

Report of operations

Corporate Profile

Vision

To be recognised nationally and internationally as a best-practice regulator of pesticides and veterinary medicines that has the respect and confidence of governments, the community, the rural sector, chemical users and the chemicals industry.

Mission

To protect the health and safety of people, animals and crops, the environment and trade, and support Australian primary industries, through evidence-based, effective and efficient regulation of pesticides and veterinary medicines.

Who we are

The Australian Pesticides and Veterinary Medicines Authority (APVMA) is the independent Australian Government statutory authority responsible for registering pesticides and veterinary medicines and regulating them up to and including retail sale.

Responsible Minister

The APVMA is in the portfolio of the Minister for Agriculture, Fisheries and Forestry.

The Hon Sussan Ley MP, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry, has direct portfolio responsibility for the APVMA. Ms Ley was appointed Parliamentary Secretary on 27 January 2006. The APVMA Chairperson reports regularly to the Parliamentary Secretary on APVMA activities.

What we do

The work of the APVMA protects the health and safety of people, animals and crops, the environment and trade.

The APVMA is responsible for administering and managing the National Registration Scheme (NRS). The scheme sets out the regulatory framework for the management of pesticides and veterinary medicines in Australia. The APVMA carries out its work in partnership with state and territory governments and with the active involvement of other Australian Government agencies. The APVMA administers the scheme's legislation and is responsible for registration, quality assurance and compliance of pesticides and veterinary medicines up to and including retail sale. All registered products must be shown to work, be safe for people and the environment, and not unduly jeopardise Australia's trade with other nations. The APVMA also manages programs that monitor the safety and performance of registered products.

The states and territories are responsible for regulating and managing the use of pesticides and veterinary medicines once they are sold.

Governing legislation

The APVMA operates in accordance with its governing legislation, the *Agricultural and Veterinary Chemicals (Administration) Act 1992* (the Administration Act) and the Agricultural and Veterinary Chemicals Code (the Agvet Code) scheduled to the *Agricultural and Veterinary Chemicals Code Act 1994*.

The Administration Act sets out the APVMA's role as an independent statutory authority

to undertake the responsibilities conferred on it by the states and territories under the scheme. The Agvet Code lists operational provisions for approving active constituents, registering chemical products and approving labels.

Stakeholders

In undertaking its role, the APVMA consults with a range of stakeholders including:

- the general community
- the chemicals industry
- the Australian, state and territory governments
- farmers and farm workers
- other users of agricultural and veterinary chemicals
- other national and international regulators.

Funding arrangements

APVMA activities are funded through cost recovery. Operational revenue is collected from registrants of pesticides and veterinary medicines. Fees are paid for the registration and re-registration of products.

Levies are paid annually according to the level of sales and other disposals of registered products. In 2006–07 industry contributions were 96 per cent of total revenue (2005–06: 96 per cent).

The APVMA's income for 2006–07 was $25.33 million, an increase of $0.97 million (3.9 per cent) from 2005–06. The increase in revenue is primarily due to the implementation of new cost recovery arrangements and an increase in chemical sales.

CEO's Report

The past year has been one of significant reform for the APVMA as we respond to changing external contexts and expectations. Notably, we progressed the transition in our corporate governance arrangements following the government decision that the APVMA would move from being an authority administered under the *Commonwealth Authorities and Companies Act 1997* (CAC Act) to one that comes under the *Financial Management and Accountability Act 1997* (FMA Act). This move brought about a number of changes, chiefly that under the new arrangements a Board of Directors would no longer govern the APVMA after 30 June 2007. The last meeting of the outgoing Board in June was therefore an historic event.

A great deal of work took place, especially in finance and human resources, to ensure compliance with the new requirements. The transition of our governance arrangements occurred on 30 June 2007 to coincide with the commencement of the new financial year.

In working to deliver our corporate objectives, we continue to be guided by the three strategic themes previously introduced by the Board: stakeholder confidence, operational excellence and informing policy. These themes provide a useful framework for reflecting on the year's progress and achievements. Highlights of the year include major advances in the use of electronic tools and in inter-agency and international cooperation. There has also been continuing operational change and reform that has presented both challenges and opportunities.

