



**DAIRY AUTHORITY  
OF  
SOUTH AUSTRALIA**

**Nineteenth Report**

**of the**

**DAIRY AUTHORITY OF SOUTH AUSTRALIA**

**for the**

**Twelve months ended 30 June 2012**

**PRIMARY PRODUCE  
(FOOD SAFETY SCHEMES) ACT 2004  
SOUTH AUSTRALIA**

## 2011-2012 HIGHLIGHTS

- The Authority has continued to carry out its functions under the Primary Produce (Food Safety Schemes) (Dairy Industry) Act 2004 and the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005.
- The South Australian dairy industry produced 599.3 million litres of milk from an average of 281 dairy farms during 2011-12. Production has been declining very slowly but has been maintained at about 600M litres for 20 years
- The dairy industry had a decrease of 0.7% in total milk production compared with 2010-11. Increases occurred in the South East region.
- The number of accredited dairy processors decreased from 46 to 43 at the 30 June 2012.
- The Authority has worked closely with DAFF Biosecurity and the other states to progress national auditing and verification issues, and to address issues arising from the EU reviews of the Australian dairy industry. Authority staff participated in an EU review of an SA dairy processor during the year.
- All businesses accredited by the Dairy Authority of South Australia have been audited and non conformities and product failures have been addressed in a timely manner.
- The Authority has continued to have a close working relationship with accredited businesses, industry organisations and State, Federal and Local Government agencies, as appropriate. The Authority has continued to conduct audits on behalf of DAFF Biosecurity.
- All regulatory food safety auditors in Australia are required to be trained and assessed as competent under the National Regulatory Food Safety Auditor Framework. Authority staff continue to undergo relevant training, to ensure their competencies are maintained as high risk food safety auditors.
- Towards the end of the year Lion Dairy & Drinks sold their Jervois and Murray Bridge sites to United Dairy Power Pty Ltd. This has led to a large percentage of dairy farmers in the Adelaide hills area transferring from Lion Dairy & Drinks to United Dairy Power with some producers in the south east now supplying other processors.
- After nineteen years with the Dairy Authority, the long standing and well respected Chief Executive Officer, Mr Steve Rice retired.

## **DAIRY AUTHORITY MEMBERS**

Chair	C S Cooper
Member	T D Keele
Member	MJB Russell

## **STAFF**

Chief Executive Officer	S J Rice (till January 2012) JR Crosby (from February 2012)
Accountant	R Galluccio
Food Safety Officer Dairy	F J Little
Food Safety Officer Dairy	A W Marchioro (till June 2012)

## **DAIRY AUTHORITY OF SOUTH AUSTRALIA**

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# DAIRY AUTHORITY OF SOUTH AUSTRALIA

## ANNUAL REPORT

The Hon Gail Gago MLC  
Minister for Agriculture, Food and Fisheries  
GPO Box 1671  
ADELAIDE SA 5001

Dear Minister

Pursuant to the Primary Produce (Food Safety Schemes) Act 2004 and Regulation 14 of the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005, the Dairy Authority of South Australia presents its nineteenth annual report and Statement of Accounts for the year ended 30 June 2012.

The Authority is an independent statutory authority fully financed by the dairy industry. The Authority was established on 1 July 1993. The Authority consists of three Members appointed by the Governor, one of whom is appointed as Chairperson.

### **Authority Issues**

The Authority met on eight occasions during the year.

During the year the CEO, Mr Stephen Rice retired on the 31<sup>st</sup> January 2012. He was replaced by Mr John Crosby.

Emergent conflicts of interest are noted and minuted throughout the course of the year. Each Board Member has declared no related party transaction in this financial year.

### **Mission Statement of the Dairy Authority of South Australia**

The Mission of the Dairy Authority of South Australia is to work in a successful partnership to assist the South Australian and Australian dairy industry to produce and distribute high quality safe dairy products.

### **Functions of the Authority**

The functions of the Authority are defined in Regulation 12 of the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005 as follows:-

- (1) The Authority is the accreditation body for the classes of activities to which the dairy industry food safety scheme applies.
- (2) The Authority has the following functions:
  - (a) to administer the dairy industry food safety scheme;
  - (b) to monitor the extent of compliance by accredited producers with Standard 4.2.4 of the Food Standards Code and to enforce the Standard.
  - (c) to approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements;
  - (d) to advise the Minister on matters relating to the administration of the dairy industry food safety scheme;
  - (e) to carry out other functions assigned to the Authority by these regulations or the Minister.

## **Corporate Plan**

The Authority has in place a Strategic Plan 2009-2012. It is due to be updated and refreshed in the coming year.

The strategies in the Strategic Plan reflect the functions as defined by the Act, and key strategies set by the Authority. This annual report assesses performance in all areas covered in the Strategic Plan.

The Authority's strategies are predominantly determined by the legislation. The Authority works with all dairy production businesses to ensure they are accredited, with implemented food safety programs, and contribute to producing safe dairy products for domestic and export sale.

## **The South Australian Dairy Industry – Statistics**

The South Australian dairy industry produced 599.3 million litres of milk from an average of 281 dairy farms during 2011-12, a decrease of 0.7% on 2010-11 production. Average production per cow in 2011-12 was 6,848 litres, an increase of 2.4%. Cow numbers as at 30 June 2012 decreased 3.0% to 86,171 compared with the previous year.

During 2011-12 dairy farm numbers decreased by 3.5% from 286 to 275 at 30 June 2012. This is a significant slowdown in the loss of numbers of dairy farming properties. It should be noted that over the last twenty years the number of dairy farmers has dropped from 1600 to this number with very little change in milk production, which remains around 600 million litres.

The dairy industry in South Australia is spread across the State with farms located in the Adelaide Hills and Fleurieu Peninsula, Lower Murray Swamps and Lakes, South East and Mid North. A breakdown of regional dairy farm statistics as at 30 June 2012 is shown in Table 1.

South Australian dairy farmers supply milk to eight major dairy processors National Foods Dairy and Drinks Ltd, Dairy Farmers Milk Co-op (which supplies National Foods D&D), Warrnambool Cheese and Butter Co Ltd (WCB), Murray Goulburn Cooperative Co Ltd, Bega Cheese Limited, B-d Farms Paris Creek Pty Ltd, Fonterra Milk Supply Australia, Parmalat, Tweedvale Milk and Fleurieu Milk Company and a number of other small dairy processors.

A number of dairy farms are accredited to supply organic milk to B-d Farms Paris Creek Pty Ltd, which manufactures biodynamic products.

