

**Dairy Food
Safety Victoria**
Annual Report
2005/06

23 August 2006

The Honourable Bob Cameron
Minister for Agriculture
PO Box 500
East Melbourne VIC 8002

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 2005 to 30 June 2006.

Yours sincerely,



Shirley Harlock
Chairman

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During 2005/06, DFSV worked closely with industry to identify further opportunities for the industry to reduce costs associated with food safety. The result is Project LEADS (Leading, Enhancing and Advancing Dairy Safety) – an innovative approach to the delivery of dairy food safety regulatory services.

Dairy Food Safety Victoria

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Acknowledgements

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

Recaldent Pty Ltd

Hellenic Cheese Company

Theo Van Roy,

Amberfield Farms Pty Ltd

Highlights

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

Legislation	Requirements	Reference
Ministerial Directions		
Report of Operations		
<i>Charter and Purpose</i>		
FRD 22	Manner of establishment and the relevant minister	Page 21
FRD 22	Objectives, functions, powers and duties	Page 21
FRD 22	Nature and range of services provided	Page 21
<i>Management and Structure</i>		
FRD 22	Organisational structure	Page 11
<i>Financial and other Information</i>		
FRD 22	Operational and budgetary objectives and performance against objectives	Page 47
FRD 22	Statement of workforce data and merit and equity	Page 24
FRD 22	Occupational health and safety	Page 22
FRD 15	Executive officer disclosures	Page 38
FRD 22	Summary of financial results for the year	Page 47
FRD 22	Significant changes in financial position during the year	N/A
FRD 22	Major changes or factors affecting performance	Page 41
FRD 22	Subsequent events	Page 38
FRD 22	Application and operation of <i>Freedom of Information Act 1982</i>	Page 23
FRD 22	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	Page 23
FRD 25	Victorian Industry Participation Policy disclosures	N/A
FRD 22	Statement of National Competition Policy	Page 22
FRD 22	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	Page 23
FRD 22	Details of consultancies over \$100,000	N/A
FRD 22	Details of consultancies under \$100,000	Page 23
FRD 12	Disclosure of major contracts	N/A
FRD 24	Reporting of office-based environmental impacts	N/A
FRD 22	Statement of availability of other information	Page 24
FRD 10	Disclosure index	Page 48
FRD 28	Budget portfolio outcomes	N/A
Financial Statements		
<i>Financial statements required under part 7 of the FMA</i>		
SD 4.2(b)	Operating statement	Page 26
SD 4.2(b)	Balance sheet	Page 27
SD 4.2(a)	Statement of recognised income and expenses	Page 28
SD 4.2(b)	Cash flow statement	Page 29
SD 4.2(c)	Accountable officers' declaration	Page 45
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 30
SD 4.2(c)	Compliance with ministerial directions	Page 30
SD 4.2(d)	Rounding of amounts	Page N/A
<i>Other disclosures in notes to the financial statements</i>		
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 9	Entity's disclosure of administered assets and liabilities	N/A
FRD 11	Disclosure of ex-gratia payments	Page 38
FRD 21	Responsible person and executive officer disclosures	Page 37/38
Legislation		
<i>Freedom of Information Act 1982</i>		Page 23
<i>Whistleblowers Protection Act 2001</i>		Page 23
<i>Victorian Industry Participation Policy Act 2003</i>		N/A
<i>Building Act 1983</i>		Page 23
<i>Financial Management Act 1994</i>		Page 30
<i>Audit Act 1994</i>		Page 46

Project LEADS (Leading, Enhancing and Advancing Dairy Safety):

LEADS became the new strategic basis of DFSV operations. Concentrating on key areas of Information Services, Standards Interpretation and Guidance, Communication, Audit and Compliance, LEADS represents a fresh approach to delivery of effective food safety outcomes.

Contract Audits:

Implementation commenced during 2005/06 for the new contract audit arrangements. The upgraded process is already providing a 30 per cent improvement in interpretation and reporting back to licensees and audit authorities.

Guidelines Launched:

'Guidelines for Food Safety – Dairy Farms' were published and launched nationally. These guidelines were an initiative of DFSV and funded by the Geoffrey Gardiner Dairy Foundation. The Australia New Zealand Dairy Authorities' Committee (ANZDAC) has endorsed the guidelines. They will assist the dairy industry and regulators with the implementation of food safety standards and effective food safety practice at dairy farm level.

Knowledge Management System:

Commenced development of an innovative technical Knowledge Management System to support and make available DFSV technical notes, guidelines and standards. This system will assist industry with validation of food safety programs, verification of implementation of food safety programs, and implementation of good manufacturing/agricultural/hygiene practices.

Industry Skills and Training Program:

DFSV's Industry Skills and Training program, based on research, was initiated to enhance the dairy food safety, hygiene skills and competence of the dairy manufacturing sector.

Improvements to the Monitoring and Surveillance Program:

The Product Testing Program (PTP) was revised to provide a more effective and efficient system for monitoring industry food safety performance. The new PTP will enable DFSV to better focus resources to address priority issues relating to food safety and risk management.

Vision

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

Mission

The independent Authority to regulate dairy food safety.

Value Statements

At Dairy Food Safety Victoria, we value:

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



The DFSV Board continues to set strategic vision and review both its performance and the performance of the organisation at key milestones.



I am pleased to be able to present the Annual Report of Dairy Food Safety Victoria (DFSV) for the 2005/06 Financial Year.

The period proved to be challenging and stimulating for the whole of our industry.

While milk production levels remained somewhat static, we continued to face the ongoing effects of the drought, the fluctuations of international exchange rates and increasing consumer demand for reliable, quality product. The positive news is that the industry appears to be growing in confidence. DFSV licence statistics show that there is a slowing in farmers leaving the industry.

Within the context of this operating environment, DFSV continues to concentrate on its core objectives and deliver positive results along the dairy food supply chain.

Our 2004/07 Corporate Plan continued implementation during the year under review. The Plan's focus is to develop a framework of programs and strategies around the themes of Leadership, Services, People, Finance and Communication. Our Corporate Plan's objective is to support our overriding philosophy – that dairy food safety is a non-negotiable component of any dairy business.

Project LEADS paves the way
Industry has been the driver for DFSV's development of a new, innovative approach which seeks to reduce the costs and compliance requirements associated with food safety.

Project LEADS has its foundations in a 2004 DFSV stakeholder survey which sought to determine issues and concerns, and to help plan how our services would better fit with enterprises across the sector.

Dairy farmers, manufacturers, and other industry bodies told us they wanted value-added services to reinforce our industry's excellent food safety reputation both in Australia and overseas, and that they wanted to work in partnership with DFSV.

Not surprisingly, the survey showed that the Victorian dairy licence is increasingly valued by industry. While some sectors of the industry had concerns about their regulatory requirements, everyone surveyed agreed that a whole-of-chain approach to food safety must be developed.

Project LEADS has become the cornerstone for everything DFSV does.

Our Partnerships – Reliable, Robust and Effective
During the year under review, DFSV grew its industry partnership approach that continues to attract input and collaboration from every part of the supply chain.

It is worth noting that the spirit of cooperation that has developed between the various dairy food regulatory bodies has never been better. State and Commonwealth dairy agencies are working together in a truly collaborative and mutually supportive way. It is a dynamic which DFSV seeks wholeheartedly to maintain.

As a relatively small, yet significant player in our industry we recognise the integral role that strategic alliances and relationships provide both our licensees and us. Not only do these partnerships afford us a voice in the industry, they provide our stakeholders with access to information, processes and networks, which can practically assist in the management of their enterprises, within a whole-of-industry approach.

During 2005/06, these partnerships included the development and signing of a Memorandum of Understanding with the Tasmanian

Dairy Industry Authority (TDIA) and the Dairy Authority South Australia (DASA) so that we may better support each other in achieving a nationally consistent food regulatory framework.

We were also a party to the development of the new Export Control (Milk and Milk Products) Orders which have established a revised set of standards for export businesses dealing in milk and milk products.

We are constantly improving our connections on imported foods in order to protect the international standard of dairy food safety enjoyed by Australians. We shall continue to work on an agreement which will outline the principles of engagement that will more closely define the relationship that should exist between the Australian Quarantine and Inspection Service (AQIS) and state regulatory agencies.

Maintaining our Standards
Under the auspices of a national food safety regulatory framework, DFSV has been productive on two fronts:

1. Primary Production and Processing Standard for Dairy: DFSV was represented on the Standards Development Committee (SDC) that was set up to oversee and provide input to the development of the national standard. This standard covers primary production and processing, and is due for completion by October 2006.
2. DFSV personnel have also participated in a number of working groups that support the SDC, including the Dairy Scientific Advisory Panel, which is undertaking an assessment of food safety risk for dairy products made from unpasteurised milk.



The Guidelines for Food Safety: Dairy Farms were launched to assist with the implementation of food safety standards and the application of good food safety practice.

A Voice in the Industry

During the year, DFSV has been called upon to provide professional advice on a series of industry debates. One of these has been the import of 'Roquefort' cheese.

Roquefort is a French blue cheese made with unpasteurised, or raw, milk. Regulations do not allow the production or sale of raw milk products in Victoria and most of Australia, although a core group has been advocating for the sale and/or production of raw milk cheese for years. After an intensive review last year, Food Standards Australia New Zealand decided to allow the import of Roquefort. DFSV input was vital to the review and its findings, and we will remain vigilant in our monitoring of the issue.

Our Funding Model Under Review

DFSV undertakes regular analysis of our funding model in order to ensure maximum cost effectiveness for our licence income and to identify other potential income streams.

