



# final report

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## **Exporter Supply Chain Assurance System - Review of audit duplication and consideration of options for audit synchronisation**

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## **Abstract**

Meat & Livestock Australia (MLA) together with LiveCorp were seeking to determine the occurrence of audit duplication and the potential for and appropriateness of synchronising auditing for shared facilities in order to reduce duplication and administrative burden.

Drawing upon existing information and in consultation with stakeholders, it was identified that supply chain facilities are shared by exporters in 35% of the cases. Due to this occurrence of facility sharing, of all the performance audits in a two-year cycle, 34% are duplicated and, based on the average cost of a performance audit of any one facility being US\$1,512, such duplication of auditing with ESCAS is currently costing the Australian live export industry more than US\$1.9 million over a two-year cycle.

Duplication introduces unwanted costs and administration to any program. Modifying the operational mechanisms of the current ESCAS framework to enable the auditing component of ESCAS to operate under a self-managed model is the most viable option to reducing audit duplication in the short- to medium-term.

## Executive summary

The Exporter Supply Chain Assurance System (ESCAS) regulatory framework requires an exporter to demonstrate its' supply chain's compliance with a number of requirements in order to obtain export approval.

The current verification of the ESCAS performance is based on regular independent auditor reports of each exporter's supply chain.

A number of facilities are used by multiple exporters; however, the current auditing obligations require each exporter to provide an individual report for each facility within a supply chain and, depending on the facility and livestock processed, between three and six audits may be conducted per two-year cycle, per facility, per exporter.

While DoA allows for the sharing of audits between exporters, it is on the condition that such sharing occurs where an entire supply chain is identical between exporters. In practice, such a scenario occurs infrequently and, due to commercial sensitivities, sharing between exporters is low.

Meat & Livestock Australia (MLA) together with LiveCorp were seeking to determine the occurrence of audit duplication and the potential for and appropriateness of synchronising auditing for shared facilities in order to reduce duplication and administrative burden.

Drawing upon existing information and in consultation with stakeholders, it was identified that supply chain facilities are shared by exporters in 35% of the cases. Due to this occurrence of facility sharing, of all the performance audits in a two-year cycle, 34% are duplicated and, based on the average cost of a performance audit of any one facility being US\$1,512, such duplication of auditing with ESCAS is currently costing the Australian live export industry more than US\$1.9 million over a two-year cycle.

In determining options for mitigating or removing such audit duplication, a desktop review of other audited programs was undertaken. This review established that historically, other conformity assessment programs have experienced audit duplication; however, not within their own standards (ie 'intra-program'). Such duplication of auditing has occurred between programs (or 'inter-program').

The dominant model used by conformity assessment programs is to directly contract third-party accredited certification bodies, with their qualified auditors, to audit their supply chain. In addition these organisations opt to work with a very small number of certification bodies to select, train and then use a small pool of dedicated auditors on their programs.

In order to recover the costs of such models, typically the cost of audits is borne by the organisation seeking third-party recognition. Additional cost-recovery models range from the sale of standards through to charging for training services, the right to audit and auditing tools.

Duplication introduces unwanted costs and administration to any program. Modifying the operational mechanisms of the current ESCAS framework to enable the auditing component of ESCAS to operate under a self-managed model is the most viable option to reducing audit duplication in the short- to medium-term.

In undertaking this modification, exporters would need to accept the concept of sharing audit reports and implement systems to allow this to happen and the DoA would need to allow this to occur at a facility level.

In the short-term, an established industry service provider (such as LiveCorp) would appoint an internal resource to establish an audit register and manually collect, collate and distribute audit reports between participating members.

Initially there may not necessarily be any cost sharing, however, should cost-recovery be required, this model could be expanded to enable the industry service provider to charge a fee for members to access the reports and rebate part of this fee to the initiating exporter.

A medium-term strategy for removing the duplication of audits is for an industry service provider to take control of the audit program and manage it as a second-party audit scheme. In this arrangement, the industry service provider is best to initiate contracts directly with auditors or contract out the entire management to a third-party such as an international certification body.

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## 1. Background

The Exporter Supply Chain Assurance System (ESCAS) regulatory framework requires an exporter to:

- Demonstrate animals are handled in accordance with World Organisation for Animal Health (OIE) guidelines
- Control the movement and traceability of animals within the supply chain
- Conduct independent audits of the supply chain

The current verification of the ESCAS performance is based on regular independent auditor reports of each exporter's supply chain.

The auditor reports are considered significant pieces of information for the Department of Agriculture (DoA) when assessing an ESCAS.