Stakeholder confidence

We are committed to building and maintaining the confidence of our stakeholders. During 2006–07 we focused on enhancing stakeholder engagement, improving accessibility of information and we significantly expanded international cooperation initiatives.

We continued to consult widely with the chemical industry, the rural sector, professional associations and community groups on a range of issues such as chemical reviews, registration guidelines, codes of practice, labelling, communication of trade advice, chemistry data quality, residues of veterinary drugs in trade and minor use. Particular highlights during the year included valuable engagement on the diazinon, dimetridazole, 2,4-D, 1080 and fenthion/dimethoate reviews, and spray drift risk mitigation. As a result, stakeholders gained a much greater appreciation of the issues involved. An initiative to communicate the commencement of reviews more widely and to invite participation led to an excellent response to the commencement of the reviews of neomycin and carbendazim.

We continued to work closely with our four major consultative groups: the Community Consultative Committee (CCC), the Registration Liaison Committee (RLC), the Industry Liaison Committee (ILC) and the Industry Technical Committee (ITC). For the first time we held a forum with user groups to canvass opportunities for closer engagement.

A key outcome was a commitment by the APVMA to host two user forums annually, with agendas set jointly by the APVMA and users. In May, we implemented new Manufacturing Principles and the Australian Code of Good Manufacturing Practice for Veterinary Chemical Products, following close industry collaboration.

We continued to look at better ways to engage with stakeholders. A fortnightly email bulletin, *Regulatory Update*, was well received with subscriptions increasing over the year. We enhanced our website to improve its accessibility and functionality. Of particular significance was the development of the 'Hot Topics' section, and a 'Public Consultation' page that brings together all matters on which the APVMA seeks comment. Web statistics and feedback indicate that website users have welcomed these resources.

The APVMA staff also directly engaged with stakeholders through a program of site visits, field trips, conferences and seminars. I have had feedback that stakeholders value being able to talk face-to-face with APVMA staff and we have encouraged these interactions.

Throughout the financial year, the APVMA actively participated in multilateral forums such as the International Committee for Harmonization of Veterinary Drug Registration Requirements (VICH), the Codex Alimentarius Commission (Codex), and the OECD Working Group on Pesticides (WGP). We provided leadership and technical expertise in a number of areas, advancing some key international projects and gaining recognition among our international peers as a highly respected and influential regulator.

Bilateral cooperation also took place on a number of fronts. In February 2007 the APVMA signed a Memorandum of Understanding (MOU) with the United Kingdom Veterinary Medicines Directorate (UKVMD) that will allow information and expertise to be shared between the two regulators. This agreement follows similar agreements made in the last three years with counterpart regulators in Canada, the United States of America and New Zealand. During the year relationships were also established with the People's Republic of China's pesticides regulator, the Institute for Control of Agrochemicals in the Ministry of Agriculture (ICAMA). This followed a visit to Australia last year by ICAMA, and focused specifically on the regulation of pesticides and the assurance of their quality.

Operational excellence

The information in this Annual Report attests to our very good performance and major achievements in all areas including regulatory decisions, responsive feedback and effective business and people management. We recognise the challenges we faced during 2006–07 and the concerns expressed by our stakeholders in relation to certainty of timeliness and place great importance on continually improving our operational performance. We have undertaken a variety of measures throughout the year to enhance our efficiency and effectiveness.

A significant advance during the year was the implementation of the Electronic Application Registration System (EARS), a world-first initiative where companies can now electronically submit and monitor their applications using password-secure Internet access. This initiative has the potential to dramatically increase efficiency over time.

An agreement by policy makers during the financial year to advance legislative change to provide clarity on the range of APVMA-regulated products regulated also has potential to significantly improve efficiency through reducing registration requirements for some products. Other initiatives of note that occurred during the year include seminars with registrants to improve the quality of chemistry data and record keeping under the Ag QA Scheme and the submission of final labels in electronic, rather than in paper form. This results in efficiency gains for registrants and the APVMA.

The Australian National Audit Office (ANAO) carried out a comprehensive performance audit during 2006 and made six recommendations aimed at further strengthening performance. The APVMA has welcomed these recommendations that build on existing reform initiatives and their implementation is now well advanced.