The Funding Model Review Steering Committee is a group comprised of industry representatives with responsibility for reviewing the funding model and making recommendations to the Board on any changes. Its role is to balance the need for a sustainable funding model with projected income from licences within the legislative framework which governs the operation of DFSV.

Guidelines protect 'clean, green' image

In May 2006, the Australia New Zealand Dairy Authorities' Committee (ANZDAC) Guidelines for Food Safety: Dairy Farms were launched at the annual United Dairyfarmers of Victoria (UDV) conference by the Federal Minister for Agriculture, Fisheries and Forestry, the Hon. Peter McGauran.

The guidelines were based on original work done by DFSV and supported by the Geoffrey Gardiner Dairy Foundation.

Their purpose is to assist industry and regulators nationwide with the implementation of food safety standards and the application of good food safety practice.

The guidelines reflect both international best practice and standards, are a practical support to the DFSV Code of Practice, and will minimise the burden to busy producers in terms of cost and regulatory requirements. This has to be a positive result for our reputation, our market access, our biosecurity and the sustainability of our dairy production sector.

Looking Ahead

I am pleased to be able to state that DFSV continues to evolve as a responsible, financially efficient organisation. We have been able to retain dairy farm licence fees at the same rate since 2004 – evidence of our cost consciousness and respect of our industry income stream. Manufacturer fees are currently under review, having been constant for three years.

Our current Board's term expires in 2006. Our Board objective will remain constant – 'to think strategically on behalf of the industry'. We will continue to encourage participation, integration and alignment with the national strategy for consistent implementation of food regulation in Australia.

The DFSV Board continues to set strategic vision and review both its performance and the performance of the organisation at key milestones. I am very appreciative of the Board's dedication and hard work throughout the year.

Our peak industry bodies have been instrumental in assisting DFSV in a number of ways. Support from the Minister, United Dairyfarmers of Victoria and Dairy Australia has been appreciated, as have the relationships with our interstate counterparts – the Tasmanian Dairy Industry Authority, SafeFood Queensland, NSW Food Authority, WA Health, and the Dairy Authority of South Australia.

As noted previously, we have also worked cooperatively with the Commonwealth agencies Australian Quarantine and Inspection Service (AQIS) and Food Standards Australia New Zealand (FSANZ).

On behalf of the Board and staff of DFSV, I would like to pay Des Hore a vote of gratitude for his contribution as our Chairman since DFSV's foundation in 2000. His vision, commitment and empathy along the dairy food supply chain have led to the development of an authority which has maintained one overriding commitment – carriage of a strategy for consistent implementation of food regulation in Australia. Des Hore leaves us with a positive legacy for future consolidation and growth.

Finally, to Dr Anne Astin and her team, the Board and I are most grateful for the professionalism and dedication they have provided us during the year.

I look forward to reporting further successes to you in future.

Shirley Harlock
Chairman
Dairy Food Safety Victoria



“DFSV really recognises the value of farmers. The organisation is justifiably proud of the work it does with farmers to achieve the best results for all.”

Doug Chant
President, UDV

I am pleased to report another successful year for DFSV. With no increase in our licence fees, we continue to show financial responsibility while being able to maximise the value we provide the industry. An internal DFSV reorganisation has seen all of our resources mobilised in support of our new strategic approach known as LEADS.

The year 2005/06 has been a busy and productive one. Internally, DFSV undertook an organisational review and redeployment of functional areas, based on the need to ensure the most effective delivery of Project LEADS to industry.

We consolidated our structure into four Operating Divisions – Operations, Knowledge Management, Strategic Policy and Governance & Corporate Services. The results of these groups' performance during 2005/06 are included in this Annual Report. Further restructuring is anticipated in 2006/07 to make sure we continually streamline services.

Industry Focus LEADS the Way

As our Chairman noted in her review of the year, Project LEADS has become a reliable and robust foundation for all of the work performed by DFSV.

The five major components of LEADS are:

1. Information Services
2. Standards Interpretation and Guidance
3. Communication
4. Audit
5. Compliance.

These components are based on the value chain of our services to industry. During 2005/06, our feedback from key industry stakeholders on LEADS was completed with overwhelming support for the strategies and principles established in LEADS. Implementation has commenced and is expected to be completed in 2009.

DFSV has restructured the organisation to ensure alignment of human resources to effectively deliver LEADS.

The next stage will see DFSV develop a range of technical and information products to provide industry with the latest information on food safety matters from around the world. The aim is to make sure that farmers and manufacturers can be confident about their dairy food safety systems.

Project LEADS will be assessed by tangible benefits to our licensees. I look forward to updating you.

Licensing Renewals

DFSV is responsible for administering the licensing provisions of the *Dairy Act 2000* to ensure that food safety standards are met through the dairy production and processing chain. A Victorian dairy licence offers identity and legitimacy, and inhibits unregulated entry to the industry. The dairy licence is considered to be the passport for all industry participants to trade in dairy foods. As such, the dairy licence is to be highly valued by all participants in the dairy industry.

In 2005/06, licence renewals administration was completed within six weeks of the start of the licensing period.

This is a major achievement and testimony to both growing levels of industry collaboration and DFSV's internal process efficiencies. The success can clearly be attributed to the introduction last

year of collecting farm licence fees by manufacturers. It is the fastest, most streamlined arrangement we have seen since DFSV's formation in 2000.

New Audit Arrangements in Place

The first two year audit cycle for dairy farms was completed in January 2006. All dairy farms have now undergone an audit by a DFSV approved auditor. This process has worked extremely well and has demonstrated that the strategies adopted under DFSV LEADS are effective in delivering safe food outcomes.

DFSV will be reviewing the farm system over the next 12 months to identify improvements for greater consistency in its application and alignment with national food safety principles.

International Recognition

Advancing Australia's internationally respected system for safe dairy products is an ongoing program. In order to maintain Victoria's reputation for safe, quality dairy products around the world, it is necessary to conduct targeted visits to regulatory and industry organisations in key markets.

As such, I was fortunate to travel to Japan in October 2005 to promote Australia's dairy food safety system to the annual meeting of Kangaroo Kai. Kangaroo Kai is an alliance between the Australian dairy manufacturing industry and Japanese cheese producers. Japan is the single most important export market for Australian dairy products.

In a series of meetings and presentations with regulatory and import authorities, I was also able to provide reassurance regarding the new Japanese Maximum Residue Limit Standard introduced in May 2006.

In the coming financial year, I will travel to China in October 2006 to speak at the IDF (International Dairy Federation) World Dairy Conference on Food Chain Management in Australia and will take the opportunity to promote our products and our impeccable standards of dairy food safety to delegates at this conference and public health authorities in Beijing.

In February 2006 I was invited to attend Gulfood 2006, one of the Middle East's most high profile food, drink, food services and hospitality equipment exhibitions. For the first time, Gulfood included the Dubai International Food Safety Conference. The exhibition had over 1,800 participants from more than 60 countries, with more than 30,000 visitors to this trade only exhibition.

The Victorian dairy industry's reputation for food safety and integrity of production makes our products internationally preferred. It is our role to promote that reputation at every available opportunity.

As well as these targeted visits to key markets, we continue to be regularly reviewed by overseas authorities. The United States of America's Food and Drug Administration is scheduled to review Australia's dairy industry in the next financial year.

In August/September of 2005, DFSV participated in a Panamanian review of Australian export dairy establishments. The delegation visited several dairy manufacturing establishments in Victoria. Staff from DFSV were involved in the review and accompanied three veterinarians from the Panamanian Government and one AQIS representative to the various sites. There were no issues highlighted through this review.

Regulatory Efficiency

The review of our food safety operations by the Victorian Competition and Efficiency Commission (VCEC) indicates that the direction we are taking through Project LEADS should reduce duplication in regulatory requirements. This clearly meets the objectives of both government and industry.

The Road Ahead

While there are significant changes already planned to our future services, DFSV remains committed to delivering our regulatory obligations on behalf of industry. As Dr Hore has said in this report, we cannot afford complacency. The risks associated with underperformance and non-compliance will continue to drive DFSV's cultural and service evolution into the future.

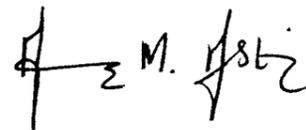
Again, industry and public health authorities will judge our performance and relevance as we deliver Project LEADS in the next two to three years.

My Appreciation

On behalf of DFSV staff, licensees and stakeholders, may I close by passing on my best wishes to Dr Des Hore on the occasion of his retirement. Dr Hore has been a visionary Chairman – his direction and input was always valued and he, in turn, was receptive to the opinions and feedback from staff.

I congratulate Shirley Harlock on her appointment and I look forward to working with her and the next Board when it is appointed in October 2006.

The staff of DFSV have had a stimulating, productive year and I would like to thank them for their ongoing hard work and professionalism.



