

# CHAPTER 4

## BUSINESS MANAGEMENT FRAMEWORK AND ACCOUNTABILITY

### CORPORATE GOVERNANCE

#### Uhrig review implementation— changed governance from 1 July 2007

In 2002 the Australian Government commissioned a review of the corporate governance arrangements for statutory authorities and office holders. The objective of the review was to examine the governance arrangements of these bodies and to identify reforms that might optimise their performance, particularly their accountability frameworks, without compromising their statutory duties. A key task of the review was to develop a template of governance principles that could be applied to all statutory authorities and office holders.

The *Review of the Corporate Governance of Statutory Authorities and Office Holders* (often referred to as the 'Uhrig Review') was completed in June 2003 (Available from [http://www.finance.gov.au/GovernanceStructures/docs/The\\_Uhrig\\_Report\\_July\\_2003.pdf](http://www.finance.gov.au/GovernanceStructures/docs/The_Uhrig_Report_July_2003.pdf)). It proposed two governance templates for statutory authorities depending on their kind of operation: the Board template, where a governing board is responsible for the governance and performance of an authority and the Executive Management template, where an executive manager or management group (such as a commission) is responsible for the governance and performance of an authority.

The government largely accepted the recommendations of the review and further clarified its expectations in the *Governance Arrangements for Australian Government Bodies* (Available from <http://www.finance.gov.au/finframework/docs/FMR2.pdf>), released in August 2005. Ministers assessed the governance arrangements of all Australian government statutory authorities in their portfolios, including the APVMA, against the Uhrig governance templates and principles. In June 2006 the then Minister for Agriculture, Fisheries and Forestry, the Hon. Peter McGauran MP, confirmed

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that the future governance arrangements for the APVMA would be based on the Executive Management template. The reform of the APVMA's governance arrangements also included a transition to financial regulation under the *Financial Management and Accountability Act 1997* (the FMA Act) and a transition of staff employment to the *Public Service Act 1999* (the PS Act).

The APVMA has been subject to the new arrangements since 1 July 2007 and has remained a body corporate with a separate legal identity from the Commonwealth of Australia and retains its independence. The APVMA's powers and functions remain unchanged. The Chief Executive Officer (CEO), now has responsibility for the governance and management of the APVMA. Under the new arrangements the Executive Management team supports the CEO. The Advisory Board, consisting of up to nine part-time members with a similar range of skills and experiences to those of the previous APVMA Board of Directors provide advice and make recommendations to the CEO (see Appendix A for more information on the APVMA Advisory Board).

The reforms have only affected the governance arrangements for the APVMA and have not affected the APVMA's functions or the administration of the NRS for agricultural and veterinary medicines.

## Legislative framework

Section 3 of the Administration Act states that the statutory objective of the Act is to establish a national registration authority (the APVMA) to administer laws relating to agricultural and veterinary medicines.