There is demand for goat and sheep milk products and there were six processors of goat milk products and one processor of sheep milk products in 2011-12. There were five goat milk farmers and one sheep milk farmer operating at the end of June 2012.

Dairy processors in South Australia produced market milk products, cream, flavoured milk, UHT milk, cheese, yoghurt, dairy desserts, cream cheese, dips, ice cream, gelati, milk concentrates, whey powder and butter from the milk of cows, goats and sheep.

The number of accredited dairy processors decreased from 46 at 30 June 2011 to 43 at 30 June 2012. The major change was the purchase of Murray Bridge and Jervois processing plants by United Dairy Products, from Lion/National Foods.

Significant improvements were made to the Mexican Express, The Yoghurt Shop and Fleurieu Milk during the year.

The Authority accredited 20 dairy transport businesses at 30 June 2012. An increase of two on the previous year.

## **Legislative and Accreditation Issues**

All businesses accredited by the Dairy Authority of South Australia receive an annual accreditation certificate after receipt of their completed annual return and satisfactory completion of an annual audit.

On 3 August 2005 the Minister delegated powers under the Primary Produce (Food Safety Schemes) Act 2004 to the Authority for the appointment of authorised persons and approved auditors under the Primary Produce (Food Safety Schemes) Act 2004. The Authority has set conditions for these appointments and during 2011-12 has continued to approve dairy farm auditors for Murray Goulburn Co-op and Warrnambool Cheese and Butter Factory.

Accreditation and audit fees for dairy farmers supplying large scale dairy processors (defined by the Authority as receiving 1,000,000 litres of milk or more per annum) and for large scale dairy processors receiving milk direct from dairy farmers were kept unchanged for 2011-12 and are summarised below:-

- Dairy farmers
  - accreditation fee 0.0230 cents per litre
  - audit fee (where Authority conducts the annual farm audit) 0.0188 cents per litre
- Large scale dairy processors
  - accreditation fee 0.0230 cents per litre
  - audit fee (premises based in South Australia) 0.0167 cents per litre

Accreditation fees for small scale dairy processors (defined by the Authority as processors receiving less than 1,000,000 litres of milk per annum, or receiving milk from other than a dairy farmer), were increased to \$450 per annum for 2011-12; and dairy farmers supplying small scale dairy processors, were increased to \$350 per annum for 2011-12.

The accreditation fees for dairy transport businesses in 2011-12 were increased \$60 for 1-2 tankers and \$30 for each additional tanker. The audit fee was set at \$270 per business.

## **Industry Coordination and Development**

The Authority continues to work closely with the dairy industry, industry organisations, interstate dairy authorities, local councils, Department of Health, DAFF Biosecurity and Primary Industries and Resources SA (PIRSA), to ensure all matters under its control are dealt with efficiently. The Authority also participates at a national level, on quality and food safety matters, to ensure uniformity between the states and the Commonwealth. The Authority has MOU's for co-operation with both PIRSA Biosecurity and the Department of Health in SA and with DAFF Biosecurity.

Authority Members and staff attend dairy industry meetings in South Australia and interstate.

The Authority is a member of the Australia New Zealand Dairy Authorities Committee (ANZDAC), which has addressed a number of issues during the year, including the development of a pathogen management manual. It also participates in the Food Export Regulators Steering Committee (FERSC).

The former Chief Executive Officer represented South Australia on the FSANZ Standards Development Committee and the Dairy Scientific Advisory Panel to assist the development of the raw milk standards currently being assessed.

A conscious effort is being made to ensure that the Authority is meeting the requirements of the industry and of the Government's Clean Green Food Strategy. The Authority uses its expertise and position in the industry to help industry participants meet the necessary standards. It also helps where appropriate to aid the growth and development of the industry and its participants. It is also very focused on delivering a high quality, cost effective service.

### **Food Safety – General**

The Authority operates under a Quality Assurance and Procedures Manual.

Authority staff have worked with staff from the Department of Health and local council Environmental Health Officers to respond to customer complaints concerning retail dairy products. DASA staff have also responded to reports of sales of unpasteurised milk and sale of cheese in country markets from non accredited processors. Authority staff have also advised relevant authorities concerning imports of unpasteurised milk cheese.

The Dairy Authority of South Australia, Dairy Food Safety Victoria (DFSV) and the Tasmanian Dairy Industry Authority operate a Memorandum of Understanding to work co-operatively to ensure uniform procedures and food safety standards.

The Dairy Authority of South Australia signed a Memorandum of Understanding with Biosecurity SA (PIRSA) on the 7 December 2010.

Authority staff has worked with DAFF Biosecurity and interstate Authorities to conduct verification audits of auditors and farm and processing businesses across Australia. These audit results are entered into a national auditor verification program to ensure all states and DAFF Biosecurity implement the National Dairy Standard on a consistent basis.

### **Accreditation of Dairy Farmers**

The Authority has continued to work with dairy processors to ensure dairy farms comply with the Food Safety Schemes and Standard 4.2.4. The Authority receives and utilises monthly reports from the dairy processors detailing farmer compliance with the Standards and quality test results. Farmers must comply with company quality standards for total plate count, antimicrobials and somatic cell count and farmers supplying processors exporting to Europe must comply with the European somatic cell count requirements. All dairy farms must pass an annual audit.

Authority staff audit on-farm HACCP (Hazard Analysis Critical Control Point) based food safety programs for National Foods, Dairy Farmers, Bega Cheese Ltd, Fonterra and WCBF.

Dairy farmers supplying Murray Goulburn Co-operative Co. Ltd and WCBF farms in the South East of South Australia must comply with their company-specific HACCP based programs, and the Authority accompanies company auditors on some of their audits to monitor competency in their auditing practices and as part of the National Dairy Verification Program.

For those farmers not supplying major processors (including goat and sheep milk dairy farmers) Authority staff work with individual dairy farmers to implement and audit the Authority's program, Quality Dairy, on their farms.

Dairy farmers encountering food safety problems such as cooling system failures, pesticide and antibiotic contamination of milk, are required to provide an incident report to company/Authority staff, which is dealt with immediately to ensure that the problem is rectified as quickly as possible.



Some problems have occurred during the year with antibiotic residues in milk at farm and dairy transport businesses level. Authority staff has worked with industry to strengthen requirements required at audit, to ensure the residue risk is minimised. Any milk confirmed as containing antibiotic is discarded.

Authority staff has continued to work with PIRSA staff, dairy veterinarians and industry representatives on the implementation of a Johne's Disease Quality Assurance Program (ManaJD). Authority staff carry out ManaJD audits as part of the on-farm quality assurance audits using an audit check list. The Authority has worked with the rest of the industry to ensure continued improvement in the program has been achieved. Dairy farmers and veterinarians are improving reporting and practices to reduce the spread of Johne's disease.