Dr Anne Astin
Chief Executive Officer
Dairy Food Safety Victoria



"DFSV provides consistency and reliability in their application of rules. Their knowledge and responsiveness encourages us to improve our own systems and helps ensure the safety of our products."
– Stuart Brown, Tatura Milk Industries

"The value of industry's investment in an organisation like DFSV cannot be underestimated. We need an innovative and responsive regulator to protect our reputation with overseas customers."
– Barry Lierich, Tatura Milk Industries

"Thanks should go to this tiny group that, on a daily basis, protect, sustain and enhance the future for our industry."
– Bill Pyle, The Weekly Times

"DFSV is assisting the dairy industry as we move into the future. The protocols they administer meet industry needs, technical requirements and assist with trade."
– Greg Lemmens, Warrnambool Cheese & Butter Factory

"The DFSV spirit of cooperation throughout the industry has always impressed me. Their collaboration – working with the industry from farmgate to distribution – is the only way we can see true industry-wide results."
– Bruce Donnison, Fonterra Australia

DFSV's reputation is such that it has regularly received international delegations, gleaned important information to improve their industries."
– Bill Pyle, The Weekly Times

Board

Ms Shirley Harlock – Chairman Dairy Farmer, MAICD

The owner/operator of two 400 cow dairy farms and a 1700 acre beef/sheep enterprise in Warrnambool, Ms Harlock has over 35 years experience in the dairy industry. She is currently Chair of Warrnambool Co-op, a major cooperative with turnover in excess of \$32 million, is a past Director of Australian Dairyfarmers Ltd, is a former UDV Central Councillor and Executive member, and a member of the Water for Growth Committee. Ms Harlock is currently Chair of the Dairy Australia Future Dairy project and a member of the Manufacturing Co-Investment Strategy.

Ms Harlock was appointed as Chair of DFSV following the retirement of Dr Des Hore in April 2006.

Ms Margaret Darton MANAGER FOOD POLICY, DEPARTMENT OF PRIMARY INDUSTRIES VICTORIA

BAppSc, DipAppCh, GradDipLib, GAICD

Ms Darton was a member of the Dairy Food Safety Working Group, which established Dairy Food Safety Victoria. She has responsibility for the implementation of the Victorian Government's food safety policy for primary industries and coordination of the Department of Primary Industries' involvement as joint venture party of Food Science Australia.

Ms Darton is a member of the National Working Group for development of Primary Production and Processing Standards, OzFoodNet Management Committee, and sits on the Advisory Board of the Australian Food Safety Centre of Excellence.

Mr Paul Ford CHIEF EXECUTIVE OFFICER, GEOFFREY GARDINER DAIRY FOUNDATION

DipDairyTech, Fellow, A.R.L

Mr Ford has thirty years commercial experience in dairy processing. He was General Manager Innovation, National Food Industry Strategy Limited; a founding Director of the Australian Starter Culture Research Centre and is a past Director of the Dairy Research and Development Corporation. Mr Ford is also a past Director of Murray Dairy and has previously held senior management positions with the Commonwealth Department of Primary Industries, Bonlac Foods and the Australian Ingredients Centre.



Shirley Harlock



Margaret Darton



Paul Ford



Jennifer Robertson



Joe Sullivan



Trevor Tappenden

Dr Jennifer Robertson BSc (Hons), PhD

Dr Robertson is a former President of the Australian Institute of Food Science and Technology Incorporated, Australia's premier professional society for food science and technology.

She is also a member of various University Faculty Advisory Boards and has previously held positions of General Manager, Technology and Innovation, National Foods Pty Ltd; National Research and Development Manager for Pauls Limited, and Scientific Director of Australia's National Food Authority.

Dr Joe Sullivan CONSULTANT

BAGSci, PhD, MBA

Now retired, Dr Sullivan was previously a consultant in the area of dairy and food industry innovation. He has also held the position of Acting Managing Director/CEO of the Dairy Research and Development Corporation, with responsibility for managing the transition to Dairy Australia. Dr Sullivan has held positions in a number of policy and operational areas within State and Commonwealth Government Departments of Primary Industries.

Mr Trevor Tappenden ACA, FAICD

Mr Tappenden previously held the position of Managing Partner of Ernst & Young in Victoria, as well as other key management roles in that firm.

He has extensive experience in financial management, strategic planning, auditing and accounting. His current Directorships include RMIT University and RMIT Vietnam, VitsLanguagelink, the Committee for Economic Development of Australia (CEDA), and Heide Museum of Modern Art. Mr Tappenden is an Associate of the Institute of Chartered Accountants in Australia, and a Fellow of the Australian Institute of Company Directors.

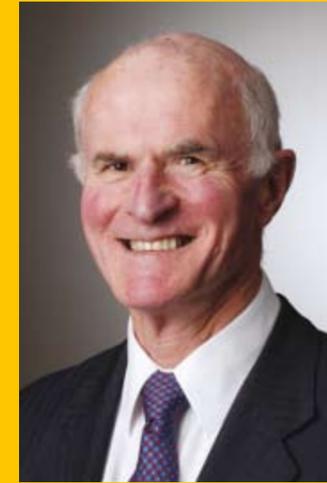
Changing of the Guard

Dr Des Hore was appointed as Chair of DFSV when it was established under the Victorian *Dairy Act 2000*.

He served two terms as Chair, overseeing the birth and subsequent consolidation of DFSV as one of the major participants in the Australian dairy food safety industry.

Dr Hore retired as DFSV Chairman in April 2006 and was succeeded by Ms Shirley Harlock.

Ms Harlock has been a Director on the DFSV Board since October 2003 and has been a dairy producer for more than 35 years.



Dr Desmond Hore – CHAIRMAN DFSV (July 2000–April 2006)

PhD, BVSc

Dr Hore has previously held positions as Chairman, Director or CEO of a wide range of Commonwealth, State, industry and academic bodies and councils. He has worked professionally as a field veterinarian and researcher for more than two decades.

Dr Hore was the inaugural Chairman of DFSV and, since the Authority's inception, served two terms in that role.

"I would like to acknowledge the input of our staff, our industry and our peer organisations as integral to the results we have achieved. Particularly, I am pleased with the effectiveness of the current licensing system – it has delivered tangible benefits to stakeholders in terms of efficiencies and fees. More broadly, I have been gratified to see that the organisation and our industry have faced up to the challenges of recent years with characteristic determination and professionalism. I leave the industry with one message – we cannot afford complacency. Food safety will remain a significant issue, both for public health and trade. We must continue to maintain our standards and our competency."

Dr Des Hore,
Former Chairman, Dairy Food Safety Victoria.

Dr Jennifer Robertson BSc (Hons), PhD

Dr Robertson is a former President of the Australian Institute of Food Science and Technology Incorporated, Australia's premier professional society for food science and technology.

She is also a member of various University Faculty Advisory Boards and has previously held positions of General Manager, Technology and Innovation, National Foods Pty Ltd; National Research and Development Manager for Pauls Limited, and Scientific Director of Australia's National Food Authority.

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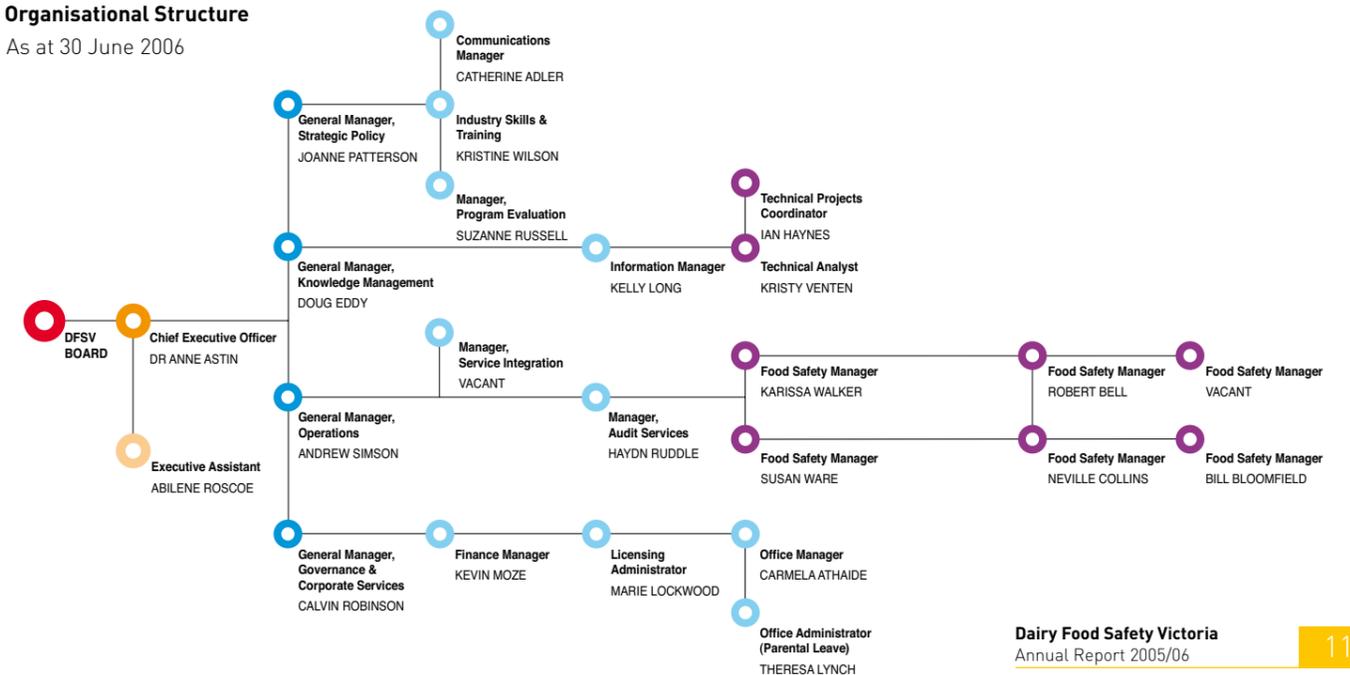
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He has extensive experience in financial management, strategic planning, auditing and accounting. His current Directorships include RMIT University and RMIT Vietnam, VitsLanguagelink, the Committee for Economic Development of Australia (CEDA), and Heide Museum of Modern Art. Mr Tappenden is an Associate of the Institute of Chartered Accountants in Australia, and a Fellow of the Australian Institute of Company Directors.

