



## Business and administration

Annual Report 2007–2008

## Administrative and bussiness support

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# Administrative and business support

## Overview

This unit covers the governance functions that support the delivery of all National Residue Survey (NRS) residue testing activities. The total cost of this unit is attributed proportionately to NRS residue testing programs.

## Outputs

The outputs of the administrative and business support unit are:

- provision of all business services (including governance, financial, risk, contract and human resource management) required for the efficient conduct of NRS
- provision of accountable financial support services to industry clients and the Australian Government
- ongoing monitoring of levy rates and consultation with industries concerning necessary changes
- cost-effective management of the acquisition of samples, sample distribution and database management
- legislation management
- national and international communication, including an annual report to parliament.

The administrative and business support unit works towards the achievement of the following measures:

- transparent, effective and efficient operation of all financial reporting, auditing and management systems for NRS, industry clients and the Australian Government
- effective and efficient management of staffing and staff performance
- efficient reviews and adjustment of levy arrangements consistent with Australian Government guidelines, in consultation with participating industries
- cost-effective and efficient management of the collection of samples, their transfer to laboratories and receipt of analytical data
- efficient and effective management of analytical data entry to the NRS database
- delivery of high-quality, timely publications.

## Highlights

From 1 July 2006, NRS was included in the Food and Product Safety and Integrity Branch of the Product Integrity, Animal and Plant Health Division.

From 1 January 2007, NRS was restructured into four units in order to reflect the programs managed by NRS, and to enhance accountability and efficiency. This structure has continued during 2007–2008. The diagram on page 19 shows the current structure of NRS.

## Financial management

### Industry funds

NRS funds are managed in accordance with the *National Residue Survey Administration Act 1992* and the *Financial Management and Accountability Act 1997*.

Each participating industry is consulted on the level of reserve it wishes to maintain within its industry equalisation account (IEA) with the aim of providing for contingencies while at the same time making the best use of industry funds. Tendering and contractual arrangements for the procurement of goods and services, particularly analytical testing, are managed in accordance with the Australian Government's *Commonwealth Procurement Guidelines*.

NRS programs are operated on a full cost-recovery basis, with the costs of services funded by the relevant industries. If new activities are required by an industry already involved with NRS, in most cases existing industry funds could be used to support the new activity while adjusted levy arrangements are established. However, when a new service is required by an industry not already funding an NRS project, funding for that service must be established before it can commence. Depending on circumstances, this could be achieved by the implementation of a levy, coupled with a direct payment to initiate residue testing activities. NRS advises and consults with industry if changes to levy rates are required.

### Inputs and allocation of costs

Externally funded laboratory evaluations operate as independent projects and are funded under contractual arrangements with relevant industries. All other residue testing costs incurred by NRS, except those associated with community service obligations, are recovered through industry-based levies or direct payments by industry.

Costs associated with laboratory performance and business support programs form part of the indirect costs of other projects, and an appropriate proportion of the expense is included in the costs of those projects. Indirect costs are attributed proportionately to projects, taking into account sample numbers and staff time.

### Risk management

The major risk for NRS is the potential for major fluctuations in the demand for NRS services: this could result in over- or under-utilisation of NRS expertise and resources.

Large increases in demand could occur within the following scenarios:

- government initiatives requiring the monitoring of a large, previously unmonitored, sector of production
- the establishment of a trade-driven requirement for a substantial new activity within a short timeframe
- the identification of a residue with the potential to cause a threat to trade, for which an extensive residue testing project would be needed at short notice
- the recovery of an industry from a significant production setback (e.g. drought, disease, market closures, industry restructures) leading to increased production levels to counter low incomes in previous years.

Large decreases in demand could occur if current participating industries withdraw from NRS or suspend activities due to monetary constraints or changed market entry requirements.

Another important potential risk is the failure of a contracted laboratory to properly identify or measure a chemical residue, particularly one with high consumer or trade sensitivity. To minimise the possibility of this happening, a comprehensive laboratory proficiency testing program is run in parallel with NRS testing activities.

A low risk is associated with information technology (IT) support for NRS, particularly the database that holds all residue results. The database is used for reporting results to industry and

to Australian, state or territory authorities within tight timeframes, and is also used to generate recipient-created tax invoices for laboratory testing. The Australian Government Department of Agriculture, Fisheries and Forestry (the Department) outsources most of its IT services, including the maintenance of network hardware and software. The Department has defined service levels and activities (including regular data backups) as a component of those service levels that reduce the risk of losing data. The NRS database is maintained by an external IT service provider, who ensures that the data tables are backed up each night.