We maintained our focus on regulatory science quality also. The Science Fellows Program affords training and mentoring opportunities for APVMA scientific staff and provides high-level external scientific advice. During 2007 the APVMA appointed the first overseas scientist as a Science Fellow and a highly successful Science Fellows Symposium showcased the program. This initiative strengthens the credibility of the APVMA's decisions.

During the financial year we successfully concluded a number of challenging chemical reviews as well as advancing work on a significant number of others. Chemical reviews require rigorous scientific evaluation and extensive consultation with industry, user groups and the community. We finalised four reviews and commenced two new ones. This work is part of our core aim of protecting the public, the environment and trade.

The Balanced Scorecard (BSC) methodology has been fully adopted in our strategic, operational and risk planning, clearly linking actions and strategies across the organisation to achieve corporate goals. Operational and risk management performance and reporting to the Board of Directors were driven by BSC 'dashboards'. The APVMA's innovative approach to risk management was recognised externally when the organisation won the 2006 Comcover Award for Excellence.

We continued to maintain a strong focus on using resources efficiently. Attention to cost control has seen expenditure increase by only 2.6 per cent over the past seven years. Equity has been restored, following some years of drought, to approximately $8.29 million. A desire to control rental expenditure contributed to the APVMA's move into new purpose-built facilities at Symonston ACT in late 2006. These modern facilities now house all staff in a modern single-level environment, enhancing efficiency and operational culture. Estimated rent savings over the ten-year lease period are in excess of $1 million.

Informing policy

The APVMA does not have a primary role in policy development, but uses its unique knowledge and experience to actively inform policy development relevant to pesticide and veterinary medicine regulation.

Throughout the financial year, we provided significant input to the policy work on legislative change to implement the recommendations of the Uhrig review and prepared the organisation for efficient transition to new corporate governance arrangements from 1 July 2007.

We also participated in a COAG project led by the Department of Prime Minister and Cabinet to develop a framework for the control of security sensitive chemicals.

During the year we engaged with stakeholders and policy makers to pursue a number of proposals for both operational and legislative reforms. These relate to strengthening compliance, clarifying the scope of APVMA regulation, simplifying requirements of low regulatory risk and reforming label provisions. We contributed also to legislative amendments that facilitate the alignment of the maximum residue limit setting process with those of Food Standards Australia New Zealand.

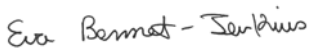
The future

Over the past financial year we have steadily improved operational effectiveness while responding to external reviews. Looking forward, we will continue to implement reform to build on operational effectiveness with particular emphasis on raising the standard of service, engagement and transparency, optimising the administration of the relevant legislation and reducing the regulatory burden. The new Operational Plan for 2007–08 lists a number of priority areas aimed at improving our efficiency and effectiveness.

Beyond this, major issues likely to engage the APVMA include bedding down the new governance arrangements, the appointment of a new Chief Executive Officer following Dr Joe Smith's appointment to the Department of Human Services, and the Productivity Commission's study of the national framework for the regulation of chemicals. All these activities provide welcome opportunities for the APVMA to consider the evolving expectations of stakeholders and to contemplate enhanced ways of improving regulatory performance.

The achievements this year are a testament to the strategic guidance of the Board of Directors and the hard work and dedication of a talented staff. The year ahead will present both challenges and opportunities, but we are confident that with the commitment of our staff and the support of our stakeholders, we will make 2007–08 a successful year.

In closing, I wish to extend my thanks to Dr Kevin Sheridan AO, Chairman of the Board, and to the other Board members. They have governed the authority well and added considerable value to addressing operational and strategic matters through bringing together their individual perspectives and expertise. I also wish to extend my thanks to our former CEO, Dr Joe Smith, who will be remembered for his achievements in improving the APVMA's regulatory processes and implementing major policy and operational reform.



Dr Eva Bennet-Jenkins
Acting Chief Executive Officer
September 2007

Performance Framework 2006–07

APVMA corporate objectives

Through the development of a world-class registration scheme for pesticides and veterinary medicines, the APVMA protects the health and safety of people, animals and crops, the environment and trade, and supports Australian primary industries.