Organisational Structure As at 30 June 2006



Strategic Policy



The DFSV website will be further enhanced to provide more technical information and standards interpretation and guidance.

The Strategic Policy group within DFSV was established in 2005/06 to enable the delivery of Project LEADS, and to help the authority better meet its strategic goals.

The Strategic Policy group's objectives are to provide organisational leadership in the areas of strategic policy, strategic planning, communications, stakeholder relationship management, organisational performance, project management and evaluation, industry skills and training.

In order to achieve these goals, the group undertakes key initiatives with the implementation of LEADS (such as communications and stakeholder management), plus other organisational development and industry improvement initiatives.

Runs on the Board

Within a relatively short space of time, the Strategic Policy group has enjoyed important and formative success.

Outcomes during 2005/06 include:

Industry Skills and Training:

- Working with industry and other stakeholders in the education and training sectors to establish a Program Plan for food safety skills and competencies in the industry.
- Representation of DFSV on the Steering Committee for the review of the National Food Processing Training Package. In particular working with the new National Dairy Education Centre to improve the delivery of the food safety and hygiene components of certificate and short courses.

- Representation on the project team developing food safety auditor tools supporting the new National Food Safety Auditor Competency standards.

- Commencement of a Training Needs Analysis of the dairy manufacturing sector to understand the issues and gaps with food safety training and to identify opportunities for improvement.

Communications:

- The new 'Guidelines for Food Safety - Dairy Farms' were published and launched nationally. These guidelines were an initiative of DFSV and funded by the Gardiner Foundation. The Australia New Zealand Dairy Authorities' Committee (ANZDAC) has endorsed the guidelines. They will assist the dairy industry and regulators with the implementation of food safety standards and effective food safety practice at dairy farm level.

Building on Success

Under the five program areas incorporated in Project LEADS, the Strategic Policy group will build on this foundation, specifically in the area of Communication.

We plan to improve functionality and interactivity, allowing DFSV licensees to better understand their regulatory requirements. We will also further enhance the capability and interactivity of the DFSV website - providing more technical information and standards interpretation and guidance.

We will continue to engage licensees through a series of forums, which maintain a valuable two-way dialogue between DFSV and diverse industry sectors. These forums will enable us to explain our services and programs to our licensees, and provide us with the feedback we require for our program and service development and improvement.

Industry Training - One Step Ahead

Significantly, the foundations laid in 2005/06 will lead to an improved Industry Skills and Training program.

DFSV's Industry Skills and Training program is based on a survey undertaken in 2004 where we investigated the causes of dairy food contaminations attributed to manufacturing staff training and competency.

The study was commissioned following the realisation that between 30% and 40% of all dairy food contaminations (eg *Listeria monocytogenes*, *E. coli*, *Salmonella*) were attributed to a training and/or competency shortfall.

The financial costs for a manufacturer associated with having a single dairy food safety incident are significant.

The results of the 2004 investigation led to development of the Industry Skills and Training program. Its goal is to enhance the dairy food safety, hygiene skills and competence of the dairy manufacturing sector.

Solid Foundations

The future role of the Strategic Policy group will be about: enhancing communication channels, understanding stakeholder needs; initiating projects to fill training and competency gaps; developing and implementing stakeholder feedback and sensing systems, and both measuring and evaluating DFSV's and industry's performance in dairy food safety.

Knowledge Management

The function of the Knowledge Management group is to provide technical and scientific support to all DFSV staff and to dairy industry stakeholders. This involves the identification, conduct and provision of relevant information regarding risk issues from around the world that has a direct bearing on the safe production of dairy food within Victoria. As the industry becomes more focussed on validating processes within food safety programs, this group is providing more definitive direction in the requirements to comply with standards and the Victorian Code of Practice for Dairy Food Safety.

In a specific capacity, Knowledge Management collates and maintains information and systems required to coordinate DFSV's Product Testing Program and the Australia Milk Residue Analysis (AMRA) Survey. The group also provides technical assessments and technical evaluations that assist with the development of new guidelines, technical information brochures and technical standards.

In order to produce this portfolio of work, the group liaises closely with food industry safety researchers to improve the knowledge of hazards and risks that will be of concern to the industry in the future.

Technical and Scientific Support

The Knowledge Management group, newly formed in 2005/06, have delivered the following outcomes:

Information Services:

→ The development of six new information products and increased responsiveness to food safety enquiries have supported production of safe dairy food. The Technical Standards and Dairy Food Safety Notes have been placed on the website. A range of further publications will be developed over the coming 12 months.

→ Development of expert networks to facilitate discussion on emerging scientific and technical issues. This group's participation on various technical committees and involvement with industry-based projects has increased during the year. For example, its work with Monash University and the Australian Food Safety Centre of Excellence on the project "Emerging Food Safety Hazards" was brought to a successful conclusion in March 2006.

→ The initiation of an information management system for tracking and retrieving a wide range of technical and scientific information relevant to the dairy industry and its stakeholders in food safety. During 2005/06, DFSV actively sought relevant information from worldwide food safety networks and captured it within a technical information database where it can be used to provide direction and develop knowledge for the industry.

→ The coordination and analysis of data derived from the AMRA Survey enabled the industry to demonstrate the effectiveness of chemical residue control processes at the farm level. DFSV coordination of and participation in the development of the AMRA Survey resulted in improved efficiencies and cost savings to industry, with a 31% increase in samples tested for less than 1% increase in budget costs. There were 13,170 analyses conducted on 960 milk samples, showing 99.8% compliance to the Minimum Residue Level standards contained in the Food Standards Code.

→ Improvements in the outcome measurements from the revised Product Testing Program (PTP) which has been expanded to cover the whole range of dairy products. The group constantly uses the analysis of data from the PTP to determine the relative safety standards in the industry and to assist in rectifying specific problem areas that may be identified (for example, the benefits of environmental monitoring).

Standards Interpretation & Guidance:

→ Development of concise and relevant information for industry on the various issues relating to the use and interpretation of the Food Standards Code in regard to products, descriptions and labelling.

→ Commencement of qualitative Risk Profiles / Assessments within the industry including Risk Analysis training for staff from the Joint Institute for Food Safety and Nutrition. Knowledge in this area will be paramount for the organisation and industry, particularly in the assessment of manufacturers' Food Safety Programs for approval.

Knowledge Management into the Future

The Knowledge Management group will continue on its path of collection and dissemination of information that is relevant and useful to the industry. The evolution of both AMRA and PTP Surveys to maximise both efficiencies in the detection of chemical residues and revision of safety standards will continue. The role of DFSV's Knowledge Management group will be to provide timely transfer of information from the surveys and from other areas within DFSV to industry stakeholders.



The Knowledge Management group liaises closely with food industry safety researchers to improve the knowledge of hazards and risks that will be of concern to the industry in the future.

Operations

The new auditing system is outcome-based and permits DFSV resources to be deployed to address non-compliance.

The Operations team is responsible for delivering DFSV's services relating to audit, licensing (a function of audit) and compliance. In addition to this, the team also provides export certification services on behalf of the Australian Quarantine Inspection Service (AQIS).

Under the strategic direction of LEADS, the services provided by the Operations team primarily relate to:

- a) Greater focus on food safety program approval and compliance services.
- b) Reduction in audit provision.
- c) Increase in audit and approved auditor management.
- d) Delivery of a more effective licensing system.
- e) Greater harmonisation of export and domestic services.

Progress Report

In order to implement LEADS, during the year under review the Operations group commenced delivery of several projects. These include the following:

- Development and implementation of new licensing policy and procedures.
- Development and implementation of new audit policy and procedures. New audit arrangements were implemented for domestic manufacturers between 1 January 2006 and 30 June 2006. These new arrangements provided greater efficiency and effectiveness over the previous system and align with commercial auditing arrangements, therefore reducing duplication.

There were 24 serious incidents during the reporting period, all of which have been satisfactorily closed out.

Looking forward

The new system is outcome-based and permits DFSV resources to be deployed to address non-compliance. In the next 12 months, projects that have already commenced will be fully implemented. These projects are:

- Approval of food safety programs for manufacturers, distributors and carriers.
- Development and implementation of new compliance policy and procedures.
- Review and improvement of consumer complaint procedures.
- Outsourcing of audit services to approved auditors for the manufacturing sector.
- Development and implementation of approved auditor management policy and procedures through the whole dairy production and processing chain.

Kevin Moze



Ian Haynes





The bulk renewal process for dairy farm licences resulted in the fastest and most streamlined licence renewal process in the history of DFSV.

Governance & Corporate Services

DFSV's Governance & Corporate Services group was previously known as Business Services. The team's role is to provide accounting, administration and secretariat services for DFSV.

Increased Accountability to Stakeholders

The year 2005/06 saw an increase in the statutory reporting requirements of DFSV, specifically financial reporting and accountability.

During the year, a review of the Business Services group resulted in structural changes that involved the transfer of responsibility for licensing policy to the Operations area, and the transfer of strategic IT responsibility to the Knowledge Management group. These changes reduced the workload and provided the opportunity for greater focus on the financial sustainability of the business.

Operationally, improvements in IT infrastructure have provided greater flexibility for DFSV's workforce. Increasingly, staff have improved access to DFSV systems while working away from the office – either from home or from remote locations – enabling them to be more 'in touch' with rural areas while providing flexible working arrangements to maintain our valuable human investment.

