
	458,130	710,387

11 Commitments for Expenditure

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

(a) **Remuneration Commitments**

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

	\$	\$
Within one year	488,461	532,971
Later than one year, but not later than five years	445,228	170,135
	933,689	703,106

(b) **Outsourcing Commitments**

Commitments under outsourcing contracts for Information Technology services in existence at the reporting date but not recognised as liabilities and are payable:

	\$	\$
Not longer than one year	64,531	65,379
Longer than one year and not longer than five years	-	-
	64,531	65,379

(c) **Leases**

Non-cancellable operating lease commitments are disclosed in note 10 to the financial statements.

	\$	\$
Total Commitments for Expenditure		
Total commitments for expenditure (Inclusive of GST)	1,456,350	1,478,872
Less GST recoverable from the Australian Taxation Office	(33,389)	(33,905)
Total commitments for expenditure (exclusive of GST)	1,422,961	1,444,967

12 Cash Flow Information

(a) **Cash and cash equivalents**

	\$	\$
Cash on hand	1,500	1,500
Cash at bank	84,799	202,149
Interest bearing deposits	3,503,865	3,253,865
Total cash and deposits disclosed in the balance sheet	3,590,164	3,457,514
Balance as per cash flow statement	3,590,164	3,457,514

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
(b) Reconciliation of net result for period to net cash flows from operating activities		
Net result for the year	213,915	362,358
Non-cash movements:		
(Gain) / Loss on sale or disposal of non-current assets	(57)	(3,605)
Depreciation and amortisation of non-current assets	143,657	116,398
Movements in assets and liabilities:		
(Increase) / Decrease in assets:		
Receivables	(149,713)	(8,661)
Other assets	(81,008)	(6,962)
Increase / (Decrease) in liabilities:		
Payables	184,038	(193,324)
Provisions	42,204	(13,924)
Net cash from/(used in) operating activities	353,036	252,280

13 Responsible Persons

(a) Board members

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

Ms S Harlock	Chairman
Ms M Darton	
Mr T Tappenden	
Mr D Day	Appointment ceased 11/10/2009
Mr W Darmody	
Ms S Crooke	
Ms Z Attwood	
Mr B Lierich	Appointed 12/10/2009

(b) Remuneration

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

	2010	2009
\$0 - \$9,999	7	6
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	1	-
\$230,000 - \$239,999	-	1
\$260,000 - \$269,999	1	-

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

	\$	\$
Remuneration excluding superannuation	307,168	270,267
Superannuation contributions	33,414	28,374

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

(c) Related Party Disclosures

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

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

(d) Other Responsible Persons

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

(e) Insurance Premiums

During the financial year, DFSV paid an insurance premium of \$52,279 (2009: \$38,345) in respect of a contract insuring the Board members and executive officers of DFSV against a liability arising as a result of work performed in their capacity as Board members or executive officers.

14 Remuneration of Executives

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

Income band	Total remuneration		Base remuneration	
	2010 No.	2009 No.	2010 No.	2009 No.
\$140,000 - \$149,999	1	1	-	-
\$120,000 - \$129,999	1	1	1	1
\$110,000 - \$119,999	-	-	1	1
\$50,000 - \$59,999	1	-	-	-
\$40,000 - \$49,999	-	-	1	-
Total numbers	3	2	3	2
Total amount	\$329,191	\$275,736	\$284,188	\$236,565

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

15 Remuneration of auditors

	2010 \$	2009 \$
Victorian Auditor General's Office		
Audit or review of the financial statements	17,750	16,900
Other service providers		
Other non-audit services - Internal audit	21,826	32,060
	39,576	48,960

16 Subsequent Events

DFSV has no subsequent events that require disclosure.

17 Charge over Assets

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

18 Transactions with other Victorian Government Controlled Entities

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

	2010 Intra \$	2010 Inter \$	2009 Intra \$	2009 Inter \$
Assets	-	-	-	-
Liabilities	-	-	-	-
Revenues	17,891	242,720	49,396	163,825
Expenses	22,735	107,846	174,010	112,452