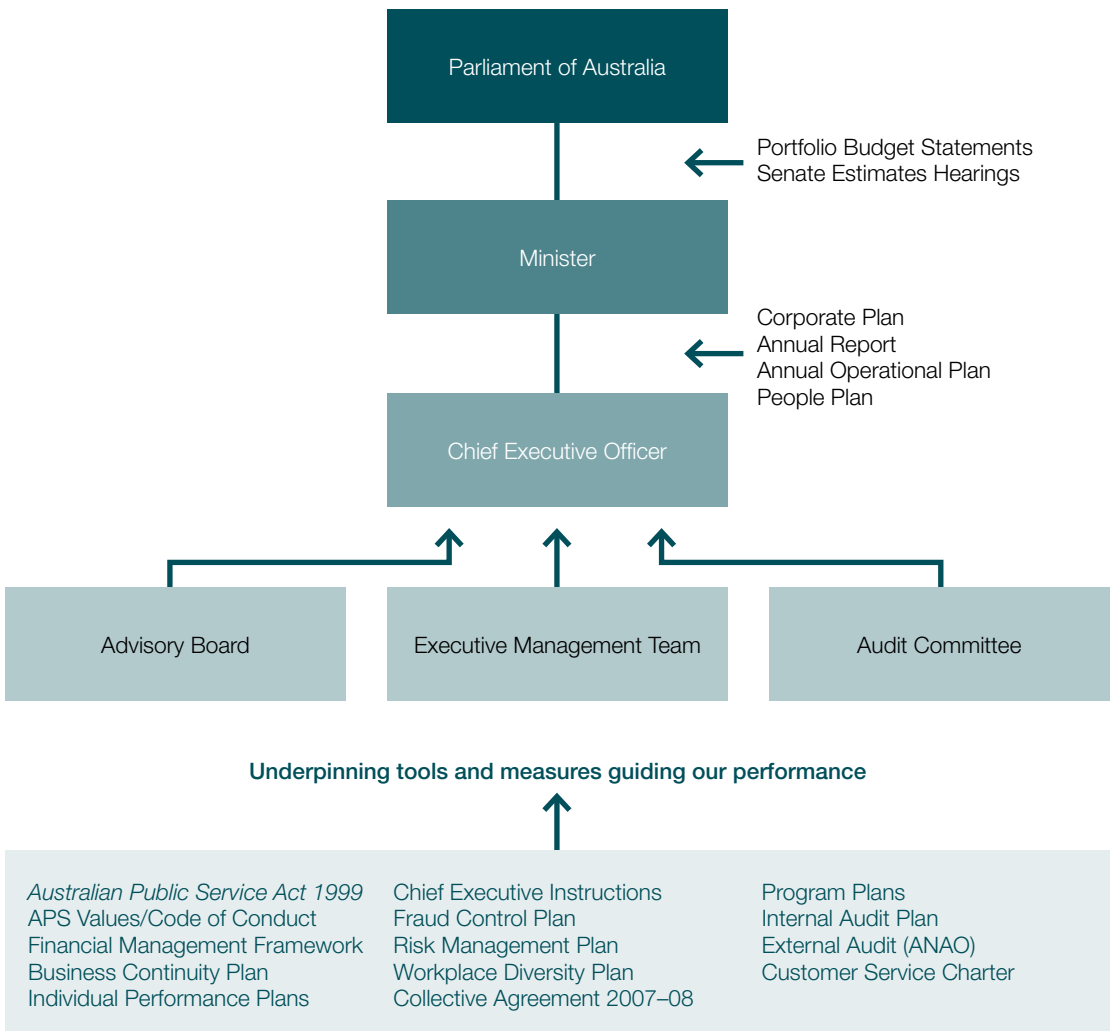
The functions of the APVMA include:

- assessing the suitability for sale and evaluation of active constituents of proposed or existing chemical products and labels for chemical products
- keeping a register of approvals and licences granted
- providing information to government and the public in relation to pesticides and veterinary medicines
- cooperating with the Australian Government and its agencies and the states and participating territories to facilitate a consistent national approach to the procedures for the assessment and control of pesticides and veterinary medicines, and to develop codes of practice, guidelines and standards in relation to the use of such products.

## Corporate governance overview

The corporate governance framework of the APVMA to 30 June 2008 is shown in Figure 9.

Figure 9 APVMA corporate governance framework to 30 June 2008



The APVMA's corporate governance framework to 30 June 2008 was underpinned by the following internal and external accountability structures that will continue in 2008–09:

## Internal accountability structures

Internal accountability structures in the APVMA include the Corporate Plan, the Annual Operational Plan, the Risk Management Plan, the People Plan, the Fraud Control Plan, internal delegations, the quality control system and regular reviews of performance by the CEO supported by the Executive Management team. The APVMA's Audit Committee oversees an active Internal Audit Program. The Audit Committee reports to the CEO. The CEO with the Executive Management team approves the budget and monitors the financial performance of the organisation.