Internally, a four-year Financial Plan, HR Plan, and IT Strategy were developed and endorsed by the Board.

While all these plans took into consideration the impacts of LEADS, work continues on the alignment of the various strategies to ensure a successful implementation of this major initiative.

The HR Plan allows for continued investment in our people. During the year, DFSV continued to invest in training and development activities. All staff participated in evidentiary training (with the Offence Management Unit) directly related to regulatory enforcement. These skills needed to be reinforced because of the departure of experienced staff since 2000.

An internal Risk Committee was formed at senior management level. The purpose of this committee is to ensure that risk management has a continued focus in the organisation and that risk management is strategically aligned with the Corporate Plan. This Committee reports to the CEO.

Licensing Success

A process which had previously taken several months, was completed within six weeks. The same process is being used this year, with learnings from last year implemented, and we look forward to further increases in efficiency as stakeholders become more confident in using this system.

DFSV also introduced an enhanced licensing database which now provides improved reporting capabilities.

Victorian Competition and Efficiency Commission Inquiry

The Victorian Competition and Efficiency Commission's (VCEC) 'Regional Inquiry on Regulation & Regional Victoria Challenges & Opportunities' considered food safety regulation operating in the primary industry and other sectors of the Victorian food industry. It made a number of recommendations, some of which potentially impact on DFSV operations.

The report acknowledges that the Victorian Government has taken a leadership role in food regulatory management in Australia and has implemented systems which have consistent policy foundations, but allow flexibility to meet the particular needs of industry.

DFSV must provide an action plan to demonstrate its ongoing commitment to minimise regulatory duplication. This action plan is inherent in Project LEADS.

Good Governance

From the 2006/07 financial year, the functions of this group will be incorporated into the core business of the organisation to increase efficiency and ensure that good risk management is integrated into every part of our business. This will subsequently ensure that the running of DFSV's business is beyond reproach.

Licence Statistics

Licence Types	30 June 05	1 July 05 to 30 June 06		30 June 06
	No. of Licences	Licence Issued	Licence Cancelled	Licence Transferred
Carriers	50		7	2
Dairy Manufacturers (Including goat/sheep)	141	16	9	9
Dairy Farms (Including goat/sheep)	6108	23	202	123
Milk Broker	2		0	0
Distributor	139	3	4	8
TOTAL	6440	42	222	142



The DFSV Board is appointed on the basis of individual skills and expertise rather than industry sector representation.

Corporate Governance Statements

Charter and Purpose

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

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

Objectives of the Authority

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

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

Functions of the Authority

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

1. establish, maintain and improve:
 - the food safety standards of dairy food;
 - the standards of construction and hygiene of plant and equipment in a dairy manufacturing premises;
 - the standards of maintenance, cleanliness and hygiene of dairy transport vehicles.
2. monitor and review the standards specified in paragraph (1).
3. approve and monitor the implementation of food safety programs.
4. administer the licensing system under Part 3 of the *Dairy Act 2000*.
5. ensure that appropriately qualified persons are appointed as authorised officers.
6. fix and charge fees in respect of the carrying out of its functions or the exercise of its powers.

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

Powers of the Authority

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

Also, DFSV may:

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

Catherine Adler



Calvin Robinson



Board of Directors

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

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

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

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

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

Board Committees

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

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

The Remuneration and Human Resources Policy Committee was established to assist the Board in fulfilling its statutory responsibilities relating to the remuneration of the CEO and Executive Management Team. The Committee also assists the Board in the formulation of Human Resource Management policies and procedures. Members of this committee are: Mr Trevor Tappenden (Acting Chair), Dr Jennifer Robertson and Ms Margaret Darton. Ms Shirley Harlock chaired this Committee until her appointment to the Chairmanship of the Board in April 2006.

Ethical Standards

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

DFSV has also established its own Code of Conduct which guides staff in the conduct of their working relationships and maintenance of professional standards.

Occupational Health and Safety

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

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 2005 to 30 June 2006.

National Competition Policy

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

Freedom of Information

The *Freedom of Information Act 1982* gives the public a right to apply for access to documents held by Dairy Food Safety Victoria. DFSV is a prescribed authority for the purposes of the *Freedom of Information Act 1982*. During the 12 months ended 30 June 2006, there were no FOI requests received by DFSV.

Freedom of Information requests must be made in writing describing the documents requested and including payment of a \$21 application fee. The fee may be waived if the payment is likely to cause hardship to the applicant. Assistance can be provided to applicants to help determine the type of documents being requested.

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

Requests for information should be sent to:

Freedom of Information Officer
Dairy Food Safety Victoria
P O Box 840
(Level 1, 313 Burwood Road)
Hawthorn Victoria 3122

Whistle Blowers' Legislation

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

Disclosures made under the Whistleblowers Protection Act 2001

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

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

The Protected Disclosure Coordinator:

P O Box 840
(1/313 Burwood Road)
Hawthorn Victoria 3122
Ph: 03 9810 5900
Fax: 03 9819 4299

The Ombudsman Victoria

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

Consultancies

During the 12 months ended 30 June 2006, ten consultants were engaged at a total cost of \$76,881. For the year ended 30 June 2005, ten consultants were engaged at a total cost of \$85,775.

Building Act 1993

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

Statement of Availability of Other Information

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

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

- Statement that declarations of pecuniary interests and shares held have been duly completed by relevant officers;
- Details of publications produced by the entity about the entity and the places where the publications can be obtained;
- Details of changes in prices, fees, charges, rates and levies charges by the entity for its services — in the Report of Operations.

Marie Lockwood



Kelly Long



Staff Profile by position as at 30 June 2006

Position	Male 2006	Male 2005	Female 2006	Female 2005	Total 2006	Total 2005
Executive officers	3	3	2	1	5	4
Administrative staff	-	-	4.2	2.4	4.2	2.4
Financial / Accounting staff	1	1	.6	.8	1.6	1.8
Technical staff	5	7	5	4.5	10	11.5
Casuals	-	-	-	-	-	-
Totals	9	11	11.8	8.7	20.8	19.7

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



Financial Statements
for the Year Ended
30 June 2006

Operating Statement

For the Financial Year Ended 30 June 2006

	Note	2006 \$	2005 \$
Income			
Revenue	2(a)	3,894,866	3,820,526
Total income		3,894,866	3,820,526
Expenses			
Marketing expenses	2(b)	42,006	22,046
Employee benefits expenses	2(c)	1,898,521	1,697,781
Occupancy expenses	2(d)	293,266	281,929
Depreciation and amortisation expenses	2(e)	120,407	117,271
Administration and other expenses	2(f)	1,336,762	1,497,026
Total expenses		3,690,962	3,616,053
Net result for the year		203,904	204,473

Balance Sheet

as at 30 June 2006

	Note	2006 \$	2005 \$
Current assets			
Cash and cash equivalents	4	2,197,134	1,803,248
Receivables	5	410,304	501,783
Other	6	9,110	8,580
Total current assets		2,616,548	2,313,611
Non-current assets			
Plant and equipment	7	287,889	284,381
Total non-current assets		287,889	284,381
Total assets		2,904,437	2,597,992
Current liabilities			
Payables	8	508,802	447,419
Provisions	9	165,798	150,179
Total current liabilities		674,600	597,598
Non-current liabilities			
Provisions	9	271,086	245,547
Total non-current liabilities		271,086	245,547
Total liabilities		945,686	843,145
Total Net Assets		1,958,751	1,754,847
Equity			
Contributed capital		1,800,000	1,800,000
Accumulated surplus (deficit)		158,751	(45,153)
Total equity		1,958,751	1,754,847
Contingent liabilities and contingent assets	10	-	-

of Recognised Income and Expenditure for the Financial Year Ended 30 June 2006

	Accumulated surplus (deficit) \$	Contributed capital \$	Total \$
Balance at 1 July 2004	(249,626)	1,800,000	1,550,374
Net result for year	204,473	-	204,473
30 June 2005	(45,153)	1,800,000	1,754,847
Net result for year	203,904	-	203,904
30 June 2006	158,751	1,800,000	1,958,751

for the Financial Year Ended 30 June 2006

	2006 Note	2005 \$	\$
Cash flows from operating activities			
Receipts from other entities		3,723,817	3,787,705
Payment to suppliers and employees		(3,408,593)	(3,640,935)
Interest received		114,283	82,981
Goods and Services Tax recovered from the ATO		147,199	159,324
Goods and Services Tax paid to the ATO		(48,186)	(53,910)
Net cash provided by (used in) operating activities	18(b)	528,520	335,165
Cash flows from investing activities			
Proceeds from sale of plant and equipment		35,086	273
Payment for plant and equipment		(169,720)	(119,743)
Net cash provided by (used in) investing activities		(134,634)	(119,470)
Net increase (decrease) in cash held		393,886	215,695
Cash and cash equivalents at the beginning of the financial year		1,803,248	1,587,553
Cash and cash equivalents at the end of the financial year	18(a)	2,197,134	1,803,248

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 and Urgent Issues Group Interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS').

The following is a summary of the material accounting policies adopted by Dairy Food Safety Victoria (DFSV) in the preparation of the financial report.

Basis of preparation

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

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

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

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed throughout the notes in the financial statements.

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

The entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the entity's financial position, financial performance and cash flows is discussed in Note 21.

The entity has also elected to apply Accounting Standard 2004-5 and 2005-6 'Amendments to Accounting Standards' (June 2005), even though the Standard is not required to be applied until annual reporting periods after 1 January 2006. These standards relate to financial instruments.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004, the entity's date of transition, except for the accounting policies in respect of financial instruments. The entity has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information and the impact of the changes in these accounting policies are discussed further in Note 22.