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

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

19 Contingent liabilities and contingent assets
Contingent Liabilities

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

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

20 Segment Information

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

21 Financial Instruments

(a) Significant accounting policies

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

(b) Categorisation of financial instruments

	Note	Carrying amount 2010 \$	Carrying amount 2009 \$
Contractual financial assets:			
Cash and deposits	12	3,590,164	3,457,514
Receivables:			
Sale of services	3	239,341	123,411
Accrued investment income	3	51,215	13,050
Other receivables	3	31,569	35,951
Total contractual financial assets		3,912,289	3,629,926
Contractual financial liabilities:			
Payables:			
Supplies and services	7	218,257	188,370
Amounts payable to government	7	64,855	54,728
Other payables	7	340,532	196,508
Total contractual financial liabilities		623,644	439,606

(c) Credit Risk

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

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

Financial Assets that are either past due or impaired

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Interest rate exposure and ageing analysis of financial assets

2010	Note	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$	Not past due and not impaired \$	Less than one month \$	1 - 3 Months \$	3 months to one year \$	1-5 years \$	Impaired financial assets \$
Financial Assets:											
Cash and deposits	12(a)	3,590,164	-	3,503,865	86,299						
Receivables:											
Sale of services	3	239,341	-	-	239,341	185,278	52,188	1,875	-	-	-
Accrued investment income	3	51,215	-	51,215	-	7,423	43,792	-	-	-	-
Other receivables	3	31,569	-	-	31,569	31,569	-	-	-	-	-
Total financial assets		3,912,289	-	3,555,080	357,209	224,270	95,980	1,875	-	-	-
2009											
Financial Assets:											
Cash and deposits	12(a)	3,457,514	-	3,253,865	203,649						
Receivables:											
Sale of services	3	123,411	-	-	123,411	97,947	20,395	5,069	-	-	-
Accrued investment income	3	13,050	-	13,050	-	13,050	-	-	-	-	-
Other receivables	3	35,951	-	-	35,951	35,951	-	-	-	-	-
Total		3,629,926	-	3,266,915	363,011	146,948	20,395	5,069	-	-	-

(d) Liquidity Risk

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

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

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

2010	Note	Carrying amount \$	Interest rate exposure \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$	Not past due and not impaired \$	Less than one month \$	1 - 3 Months \$	3 months to one year \$	1-5 years \$	Impaired financial assets \$
Payables:												
Supplies and services	7	218,257	-	-	218,257	216,814	1,443	-	-	-	-	-
Amounts payable to government	7	64,855	-	-	64,855	64,855	-	-	-	-	-	-
Other payables	7	340,532	-	-	340,532	183,718	156,814	-	-	-	-	-
Total	7	623,644	-	-	623,644	465,387	158,257	-	-	-	-	-
2009												
Payables:												
Supplies and services	7	188,370	-	-	188,370	188,286	63	21	-	-	-	-
Amounts payable to government	7	54,728	-	-	54,728	55,028	-	-	-	-	-	-
Other payables	7	196,508	-	-	196,508	126,520	69,988	-	-	-	-	-
Total	7	439,606	-	-	439,606	369,834	70,051	21	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

(e) Market Risk

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

Interest rate risk

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

Sensitivity disclosure analysis

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

- a Parallel shift of +2 per cent and -2 per cent in market interest rates (AUD)

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

		Interest rate risk				
		-2% (-200 basis points)		2% (+200 basis points)		
2010	Note	Carrying amount \$	Equity \$	Net result \$	Equity \$	Net result \$
Contractual financial assets:						
Cash and deposits						
Cash on hand and deposits	12(a)	86,299	-	-	-	-
Interest bearing deposits	12(a)	3,503,865	(70,077)	(70,077)	70,077	70,077
Other contractual financial assets	3	322,125	-	-	-	-
Contractual financial liabilities						
Payables	7	623,644	-	-	-	-
Total impact			(70,077)	(70,077)	70,077	70,077
		-1% (-100 basis points)		1% (+100 basis points)		
2009			Equity \$	Net result \$	Equity \$	Net result \$
Contractual financial assets:						
Cash and deposits						
Cash on hand and deposits	12(a)	203,649	-	-	-	-
Interest bearing deposits	12(a)	3,253,865	(32,539)	(32,539)	32,539	32,539
Other contractual financial assets	3	172,412	-	-	-	-
Contractual financial liabilities						
Payables	7	439,606	-	-	-	-
Total impact			(32,539)	(32,539)	32,539	32,539

Fair Value

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

ACCOUNTABLE OFFICERS AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30th June 2010 and financial position of Dairy Food Safety Victoria as at 30th June 2010.

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

We authorise the attached financial statements for issue on 10 August 2010.