The APVMA's annual Operational Plan uses the Kaplan and Norton's Balanced Scorecard (BSC) methodology and was developed after wide consultation with stakeholders. Comprehensive strategies including detailed performance indicators are included in the plan. The responsible Minister approves the APVMA's Annual Operational Plan each year.

## External accountability structures

The APVMA is subject to the same financial reporting requirements as are other Australian government agencies. Full accrual-based financial statements are produced for the APVMA's Annual Report each financial year. The ANAO scrutinises the APVMA's accounts each year and the APVMA has, since inception, always received unqualified audit reports from the ANAO. The APVMA is subject to the review of its budget and activities through the Senate Estimates process.

## Corporate planning and reporting

As an independent Australian government statutory authority, the APVMA is required to conduct rigorous corporate planning and reporting. The planning and reporting requirements of the APVMA are set out in Part 6 of the Administration Act.

In accordance with the enabling legislation, the APVMA's performance management framework embodies a number of plans and associated performance measuring and monitoring processes.

The APVMA's operational effectiveness is measured through the performance indicators set out in the Corporate and Annual Operational Plans.

### *Corporate and Operational Plans*

The APVMA's central planning document is the Corporate Plan. Each Corporate Plan has a life of three years. The current plan expires on 30 June 2009.

The Corporate Plan defines the principal objectives of the APVMA and gives a broad outline of the strategies to be pursued to achieve those objectives.

The Operational Plan sets out the actions needed to achieve the outcomes in the Corporate Plan. The plan enables the CEO with the Executive team to assess the efficiency of the APVMA and to monitor the risk mitigation treatments.

The Operational Plan uses Balanced Scorecard (BSC) methodology. The use of the BSC methodology and, in particular, the use of strategy maps allows strategies to be 'visualised'. Performance is strengthened through a shared vision and common understanding of the activities required to achieve corporate goals.

The 2006–09 Corporate Plan was approved in June 2006. The APVMA began developing the 2007–08 Operational Plan in early 2007. The plan was approved in June 2008. The 2006–09 Corporate Plan and the 2007–08 Operational Plan were prepared with input from stakeholders and detail the APVMA's outcomes and outputs, objectives and strategies to achieve its statutory objectives.

### **Performance review**

The CEO and the Executive Management team monitor organisational performance. The Advisory Board and Audit Committee provide advice to the CEO on specific issues as requested.

### **Annual Report**

The APVMA's performance is publicly reported in the Annual Report that is prepared according to the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* issued by the Department of Prime Minister and Cabinet.

The 2007–08 Annual Report details the APVMA's performance against each of the key outputs and performance indicators contained in the 2007–08 Portfolio Budget Statements.

### **Customer Service Charter**

The APVMA aims to provide the highest quality of service to all its stakeholders and is committed to continuous improvement of its service. The APVMA Service Charter outlines the standards that the APVMA will meet in dealing with all external audiences.

The APVMA Service Charter was developed in consultation with stakeholders and is freely available to all interested parties on the APVMA's website or in hard copy.

### **Transparency in decision-making**

The APVMA places a high priority on stakeholder interaction and consultation.

Involvement of industry, chemical users, government and community stakeholders in APVMA development and decision-making occurs in four ways:

- consultative committees
- public consultation
- publication of decisions
- access to management and staff.

### **Consultative committees**

The APVMA meets regularly with four consultative committees representing the community, government, rural industries and the chemical industry to ensure it understands the concerns of those who have an interest in the regulation of agricultural and veterinary medicines. The scope, membership and key issues dealt with by these committees in 2007–08 are described at Appendix B.

Additionally, summaries of the outcomes of the APVMA Advisory Board meetings are published on the APVMA website.

### **Public consultation**

The APVMA seeks input from interested stakeholders throughout the chemical registration and review processes as well as during the development of program reforms.