(a) Objectives and Funding

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

The entity fixes and charges fees for its services which covers annual licence fees and audit and inspection fees.

(b) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of the expense; or
- for receivables and payables in which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and short-term investments.

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are used in the cash management function on a day to day basis.

(d) Receivables

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

(e) Plant and Equipment

Plant and equipment is carried at cost less accumulated depreciation and impairment.

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

Restoration Cost

DFSV has allowed for restoration costs of \$20,000 in relation to leased premises. The present value of this amount has been reflected as an asset and liability. Refer to Note 7 for the capitalisation of the asset which is included with leasehold improvements, Note 9 for recognition of the liability and Note 21 for the effect of restoration costs on the A-IFRS financial statements.

(f) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is generally calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

Class of Asset	Useful Life of Asset
Furniture and fittings	10 years
Motor vehicles	6.7 years
Plant and equipment	Varies from 3 to 10 years

(g) Leasehold Improvements

The cost of improvements to or on leasehold properties are amortised over the unexpired period of the lease or the estimated useful life of the improvement to the entity, whichever is the shorter. Leasehold improvements held at reporting date are being amortised over 6 years.

(h) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

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

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

Superannuation*Defined contribution plans*

Contributions to defined contribution superannuation plans are expensed when incurred.

The amount charged to the operating statement in respect of defined benefit plan superannuation represents the contributions made by DFSV to the superannuation plan in respect to the current services of certain staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

Defined benefit plans - Vision Superannuation and Government Superannuation Fund (new scheme)

The amount charged to the operating statement in respect of defined benefit plan superannuation represents the contributions made by DFSV to the superannuation plan in respect to the current services of current staff of DFSV. Superannuation contributions are made to the plans based on the relevant rules of each plan.

DFSV does not recognise any defined benefit liability in respect of the superannuation 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 administers and discloses the State's defined benefit liabilities in its financial report.

Defined benefit plans - Government Superannuation Fund (revised scheme)

A liability or asset in respect of defined benefit superannuation plans is recognised in the provision for employee benefits, and is deemed using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full in the operating statement in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available funds and reductions in the future contributions to the plan.

(i) Financial assets

The Authority classifies its investments in the following categories: financial assets at fair value recognised through the profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value recognised through profit and loss

Investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the profit or loss.

Held-to-maturity investments

Where DFSV has the positive intent and ability to hold investments to maturity, they are stated at amortised cost less impairment losses.

Available-for-sale financial assets

Other investments held by DFSV are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the year.

Loans and receivables

Trade receivables and other receivables are recorded at amortised cost, using the effective interest method, less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash flows through the expected life of the financial asset, or, where appropriate, a shorter period.

(j) Functional and Presentation Currency

The functional currency of the entity is the Australian dollar, which has also been identified as the presentation currency of the entity.

(k) Leases

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

The entity only utilises operating leases and does not have any finance leases.

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

(l) Payables

Payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(m) 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.

(n) Revenue Recognition

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

Licence fees

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

Interest revenue

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

(o) Income Tax

Dairy Food Safety Victoria is a statutory body that is exempt from income tax under the State and Territory Bodies provisions in Division 1AB of the *Income Tax Assessment Act 1936*, section 24AR.

(p) Impairment of Assets

All assets are assessed annually for indications of impairments except for financial assets.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the operating statement.

The recoverable amount for most assets measured at the higher of depreciated replacement cost and fair value less costs to sell.

for the Financial Year Ended 30 June 2006

	Note	2006 \$	2005 \$
2 Net Result from Operations			
Income			
(a) Revenue			
Licence fees		3,271,131	3,172,653
Audit and inspection fees		201,293	228,846
Australian Milk Residue (AMRA) survey		307,403	299,632
Interest received and receivable from investments		114,283	82,981
Other income		756	36,414
		<u>3,894,866</u>	<u>3,820,526</u>
Expenses			
(b) Marketing expenses			
Promotions and promotional material		24,466	4,150
Publicity expenses		17,540	17,896
		<u>42,006</u>	<u>22,046</u>
(c) Employee benefits expenses			
Salaries and wages expenses		1,557,975	1,442,621
Superannuation expenses:			
Defined benefit expenses		111,752	103,015
Other superannuation expenses		44,871	41,215
Other employee benefits expenses		183,923	110,930
		<u>1,898,521</u>	<u>1,697,781</u>
(d) Occupancy expenses			
Rent – minimum lease payments		206,817	200,723
Rates and utilities		21,138	17,716
Insurance		1,573	1,389
Cleaning and maintenance		14,202	13,533
Other		49,536	48,568
		<u>293,266</u>	<u>281,929</u>
(e) Depreciation and amortisation expenses			
Depreciation of non-current physical assets		110,296	112,979
Written-down value of assets scrapped	7	10,111	4,292
		<u>120,407</u>	<u>117,271</u>
(f) Administration and other expenses			
Audit fees	3	13,100	12,800
Bad and doubtful debts		1,854	(8,000)
Net (gain) / loss on disposal of plant and equipment		10,740	(273)
Operating lease – minimum lease payments		74,432	84,807
Consultancy, legal and professional services		209,802	190,098
Product testing and laboratory evaluation costs		272,080	273,190
Other expenses	2(g)	754,754	944,404
		<u>1,336,762</u>	<u>1,497,026</u>
(g) Significant items			
The following significant items were included in the results from ordinary activities:			
Dairy Food Safety Victoria was required to cover unfunded superannuation liabilities relating to employees of Victorian Dairy Industry Authority who did not transfer to Dairy Food Safety Victoria.			
Amount paid to Vision Super Pty Ltd during year		-	150,110
Amount recognised in the financial statements at year end as interest payable to Vision Super Pty Ltd		-	46,000
		-	<u>196,110</u>

for the Financial Year Ended 30 June 2006

	Note	2006 \$	2005 \$
3 Remuneration of Auditors			
Victorian Auditor-General's Office			
Paid as at 30 June – re prior year's audit		10,240	8,244
Paid as at 30 June – re current year's audit		2,600	2,560
Payable as at 30 June		10,500	10,240
		<u>13,100</u>	<u>12,800</u>
Amount paid and due and payable for audit services		<u>23,340</u>	<u>21,044</u>
Other non-audit services		-	-
4 Cash and cash equivalents			
Cash on hand		1,434	2,060
Cash at bank		73,272	87,528
Interest bearing deposits		2,122,428	1,713,660
		<u>2,197,134</u>	<u>1,803,248</u>
5 Receivables			
Trade debtors		41,945	36,291
Dairy industry licence fees		310,787	433,022
Other debtors		59,426	32,470
Allowance for doubtful debts		(1,854)	-
		<u>410,304</u>	<u>501,783</u>
The average credit period for all receivables is 30 days. Although no interest is charged, a late fee is charged after 14 days.			
6 Other assets			
Prepayments		9,110	8,580
7 Plant and equipment			
Leasehold improvements – at cost		151,055	139,910
Less: Accumulated amortisation		(117,642)	(110,020)
		<u>33,413</u>	<u>29,890</u>
Furniture and fittings – at cost		82,028	77,894
Less: Accumulated depreciation		(26,873)	(18,960)
		<u>55,155</u>	<u>58,934</u>
Motor Vehicles – at cost		131,250	87,233
Less: Accumulated depreciation		(15,118)	(8,571)
		<u>116,132</u>	<u>78,662</u>
Plant and equipment – at cost		417,891	384,031
Less: Accumulated depreciation		(334,702)	(267,136)
		<u>83,189</u>	<u>116,895</u>
Total plant and equipment		<u>287,889</u>	<u>284,381</u>

for the Financial Year Ended 30 June 2006

	Leasehold improvements	Furniture and fittings	Motor Vehicles	Plant and equipment	Total
	\$	\$	\$	\$	\$
Carrying amount					
Balance at 1 July 2004	35,805	64,858	-	181,246	281,909
Additions	930	1,800	87,232	29,781	119,743
Scrapped assets	-	-	-	(4,292)	(4,292)
Depreciation / amortisation expenses	(6,845)	(7,724)	(8,570)	(89,840)	(112,979)
Balance at 1 July 2005	29,890	58,934	78,662	116,895	284,381
Additions	11,145	4,134	101,874	52,567	169,720
Disposals	-	-	(45,694)	(111)	(45,805)
Scrapped assets	-	-	-	(10,111)	(10,111)
Depreciation / amortisation expenses	(7,622)	(7,913)	(18,710)	(76,051)	(110,296)
Balance at 30 June 2006	33,413	55,155	116,132	83,189	287,889

	Note	2006	2005
		\$	\$
8 Payables			
Trade creditors		136,874	43,572
Other creditors		371,928	403,847
		508,802	447,419

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

9 Provisions

	2006	2005
	\$	\$
Current		
Employee benefits	165,798	150,179
Non-current		
Employee benefits	258,194	233,269
Restoration of leased premises	12,892	12,278
	271,086	245,547
Total employee benefits	423,992	383,448
<i>Movement of provision for restoration of leased premises</i>		
Opening Balance	12,278	11,700
Additional provision raised for year and charged in the Income Statement to Finance Expenses	614	578
Closing balance	12,892	12,278

10 Contingent Liabilities and Contingent Assets

Contingent Liabilities

Dairy Food Safety Victoria 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.