Physical audits are required for all supply chain facilities that include: discharge, land transport, feedlot, lairage/abattoir and incorporate control and traceability processes.

A number of facilities are used by multiple exporters; however, the current auditing obligations require each exporter to provide an individual report for each facility within a supply chain and, depending on the facility and livestock processed, between three and six audits may be conducted per two-year cycle, per facility, per exporter.

While DoA allows for the sharing of audits between exporters, it is on the condition that such sharing occurs where an entire supply chain is identical between exporters. In practice, such a scenario occurs infrequently and, due to commercial sensitivities, sharing between exporters is low.

Meat & Livestock Australia (MLA) together with LiveCorp were seeking to determine the potential for and appropriateness of synchronising auditing for shared facilities in order to reduce duplication and administrative burden.

While the structure implemented under the quality assurance (QA) and risk management system currently proposed for the live export industry would minimise audit duplication under ESCAS almost to the point of non-existence, this system is still 12 months away. Industry therefore wishes to consider options for a short-term solution to duplication and those which may provide a more efficient system for exporters who may choose to remain outside the proposed QA system and continue under the current ESCAS regime.

## 1.1. Project objectives

The project objectives are provided in Table 1, column 1 and the corresponding sections of the report that addresses each objective are provided in column 2.

Objective	Relevant Section
<ul style="list-style-type: none"> <li>Identify the prevalence (or not) of audit duplication and the cost to the industry of any such duplication.</li> </ul>	<p>2.2 2.3</p>
<ul style="list-style-type: none"> <li>Undertake a desktop comparison of other audited programs to determine the presence of audit duplication, the methods they have implemented to alleviate this situation and also their cost-recovery models.</li> </ul>	<p>2.4</p>
<ul style="list-style-type: none"> <li>Make recommendations for a program that, based on a cost-recovery model, synchronises independent ESCAS audits but continues to meet DoA's auditing requirements and complements with any future industry-based conformity assessment program.</li> </ul>	<p>2.5 3</p>

## 1.2. Organisation conducting the project

Schuster Consulting Group Pty Limited (SCG) is a consultancy company specialising in strategy and planning, project management, QA program delivery and implementation, research and development extension, industry liaison, stakeholder engagement and effective marketing and communications.

SCG has a detailed understanding of ESCAS, having been involved with animal welfare in the live export industry prior to, during and since the implementation of ESCAS.

In addition, SCG has been involved with strategic reviews, assessment, development and general consultation of industry related QA programs including CATTLECARE, FLOCKCARE, Livestock Production Assurance Quality Assurance, Pasturefed Cattle Assurance Scheme as well as private company programs relating to environmental stewardship, sustainable production and grain-supplemented raising claims.

### 1.3. Methodology

Drawing upon existing information and in consultation with stakeholders, SCG:

- Investigated the auditing obligations under ESCAS; namely the physical audits required under the Initial Independent Audit Report (IIAR) and the Independent Performance Audit Report (IPAR).
- Collected information from industry and Government regarding the current facility-sharing arrangements between exporters, the frequency of facility-sharing and the cost of auditing.
- Undertook a desktop comparison of other audited programs which operate on a cost-recovery basis. Programs that were considered included:
  - Privately Owned Standards
    - Forest Stewardship Council Chain of Custody (FSC)
    - Marine Stewardship Council Chain of Custody (MSC)
    - Certified Sustainable Palm Oil (CSPO)
    - GlobalGAP
    - Safe Quality Food (SQF)
  - Company-owned Standards and Specifications
    - Woolworths Quality Assurance (WQA)
    - Coles
    - Walmart
    - Costco
  - International or National Standards (ISO or AS)
    - Australian Forestry Standard AS 4707 (AFS)
- Identified options and models for synchronisation on a cost-recovery basis, as well as the challenges and benefits relating to the implementation of a synchronisation program.



## 2. Findings

### 2.1. ESCAS

Independent auditing is a key element of the ESCAS framework for feeder and slaughter livestock exports. Independent audits provide evidence of compliance with ESCAS requirements; both as part of exporter submissions for new ESCAS supply chains and as ongoing evidence that existing ESCAS supply chains continue to comply with regulatory requirements.

Such auditing is conducted against the Performance Checklist items provided in the DoA *Guidance on meeting OIE code animal welfare outcomes for cattle and buffalo and sheep and goats* (DoA Guidance).

Auditors are selected by the exporter or importer (ie: an auditors 'client') and are required to meet the following criteria, set by DoA:

- The auditor must be independent (from the client, from industry, from DoA).
- There must be no conflict of interest.
- The auditor must possess an appropriate level of competence and expertise (through qualifications and experience).