The risks outlined above, should they occur, could pose problems in the areas of finance, analytical capability and staffing. The magnitude of risks associated with new commodities or analytical requirements is extremely situation-specific. However, in all but extreme circumstances, NRS is well placed and well structured to respond quickly and effectively to any new requirements for services.

During 2007–2008, NRS management continued to assess critically any emerging technical, business and security risks that had the potential to impact adversely on its ability to deliver required residue testing services to stakeholders.

### Outsourced service delivery

Through the Department, NRS receives a number of corporate services, including IT, financial transaction processing, legal services, human resources services and property management. In addition to the contracted laboratories providing analytical services for NRS, an external IT provider maintains the NRS database. The NRS annual report is also written, designed and printed by external providers.

In addition, in-kind assistance is provided by inspection staff from AQIS, who collect samples on behalf of NRS at export abattoirs.

### Data protection and privacy

NRS holds an extensive database of residue data in a wide range of commodities. The database can be drawn on by participating industries and governments for the purposes of gaining or maintaining market access or for the setting and review of standards.

Data release is carefully managed under the 'Release of Information' requirements of the *National Residue Survey Administration Act 1992* (the Act) to ensure confidentiality and privacy. Information released to a relevant authority or appropriate person is used only for the purpose of monitoring, traceback or regulation of residues and contaminants.

The results of NRS residue monitoring projects are provided to participating industries and are published each year in the annual report. Information from NRS projects that identifies particular people or their property is released only to government authorities (i.e. Australian, state or territory government authorities responsible for the monitoring or regulation of agricultural and veterinary chemical residues and contaminants), or to individuals (non-regulatory persons) approved by the Department as being appropriate persons to be granted access to the information under paragraph 11(2) (b) of the Act.

The current database is about 10 years old, and has been adapted over time to improve and extend its functionality, but the current system can support only a paper-based approach to sample recording and management. This restriction means that it is difficult to introduce improvements in effectiveness, efficiency and automation, while at the same time risk exposure is amplified. Plans are underway to redevelop the NRS database and information management system to include

web-based applications which improve data links between the NRS, sample collectors, sample handlers, analytical laboratories and participating industries. Design specifications are under development and tenders will be called in November 2008. NRS expects the redeveloped NRS database to be operational by December 2009.

## Fraud control

NRS operates under the fraud control plan of the Department.

The administrative arrangements for NRS involve additional responsibilities for financial management and the control of assets. These have required fraud management strategies for five areas identified as requiring scrutiny:

- building security (high risk)
- purchasing (including use of the Australian Government credit card) and payment of accounts (high risk)
- investment of industry funds (medium risk)
- asset control (medium risk)
- access to commercial-in-confidence information (low risk).

Key features of the overall strategy include segregating duties to avoid individuals carrying sole financial responsibility for transactions, enhancing the degree of independent checks on financial transactions, and raising staff awareness in order to prevent fraud. As insurance against external fraud, NRS generates and reconciles invoices from the laboratories (its main service providers) against actual test results received, thereby preventing double or unsubstantiated invoicing.

No instances of fraud were detected during 2007–2008.

## Performance

### PERFORMANCE INDICATOR ONE

Operation of all financial reporting, auditing and management systems is transparent, effective and efficient.

#### Achievements

<b>NRS quality assurance program</b>	The purpose of the NRS quality assurance program is to maintain and improve, where practicable, the effectiveness and efficiency of all NRS operations. It covers the development of monitoring plans, the support of export certification and the domestic trade of animal products. Consultation with industry stakeholders ensures that all quality and operational aspects of NRS activities meet domestic and internationally accepted scientific standards, as well as NRS, industry and government requirements. A dedicated quality assurance officer has been recruited to carry out the program.
<b>Management of IEAs in the NRS Special Account</b>	Funds in the NRS Special Account continued to be managed in accordance with the <i>National Residue Survey Administration Act 1992</i> and the <i>Financial Management and Accountability Act 1997</i> . NRS has continued to consult with each participating industry on the level of the relevant IEA it wishes to maintain in the NRS Special Account, with the aim of providing for contingencies while making the best use of industry funds.
<b>Management of tendering and contractual arrangements</b>	NRS has continued to manage tendering and contractual arrangements for the supply of services in accordance with the Australian Government's <i>Commonwealth Procurement Guidelines</i> .
<b>Risk assessment and control strategy</b>	NRS prepared a risk assessment and control strategy for each of the participating industries' commodities based on financial, administrative and business aspects.