### **Accreditation of Dairy Transport Businesses**

The Authority has continued to work with the milk tanker collection companies, McColls Transport, Milkflow, Liquid Freight and Booth Transport to audit their HACCP-based food safety programs.

Dairy Transport Businesses are required to have in place food safety programs which comply with Standard 4.2.4 of the Food Standards Code. The Authority is carrying out audits of dairy transport businesses and some milk tankers.

Where a small dairy processor collects milk from its own dairy farm or from other accredited dairy farmers a food safety program is required for their accreditation as a dairy transport business. This aspect of their business is audited at the same time as their dairy processor or dairy farm audit.

### **Accreditation of Dairy Processors**

Dairy processors in South Australia are required to comply with Standard 4.2.4 of the Food Standards Code. Export registered premises are required to comply with the Export Control (Milk and Milk Products) Orders 2005.

The Authority audits all export dairy processing premises in South Australia on behalf of DAFF Biosecurity, under an exchange of letters between the Authority and DAFF Biosecurity. Authority staff have been trained by DAFF Biosecurity staff, and approved as DAFF Biosecurity Authorised Officers. Under the Export Control (Milk and Milk Products) Orders 2005 a dairy processor is required to implement an approved arrangement.

Authority Staff audit dairy processors twice per year to assess their food safety program/approved arrangement for compliance against the Standard 4.2.4 of the Food Standard Code, and the Export Control Orders, if they are export registered.

The Authority monitors test results on liquid milk, cream, cheese, cheese dips, yoghurt and ice cream sampled from processors. Overall results were excellent and any results outside specification were acted upon by the Authority in conjunction with the company concerned. The Authority, as part of dairy processing audits, assesses test results by all processors. The Authority works with processors to ensure no suspect product reaches the market and that corrective action is implemented following poor test results or detection of pathogens in the environment.

All new dairy processors must have approved premises and implement HACCP-based food safety programs. Existing processors must maintain their HACCP-based programs and appropriate records. New dairy processors are issued a temporary accreditation for six months and receive full accreditation once their HACCP-based program has been implemented and satisfactorily audited and end product test results are satisfactory.

Authority staff participated with DAFF Biosecurity in a European Union audit of a South Australian dairy processor on 4<sup>th</sup> June 2012, as part of a review of the Australia export system.

### **Administration and Financial Management**

Audited financial statements and notes to the accounts are attached in accordance with the Public Finance and Audit Act 1987 and Treasurer's Instruction 19. As requested by Treasurer's Instruction TI 11, details of account payment performance are shown in Table 3.

Documentation of financial practices and procedures is in place in accordance with the Financial Management Framework and the policy document "Role of the Chief Executive Officer and the Authority in Financial Management, Risk Management and Personnel Management".

The Authority has operated in an efficient, relevant and cost effective manner and met its objectives.

### **Human Resource Management**

As required by the Department of the Premier and Cabinet Circular PC013 - Annual Reporting Requirements 2011, details of employment statistics are shown in Table 4. At total of \$12,739 was spent on staff training where staff undertook courses to improve their professional capacity

The Authority operates under the Public Sector Act 2009 and an Administrative Arrangement between the Dairy Authority of South Australia and the Commissioner for Public Employment.

The Authority has in place OH&S Policies and Standard Operating Procedures. The following issues were addressed during the year:-

- Servicing of fire equipment.
- Inspection by pest control company.
- Compliance with legislation relating to asbestos, hazardous substances, electrical safety and fire safety.
- The Authority has in place ongoing policies relating to asbestos and procedures are in place to manage asbestos in the Authority's building. The annual update to the Asbestos Register was carried out.

There were no incidents during the year requiring notification to Workplace Services, and there were no Work Cover claims.

The Authority is an equal opportunity employer. No equity complaints were received during the year.

The Authority has a Freedom of Information Policy and Whistleblowers Policy.

The Authority has in place its own Records Disposal Schedule.

### **Energy Efficiency**

The Authority is committed to operating in an energy efficient manner. The Authority premises has a solar hot water system, all air conditioners have been replaced with split system inverter units and efficient window furnishings have been installed.

### **External Consultants**

An employment consultant was engaged to manage the assessment of candidates for the General Manager's position.

### **Freedom of Information Statement**

The Dairy Authority of South Australia has an information policy prepared under the Freedom of Information Act 1991, and the Freedom of Information (General) Regulations 2002. The Authority's Freedom of Information Statement, is included as Appendix 1 to this report.

No freedom of information requests were received during the year.

### **Acknowledgements**

The Authority wishes to thank all employees for their dedication and support during the year.

The Authority wishes to thank the Minister, the Hon Gail Gago MLC, and his staff, for their support during the year.

The Authority wishes to thank industry organisations and representatives from industry for their support, feedback and co-operation during the year.

For and on behalf of the Dairy Authority of South Australia



Catherine Cooper  
Chair  
Dairy Authority of South Australia



Trevor Keele  
Member  
Dairy Authority of South Australia



Joan Russell  
Member  
Dairy Authority of South Australia  
Dated 26<sup>th</sup> September 2012

**TABLE 1: REGIONAL DAIRY FARM STATISTICS as at 30 June (1)**

REGION	2012 FARMS No.	2011 FARMS No.	CHA %	2012 COWS No.	2011 COWS No.	CHANGE %
Central-Adelaide Hills	26	28	-7.1	3,890	4,329	-10.1
Fleurieu Peninsula	68	71	-4.2	15,313	16,083	- 4.5
Upper South East	12	11	9.1	4,947	4,759	3.9
Lower South East	96	98	-2.0	40,022	41,701	- 4.0
Murray Swam	31	32	-3.1	8,452	8,598	- 1.7
Meningie Lakes	16	18	-11.1	7,674	7,404	3.6
Mid North	26	28	-7.1	5,873	5,984	-1.9
<b>TOTALS</b>	<b>275</b>	<b>286</b>	<b>-3.8</b>	<b>86,171</b>	<b>88,858</b>	<b>-3.0</b>

**Production by region**

Below is a breakdown of production by type and regions and number of farms.

Essentially the SE produced 7,746 lts/cow against the central region 6,359 and the mid north 5,873. When looking at butterfat per cow the mid north is the same as the central zone which suggests more Jerseys of higher butterfat content in the mid north. The SE produces 23% more litres and kg of protein but only 12% more fat than the central zone.