The APVMA has developed a performance framework that links its legislative objectives to an outcome–outputs model. This framework involves a detailed planning and reporting process incorporating the Portfolio Budget Statement, Corporate Plan, Annual Operational Plan and Annual Report.

The outcome, outputs and related performance indicators in the APVMA component of the DAFF Portfolio Budget Statements for 2006–07 reflect the APVMA's *Corporate Plan 2006–07 to 2008–09*. The Corporate Plan shows the APVMA's corporate objectives. It presents a single outcome and a key output, as outlined in the Portfolio Budget Statement, supported by two operational outputs and two support outputs. This provides the framework for reporting on the APVMA's performance for 2006–07.

The APVMA's outcome, key output, corporate objectives, strategies and performance indicators are illustrated in Figure 1.

The APVMA achieves the agreed outcome and key output through the two operational outputs supported by a set of strategies. There are performance indicators for each output.

The performance information in the next section is in line with the outcome–output performance framework reflected in the APVMA's *Corporate Plan 2006–07 to 2008–09*. Progress is reported in terms of the performance indicators as well as other major achievements.

Ms Ley approved the *Corporate Plan 2006–07 to 2008–09* and the *Annual Operational Plan 2006–07* in June 2006.

Vision: To be recognised nationally and internationally as a best-practice regulator of pesticides and veterinary medicines that has the respect and confidence of governments, the community, the rural sector, chemical users and the chemicals industry.

Mission: To protect the health and safety of people, animals and crops, the environment and trade, and support Australian primary industries, through evidence-based, effective and efficient regulation of pesticides and veterinary medicines.

Outcome: Given the need to use pesticides and veterinary medicines for pest and disease control, the work of the APVMA protects the health and safety of people, animals and the environment. In respect of food and fibre production, APVMA activities support Australian agriculture and livestock industries.

Key Output: Efficient and effective systems of regulation of pesticides and veterinary medicines up to and including the point of retail sale.

Figure 1: APVMA corporate objectives, strategies and performance indicators

Outputs	Strategies	Performance indicators
Output 1 **Regulatory decisons and information supported by evidence-based risk assessments that are consistent with national and international standards**	Evaluate and consider applications to approve active constituents, register chemicals, approve labels and provide regulatory consents such as permits following scientific evaluation	• Evaluation reforms based on contemporary science • International collaboration increased • Reforms introduced to decrease process burden consistent with the risk posed • Regulatory decisions within statutory timeframes • Peer review of regulatory decisions • Appropriate regulation provided to meet minor and emergency use needs and to encourage reduced risk chemicals
	Engage stakeholders to improve awareness and inform policy development and to optimise the regulatory framework within which APVMA operates	• Information provided and stakeholders informed • Policies that have APVMA input including through the Product Safety and Integrity Committee with National Registration Scheme partners
	Review registered chemicals on the basis of their risk	• Chemicals identified for review, new reviews initiated on risk basis and reviews completed • Regulatory decisions based on contemporary scientific evidence • International collaboration increased

Outputs	Strategies	Performance indicators
Output 2 **Responsive feedback mechanisms, and quality assurance and compliance programs that support ongoing chemical product quality and conformance with legislation**	Consider stakeholder feedback including adverse experience reporting	• Feedback considered in regulatory decisions • Stakeholder consultation and feedback framework enhanced
	Ensure industry compliance with the legislation, including maintenance of quality assurance programs	• Successful compliance and quality assurance outcomes • Additional compliance tools and visible actions • Stakeholder awareness of, and confidence in, APVMA regulatory actions
	Respond to and manage emerging regulatory issues	• Effective management of issues considering stakeholder inputs • Regulation of new technologies developed and adopted as needed

Outputs	Performance indicators
Support Output 1 **Conduct efficient and effective business management that optimises our use of resources and minimises business risks**	• Unqualified ANAO financial audit report • No successful challenges as a result of non-compliance with legislation • Business risks identified and resources appropriately allocated • Successful implementation of new policy and regulatory reform initiatives
Support Output 2 **Recruit, develop and retain valued and high performing people**	• Staff satisfaction • Trained staff • Low staff turnover

APVMA corporate achievements 2006–07

Output 1: Regulatory decisions and information supported by evidence-based risk assessments that are consistent with national and international standards