The auditing company must provide evidence of current accreditation by an appropriate authority such as a member of the international body for accreditation of Conformity Assessment Bodies – the International Accreditation Forum (IAF).

The accreditation should be to an international standard (such as ISO) in Quality Management Systems or equivalent.

#### 2.1.1. Auditing obligations

There are two types of independent audits and associated audit reports under ESCAS:

- **Independent initial auditing**

Undertaken to determine whether an exporter's ESCAS arrangements can meet the regulatory framework requirements for control, traceability and animal welfare.

The outcome of the initial audit is an *Independent Initial Audit Report* (IIAR). This is provided by the auditor to their client (eg: the importer or exporter). This IIAR is then submitted to DoA as part of an exporter's ESCAS submission.

- **Independent performance auditing**

Undertaken to monitor the ongoing compliance of an exporter’s existing ESCAS arrangements.

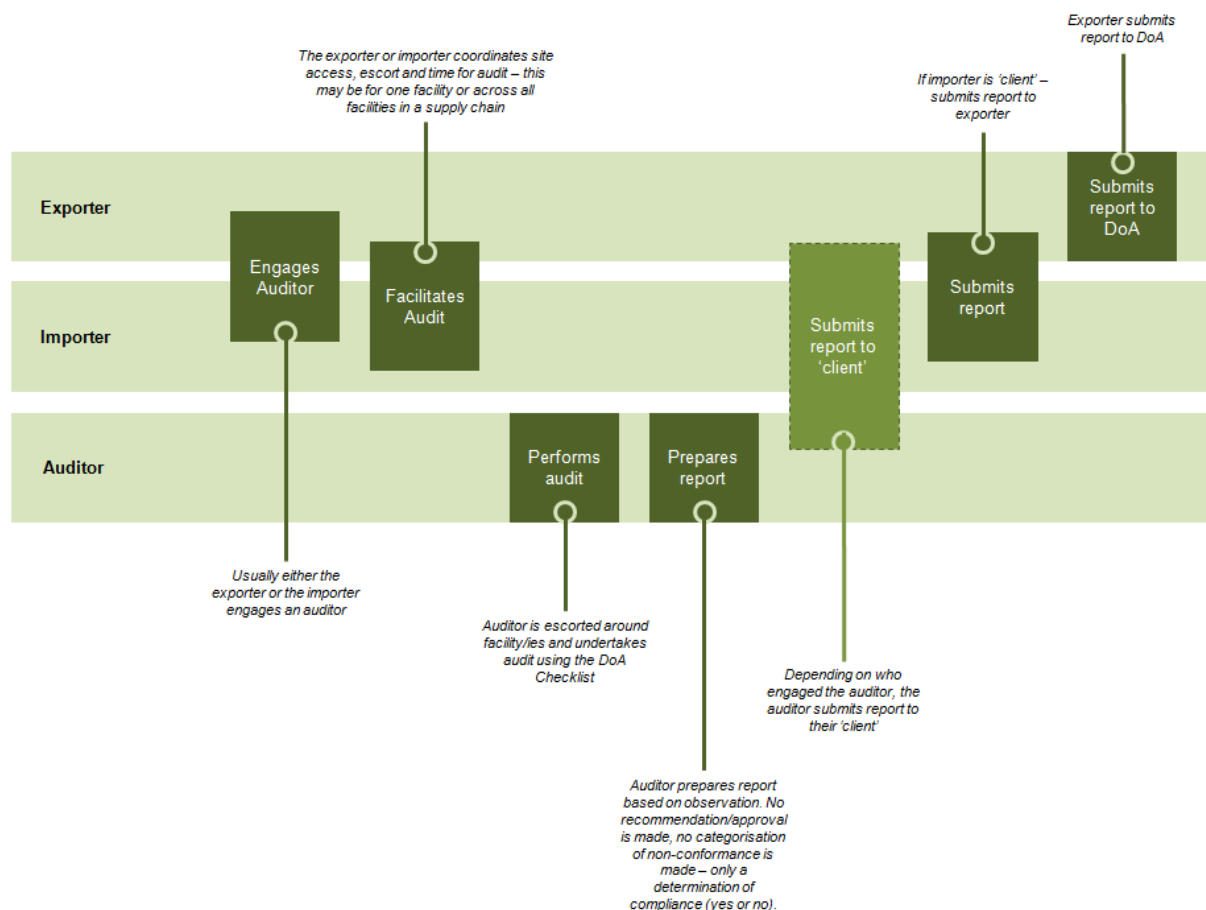
The outcome of the performance audit is an *Independent Performance Audit Report* (IPAR) which an exporter must submit to the department at 4-monthly intervals.