The difference in farm size is also marked. SE farms have 66% more cows than central farms and twice as much milk.

Comparative statistics from 1974 and 1984 and the present. Note the production per cow has doubled and the production per farm more than 11 times greater than in 1974.

milk statistics by region	milk lts	cows	lts/cow	farms	lts/farm	cows/farm
<b>Mid North</b>	26,456,707	4,505	5,873	26	1,017,566	173
<b>Central</b>	224,663,981	35,329	6,359	141	1,593,362	251
<b>South east</b>	348,205,498	44,954	7,746	108	3,224,125	416
<b>Totals</b>	599,326,186	84,788	7,069	275	2,179,368	308
<b>1984</b>	273,176,320	74,720	3,656	962	283,999	78
<b>1974</b>	255,591,000	81,140	3,150	1,397	182,948	58
	<b>Protein kg</b>					
<b>Mid North</b>	874,372	4,505	194	26	33,630	
<b>Central</b>	7,377,661	35,329	209	141	52,324	
<b>South east</b>	11,449,021	44,954	255	108	106,009	
	<b>B/fat kg</b>					
<b>Mid North</b>	1,108,074	4,505	246	26	42,618	
<b>Central</b>	8,877,104	35,329	251	141	62,958	
<b>South east</b>	12,553,173	44,954	279	108	116,233	

**TABLE 2: STATISTICS: (1)**

	<b>THIS YR 2011-12</b>	<b>LAST YR 2010-11</b>	<b>CHANGE %</b>
<b>ACCREDITATIONS CURRENT AS AT 30 JUNE:</b>			
Total number of accredited cow dairy farms (2)	275	286	-3.8
Total number of accredited sheep and goat dairy farms	5	5	-
Total number of accredited dairy processors	43	46	-6.5
Total number of accredited dairy transport businesses	20	18	11.1
<b>STOCK STATISTICS AS AT 30 JUNE: (2)</b>			
Total number of milk cows (excluding heifers)	86,171	88,858	-3.0
Total number of heifers	35,567	35,809	-0.7
Average number of milking cows per farm	313	311	0.6
Average number of heifers per farm	129	125	3.2
<b>ANNUAL PRODUCTION STATISTICS – TOTALS:</b>			
Annual production of milk – litres	599,326,186	603,459,060	-0.7
Annual production of milk – kg butterfat	22,538,351	23,267,004	-3.1
Annual production of milk – kg protein	19,701,054	19,751,931	-0.3
<b>ANNUAL PRODUCTION STATISTICS - PER FARM: (2)(3)</b>			
Average no. of accredited dairy farms during the year	281	296	-5.1
Average annual production per farm – litres	2,132,833	2,038,713	4.6
Average annual production per farm – kg butterfat	80,208	78,605	2.0
Average annual production per farm – kg protein	70,111	66,729	5.1
<b>ANNUAL PRODUCTION STATISTICS - PER COW: (2)(3)</b>			
Average number of milk cows during the year	87,515	90,210	-3.0
Average annual production per cow – litres	6,848	6,690	2.4
Average annual production per cow – kg butterfat	257.5	257.9	-0.2
Average annual production per cow – kg protein	225.1	219.0	2.8
<b>PRODUCTION STATISTICS – PER DAY: (2)</b>			
Average production of milk per day – litres	1,641,990	1,653,312	-0.7
Average production of milk per day – kg butterfat	61,749	63,745	-3.1
Average production of milk per day – kg protein	53,975	54,115	-0.3
Average production of milk per farm per day – litres	5,843	5,586	4.6
Average production of milk per cow – per day - 300 day lactation – litres	22.8	22.3	2.2

**(p) = Provisional**

- (1) *Statistics are based on figures returned by dairy farmers, and major dairy processors for cows milk only*
- (2) *Dairy farmer and processor statistics represent suppliers of cows milk only*
- (3) *Averages calculated by taking 30 June figures for 2012 and 2011, and dividing by 2*

**TABLE 3****ACCOUNT PAYMENT PERFORMANCE**

The Table below reports the number and value of creditor's accounts paid, and the extent to which those accounts have been paid in accordance with the Treasurer's Instruction.

<b>Particulars</b>	<b>Number of Accounts Paid</b>		<b>Value in \$A of Accounts Paid</b>	
	<b>Number</b>	<b>%</b>	<b>Value</b>	<b>%</b>
<b>Paid by the due date *</b>				
<b>Paid 30 days or less from due date</b>	206	100%	\$151,609	100%
<b>Paid more than 30 days from due date</b>		-	0	-

*\*Note: The due date is as defined in TI 11.2 of Treasurer's Instruction 11 Payment of Accounts. Unless there is a discount or a written agreement between the Authority and the creditor, payment should be within thirty days of the date of the invoice or claim.*

**TABLE 4****EMPLOYMENT STATISTICS (JUNE 2010)**

<b><u>Classification Level</u></b>	<b><u>Number of Employees</u></b>	<b><u>Gender</u></b>
ExA	0.80	M
ASO8	0.60	M
TGO3	0.80	F
<b>Total</b>	<b><u>2.20</u></b>	

<b><u>Employment Status</u></b>	<b><u>Number of Employees</u></b>
Permanent full time employees	0.80
Permanent part time employees	0.80
<u>Permanent part time employees</u>	<u>0.60</u>
<b>Total</b>	<b><u>2.20</u></b>

FREEDOM OF INFORMATION ACT  
INFORMATION STATEMENT OF THE  
DAIRY AUTHORITY OF SOUTH AUSTRALIA

Introduction

This Statement is published in accordance with Section 9(2) of the Freedom of Information (FOI) Act 1991.

The Freedom of Information Act gives any member of the general public right of access to information held by the Dairy Authority of South Australia.

Agency's Structure and Function

The Dairy Authority of South Australia was established under the Dairy Industry Act 1992 on 1 July 1993. On 1 August 2005 the Dairy Industry Act 1992 was repealed and replaced by the Primary Produce (Food Safety Schemes) Act 2004 and Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005. The Dairy Authority of South Australia was continued as a body corporate under Schedule 1, Clause 5, of the Primary Produce (Food Safety Schemes) Act 2004.

The Authority consists of three members appointed by the Governor, one of whom is appointed to preside at meetings of the Authority.