<b>Commodities' financial statements and budgets</b>	NRS provided financial statements and budgets to industry for the 2006–2007 financial year. The expected financial outcomes for 2007–2008 and budgets for 2008–2009 were discussed with each industry's representative body to ensure the financial sustainability of each industry program.
<b>Annual contracts for residue monitoring under direct payment</b>	NRS provided residue analyses through a memorandum of understanding for the blueberry project and a contract for the camel project.
<b>Outsourced service delivery</b>	NRS received several corporate services through the Department, including IT, financial transactions processing, legal services, human resources services and property management. NRS contracted the maintenance of the NRS database to an external IT provider and the production of the NRS annual report, a legal requirement under the Act, to external contractors.

#### PERFORMANCE INDICATOR TWO

Management of staffing and staff performance management is effective and efficient

##### Achievements

<b>Staffing levels and skills</b>	NRS requires an appropriate and flexible mix of staff with technical and administrative skills. Contract staff are used to meet short-term needs. Through performance agreements, coupled with ongoing appraisal and development, NRS seeks to ensure that it has the committed and skilled staff needed to achieve its objectives efficiently and effectively. Business activities related to human resource and other resource management matters are included in the business unit of the Division of Product Integrity, Animal and Plant Health. The Director of NRS maintains a direct oversighting role in the financial and business support activities pertaining to NRS.
<b>Employment conditions</b>	All NRS staff are employed under the Department's Collective Agreement 2006–2009, and are bound by its terms and conditions.

#### PERFORMANCE INDICATOR THREE

Review and adjustment of levy arrangements are conducted efficiently and are consistent with Australian Government guidelines.

##### Achievements

<b>Review of operative levy rates</b>	NRS consulted with all industries to ensure that current IEAs in the NRS Special Account were adequate to cater for residue monitoring projects conducted in 2007–2008, and into the future. During 2007–2008, the levies paid by each industry were monitored continually and assessed using forecast production levels.
<b>Funding for new services</b>	NRS programs have continued to operate on a full cost-recovery basis, with the costs of the services funded by relevant industries.
<b>Plant products: new grains</b>	During 2007–2008, levies were established for 13 new grains entering the expanded plant residue random monitoring program that commenced on 1 July 2007.

**PERFORMANCE INDICATORS FOUR AND FIVE**

Collection of samples, transfer of samples to laboratories and receipt of analytical data is managed efficiently; and Entering of analytical data is achieved within one working day of receipt.

**Achievements**

<b>Automated functions through the NRS database</b>	<p>The generation of sample requests, data receipt, payment to service providers, and data storage, processing and retrieval continue to be automated by the NRS database.</p> <p>NRS sends samples either directly to specified laboratories or to the NRS central receipt and dispatch facility for aggregation, repacking and forwarding to laboratories.</p> <p>Laboratories report analytical results to NRS electronically. Results are entered onto the database and checked by NRS.</p>
<b>Database upgrade</b>	<p>Specifications for the redesigned NRS database are now at an advanced stage and tenders will be requested in the near future.</p>
<b>Sample collection and data management – random monitoring</b>	<p>Sample requests for random monitoring projects are generated by NRS officers. Details of the samples to be collected are sent to collection points for action.</p> <p>During 2007–2008, NRS coordinated the collection and dispatch of 18 889 samples for the random residue monitoring programs. Results from the analytical laboratories were entered into the NRS database.</p>
<b>Sample collection and data management – targeted monitoring</b>	<p>NRS collected analytical results from 701 samples through the targeted monitoring, compliance testing and residue prevention projects. These results were entered into the NRS database within one day of receipt. For these targeted projects, samples are collected according to specific project rules and NRS is responsible only for processing of laboratory results and their dispatch to appropriate authorities.</p>
<b>Storage of results</b>	<p>Results of all chemical analyses are stored in the NRS database. The database is backed up each night.</p>
<b>Reporting of residue detections</b>	<p>During 2007–2008, NRS reported the detection of 54 residues of agvet chemicals and environmental contaminants above Australian Standards to appropriate regulatory authorities within agreed timeframes to enable required actions to be taken, including prompt traceback investigations.</p>
<b>Database security</b>	<p>The NRS database continued to be managed under the 'Release of Information' requirements of the Act to ensure confidentiality and privacy, according to National Privacy Principles.</p>

**PERFORMANCE INDICATOR SIX**

Delivery of high-quality and timely publications.