Strategies	Performance
Evaluate and consider applications to approve active constituents, register chemicals, approve labels and provide regulatory consents such as permits following scientific evaluation	• Finalised 1362 applications for registration, variation to registration or label approval for pesticide products (90% within the statutory timeframe) • Finalised 95% of the applications to register pesticide products received under our new modular category structure (since 1 July 2005) within the statutory timeframe • Finalised 434 permit applications for pesticides products (83% within the statutory timeframe) • Finalised 917 applications for registration, variation to registration or label approval for veterinary medicine products (95% within the statutory timeframe) • Finalised 95% of the applications to register veterinary medicine products received under our new modular category structure (since 1 July 2005) within the statutory timeframe • Finalised 199 permit applications for veterinary medicine products (99% within the statutory timeframe) • Completed 87% of applications for pesticide permits and 94% of applications for veterinary medicine permits received under our new modular category structure (since 1 July 2005) within the statutory timeframe • Continued strengthening the quality of the APVMA's regulatory science through the Standard of Good Regulatory Science Practice and the Science Fellows Program • Focused on further reforms aimed at reducing the elapsed time for applications • Visited manufacturers and conducted seminars to improve the quality of chemistry data submissions in seeking approval to register products • Introduced the Electronic Application and Registration System (EARS) for application categories 8, 12 and 13 • Continued progress of the multi-stakeholder Labelling Code Working Group to revise the codes of practice for the labelling of pesticides and veterinary medicines

- Advanced the work of the Label Approval Process Working Group to develop and implement reforms for label approval processes
- Implemented electronic submission of marketed product labels (e-labels)
- Continued progress on a major reform agenda for minor use including increased international engagement
- Provided data on 72 agricultural chemicals, 27 veterinary chemicals and 43 toxicology reports to the Japanese Ministry of Health, Labour and Welfare (MHLW), to enable the MHLW to set maximum residue limits
- Negotiated with the veterinary chemical industry to update product labels with trade advice statements
- Developed new statistical software to help with determining export slaughter intervals
- Held a Science Fellows Symposium on the science underpinning the safety and trade assessment of veterinary drugs in animal-derived foods
- Worked with the Department of Health and Ageing (DoHA), DAFF and Food Standards Australia New Zealand (FSANZ) to implement a Food Regulation Standing Committee Resolution on reducing the gap between the time the APVMA registers a product and gazettes a Maximum Residue Limit (MRL) and for FSANZ to enter that MRL into the Food Standards Code
- Evaluated residue data for 59 applications for product registration, 77 applications for permits and 5 chemical reviews, producing 377 amendments to the MRL standard
- Finalised 92% of all active approval applications within the statutory timeframe
- Provided education for external reviewers of efficacy and crop/animal safety data
- Progressed work under the Memorandum of Understanding signed with the Agricultural Compounds and Veterinary Medicines Group (ACVM) of the New Zealand Food Safety Authority, designed to give greater alignment of registration processes in Australia and New Zealand.

Engage stakeholders to improve awareness and inform policy development and to optimise the regulatory framework within which the APVMA operates	• Delivered 63 presentations at targeted conferences and seminars on topics related to the NRS • Participated in key international forums, including the OECD, Codex and VICH • Hosted regular meetings of the APVMA Community Consultative Committee (CCC), the Registration Liaison Committee (RLC), the Industry Liaison Committee (ILC) and the Industry Technical Committee (ITC) • Commenced three work sharing projects with other international regulators to jointly assess new chemicals • Appropriately managed all media interest • Hosted several issues-focused meetings and seminars for APVMA stakeholders • Provided information materials to key national and international stakeholders • Implemented a strategy to improve the use of the APVMA's website for consultation on polices, processes and reviews
Review registered chemicals on the basis of their risk	• Conducted or continued reviews of 30 chemicals • Finalised four reviews and released two Preliminary Review Findings reports • Issued new controls and limits on the use of 1080, methyl bromide, short chain ester forms of 2,4-D, dimetridazole and diazinon, and varied label conditions and use limits

Output 2: Responsive feedback mechanisms, and quality assurance and compliance programs that support ongoing chemical product quality and conformance with legislation