Sections 7(2) (a) and (d) and 7(5) of the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005 state:

“7(2) The Authority –

- (a) is a body corporate with perpetual succession and a common seal; and
- (d) has the functions and powers assigned or conferred by or under these Regulations”

“7(5) in the performance and exercise of its functions and powers, the Authority is subject to the direction of the Minister except in relation to the making of a recommendation or report to the Minister”

The functions of the Authority as defined in Section 12 of the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005 are:-

“12 Functions of Authority

- (1) The Authority is the accreditation body for the classes of activities to which the dairy industry food safety scheme applies.
- (2) The Authority has the following functions:
  - (a) to administer the dairy industry food safety scheme;
  - (b) to establish, maintain and improve, for incorporation in the Dairy Industry Food Safety Code –
    - (i) food safety standards for dairy produce; and
    - (ii) food safety standards for the construction, maintenance and hygiene of dairy farms or dairy manufacturing premises and plant and equipment on dairy farms or dairy manufacturing premises; and

- (iii) food safety standards for the construction, maintenance and hygiene of dairy transport vehicles and dairy distributor vehicles;
- (c) to monitor the extent of compliance by accredited producers with the Dairy Industry Food Safety Code and to review and enforce the Code;
- (d) to approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements;
- (e) to advise the Minister on matters relating to the administration of the dairy industry food safety scheme;
- (f) To carry out other functions assigned to the Authority by these regulations or the Minister.”

#### Effect of the Agency’s Functions on Members of the Public

The Authority has a direct effect on the dairy industry and the public through:-

- a) Ensuring dairy food safety schemes are implemented by dairy farmers, dairy manufacturers, dairy distributors and dairy produce carriers;
- b) Ensuring businesses are accredited and that milk and dairy product food safety standards are maintained.

#### Arrangements for Public Participation in Policy Formulation

Policy formulation is influenced by Government Policy and meetings with representatives from the South Australian Dairyfarmers Association, the Milk Vendors Association of SA Inc, dairy company representatives, and representatives of the milk transport industry.

#### Description of the Kinds of Documents Held by the Agency

The following documents have been prepared by the Authority:-

- Annual Reports
- Occupational Health, Safety and Welfare Policy
- Corporate Plan
- Code of Practice for Dairy Food Safety
- Guidelines for Raw or Unpasteurised Goat Milk
- Freedom of Information Policy
- Sexual Harassment Policy
- Whistleblowers Policy
- Guidelines for Food Safety – Dairy Farms
- Guidelines for the Development of a Food Safety Program for Dairy Food Transportation

The following files are held by the Authority:-

- a) Dairy Farmer Files

Specific files are held on all dairy farmers selling raw milk previously licensed and currently accredited by the Dairy Authority of South Australia, and any past dairy farmers who were licensed by the Authority to sell unpasteurised milk since 1 July 1993. These files include licence/ accreditation applications, annual licence/accreditation renewals, reports of inspections, test results and correspondence.

Authority records include licence/accreditation applications from all dairy farmers, and copies of annual licence/accreditation renewals for all dairy farmers licensed by the Dairy Authority



since 1 July 1993. Copies of any inspections, test results and correspondence from specific dairy farmers are kept on file.

b) Dairy Processor/Manufacturer Files

Specific files are held on all dairy processors/manufacturers currently licensed/accredited by the Dairy Authority of South Australia and any past dairy processor/manufacturers that were licensed/accredited by the Authority since 1 July 1993. Authority files include licence/accreditation applications, annual licence/accreditation renewals, and reports of inspections, test results and correspondence on all licensed/accredited dairy processors/manufacturers.

c) Milk Vendor/Dairy Distributor Files

Individual milk vendor/dairy distributor files are not kept by the Authority. Records include licence/accreditation applications and annual licence/accreditation renewals for all milk vendors/ dairy distributors licensed/accredited by the Authority since 1 July 1993, and copies of any correspondence or inspection reports.

d) Dairy Produce Carriers

Information on dairy produce carrier's accreditation has been held by the Authority since 1 August 2005

e) Administration Files

These files contain all documents concerned with the day to day management of the Authority, including Authority minutes, financial information, correspondence, reports and policy documents.

All of these documents are located at the Authority's offices at 33 Hutt Street, Adelaide.

Access Arrangements, Procedures and Points of Contact

To access documents it is necessary to apply in writing under the Freedom of Information Act to:

The General Manager  
Dairy Authority of South Australia  
33 Hutt Street  
Adelaide SA 5000  
Telephone: (08) 8223 2277  
Facsimile: (08) 8232 2463  
Email: admin@daosa.net.au

Revised: 18 September 2012

We certify that the attached general purpose financial statements for the Dairy Authority of South Australia (the Authority):

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant *Australian Accounting Standards*;
- are in accordance with the accounts and records of the Authority; and
- present a true and fair view of the financial position of the Authority as at 30 June 2012 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Dairy Authority of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.

There are reasonable grounds to believe the Authority will be able to pay its debts as and when they become due and payable.



Catherine Cooper  
Chair



John Crosby  
General Manager



Rocco Galluccio  
Chief Financial Officer

Dated 26 September 2012

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2012

	Note No.	2012 \$'000	2011 \$'000
<b>Income</b>			
Revenues from fees and charges	6	431	422
Interest revenues	7	20	23
Other income	8	64	55
Net gain from the disposal of non-current assets	9	3	3
<b>Total income</b>		<b>518</b>	<b>503</b>
<b>Expenses</b>			
Employee benefits expenses	10	395	387
Property expenses	12	16	19
Supplies and services	13	50	29
Depreciation and amortisation expense	14	33	35
Traveling expenses		29	32
Other expenses	15	54	43
<b>Total expenses</b>		<b>577</b>	<b>545</b>
<b>Net Result</b>		<b>(59)</b>	<b>(42)</b>
<b>Total Comprehensive Result</b>		<b>(59)</b>	<b>(42)</b>

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note No.	2012 \$'000	2011 \$'000
<b>Current assets</b>			
Cash and cash equivalents	23	361	409
Receivables	17	7	10
<b>Total current assets</b>		<b>368</b>	<b>419</b>
<b>Non-current assets</b>			
Property, plant and equipment	18	1624	1660
Intangible assets	19	-	2
<b>Total non-current assets</b>		<b>1624</b>	<b>1662</b>
<b>Total assets</b>		<b>1992</b>	<b>2081</b>
<b>Current liabilities</b>			
Payables	20	42	50
Employee benefits	21	35	45
Other liabilities	22	26	25
<b>Total current liabilities</b>		<b>103</b>	<b>120</b>
<b>Non-current liabilities</b>			
Payables	20	1	3
Employee benefits	21	38	49
<b>Total non-current liabilities</b>		<b>39</b>	<b>52</b>
<b>Total liabilities</b>		<b>142</b>	<b>172</b>
<b>Net Assets</b>		<b>1850</b>	<b>1909</b>
<b>Equity</b>			
Retained earnings		314	373
Asset revaluation surplus		1536	1536
<b>Total equity</b>		<b>1850</b>	<b>1909</b>