**Achievements**

<b>The National Residue Survey Annual Report 2006–2007</b>	<p>The parliamentary secretary approved tabling of the <i>National Residue Survey Annual Report 2006–2007</i> on 6 October 2007, and it was tabled in the Senate (out of session) on 23 October 2007 and in the House of Representatives on 13 February 2008. Tabling dates were adjusted to accommodate the dissolution of parliament due to the general election. Following tabling, the report was distributed by mail to approximately 300 stakeholders, and a web-friendly version was added to the NRS website.</p>
<b>NRS results reporting</b>	<p>The use of tabular formats simplifying commodity results has continued, with care also being given to the consistency of chemical naming across commodities. Commodity reports continue to be generated automatically from the NRS database.</p>

<b>NRS brochure</b>	<p>The NRS brochure was published both on paper and electronically on the web. It provides a summary of results from all NRS residue testing programs to give participating industries summaries of the compliance of their products with appropriate standards. NRS staff distributed copies of the brochure to industry and at residue conferences, on visits to grain terminals and other sites of importance. NRS laboratory assessment staff also used the brochures on visits to laboratories and on field audits. Copies are available for visitors to the NRS offices.</p> <p>NRS is currently developing further industry-specific brochures, following requests from industry.</p>
<b>Awareness-raising articles</b>	NRS submitted articles concerning relevant projects to <i>Onions Australia</i> , the <i>Tree Fruit Journal</i> and the <i>Australian Macadamia Society Bulletin</i> .
<b>Conference papers</b>	<p>NRS staff presented papers at the Apple and Pear Annual General Meeting and Conference (August 2007), the Grains Council Executive Meeting (October 2007), the Onion Industry Annual General Meeting (October 2007), the Australian Macadamia Society Annual General Meeting (October 2007), the Grains Council Executive Meeting (October 2007), and the National Working Party on Grain Protection (June 2008).</p> <p>A paper entitled <i>An Australian Approach to Chemical Residue Management: Concepts, Programs and Results</i> was presented to the 8th European Pesticide Residue Workshop held in Berlin (June 2008).</p>
<b>Food standards for key international markets</b>	NRS continued to publish and update international maximum residue limit (MRL) tables on the NRS website.

## Outlook

NRS will continue to review its structure and administration to provide the most effective delivery of services to its clients.

# Community service obligation funding

## Overview

The Australian Government provides funding for community service obligations (CSOs) that contribute to broader government and community objectives and to international commitments. CSO funds enable NRS officers to develop synergies between industry-funded projects and activities in Australian and international forums, for the mutual benefit of industry and government. The NRS input into departmental and other government projects is also funded through CSOs.

Appropriation funding is provided to NRS for residue-related project work that falls outside the cost-recovered residue monitoring projects and surveillance, compliance and residue prevention projects of participating industries. These activities include:

- advising ministers and assisting them to provide high-quality service to the public
- providing scientific information to the Department on product residue issues
- participating in and providing technical input to relevant national and international committees such as the Australian Government Primary Industries Ministerial Council, the Australia New Zealand Food Regulation Ministerial Council, their associated standing committees, the National Association of Testing Authorities and the Codex Alimentarius Commission
- facilitating cooperation and information exchange between NRS and Australian, state and territory government authorities that are involved in residue-related activities
- complying with government legislative requirements and contributing to the effectiveness of relevant government policies
- conducting residue-related investigations in the public interest.

## Outputs

NRS community service outputs are:

- policy and technical advice to the Australian Government and associated state and territory agencies
- provision of appropriate residue-related expertise to national and international committees
- participation in, development of, and compliance with general government legislative and administrative requirements
- management of relevant levy-related legislation
- reports on and input into policy development for emerging residue issues relevant to NRS
- participation in residue-related investigations in the public interest.

## Performance

### PERFORMANCE INDICATOR ONE

Timely provision of high-quality policy and technical advice to ministers and relevant Australian Government agencies.