### 2.1.2. IIAR process

If an exporter wishes to export into a new supply chain or vary an existing approved supply chain, they must arrange for an IIAR to be submitted as part of their application.

This means the exporter either has to arrange the independent initial audit and obtain the IIAR or work through a third-party, such as the importer, to have the audit undertaken and then obtain the IIAR. This process typically follows that outlined in diagram 1.

**Diagram 1: The logistical process from auditor engagement to report submission**



An exporter must submit the IIAR to DoA at the same time the exporter submits a Notice of Intention to export (NOI) for a consignment that will enter a new ESCAS, before any livestock have been exported into that ESCAS. Information in the IIAR is considered by the Secretary of DoA (or delegate) as part of the determination to approve/not approve the NOI.

Exporters must arrange for an initial independent audit of the proposed ESCAS prior to the first consignment being exported into a supply chain. Independent Initial Audits of a supply chain must include an assessment of the exporter's arrangements relating to control, traceability and animal welfare and must include on-site audits of all facilities within the proposed supply chain (such as transport, feedlot, lairage and slaughter facilities).

In many instances it will not be possible for the auditor to observe discharge and land transport of animals during the initial audit of a new supply chain. In this instance the auditor must assess compliance with the relevant sections of the DoA Checklist by reviewing the Standard Operating Procedures (SOP) and relevant infrastructure and commenting on their appropriateness (or otherwise) in the IIAR. Alternatively auditors may observe local animals provided they are of a similar size and class to animals that will be discharged and transported under ESCAS arrangements.

Where animals cannot be observed, the exporter must arrange for an additional audit of discharge and land transport on arrival of the first consignment into the supply chain. The exporter must provide a statement (or audit report) from the auditor providing the outcomes of the additional audit for consideration of further consignments into that supply chain. Full details of the discharge and land transport audit must be included in the first IPAR for the supply chain.

### **2.1.3. IPAR process**

In order to continue to operate within an ESCAS-approved supply chain, an exporter is required to provide an IPAR to DoA of the existing supply chain's ongoing compliance with the ESCAS requirements. Information in the IPAR for the previous consignment(s) is considered by the Secretary of DoA (or delegate) as part of the determination to approve/not approve the NOI.

The risk-based policy for independent performance auditing is used by DoA to determine the on-site audit frequencies of supply chain elements and IPAR submission deadlines.

Where supply chains demonstrate ongoing compliance with ESCAS requirements, DoA will apply an audit schedule based on:

- **Cattle and Buffalo**
  - Six reporting periods over a two year cycle (ie: one report must be submitted every four months for non-stunning).
  - For existing supply chains (ie. second performance audit onwards), variable requirements for on-site auditing of supply chain elements for each period.
  - Supply chain elements with an inherently lower risk of adverse animal welfare outcomes are subject to less frequent on-site audits:
    - On-site audit of discharge and land transport: a minimum of one every 12 months
    - On-site audit of feedlots: a minimum of one every eight months

- On-site audit of abattoirs that use pre-slaughter stunning: a minimum of one every eight months
- On-site audit of abattoirs that do not use pre-slaughter stunning: a minimum of one every four months with the potential to be reduced to two audits per 12 month period if the exporter can demonstrate in-house measures that reduce risk of adverse animal welfare outcomes.
- For new supply chains, (ie: first performance audit), a requirement to conduct on-site audits of all supply chain elements.
- Allowance for DoA recognition of measures implemented within a supply chain to reduce the risk of adverse animal welfare outcomes.
- **Sheep and Goats**
  - Three reporting periods over a one-year cycle (ie: one report must be submitted every four months)
  - On-site audit of all supply chain elements (discharge and land transport, feedlots and abattoirs) every four months.
  - To address specific risks associated with particular festivals, additional requirements apply in that independent performance audits must occur during or immediately prior to such festivals.

This process typically follows that previously outlined in diagram 1.

## **2.2. The prevalence of audit duplication**

In order to determine the prevalence of audit duplication, SCG was provided with confidential data from DoA indicating the facilities used by individual exporters within export markets.

This information was analysed to quantify and qualify the incidence of facility sharing between supply chains and estimate the number of audits conducted under the current ESCAS audit regime.