The total equity is attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2012

	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010	1536	415	1951
Net result for 2010-11	-	(42)	(42)
<b>Total comprehensive result for 2010-11</b>	-	<b>(42)</b>	<b>(42)</b>
Balance at 30 June 2011	<b>1536</b>	<b>373</b>	<b>1909</b>
Net result 2011-12	-	(59)	(55)
<b>Total comprehensive result 2011-12</b>	-	<b>(59)</b>	<b>(55)</b>
Balance at 30 June 2012	<b>1536</b>	<b>314</b>	<b>1854</b>

All changes in equity are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes

**STATEMENT OF CASH FLOWS**  
For the Year Ended 30 June 2012

	Note No.	2012 \$'000	2011 \$'000
<b>Cash Flows from Operating Activities</b>			
<b>Cash inflows</b>			
Receipts from fees and charges		434	439
Interest received		23	16
GST recovered from the ATO		12	16
Other receipts		69	57
<b>Cash generated from operations</b>		<b>538</b>	<b>528</b>
<b>Cash outflows</b>			
Employee benefit payments		(419)	(386)
Payment for supplies and services		(155)	(86)
GST paid to the ATO		(19)	(18)
<b>Cash (used in) operations</b>		<b>(593)</b>	<b>(490)</b>
<b>Net cash provided by/(used in) operating activities</b>	23	<b>(55)</b>	<b>38</b>
<b>Cash flows from investing activities</b>			
<b>Cash inflows</b>			
Proceeds from sale of plant and equipment		11	-
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(4)	(38)
<b>Net cash provided (used in) investing activities</b>		<b>7</b>	<b>(38)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(48)</b>	<b>-</b>
Cash and cash equivalents at the beginning of the financial year		409	409
<b>Cash and cash equivalents at the end of the financial year</b>	23	<b>361</b>	<b>409</b>

The above statement should be read in conjunction with the accompanying notes

## Notes to and Forming part of the Financial Statements

### Note 1 Objectives of the Dairy Authority of South Australia

The Dairy Authority of South Australia (the Authority) is fully funded by the dairy industry and works within the *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005* to ensure the safety of South Australian dairy products.

The functions of the Authority as defined in *Regulation 12* are:

- 1 To administer the dairy industry food safety scheme.
- 2 To monitor the extent of compliance by accredited producers within Standard 4.2.4 of the *Food Standards Code* and to enforce the Standard.
- 3 To approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements.
- 4 To advise the Minister on matters relating to the administration of the dairy industry food safety scheme.
- 5 To carry out other functions assigned to the Authority by these regulations or the Minister.

### Note 2 Summary of significant accounting policies

#### a) Statement of compliance

The Authority has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The statements have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The Authority has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Authority is a not-for-profit entity.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Authority for the reporting period 30 June 2012. Refer to Note 3.

#### b) Basis of preparation

The preparation of the financial statements requires:

- The use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or where

assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes;

- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concept of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following note disclosures, which have been included in these financial statements.
  - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies;
  - b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
  - c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and
  - d) Board member and remuneration information where a board member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Authority's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30th June 2012 and the comparative information presented.

### **c) Reporting entity**

The financial statements cover the Dairy Authority of South Australia as an individual reporting entity. The Dairy Authority is a Statutory Authority of the State of South Australia, established pursuant to the *Primary Produce ( Food Safety Schemes) Act 2004 and the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005*.



**d) Segment Reporting**

The Authority's operations are conducted in the one business and geographical segment.

**e) Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific Accounting Standards and/or Accounting Policy Statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable. The restated comparative amounts do not replace the original financial statements for the preceding period.

**f) Rounding**

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

**g) Taxation**

The Authority is not subject to income tax. The Authority is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy and local government rates.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

**h) Events after the reporting period**

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are

authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

## **i) Income**

Income is recognised to the extent that it is probable that the flow of economic benefits to the Authority will occur and can be reliably measured. Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The notes accompanying the financial statements disclose income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

### *Revenues from Fees and charges*

Revenues from fees and charges are derived from the provision of services to participants in the South Australian dairy industry. This revenue is recognised upon delivery of the service.

### *Rental income*

Rental income arising on investment property is accounted for on a straight line basis over the lease term.

### *Interest income*

Interest income includes interest received on the bank account and bank term deposits. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### *Net gain on non-current assets*

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with the carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Gains on disposal of plant and equipment are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at the time.

## j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Authority will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or the event.

The notes accompanying the financial statements disclose expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

### *Employee benefit expenses*

Employee benefit expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

### *Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Authority to the superannuation plan in respect of current services of current staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

### *Supplies and Services*

Supplies and services generally represent the day-to-day running costs, including maintenance costs and quality assurance costs, incurred in the normal operations of the Authority. These items are recognised as an expense in the reporting period in which they are incurred. The Authority does not carry any inventories.

### *Depreciation and amortization*

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment.

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or the method, as appropriate, which is a change in accounting estimate. Land is not depreciated.

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

## **Class of assets**

Plant and equipment	3-15 years
Intangibles	5 Years

### **k) Current and non-current classification**

Assets and liabilities are characterised as either current or non-current in nature. The Authority has a clearly identifiable operating cycle of twelve months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

### **l) Assets**

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The notes accompanying the financial statements disclose financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

#### *Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position includes cash at bank, cash on hand and in other short-term, highly liquid investments with maturities of six months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal values.

#### *Receivables*

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments and other accruals. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

#### *Non-current assets*

#### Acquisition and recognition

Non-current assets are initially recorded at cost or at the fair value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

All non-current tangible assets with a value equal to or in excess of \$2 000 are capitalised.

#### Revaluation of non-current assets

A revaluation of land and buildings is performed every four years. The most recent valuation was undertaken at 30 June 2010. Refer to Note 18 for details. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus account, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluations surplus for that class of asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

#### Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the revaluation surplus.

#### Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Authority only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis.

The acquisition of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$2 000. All intangible assets held by the Authority have been externally purchased.

#### **m) Liabilities**

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The notes accompanying the financial statements disclose financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

##### *Payables*

Payables include creditors, accrued expenses, GST payable and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Authority.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employee benefit on-costs include superannuation contributions and Work Cover levies with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The Authority makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to Super SA.

## *Employee Benefits*

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long term employee benefits are measured at present value and short term employee benefits are measured at nominal amounts.

### Wages, salaries, annual leave and sick leave

The liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid.