#### Achievements

<b>Policy advice</b>	All NRS policy and technical advice to the minister or the parliamentary secretary was of high quality, accurate and timely. For example, advice was given to the minister regarding the <i>National Residue Survey Operational and Expenditure Plan 2008–2009</i> .
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### PERFORMANCE INDICATOR TWO

Effective participation in the Codex Alimentarius Commission and other national and international forums.

#### Achievements

<b>Representation on Codex Alimentarius Commission committees</b>	NRS was represented on three Australian delegations to Codex committees.
<b>Codex Committee on Residues of Veterinary Drugs in Foods (CCRVDF)</b>	A NRS officer was part of the Australian delegation that attended the meeting of CCRVDF in Breckenridge, Colorado, on 3–7 September 2007.
<b>Codex Committee on Pesticide Residues (CCPR)</b>	A NRS officer continued as the Australian delegation leader for the 40th meeting of CCPR (Hangzhou, China, 14–19 April 2008). The NRS officer prepared the Australian brief in cooperation with the delegation members. In addition, the NRS officer oversaw the CCPR Electronic Working Group on Priorities, and chaired the CCPR plenary session on prioritisation of chemical evaluations.
<b>Codex Committee on Methods of Analysis and Sampling (CCMAS)</b>	A NRS officer was alternate leader of the Australian delegation to the meeting of CCMAS (Budapest, Hungary, 10–14 March 2008) and provided input into the development of Australia's position on a number of issues relevant to NRS, in particular the acceptance of analytical methods, the establishment of performance criteria for analytical methods, and the resolution of disputes over analytical results.
<b>EuroResidue VI conference</b>	A NRS officer attended the <i>EuroResidue VI</i> conference (Egmond an Zee, The Netherlands, 19–21 May 2008) which concerned residues of veterinary drugs in foods, and presented a paper titled 'The presence and metabolism of endogenous androgenic-anabolic steroid hormones in meat-producing animals: a review' at an accompanying workshop that preceded the conference. The NRS officer is a co-author of the paper, which is to be published in the peer-reviewed journal <i>Food Additives and Contaminants</i> .
<b>European Pesticide Residue Workshop</b>	A NRS officer attended the European Pesticide Residue Workshop (Berlin, 1–5 June 2008) which concerned the analysis and assessment of pesticide residues, and presented a paper titled 'An Australian approach to chemical residue management: concepts, programs and results'. In addition, the officer visited the German analytical reference laboratory and a chemical manufacturer.

**PERFORMANCE INDICATOR THREE**

Productive working relationships with relevant Australian, state and territory government authorities on residue management issues.

**Achievements**

<b>National Association of Testing Authorities (NATA) accreditation</b>	NRS continues to be accredited with NATA as a proficiency testing provider.
<b>Meetings and teleconferences</b>	NRS liaised with residue coordinators for meat and plant products of regulatory authorities within the state and territory governments. The key issues addressed were traceback investigation agreements, information-sharing on respective residue testing projects, and communication strategies to facilitate responses to international residue violation matters.
<b>Advice on violations of food standards</b>	During 2007–2008 there were several international residue-related trade incidents in which the Department required technical advice from NRS.

**PERFORMANCE INDICATOR FOUR**

Effective and efficient management of levy-related legislation, general legislative issues and other government business relevant to NRS.

**Achievements**

<b>Levy consultation with industry</b>	NRS completed a full review of levy receipts for 2006–2007 and consulted with industry concerning the need to maintain industry IEAs in the NRS Special Account at levels that would sustain industries' testing projects for 2007–2008 and beyond. As a result, it was agreed that no changes to levies were required.
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**PERFORMANCE INDICATOR FIVE**

Effective and efficient conduct of investigations on residue-related issues yielding national benefits.

**Achievements**

<b>Residue incident tracebacks</b>	NRS notified state and territory governments of residue incidents that required traceback investigation, in accordance with the memorandums of understanding signed by state and territory governments.
<b>Residue incidents in exported produce</b>	NRS informed state or territory government regulatory residue coordinators when residues exceeding the relevant standards in Australian produce were detected by importing countries.
<b>Management of horticultural produce residue incidents</b>	NRS is working with Horticulture Australia Limited, state and territory governments and industry on a project to establish formal arrangements for the timely management of international incidents that result from the export of Australian horticultural produce.

## Outlook

NRS will continue to provide community service obligation activities in response to ongoing or emerging needs.