### **2.2.1. Sample**

The data provided by DoA contained the following samples, each of which was analysed:

**Table 2: Sample size**

Species/ Facility	Sample
Cattle - Feedlots	125
Sheep - Feedlots	97
Cattle - Abattoir (Stun)	158
Cattle - Abattoir (Non-Stun)	44
Sheep - Abattoir (Stun)	100
Sheep - Abattoir (Non-Stun)	4*
<b>TOTAL</b>	<b>528</b>

\* Refer 2.2.3 regarding considerations and assumptions in data

Export destinations included in the sample were: Bahrain, Brunei, Indonesia, Israel, Japan, Jordan, Kuwait, Malaysia, Mauritius, Oman, Philippines, Qatar, Singapore, Turkey, UAE and Vietnam.

### 2.2.2. Audit frequency

The audit frequency required for facilities operating under ESCAS varies based on the species to which the facility relates, the type of facility and the number of prior performance audits undertaken on that facility (refer 3.1.3).

The data provided was for facilities operating as part of an approved ESCAS supply chain and, as such, the audit frequencies for previously approved supply chains applied.

Further, audit regimes for cattle are based on a two-year cycle whereas the regime for sheep is based on a one-year cycle. In order to allow for meaningful comparison of sheep and cattle supply chains, the sheep analysis has been extrapolated over a two-year cycle. Table 3 provides an overview of the frequency used.

**Table 3: Audit frequency**

Facility/Species	IPAR frequency per 2 year cycle (1 year cycle)
Cattle - Feedlots	3
Sheep - Feedlots	6 (3)
Cattle - Abattoir (Stun)	3
Cattle - Abattoir (Non-Stun)	6
Sheep - Abattoir (Stun and Non-Stun)	6 (3)

### **2.2.3. Considerations and assumptions in data analysis**

The following caveats should be considered in relation to the results of the data analysis:

- The raw data supplied by DoA was segmented by SCG as cattle and buffalo combined ('cattle') and sheep and goats combined ('sheep') with subsets being feedlots and abattoirs with these abattoirs further defined (where possible) as those that use stunning and those that do not.
- The data was not impeccably clear in terms of the use of stunning with descriptors given including "To be confirmed". Where figures are provided for stunning vs non-stunning these are based only on facilities in which the data provided a definitive YES or NO to the presence of stunning.
- The raw data did not include information on port or transport facilities/service providers and such facilities are therefore excluded from the analysis.
- The raw data was analysed as provided, with data cleansing limited to the removal of obvious duplicate entries, typically as a result of spelling mistakes. There were minimal instances of such errors.
- Those facilities relating to both sheep and cattle have been counted toward both sheep and cattle on the basis that the audits are single-species events.
- Abattoirs that offer both stunning and non-stunning have been counted against both categories as each requires a different audit process.
- It is assumed that lairage is the same as the abattoir and that under the DoA Guidance, these facilities would be audited as one facility rather than two.
- Audit regimes applied in the analysis are based on EAN 2013-05 (Cattle and Buffalo) and EAN 2013-06 (Sheep and Goats), both dated 13 September 2013 and current at the time of this report.
- Some anomalies in percentage values may be evident due to rounding discrepancies.

### **2.2.4. Cattle - Feedlots**

As indicated in Table 4, 125 from a total of 192 feedlots serve only one supply chain (ie: exporter) each, meaning there is no sharing of these facilities. This represents 65% of the sample.

**Table 4: Number of supply chains the identified cattle feedlot serves**

No. of supply chains served	No. of feedlots	%
1	125	65%
2	45	24%
3	16	8%
4	6	3%
<b>TOTAL</b>	<b>192</b>	<b>100%</b>

Of the remaining feedlots that serve more than one supply chain, most (24%) serve two supply chains.

By removing all duplication, it can be shown that 576 of the potential 861 independent performance audits of feedlots occurring over a two-year cycle currently undertaken are unique (Table 5). This means that duplication of auditing occurs within 33% of cattle feedlots.

**Table 5: Duplicate performance audits under current cattle feedlot auditing regime**

IPARs	No.	%
Audits being conducted (potential)	861	100%
Audits required if duplication did not occur	576	67%
<b>Duplicated audits</b>	<b>285</b>	<b>33%</b>

This analysis considers duplication of independent performance audits within approved supply chains. A similar degree of duplication is likely to have occurred during the initial independent audits as demonstrated in Table 6.

**Table 6: Duplicate initial audits under current cattle feedlot auditing regime**

IIARs	No.	%
Total initial audits conducted	287	100%
Audits required if duplication had not occurred	192	67%
<b>Duplicated audits</b>	<b>95</b>	<b>33%</b>

### 2.2.5. Sheep Feedlots

Among sheep feedlots, 85 feedlots serve only one supply chain, representing 88% of the sample.