### Long Service Leave

An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Authority's experience of employee retention and leave taken. A portion of the long service leave provision has been classified as a current liability (19.5%) and the balance (80.5%) is classified as a non-current liability.

#### **n) Insurance**

The Authority has arranged, through SA Government Captive Insurance Corporation (SAICORP), to insure all major risks of the Authority. The excess payable under this arrangement varies depending on each class of insurance held.

#### **o) Other liabilities**

The Authority receives from time to time accreditation fees in advance. These fees are classed as other liabilities.

### **Note 3 New and revised accounting standards and policies**

The Authority did not voluntarily change any of its accounting policies during 2011-12.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ending 30 June 2012. The Authority has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Authority.

## Note 4 Financial instruments/Financial risk management

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 with respect to each class of financial assets, financial liability and equity instruments are disclosed in Note 2.

Category of financial asset and financial liabilities	Note	Carrying Amount/Fair value	
		2012 \$'000	2011 \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	23	361	409
Receivables (1) (2)	17	7	10
<b>Total financial assets</b>		<b>368</b>	<b>419</b>
<b>Financial Liabilities</b>			
Payables (1)	20	43	53
Other liabilities	22	26	25
<b>Total financial liabilities</b>		<b>69</b>	<b>78</b>

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 20 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

### Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. It is not anticipated that the counterparties will fail to discharge their obligations.

The carrying amount of receivables approximates net fair value due to being receivable on demand.

There is no concentration of credit risk.

Creditors and accruals are raised for all amounts billed but not paid. Sundry creditors are normally settled within 30 days. The carrying amount of payables represents fair value due to the amounts being payable on demand.



### **Ageing Analysis of Financial Assets**

All receivables are less than 30 days outstanding and are not impaired.

### **Maturity Analysis of Financial Assets and Liabilities**

All the financial assets and liabilities are due within one year.

### **Liquidity Risk**

The Authority is funded principally from accreditation fees received from dairy processors, dairy farmers and dairy transport businesses. Major fluctuations in accreditation fees can only be affected by significant variances in state milk production. The Authority in its budgeting process takes a prudent approach when forward estimating milk production.

### **Market Risk**

Market risk for the Authority is primarily through interest rate fluctuations for funds held on short term deposits and other interest bearing accounts. The Authority sees minimal exposure in this area due to the quantum of surplus funds invested in this manner.

### **Sensitivity Disclosure Analysis**

A sensitivity analysis has not been undertaken for interest rate risk of the Authority as it has been determined that the possible impact on the net result or total equity from fluctuations in interest rates is minimal.

## **Note 5 Activities of the Dairy Authority of South Australia**

To efficiently administer the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005 and implement the National Dairy Standard 4.2.4 of the Food Standards Code (Primary Production and Processing Standard for Milk and Milk Products).

To monitor Food Standards Australia New Zealand (FSANZ) assessment of the Primary Production and Processing Requirements for Raw Milk Products and implement any standards agreed to at a national level.

To assist the production of safe dairy products, the Authority will work with industry, local, state and Commonwealth government departments and agencies to facilitate national uniformity and a reduced regulatory burden.

To maintain a Quality Assurance and Procedures Manual for the Authority.

To accredit, audit and approve auditors to ensure all dairy businesses have approved food safety schemes and are audited as required.

To efficiently manage the Authority's financial and personnel requirements in line with Government requirements at minimum cost to industry.

To ensure the Authority's staff are highly skilled providing independent, technical advice and support to the Authority, the Minister and industry. The Authority Board is to be well briefed on industry and food safety issues to enable them to make sound decisions.

The Authority's activities are conducted in the one business.

#### Note 6 Revenues from fees and charges

<b>Fees and charges received/receivable from entities external to the SA Government</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Dairy Farmer - Accreditation fees	203	202
Dairy Processor - Accreditation fees	226	219
Dairy Transport Business - Accreditation fees	2	1
<b>Total fees and charges</b>	<b>431</b>	<b>422</b>

#### Note 7 Interest revenues

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest from entities external to the SA Government	20	23
<b>Total interest revenues</b>	<b>20</b>	<b>23</b>

#### Note 8 Other income

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental Income from entities external to the SA Government	64	55
<b>Total other income</b>	<b>64</b>	<b>55</b>

#### Note 9 Net gain from disposal of non-current assets

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Plant and equipment</b>		
Proceeds from disposal	11	21
Less net book value of assets disposed	8	18
<b>Net gain from disposal of plant and equipment</b>	<b>3</b>	<b>3</b>

#### Note 10 Employee benefits expenses

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	210	226
Long service leave	30	11
Annual leave	36	24
Superannuation	88	85
Board fees	31	41
<b>Total employee benefits expense</b>	<b>395</b>	<b>387</b>

**Remuneration of employees****2012****2011**

The number of employees whose remuneration received or receivable falls within the following bands:

\$150 000 to \$159 999	-	1
<b>Total number of employees</b>	<b>-</b>	<b>1</b>

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by the employee for the 2010-2011 year was \$150 098.

**Note 11 Remuneration of Authority board members**

Members of the Board during the 2011/12 financial year were:

**Board Members**

Ms C S Cooper

Mr T D Keele

Ms J Russell

**The number of members whose remuneration received or receivable falls within the following bands:**

	<b>2012</b>	<b>2011</b>
\$ 0 - \$ 9 999	-	2
\$10 000 - \$19 999	2	1
\$20 000 - \$29 999	1	1
<b>Total number of members</b>	<b>3</b>	<b>4</b>

Remuneration of members reflects all costs of performing board member duties

**Note 12 Property expenses**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Property expenses provided by entities external to the SA Government</b>		
Repairs and Maintenance	1	6
Rates and Taxes	8	7
Other	7	6
<b>Total property expenses</b>	<b>16</b>	<b>19</b>

**Note 13 Supplies and services**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Supplies and services provided by entities external to the SA Government</b>		
Product Testing	13	16
Computing and Communications	7	7
Printing and Stationery	5	3
Staff recruitment	22	-
Subscriptions	3	3
<b>Total supplies and services</b>	<b>50</b>	<b>29</b>

**Note 14 Depreciation and amortisation expense**

	2012 \$'000	2011 \$'000
<b>Depreciation</b>		
Plant and equipment	32	33
<b>Total depreciation</b>	<b>32</b>	<b>33</b>
<b>Amortisation</b>		
Intangible assets	1	2
<b>Total amortisation</b>	<b>1</b>	<b>2</b>
<b>Total depreciation and amortization</b>	<b>33</b>	<b>35</b>

**Note 15 Other expenses**

<b>Other expenses paid/payable to entities within the SA Government</b>	2012 \$'000	2011 \$'000
Audit Fees (see note 16)	9	8
Insurance	4	5
<b>Total other expenses - SA Government entities</b>	<b>13</b>	<b>13</b>
<b>Other expenses paid/payable to entities external to the SA Government</b>		
Staff Training	13	8
Fringe Benefits Tax	13	9
Other	15	12
<b>Total other expenses - Non SA Government entities</b>	<b>41</b>	<b>29</b>
<b>Total other expenses</b>	<b>54</b>	<b>42</b>

**Note 16 Auditor's remuneration**

	2012 \$'000	2011 \$'000
Audit fees paid / payable to the Auditor-General's Department relating to the audit of financial statements	9	8
<b>Total audit fees</b>	<b>9</b>	<b>8</b>

**Other services**

No other services were provided by the Auditor-General's Department.