Shirley Harlock
CHAIRMAN



Anne M Astin
CHIEF EXECUTIVE OFFICER



Kevin Moze
FINANCE MANAGER

10 August 2010

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Dairy Food Safety Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2010 of Dairy Food Safety Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officers and chief finance and accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

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

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

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Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of Dairy Food Safety Victoria for the year ended 30 June 2010. The Board Members of Dairy Food Safety Victoria are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Dairy Food Safety Victoria web site.

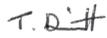
Independence

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

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Dairy Food Safety Victoria as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
11 August 2010

Per 
D D R Pearson
Auditor-General

2

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Auditing in the Public Interest

R E P O R T O F O P E R A T I O N S
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Five Year Financial Summary	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$
Total income from transactions	4,536,625	4,470,577	4,345,187	4,091,052	3,894,866
Total expenses from transactions	(4,322,710)	(4,108,219)	(3,946,360)	(3,754,036)	(3,690,962)
Net result from transactions	213,915	362,358	398,827	337,016	203,904
Net cash flow from operating activities	353,036	252,280	739,066	572,156	528,520
Total assets	4,361,574	3,920,083	3,763,642	3,184,051	2,904,437
Total liabilities	1,090,708	863,132	1,069,047	888,284	945,686

Financial Year ended:

- 2010 The 2009/10 net result from transactions of \$213,915 demonstrated prudent fiscal management. Higher income from manufacturers licence fees, audit related services fees and initiatives was offset by reduced interest income from a lower interest rate environment. The increase in expenses from transactions was attributable to accruals for staff remuneration increments, higher depreciation expenses due to write offs of obsolete plant and equipment and the engagement of consultants for regulatory compliance services. Total assets continued to grow with a higher cash deposit base required to fund considerable on-going Information Technology commitments associated with the phase in of the new licensing database.
- 2009 In 2008/2009 DFSV achieved a net result from transactions of \$362,358. During the year additional income from initiatives increased to \$141,781. Higher than expected income from manufacturers licence fees was collected due to increased product manufactured. The reduction in other operating expenses was due to activities relating to reduced regulatory burden and timing differences associated with reversals of accruals. While both total income and expenses from transactions have steadily increased since 2004/2005, the net result from transactions has been relatively consistent over the past three years.
- 2008 During the Financial period ending 30th June 2008, delivery of services and expenses incurred were within budgetary objectives, except for under expenditure in Information Technology capital commitments, resulting in reduced depreciation expenditure incurred within the period. This can be attributed to the timing of the implementation of a new licensing system and further expenditure will be incurred in the 2008/2009 financial year. Additional income was received from better than anticipated returns on funds invested through the Treasury Corporation of Victoria.
- 2007 For the Financial year ended 30 June 2008, in general, delivery of services and expenses incurred were within budgetary objectives with two exceptions. Under-expenditure in remuneration was due to staff turnover and timing of re-appointment to vacant positions. Under-expenditure in IT capital commitments resulted in reduced depreciation expense. IT expenditure will be incurred in the 2007/2008 financial year. While, total revenue from licence fees increased, this is due to manufacturers fees being calculated historically on the previous financial year's total annual production. Due to drought conditions, lower income is anticipated in the 2007/2008 financial year.
- 2006 For the Financial year ended 30 June 2006 delivery of normal services and expenses incurred were within budgetary objectives. Under expenditure in Strategic objectives is related to delays in Information Technology software developments as part of the major change Project-LEADS. Expenditure is expected to be incurred in the 2006/2007 financial year.

DISCLOSURE INDEX

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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

Legislation	Requirements	Reference
MINISTERIAL DIRECTIONS		
Report of Operations - FRD Guidance		
Charter & Purpose		Page No
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FRD 13	Disclosure of parliamentary appropriations	NA
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FRD 106	Impairment of assets	NA
FRD 109	Intangible assets	38
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FRD 112A	Defined benefit superannuation obligations	40
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<i>Victorian Industry Participation Policy Act 2003</i>		16
<i>Financial Management Act 1994</i>		33
<i>Multicultural Victoria Act 2004</i>		15

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Dairy Food Safety Victoria
uses **National Carbon
Offset Standard**
certified ENVI Recycled Super Smooth
Carbon Neutral paper
An Australian Government Initiative



Dairy Food Safety Victoria has reduced Australia's greenhouse gas emissions by 252kg of CO₂-e by choosing to use Australian made carbon neutral paper in this print run of the DFSV 2010 annual report.



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