**Table 7: Number of supply chains the identified sheep feedlot serves**

No. of supply chains served	No. of feedlots	%
1	85	88%
2	10	10%
3	1	1%
4	1	1%
<b>TOTAL</b>	<b>97</b>	<b>100%</b>

Only two feedlots of the sample of 97 service more than two supply chains. As such, duplication of auditing among sheep feedlots occurs significantly less frequently than among cattle feedlots; occurring in only 12% of the cases.

By removing all duplication, it can be shown that 582 of the potential 672 independent performance audits of sheep feedlots occurring over a two-year cycle currently undertaken are unique (Table 8).

**Table 8: Duplicate performance audits under current sheep feedlot auditing regime**

IPARs	No.	%
Audits being conducted (potential)	672	100%
Audits required if duplication did not occur	582	87%
<b>Duplicated audits</b>	<b>90</b>	<b>13%</b>

This analysis considers duplication of independent performance audits within approved supply chains. A similar degree of duplication is likely to have occurred during the initial independent audits as demonstrated in Table 9.

**Table 9: Duplicate initial audits under current sheep feedlot auditing regime**

IIARs	No.	%
Total initial audits conducted	112	100%
Audits required if duplication had not occurred	97	87%
<b>Duplicated audits</b>	<b>15</b>	<b>13%</b>

## 2.2.6. Cattle - Abattoirs

As indicated in Table 10, 89 or 44% of the total sample of cattle abattoirs serve only one supply chain each



**Table 10: Number of supply chains the identified cattle abattoir serves**

No. of supply chains served	Abattoirs (Stun)		Abattoirs (Non-Stun)		Combined			
	No.	%	No.	%	No.	%		
1	62	39%	27	61%	89	44%	44%	44%
2	48	30%	13	30%	61	30%	30%	56%
3	26	17%	2	4%	28	14%	26%	
4	11	7%	2	4%	13	6%		
5	5	3%	0	0%	5	3%		
6	6	4%	0	0%	6	3%		
<b>TOTAL</b>	<b>158</b>	<b>100%</b>	<b>44</b>	<b>100%</b>	<b>202</b>	<b>100%</b>		

Of the remaining abattoirs that serve more than one supply chain, slightly more serve two supply chains (30%) than three to six supply chains (26%).

This means that duplication of auditing occurs within 56% of all cattle abattoirs. When considered based on the presence of stunning, the duplication of audits is higher among abattoirs that do stun (61%) compared with those that do not stun (38%). This is not unexpected due to the leveraging of the in-market investment in stunning equipment.

Within current auditing arrangements, there are potentially 1,425 independent performance audits occurring over a two-year cycle across all cattle abattoirs as shown in Table 11. Of these, almost half (48%) are duplicated.

**Table 11: Duplicate performance audits under current cattle abattoir auditing regime**

IPARs	Abattoirs (Stun)		Abattoirs (Non-Stun)		Combined	
	No.	%	No.	%	No.	%
Audits being conducted (potential)	1,023		402		1,425	
Audits required if duplication did not occur	474	46%	264	66%	738	52%
<b>Duplicated audits</b>	<b>549</b>	<b>54%</b>	<b>138</b>	<b>34%</b>	<b>687</b>	<b>48%</b>

This analysis considers duplication of independent performance audits within approved supply chains. A similar degree of duplication is likely to have occurred during the initial independent audits as demonstrated in Table 12.

**Table 12: Duplicate initial audits under current cattle abattoir auditing regime**

IIARs	Abattoirs (Stun)		Abattoirs (Non-Stun)		Combined	
	No.	%	No.	%	No.	%
Total initial audits conducted	341		67		408	
Audits required if duplication had not occurred	158	46%	44	67%	202	50%
<b>Duplicated audits</b>	<b>183</b>	<b>54%</b>	<b>23</b>	<b>33%</b>	<b>206</b>	<b>50%</b>

### 2.2.7. Sheep - Abattoirs

The analysis of sheep abattoirs does not consider the use of stunning or no stunning as the audit frequency remains the same regardless of the presence of stunning.

As indicated in Table 13, 91 abattoirs or 82% of the total sample of sheep abattoirs serve only one supply chain each.

**Table 13: Number of supply chains the identified sheep abattoir serves**

No. of supply chains served	Abattoirs		
	No.	%	
1	91	82%	82%
2	9	8%	18%
3	3	3%	
4	8	7%	
<b>TOTAL</b>	<b>111</b>	<b>100%</b>	

This means that duplication of auditing occurs within only 18% of all sheep abattoirs.