When the APVMA proposes to register a new chemical product with a new active ingredient, or to extend the use of an existing product from a non-food commodity to a human or animal food, public consultation occurs before a final decision is made. The APVMA prepares a Public Release Summary for new products containing new active constituents. These summaries are available for comment via the APVMA's website and include the outcome of the assessment and the conditions the APVMA proposes for the use of the product.

The APVMA issues Trade Advice Notices where a proposed registration or change in registration conditions has the potential to affect Australia's trade. The advice notice is distributed to farm and commodity organisations seeking comment.

New data protection amendments requiring the APVMA to publish a summary ('Application Summary') once an application has been accepted for assessment have added greater transparency. When registration applications have been granted, the APVMA is required to publish a summary ('Advice Summary') of the advice government departments and agencies and other specialists the APVMA has consulted have provided.

The Chemical Review Program consults widely with stakeholders throughout the review process. When a review is announced, the APVMA invites the public, chemical users and any interested parties to make submissions on any aspect of the chemical including performance, use practices and any adverse effects. There is also a public consultation period when the draft review report is released for comment. This takes place before the APVMA makes a final decision. There is consultation throughout the review process with various groups on more specific issues, for example the data required to maintain a particular use pattern. The release of all review reports is widely advertised through media releases, *APVMA Gazette* notices, the APVMA's website and by direct mail. These reports are available publicly on the APVMA's website.

### **Publication of decisions**

The *APVMA Gazette* lists all APVMA notices and decisions including registrations, reviews and changes to registration status that the Agvet Code requires. The *APVMA Gazette* is published monthly, is free of charge to registrants and can be downloaded from the APVMA's website, <http://www.apvma.gov.au>.

### **Access to management and staff**

The APVMA's executive, managers and staff are accessible to industry and other stakeholders. Each operational area of the APVMA has designated contact officers whose contact details are published on the APVMA's website and are distributed via consultative committees and industry gatherings.

## **APVMA BUSINESS SYSTEMS**

### **Information Services**

Information Services manages the APVMA's files and archives according to standards required by the National Archives of Australia (NAA), AS ISO 15489.1–2, the *Protective Security Manual* and other Australian Government requirements. Information Services also provides library services to the organisation and acts as the Privacy contact.

The requirement to comply with the *Protective Security Manual* (PSM) necessitated the retrospective classification and recovering of over 9000 files and generated an increased demand for information security advice in 2007–08. This project will be finalised in 2008–09.

Compliance with the PSM also prompted a major file-sentencing project under which more than 2500 files were destroyed. In accordance with NAA requirements, 2058 pre-National Registration Authority files and 203 items were permanently relocated to NAA storage.

Information Services also undertook the routine work of file creation, file location audits, parliamentary reporting, removal to off-site storage and file retrievals.

The library expanded its range of electronic products to better suit the needs of its clients and acquired and implemented a new Library Management System to improve service delivery and resource management.

## Information Technology and Application Development

Information Technology and Application Development provides services and support for information technology, application systems development, voice communications, IT security matters, and web-based services including PUBCRIS, the Adverse Experience Reporting System as well as the Electronic Application and Registration System (EARS).

Technical knowledge and information are vital assets for the APVMA. Key to organisational success is the ability of staff to quickly understand and integrate highly complex technical knowledge into a context that is understood and easily communicated to stakeholders.

During 2007-08 the APVMA continued to improve business processes and enhance stakeholder access to information via information technology. Key projects completed during the past 12 months include:

- the release of EARS version 2. This version included the following:
  - additional categories Cat 7, 10 and 14
  - access management module to provide access to regulatory consultants
  - data list editor to assist companies to create data lists to be provided for data submitted
  - enhancements and bug fixes to improve the functionality provided by the online system
  - increased the attachment size to 10MB
  - EARS updater software to provide for more efficient distribution of the EARS Online software
  - improved Online Help
  - support for Listed Registrations
- enhanced network health by implementing network monitoring and diagnostic alert software
- development of an IT Disaster Recovery Plan
- an upgrade of the email archiving system for improved search and retrieval performance
- implementation of a new tape library and upgraded switches for the Commvault Server to improve the network backup and recovery process
- upgrades to third party software
  - Sun Financials
  - CHRIS HR
  - RECFIND record management
- installation of a new Microsoft SQL server as part of consolidation project.