**Note 17 Receivables**

	2012 \$'000	2011 \$'000
<b>Receivables from Non SA Government entities</b>		
<b>Current</b>		
Prepayments	1	1
Other Receivables	2	3
Interest Receivable	4	6
<b>Total receivables</b>	<b>7</b>	<b>10</b>

## Note 18 Property, plant and equipment

	2012 \$'000	2011 \$'000
Land at Fair value	1550	1550
Building at Fair value	-	-
<b>Total Land and Buildings</b>	<b>1550</b>	<b>1550</b>
Plant and Equipment at cost (deemed fair value)	186	212
Accumulated Depreciation at the end of the period	(112)	(102)
<b>Total Plant and Equipment</b>	<b>74</b>	<b>110</b>
<b>Total Property Plant and Equipment</b>	<b>1624</b>	<b>1660</b>

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

The following table shows the movement of Property Plant and Equipment during:

2011-2012	Land and Buildings \$'000	Plant and Equipment \$'000	Intangible s \$'000	Total \$'000
<b>Carrying Amount at beginning of Financial Year</b>	1550	110	2	1662
Additions	-	4	-	4
Disposals/Sales/write off	-	( 8)	(1)	(9)
Depreciation/amortisation	-	(32)	(1)	(33)
<b>Carrying Amount at end of Financial Year</b>	<b>1550</b>	<b>74</b>	<b>-</b>	<b>1624</b>
2010-2011	Land and Buildings \$'000	Plant and Equipment \$'000	Intangible s \$'000	Total \$'000
<b>Carrying Amount at beginning of Financial Year</b>	1550	103	4	1657
Additions	-	58	-	58
Disposals/Sales/write off	-	(18)	-	(18)
Depreciation/amortisation	-	(33)	(2)	(35)
<b>Carrying Amount at end of Financial Year</b>	<b>1550</b>	<b>110</b>	<b>2</b>	<b>1662</b>

### Valuation of land and buildings

The valuation of land and buildings was performed by Tracey Gornall, AAPI Certified Practising Valuer, B Bus (Prop) Hons, independent valuer with Colliers International Consultancy & Valuation Pty Limited as at 30 June 2010. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use. The valuer assessed fair value of building improvements at \$Nil, based upon the value of the building being offset by its demolition cost.

### Impairment

There were no indications of impairment of property, plant and equipment, and intangible assets at 30 June 2012.

<b>Note 19 Intangible assets</b>		
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Intangible Assets</b>		
Computer software (externally purchased)	12	12
Accumulated amortization	(12)	(10)
<b>Total Intangible Assets</b>	<b>-</b>	<b>2</b>

<b>Note 20 Payables</b>		
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Creditors	30	36
Accrued expenses	9	8
Employment on-costs	3	6
<b>Total current payables</b>	<b>42</b>	<b>50</b>
<b>Non Current</b>		
Employment on-costs	1	3
<b>Total non current payables</b>	<b>1</b>	<b>3</b>
<b>Total payables</b>	<b>43</b>	<b>53</b>

<b>Note 21 Employee benefits</b>		
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Annual leave	19	27
Long service leave	9	10
Accrued salaries and wages	7	8
<b>Total current employee benefits</b>	<b>35</b>	<b>45</b>
<b>Non-current</b>		
Long service leave	38	49
<b>Total non-current employee benefits</b>	<b>38</b>	<b>49</b>
<b>Total employee benefits</b>	<b>73</b>	<b>94</b>

<b>Note 22 Other liabilities</b>		
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current:</b>		
Accreditation Fees received in advance	26	25
<b>Total other liabilities</b>	<b>26</b>	<b>25</b>

<b>Note 23 Cash flow reconciliation</b>		
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of cash and cash equivalents at the end of the reporting period;</b>		
Cash at bank	57	109
Short term investments	304	300
<b>Total</b>	<b>361</b>	<b>409</b>
Balance as per the statement of cash flows	<b>361</b>	<b>409</b>

<b>Reconciliation of net cash provided by operating activities to net result.</b>		
Net cash provided by/(used in) operating activities	(55)	38
<b>Less non cash items</b>		
Depreciation and amortisation expense	(33)	(35)
Gain on disposal of non-current assets	3	3
<b>Movement in Assets / Liabilities</b>		
(Decrease) in receivables	(3)	(10)
Decrease (Increase) in liabilities	29	(38)
<b>Net result</b>	<b>(59)</b>	<b>(42)</b>

#### Interest rate risk

Deposits at call earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

#### Note 24 Unrecognised contractual commitments

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Remuneration Commitments		
Commitments for the payment of salaries and other remuneration under the fixed term employment contract in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	130	30
Later than one year but not longer than five years	466	-
<b>Total remuneration commitments</b>	<b>596</b>	<b>30</b>

Amounts disclosed include commitments arising from an executive contract. The Authority does not offer fixed term remuneration contracts greater than five years.

#### Note 25 Events after the reporting period

There have been no significant events occurring after the reporting period.



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**To the Chair  
Dairy Authority of South Australia**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Dairy Authority of South Australia for the financial year ended 30 June 2012. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2012
- a Statement of Financial Position as at 30 June 2012
- a Statement of Changes in Equity for the year ended 30 June 2012
- a Statement of Cash Flows for the year ended 30 June 2012
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, Chief Financial Officer and the General Manager.

**Member's Responsibility for the Financial Report**

The members of the Dairy Authority of South Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Dairy Authority of South Australia determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Dairy Authority of South Australia, as well as the overall presentation of the financial report.



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

**Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Dairy Authority of South Australia as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



**S O'Neill**  
**AUDITOR-GENERAL**  
27 September 2012