As Table 14 shows, within current auditing arrangements there are (potentially) 900 independent performance audits occurring over a two-year cycle across all sheep abattoirs. Of these, 26% are duplicated.

**Table 14: Duplicate performance audits under current sheep abattoir auditing regime**

<b>IPARs</b>	<b>No.</b>	<b>%</b>
Current total audits being conducted	900	
Audits required if duplication did not occur	666	74%
<b>Duplicated audits</b>	<b>234</b>	<b>26%</b>

Likewise this duplication trend within independent performance audits also applies to initial independent audits that occurred in order to approve supply chains using these facilities, as provided in Table 15.

**Table 15: Duplicate initial audits under current sheep abattoir auditing regime**

<b>IIARs</b>	<b>No.</b>	<b>%</b>
Total initial audits conducted	150	
Audits required if duplication had not occurred	111	74%
<b>Duplicated audits</b>	<b>39</b>	<b>26%</b>

### 2.2.8. Summary - All

Based on the analysis performed on the data provided by DoA, duplication of auditing is occurring within cattle and sheep feedlots and abattoirs. This duplication is more prevalent in cattle supply chains and specifically in cattle abattoirs, due to the higher occurrence of facility sharing. As indicated in Table 16, 42% of abattoirs are shared while only 27% of feedlots are shared.

**Table 16: Number of supply chains all feedlots/abattoirs serve**

No. of supply chains served	Feedlots			Abattoirs			Combined		
	No	%		No	%		No.	%	
1	210	73%	73%	180	58%	58%	390	65%	65%
2	55	19%	27%	70	22%	42%	125	21%	35%
3	17	6%		31	10%		48	8%	
4	7	2%		21	7%		28	4%	
5	0	0%		5	1%		5	1%	
6	0	0%		6	2%		6	1%	
<b>TOTAL</b>	<b>289</b>	<b>100%</b>		<b>313</b>	<b>100%</b>		<b>602</b>	<b>100%</b>	

Across both feedlots and abattoirs, cattle and sheep, facilities are shared by 35% of supply chains.

Due to this facility sharing, the industry is experiencing significant audit duplication, as outlined in Table 17. Of all the performance audits in a two-year cycle, 34% are duplicated.

**Table 17: Duplicate performance audits under current auditing regimes**

IPARs	Feedlots		Abattoirs		Combined	
	No.	%	No.	%	No.	%
Audits being conducted (potential)	1,533		2,325		3,858	
Audits required if duplication did not occur	1,158	76%	1,404	60%	2,562	66%
<b>Duplicated audits</b>	<b>375</b>	<b>24%</b>	<b>921</b>	<b>40%</b>	<b>1,296</b>	<b>34%</b>

### 2.3. The cost of audit duplication

Based on the analysis undertaken on the data provided by DoA and in consultation with exporters, SCG assessed the cost to the live export industry of audit duplication.

Individual audit cost estimates for the range of facilities under consideration were provided by exporters. These estimates varied significantly in the way they were reported, reflecting significant variation in the way audits are charged to exporters and other supply chain participants. A portion of the costs were provided based on daily rates while other costs were based on a per facility rate. Additionally, some costs were based on audits only and others included the preparation of the audit report.

For the purpose of this exercise, SCG standardised the costs provided by the exporters to allow them to be considered on a per facility basis. All costs are on a per facility rate, are reported in USD and include the cost of report preparation.

As provided in Table 18, the average cost of a performance audit of any one facility is US\$1,512 with a median value of US\$1,000.

**Table 18: The cost performance audits**

	US\$
Average audit cost	\$1,512
Median audit cost	\$1,000
Range audit cost	\$2,667
Confidence interval (CI)	\$715
CI +	\$2,227
CI -	\$797

Using the average audit cost identified in Table 18, it is estimated that audit duplication is currently costing the Australian live export industry more than US\$1.9 million over a two-year cycle, as provided in Table 19.

**Table 19: The cost of duplicate performance audits over two-year cycle**

IPAR	Value
Average audit cost	US\$1,512
Total number of audits	3858
Total cost of all audits	US\$5,833,296
Total number of duplicate audits	1,296
<b>Cost of duplicate audits (two-years)</b>	<b>US\$1,959,552</b>

## 2.4. Review of other audited programs

To assist in determining a suitable solution to the duplication of audits proven to be occurring, SCG considered the auditing structure and regimes of a number of other conformity assessment programs.

Programs demonstrating strong "supply chain" or "chain of custody" elements were considered as these were observed to address similar imperatives to those encountered by the livestock export industry. These typically operated within a retail environment where the customer requires assurance.