11 Commitment for Expenditure

(a) Operating Lease Commitments

Lease rental expense commitments at 30 June 2006 are in respect of premises (at Melbourne, Shepparton and Warrnambool), office equipment and motor vehicles. Operating leases generally provide the entity with a right of renewal at which time all terms are renegotiated.

Dairy Food Safety Victoria entered into a Heads of Agreement to lease premises at 313 Burwood Road, Hawthorn from 1 July 2003 for a period of three years. The option to renew the agreement has been exercised and the operating lease commitment for the year ending 30 June 2007 is \$174,666 per annum (plus yearly CPI increases).

for the Financial Year Ended 30 June 2006

	Note	2006	2005
		\$	\$
Non-cancellable Operating Leases			
Not longer than one year		263,439	250,614
Longer than one year and not longer than five years		485,878	34,656
		749,317	285,270
(b) 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		586,330	855,080
Later than one year, but not later than five years		159,393	785,426
		745,723	1,640,506
(c) Outsourcing Commitments			
Commitments under outsourcing contracts for Information Technology services in existence at the reporting date but not recognised as liabilities and are payable:			
Within one year		59,400	54,000
Later than one year, but not later than five years		118,800	-
		178,200	54,000

12 Charge over Assets

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

13 Segment Information

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

14 Responsible Persons

(a) Board members

The names of persons who were directors of Dairy Food Safety Victoria at any time during the year are as follows:

Ms S Harlock	Chairman	Appointed 12 April 2006
Dr D E Hore	Chairman	Retired 10 April 2006
Ms M Darton		
Mr P Ford		
Dr J Robertson		
Dr J Sullivan		
Mr T Tappenden		

Remuneration

The number of responsible persons of the Authority in each of their relevant remuneration bands is shown hereunder with the exception of the Chief Executive Officer whose remuneration is included in the remuneration for Executive Officers.

	2006	2005
\$0 - \$9,999	5	4
\$10,000 - \$19,999	1	2
\$20,000 - \$29,999	1	1

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

Remuneration excluding superannuation	51,570	66,930
Superannuation contributions	2,600	5,381

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

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

for the Financial Year Ended 30 June 2006

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

There have been no transactions between related parties and responsible persons, other than one Director is a Licensee of DFSV and one Director is a contractor to a DFSV Licensee.

(b) Remuneration of executives

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

Income band	Total remuneration		Base remuneration	
	2006 No.	2005 No.	2006 No.	2005 No.
\$180,000 - \$189,999	1	-	-	-
\$170,000 - \$179,999	-	-	-	-
\$160,000 - \$169,999	-	1	-	-
\$150,000 - \$159,999	-	-	1	-
\$140,000 - \$149,999	-	-	-	-
\$130,000 - \$139,999	1	-	-	1
\$120,000 - \$129,999	-	1	-	-
\$110,000 - \$119,999	2	1	1	-
\$100,000 - \$109,999	-	1	-	1

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

(c) Other Responsible Persons

Responsible Minister: Hon B. Cameron MP

(d) Insurance Premiums

During the financial year, DFSV paid an insurance premium of \$37,724 (2005: \$36,642) in respect of a contract insuring the members and executive officers of DFSV against a liability arising as a result of work performed in their capacity as members or executive officers.

Note	2006 \$	2005 \$
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15 Ex-gratia payments

The entity has made the following ex-gratia payments:

Ex-gratia payments	-	-
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16 Related Party Disclosures

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

During or since the financial period no member or director of the entity has received or become entitled to receive a benefit other than a benefit included in the aggregate amount of members' remuneration by reason of a transaction between DFSV or a related body corporate with a member or director or with a member or director-related party.

17 Events occurring after reporting date

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

18 Cash Flow Information**(a) Reconciliation of cash**

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks, and interest bearing deposits. Cash at the end of the financial period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash and cash equivalents	4	2,197,134	1,803,248
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for the Financial Year Ended 30 June 2006

	Note	2006 \$	2005 \$
(b) Reconciliation of net result for period to net cash flows from operating activities			
Net result for the year		203,904	204,473
(Gain) / Loss on sale or disposal of non-current assets		20,830	4,019
Depreciation and amortisation of non-current assets	8	110,296	112,979
Doubtful debts provided (reduced)		1,855	(8,000)
Changes in net assets and liabilities:			
(Increase) / Decrease in assets:			
Receivables		89,624	(3,750)
Other assets		(530)	(2,137)
Increase / (Decrease) in liabilities:			
Payables		61,383	42,680
Provisions		41,158	(15,099)
Net cash from operating activities		528,520	335,165

19 Superannuation**(a) Contributions**

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

	Cont'bn for the year 2006 \$	Cont'bn for the year 2005 \$	Cont'bn o'standing at year end 2006 \$	Cont'bn o'standing at year end 2005 \$
Vision Super (formerly LASB Super)	4,950	4,214	-	-
Government Superannuation Office	62,750	52,656	-	-
Victorian Superannuation Fund – VicSuper	44,052	46,145	-	-
Care Super	5,226	4,173	-	-
Unisuper	-	1,465	-	-
AXA Life Ltd	3,320	1,825	-	-
AMP Life Ltd	8,197	8,396	-	-
CAAR Super	10,156	9,718	-	-
Westpac Life	5,671	5,400	-	-
REST Super	5,270	2,995	-	-
MLC Super	5,720	5,447	-	-
Various other	1,311	1,796	-	128
	156,623	144,230	-	128

Superannuation contributions for the reporting period are included as part of salaries and associated costs in the statement of financial performance of the entity. No liability is recognised in the statement of financial performance of the State's unfunded superannuation liability. The State's unfunded superannuation liability has been reflected in the financial statements of the Department of Treasury and Finance.

The basis for contributions are determined by the various schemes.

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

(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 employer, the Actuary is unable allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) to AASB 119, DFSV does not use defined benefit accounting for these contributions

DFSV makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 31 December 2005, the Trustee has determined that the current funding arrangements are adequate for the expected Defined Benefit Plan liabilities. DFSV makes the following contributions:-

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

The Fund's liability for accrued benefits was determined in the 31 December 2005 actuarial investigation pursuant to the requirements of Australian Accounting Standard AAS25 as follows:

	31/12/05 \$'000
Net Market Value of Assets	3,255,842
Accrued Benefits (per accounting standards)	3,118,911
Difference between Assets and Accrued Benefits	136,931
Vested Benefits	2,865,633

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

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

A review of the reported net market value of the assets and accrued benefits of the Fund at 31 December 2005 indicates no adverse impact on the Balance Sheet of DFSV at that date.

Government Superannuation Fund – New Scheme

DFSV pays employer superannuation contributions of between 9.7% to 10.5% of salaries in respect of its members who are in the New Scheme. The Consolidated Fund of the Victorian State Government is responsible for the unfunded liability related to employees of DFSV. This scheme is closed to new members. The fund is a Defined Benefits Plan.

Government Superannuation Fund – Revised Scheme

DFSV pays employer superannuation contributions of 17.0% of salaries in respect of its members who are in the Revised Scheme. The Consolidated Fund of the Victorian State Government is responsible for the unfunded liability related to employees of DFSV. This scheme is closed to new members. The fund is a Defined Benefits Plan.

Victorian Superannuation Fund – VicSuper

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

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

Other Superannuation Funds

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

(c) Loans

DFSV has no loans with any of the superannuation funds.

(d) Outstanding Contributions

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

20 Transactions with other Victorian Government Controlled Entities

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

	2006 Intra \$	2006 Inter \$	2005 Intra \$	2005 Inter \$
Assets	-	-	-	-
Liabilities	-	-	-	-
Revenues	-	114,283	-	82,981
Expenses	21,070	84,646	-	76,436

"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.

21 Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The entity changed its accounting policies, other than its accounting policies for financial instruments, on 1 July 2004 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with the Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the Foundation's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Effect of A-IFRS on the balance sheet as at 1 July 2004

	Note	Superseded policies* \$	Effect of transition to A-IFRS \$	A-IFRS \$
Current assets:				
Cash and cash equivalents		73,893	-	73,893
Receivables		490,033	-	490,033
Other		6,443	-	6,443
Other financial assets		1,513,660	-	1,513,660
Total current assets		2,084,029	-	2,084,029
Non-current assets:				
Plant and equipment	(a)	271,826	10,083	281,909
Total non-current assets		271,826	10,083	281,909
Total assets		2,355,855	10,083	2,365,938
Current liabilities:				
Payables		404,739	-	404,739
Provisions		174,327	-	174,327
Total current liabilities		579,066	-	579,066
Non-current liabilities:				
Provisions		224,798	-	224,798
Restoration liability	(b)	-	11,700	11,700
Total non-current liabilities		224,798	11,700	236,498
Total liabilities		803,864	11,700	815,564
Net assets		1,551,991	(1,617)	1,550,374
Equity:				
Contributed equity		1,800,000	-	1,800,000
Accumulated deficit	(c)	(248,009)	(1,617)	(249,626)
Total equity		1,551,991	(1,617)	1,550,374

* Reported financial position for the financial year ended 30 June 2004

for the Financial Year Ended 30 June 2006

Note	Superseded policies* \$	Effect of transition to A-IFRS \$	A-IFRS \$
Effect of A-IFRS on the operating statement for the financial year ended 30 June 2005			
Income			
Revenue	3,820,526		3,820,526
Other income	273		273
Expenses			
Marketing expenses	22,046		22,046
Employee benefits expenses	1,697,781		1,697,781
Occupancy expenses	281,929		281,929
Depreciation and amortisation expenses	(a) 116,354	917	117,271
Administration expenses	(b) 1,496,721	578	1,497,299
Net result for the period	(c) 205,968	1,495	204,473