Strategies	Performance
Consider stakeholder feedback including adverse experience reporting	• Provided guidance on registrant requirements for submitting new information to the APVMA • Introduced online reporting for adverse pesticide experiences • Assessed 1993 veterinary product adverse experience reports and 56 pesticide product adverse experience reports • Published the *Annual Report of Adverse Experiences for Pesticides 2005*, and *Annual Report for Veterinary Medicines 2005* • Presented papers on the Adverse Experience Reporting Program (AERP) at national conferences
Ensure industry compliance with the legislation, including maintenance of quality assurance programs	• Implemented revised Manufacturing Principles and Code of Good Manufacturing Practice (GMP) for veterinary chemical products • Continued to test products and review data on the quality of marketed agricultural chemicals and provided education on the Quality Assurance Scheme for Agricultural Actives and Products (Ag QA) • Formed closer working relationships, through visits, with ICAMA, the national Chinese pesticide regulator • Began industry consultation on reforms to expand the APVMA's toolkit to take effective compliance action
Respond to and manage emerging regulatory issues	• Underwent a comprehensive ANAO performance audit and began implementation of ANAO recommendations • Provided significant input to policy discussions on the scope of products that the APVMA regulates • Took part in developing a framework for policy on chemicals of security concern • Provided significant input to policy work on legislative change to implement the recommendations of the Uhrig review and prepared the APVMA for efficient transition to new corporate governance arrangements on 1 July 2007

Support outputs

Strategies	Performance
Conduct efficient and effective business management that optimises our use of resources and minimises business risk	• Continued International Organization for Standardization (ISO) accreditation of our Quality Management System • Successfully implemented EARS in May 2007 • Increased the number of users of the e-commerce facilities by 20% • Redesigned the APVMA's website and received positive feedback from users • Underwent internal and external audits of financial operations with no significant findings • Fully complied with governing legislation • Business risks were identified and resources allocated appropriately. A new Risk Management Plan was implemented. The APVMA won Comcover's national Award for Excellence for our innovative approach to integrating risk management within our balanced scorecard • Moved to a new purpose-designed building in October 2006 • Developed new Chief Executive Instructions and financial procedures to prepare for the transfer of the APVMA to operations as required under the FMA Act on 1 July 2007 • Achieved an unqualified audit result • Managed the budget to achieve Board outcomes
Recruit, develop and retain valued and high performing people	• Finalised a new Collective Agreement in January 2007 • Staff achieved their training point targets • The separation rate of 10.29% is within acceptable parameters • Staff surveys indicate generally high levels of staff satisfaction • Developed processes to prepare for a realignment of the APVMA's staff classification system with the Australian Public Service (APS) classification system • Developed new human resources policies and procedures to prepare for the likely transfer of the APVMA's staff to employment under the Public Service Act on 1 July 2007.

Financial performance

Income

The APVMA's operations are funded through cost recovery. Operational revenue is collected mainly from registrants of pesticides and veterinary medicines. Registrants pay application fees to register and re-register products.

Levies are paid annually according to the level of sales of registered products. In 2006–07 industry contributions were 96 per cent of total revenue (2005–06: 96 per cent).

The APVMA's total income for 2006–07 was $25.33 million, an increase of $0.97 million (3.9 per cent) above that of 2005–06 (see Table 1 and Figure 2). This increase is primarily due to the increase in levy income following the introduction of the new levy rates.

Levy income can fluctuate from year to year as a result of variations in agvet chemical sales. Sales in 2005–06 flowed through to levy income in 2006–07.