Information Technology and Application Development also undertook routine work including help desk support, the roll out of desktops as required, minor enhancements and providing support to existing application and database systems.

### *Ecologically sustainable development*

The APVMA remains committed to the principles of Ecologically Sustainable Development as outlined in the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act). The APVMA has adopted an Environmental Management System (EMS) in line with the requirements of the EPBC Act, the Agvet Code and the Greening of Government program.

The system, which uses ISO 14001: 1996 as its framework, is integrated into the APVMA's quality management system with its auditing and continuous improvement requirements.

The EMS policy and procedures focus on environmentally-aware purchasing, rates of consumption of non-renewable resources, lifecycle costing, and recycling and waste minimisation.

In late 2006 the APVMA relocated to new premises at Symonston ACT. The new building's design, features and finishes were strongly influenced by environmental practices. The building has a number of water-saving measures including

water-efficient toilets (dual flush), flow-limiting tapware, AAA-rated fittings and large rainwater tanks. The rainwater tanks provide water for the garden areas. Drought-tolerant plants have been selected as part of the landscaping plan.

In 2008–09 the new building is expected to achieve a 4–4.5 star energy efficiency rating.

## INTERNAL AND EXTERNAL SCRUTINY

### APVMA Quality Management System

The APVMA continues to maintain strong controls over its key processes to ensure its legislative obligations are met. The APVMA quality management system emphasises responsiveness to customers and stakeholders, consistency of output, efficient resource management and continuous improvement. It is reviewed and monitored by a monthly managers' meeting and is subject to internal and external audit.

The APVMA was re-certified to AS/NZS ISO 9001: 2000 following a successful triennial audit in September 2005. A surveillance audit conducted in September 2007 resulted in no corrective actions and attracted favourable comments from the certifying organisation. The next triennial audit will be conducted in September 2008.

### Fraud control

The APVMA has a Fraud Risk Assessment and a Fraud Control Plan in place that complies with the Australian Government's Commonwealth Fraud Control Guidelines. The Fraud Control Plan includes fraud prevention, detection, investigation, reporting and data collection procedures.

## Auditor-General's reports

The ANAO did not conduct audit operations at the APVMA in 2007–08.

## Courts and tribunals

One proceeding at the Administrative Appeals Tribunal (AAT) was carried over from 2005–06. The proceeding relates to the APVMA's regulatory decisions following the review of veterinary medicines containing virginiamycin. This proceeding was still under way at 30 June 2008. Another AAT proceeding began in 2006–07 that related to the APVMA's decision to refuse to register a veterinary medicine product. This matter was finalised in 2007–08. In 2007–08 AAT proceedings were brought against the APVMA arising out of an APVMA action to remove certain agricultural chemical products and active constituents from the Register of Chemical Products and Record of Approved Active Constituents. The APVMA sought declarations in the Federal Court and both matters were continuing at 30 June 2008.

## Ombudsman

The Ombudsman made no formal enquiries into the operations of the APVMA during 2007–08.

## Parliamentary committees and other reviews

The APVMA appeared before the Standing Committee on State Development regarding an inquiry into Nanotechnology in NSW in May 2008, and also appeared before the Senate Committee on Rural and Regional Affairs for Estimates hearings in February and May 2008.

The APVMA also prepared a submission and appeared before a Senate Inquiry into pricing and supply arrangements in the Australian and global chemical and fertiliser market in May.

## Privacy

The APVMA adheres to the Information Privacy Principles as set out in the *Privacy Act 1998*. The APVMA's operations were not subject to any report or determination by the Privacy Commissioner. The APVMA has an entry in the current edition of the Privacy Commissioner's *Personal Information Digest*.