* Reported financial results for the year ended 30 June 2005

Effect of A-IFRS on the balance sheet as at 30 June 2005

Note	Superseded A-IFRS policies* \$	Effect of transition to A-IFRS \$	A-IFRS \$
Current assets:			
Cash and cash equivalents	89,588	-	89,588
Receivables	501,783	-	501,783
Other	8,580	-	8,580
Other financial assets	1,713,660	-	1,713,660
Total current assets	2,313,611	-	2,313,611
Non-current assets:			
Plant and equipment	(a) 275,215	9,166	284,381
Total non-current assets	275,215	9,166	284,381
Total assets	2,588,826	9,166	2,597,992
Current liabilities:			
Payables	447,419	-	447,419
Provisions	150,179	-	150,179
Total current liabilities	597,598	-	597,598
Non-current liabilities:			
Provisions	233,269	-	233,269
Restoration liability	(b) -	12,278	12,278
Total non-current liabilities	233,269	12,278	245,547
Total liabilities	830,867	12,278	843,145
Net assets	1,757,959	(3,112)	1,754,847
Equity:			
Contributed equity	1,800,000	-	1,800,000
Accumulated deficit	(c) (42,041)	(3,112)	(45,153)
Total equity	1,757,959	(3,112)	1,754,847

* Reported financial position for the financial year ended 30 June 2005

for the Financial Year Ended 30 June 2006

(a) Plant and equipment

In accordance with *AASB 116 Plant and equipment*, the entity has capitalised restoration costs in relation to the leased premises. The directors deemed an amount of \$20,000 was reasonable and have capitalised the present value of these restoration costs at \$11,000 in the 1 July 2004 balance sheet. The capitalised restoration costs have been amortised on a straight-line basis over 12 years (being the lease term) resulting in an annual amortisation charge of \$917.

(b) Restoration liability

The current lease of the principal place of business commenced on 1 July 2003 for three years, with the option to further renew on a 3x3x3 lease term to 2015. *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* requires that the liability be measured at the amount required to settle the present obligation at reporting date. The present value of the liability for restoration as at 1 July 2004 was measured at \$11,700 in the balance sheet.

The present value calculation of the liability periodically unwinds resulting in an increase in restoration liability of \$578 and an expense of \$578 each year.

(c) Accumulated deficit

The effect of the above adjustments on accumulated deficit is as follows:

Note	1 July 2004 \$	30 June 2005 \$
Depreciation expense	(a) 917	1,834
Restoration expense	(b) 700	1,278
Total adjustment to accumulated deficit	1,617	3,112

22 Financial Instruments**(a) Financial risk management objectives**

The activities of DFSV expose it primarily to the financial risks of interest rates. The entity does not enter into derivative financial instruments to manage its exposure to interest rate risk. The entity does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes. The use of financial instruments is governed by the entity's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The policies for managing these risks are discussed in more detail below.

(b) Significant accounting policies

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

(c) Credit risk

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

DFSV does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The carrying amount of the financial assets recorded in the financial statements, net of any allowances for losses, represents the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

(d) Interest rate risk

The entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the entity intends to hold fixed assets and liabilities to maturity.

for the Financial Year Ended 30 June 2006

2006	Note	Weighted average-effective interest rate %	Variable interest rate \$	Maturity dates		Non-interest bearing \$	Total \$
				Less than 1 year \$	1-2 years \$		
Financial Assets:							
Cash and cash equivalents							
	4	0.0%	-	-	-	74,706	74,706
	4	5.5%	2,122,428	-	-	-	2,122,428
	5	0.0%	-	-	-	410,304	410,304
			2,122,428	-	-	485,010	2,607,438
Financial Liabilities:							
Payables							
	8	0.0%	-	-	-	508,802	508,802
Employee benefits							
	9	0.0%	-	-	-	423,992	423,992
			-	-	-	932,794	932,794
2005							
Financial Assets:							
Cash and cash equivalents							
	4	0.0%	-	-	-	89,588	89,588
	4	5.3%	1,713,660	-	-	-	1,713,660
	5	0.0%	-	-	-	501,783	501,783
			1,713,660	-	-	591,371	2,305,031
Financial Liabilities:							
Payables							
	8	0.0%	-	-	-	447,419	447,419
Employee benefits							
	9	0.0%	-	-	-	383,448	383,448
			-	-	-	830,867	830,867

(e) Fair value**(i) On-balance sheet**

Management consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value (2005: net fair value).

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

(ii) Off-balance sheet

The entity has a potential financial liability which may arise from a contingency disclosed in note 10. No material losses are anticipated in respect of that contingency.

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

	Note	2006 Carrying amount \$	Net fair value \$	2005 Carrying amount \$	Net fair value \$
On-balance sheet financial instruments					
Financial assets:					
Cash and cash equivalents					
	4	2,197,134	2,197,134	1,803,248	1,803,248
Receivables					
	5	410,304	410,304	501,783	501,783
		2,607,438	2,607,438	2,305,031	2,305,031
Financial liabilities:					
Payables					
	8	508,802	508,802	447,419	447,419
Employee benefits					
	9	423,992	423,992	383,448	383,448
		932,794	932,794	830,867	830,867
Off-balance sheet financial instruments					
Contingent liability					
		-	-	-	-

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

23 Subsequent Events

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

24 Entity's Details

The registered office and principal place of business of the entity is:
Dairy Food Safety Victoria
Level 1, 313 Burwood Road, Hawthorn VIC 3122
Web Site: www.dairysafe.vic.gov.au

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

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

We further state that, in our opinion, the information set out in the Operating Statement, the Balance Sheet, the Statement of Recognised Income and Expense, the Statement of Cash Flows and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2006 and financial position of Dairy Food Safety Victoria as at 30 June 2006.

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

Shirley Harlock
CHAIRMAN

Anne M Astin
CHIEF EXECUTIVE OFFICER

Kevin Moze
FINANCE MANAGER

23 August 2006



AUDITOR GENERAL
VICTORIA

INDEPENDENT AUDIT REPORT

Dairy Food Safety Victoria

To the Members of the Parliament of Victoria and the Members of the Board of Dairy Food Safety Victoria

Scope

The Financial Report

The accompanying financial report for the year ended 30 June 2006 of Dairy Food Safety Victoria consists of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, notes to and forming part of the financial report, and the Accountable Officers Declaration.

Trustees' Responsibility

The Directors of Dairy Food Safety Victoria are responsible for:

- the preparation and presentation of the financial report and the information it contains, including accounting policies and accounting estimates; and
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

Audit Approach

As required by the *Audit Act 1994*, an independent audit has been carried out, under the delegated authority provided by the Auditor-General in, order to express an opinion on the financial report. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report;
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the members;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and
- reviewing the overall presentation of information in the financial report.

These procedures have been undertaken to form an opinion as to whether the financial report is presented in all material respects fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of Dairy Food Safety Victoria's financial position, and its financial performance and cash flows.

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

Independence

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

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of Dairy Food Safety Victoria as at 30 June 2006 and its financial performance and cash flows for the year then ended.


David Nairn
Partner
HLB Mann Judd

Delegate of
J.W. CAMERON
MELBOURNE
23 August 2006

Victorian Auditor-General's Office Level 34, 140 William Street, Melbourne Victoria 3000
Telephone (03) 8601 7000 Facsimile (03) 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

Financial Review

of Operations and Financial Conditions

	2006 \$	2005 \$	2004 \$	2003 \$	2002 \$	2001 \$
Financial Summary						Represents 9 months of operations
Revenue from operating activities	3,779,827	3,700,858	3,142,390	2,951,336	2,675,826	1,759,866
Other revenue from non-operating activities	115,039	119,668	129,042	95,182	162,950	187,846
Total revenue	3,894,866	3,820,526	3,271,432	3,046,518	2,838,776	1,947,712
Net surplus (deficit) from operating activities	203,904	204,473	(19,675)	36,909	(169,489)	(79,759)
Net cash flow from operating activities	528,520	335,165	(90,733)	48,329	67,315	(229,697)
Total assets	2,904,437	2,597,992	2,355,855	2,323,736	2,455,277	2,390,535
Total liabilities	945,686	843,145	803,864	752,070	904,525	670,294
Total net assets / equity	1,958,751	1,754,847	1,551,991	1,571,666	1,550,752	1,720,241

Financial Year ended:

- 2006** For the financial year ended 30 June 2006 delivery of normal services and expenses incurred were within budgetary objectives. Under expenditure in Strategic objectives is related to delays in Information Technology software developments as part of the major change Project LEADS. Expenditure is expected to be incurred in the 2006/2007 financial year.
- 2005** In general, delivery of services and expenses incurred were within defined budgetary objectives, except for the following matter: Dairy Food Safety Victoria was required to cover unfunded superannuation liabilities relating to members of Vision Super, including employees of the Victorian Dairy Industry Authority who did not transfer to Dairy Food Safety Victoria and employees who did transfer to Dairy Food Safety Victoria. An amount of \$150,110 was paid to Vision Super during the year, and a further amount of \$46,000 was recognised as a liability at 30 June 2005 to cover interest payments.
- 2004** For the financial year ended June 2004, the entity's results from ordinary activities was affected by a change in accounting policy for revenue recognition. This change in accounting policy for revenue recognition resulted in seven months of income from farm licence fees being recognised to 30 June 2004. The impact of this change in accounting policy upon revenue recognition for the year ended 30 June 2004 was a shortfall in revenue of \$393,136 over the prior year.
- 2001** 2001 represents nine months of operations.