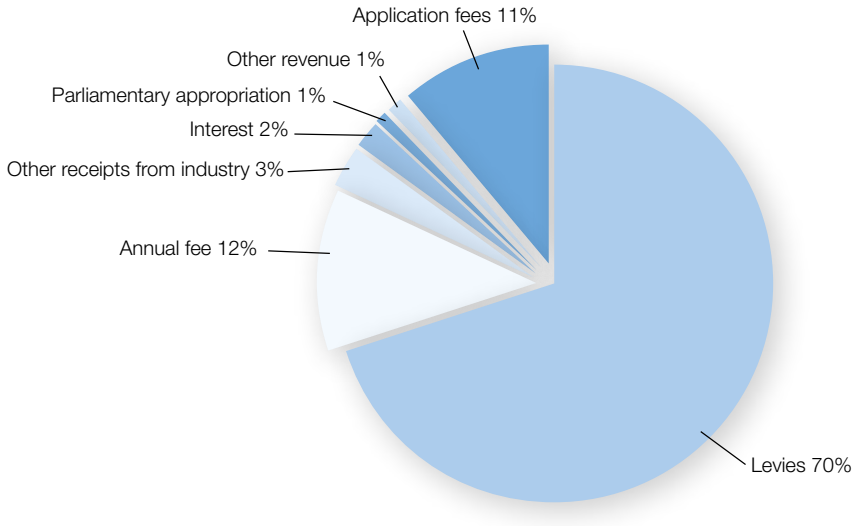
It is hoped that the good winter rains that occurred across much of Australia in May and June 2007 will continue and allow a resurgence of activity across the rural sector in spring–summer 2007 and into 2008. It remains uncertain, however, if the drought has broken and if rural activity (and agvet chemical sales) will recover to pre-drought levels.

The APVMA actively monitors sales forecasts and seeks to adjust the levy rates where necessary.

Table 1: APVMA income 2006–07

Revenue	$	%
Receipts from industry:		
Application fees	2 860 394	11.29
Levies	17 700 620	69.88
Annual fees (renewal fees)	3 187 130	12.58
Other receipts from industry	644 871	2.55
Interest	587 891	2.32
Parliamentary appropriation	221 000	0.87
Other revenue	128 114	0.51
Total income	25 330 020	100.00

Figure 2: APVMA revenue 2006–07



Expenditure

Total operating expenses for the year ended 30 June 2007 were $23.24 million (see Table 2 and Figure 3), an increase of $1.98 million (9.30 per cent) from 2005–06.

Over the last five financial years the APVMA's expenditure has increased by 12.69 per cent (an average of 2.54 per cent per annum). When this is compared to the average increase in CPI over the same period (2.89 per cent), this reflects the APVMA's continuing strong focus on cost control and efficiency.

The net operating profit of $2.09 million for the 2006–07 financial year resulted in equity increasing to $8.29 million. The levy rate is adjusted periodically to ensure that the Authority's equity remains at appropriate levels.

Table 2: APVMA expenditure 2006–07

Expenditure	$	%
Employee expenses	12 982 331	55.86
Scientific assessment services—agencies	3 907 213	16.81
Asset depreciation, write down and impairment	661 080	2.84
Rent	1 080 760	4.65
State compliance services	174 647	0.75
Other	4 435 771	19.09
Total expenditure	23 241 802	100.00

Figure 3: APVMA expenditure 2006–07

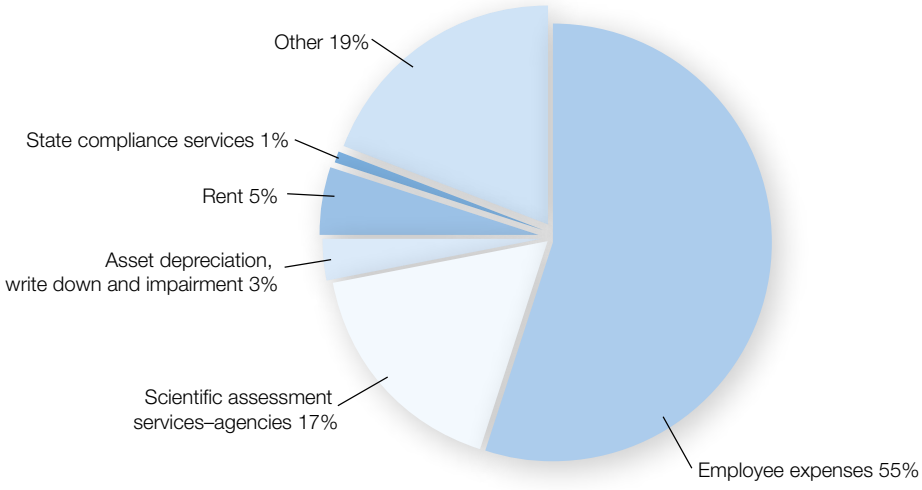


Table 3: APVMA expenditure by principal goal 2006–07

Expenditure	$	%
Output 1: Regulatory decisions and information	20 144 434	86.67
Output 2: Chemical product quality	3 097 368	13.33
Total	23 241 802	100.00

Figure 4: APVMA expenditure by principal goal 2006–07

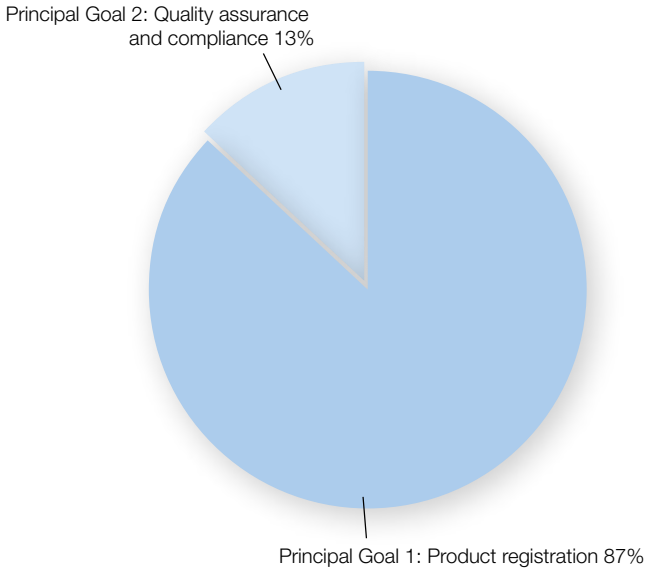
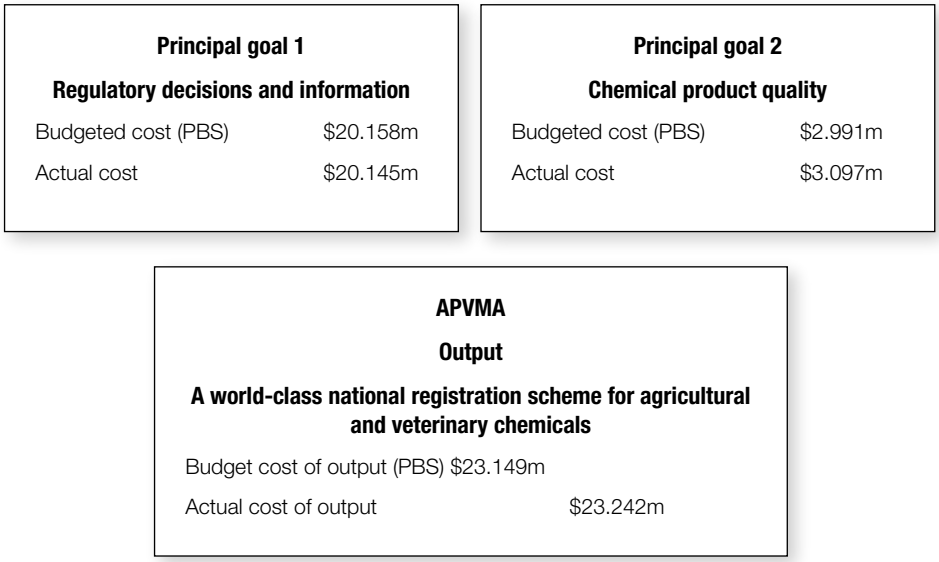


Figure 5: APVMA outcome–output expenditure (budget versus actual)



The APVMA financial reserve

The APVMA's revenue streams are not guaranteed and revenue can vary from year to year according to fluctuations in agricultural and veterinary chemical product sales. Sales decline during periods of below average rainfall. When this occurs there is a corresponding drop in levy revenue. For this reason, the APVMA maintains a financial reserve that allows revenue fluctuations to be managed.

The financial reserve provides a responsible and prudent form of protection against fluctuations in sales and variations in revenue.

For a number of years the financial reserve has been held at $4.5 million. On 4 May 2007 the APVMA Board increased the financial reserve to $6 million effective from 1 July 2007. The increase will restore the financial reserve to approximately three months' operating expenses.