Direct contact with an appropriate individual from these organisations proved difficult to negotiate. To address this issue and ensure an appropriate breadth and depth of analysis was applied to the task, SCG utilised the services of Jewson Advisory, a senior consultancy with more than 20 years exposure to some of the world's largest quality assurance, certification and conformity assessment programs. The information SCG gained through Jewson Advisory supplemented SCGs understanding of like programs and the operating environment.

#### **2.4.1. Programs reviewed**

The conformity assessment programs reviewed were:

- **Privately Owned Standards**
  - Forest Stewardship Council Chain of Custody (FSC)
  - Marine Stewardship Council Chain of Custody (MSC)
  - Certified Sustainable Palm Oil (CSPO)
  - GlobalGAP
  - Safe Quality Food (SQF)
- **Company-owned Standards and Specifications**
  - Woolworths Quality Assurance (WQA)
  - Coles
  - Walmart
  - Costco
- **International or National Standards (ISO or AS)**
  - Australian Forestry Standard AS 4707 (AFS)

All of the program 'owners' for the reviewed programs have established their own standards; a series of requirements that must be met by any particular organisation seeking recognition against that standard. The entities seeking recognition through the reviewed programs were generally producers seeking to distinguish their product or where it is a prerequisite to being a member of the supply chain.

While there are differences at the perimeter of the different standards, as they are all based on common ISO standards they have far more in common than differences.

Based on an extensive desktop review and conversations with senior constants within the conformity assessment arena, it was identified early in the process that these programs suffered (and continue to suffer) from duplication of audits between similar programs ('inter-

program' duplication) but do not in any way suffer from duplication of audits within a program ('intra-program' duplication).

Notwithstanding this, the manner in which such programs have managed inter-program audit duplication can be applied to the intra-program audit duplication ESCAS is exposed to. The commonalities between programs and the differences between the programs and ESCAS are described below.

#### **2.4.2. Operational requirements of programs reviewed**

- **Program control**

In all of the reviewed programs, control (in terms of control of organisations approved to audit and certification decisions) rests with the organisation that owns the standards - typically an industry body or in the case of company-owned standards, the company. This is in direct contrast to ESCAS where Government owns the standards but does not control the auditing and audit reports or issue certificates.

- **Duration of certification**

All reviewed programs are certification programs; that is, a certificate is issued based on audited compliance against a standard. This certificate is proof that an organisation or facility conforms with the program requirements. While there is general linkage between duration of certification and audit frequency, they can be managed independently of each other.

Within the reviewed programs, all certificates are issued for a finite period determined by an expiry date. Most food safety standard certificates expire after twelve months. The AFS, CSPO and MSC standards issue certificates with a three year expiry date while the FSC standard issues a five year certificate.

Under ESCAS no certificate is issued per se, but rather the audit outcomes are used by DoA to determine if a NOI is to be approved through a letter bestowing permission for the exporter to prepare the livestock in accordance with the conditions of the NOI approval letter and one or more Approved Export Programs (AEP). The NOI relates only to the particular consignment detailed in the NOI.

#### **2.4.3. Audit/surveillance frequency**

Audits within the reviewed programs are, in the main, carried out on-site either six monthly or annually, regardless of the duration of certification. Some standards have the capacity to extend the audit frequency once the standard practices are demonstrably embedded in an organisation. This extension to audit frequency is also considered on a risk basis. The FSC standard, for example, can extend the cycle to two years for demonstrably low risk organisations, while most food standards will not extend beyond twelve months and generally audit on a six month rotation due to the perceived higher risk of the industry.

Within ESCAS risk-based cattle supply chain auditing allows for auditing to be reduced from six per two year cycle once a history of ESCAS compliance is established, as outlined in Table 20. No such reduced frequency is applied to sheep.

**Table 20: Risk-based auditing frequency for cattle**

Facility	No. of audits reduced to over two-year cycle
Discharge	2
Land Transport	2
Feedlots	3
Abattoirs - Stun	3
Abattoirs - No-Stun	6 (no reduction)
Traceability /Control	6 (no reduction)

- **Escalation processes**

All standards have within their programs an established right for the auditing body to audit outside the normal audit cycle. In the case of GlobalGAP, this is formalised as being 10% random unannounced audits per year with clients given 48 hours notice.

More commonly the schemes reserve the right to do special audits following any major incidents or complaints that could indicate a failure of the standard processes. The WQA program also reserves the right to carry out unannounced audits with less than 24 hours notice where evidence has become available through other sources that food safety processes may lack integrity.

While DoA specifies under ESCAS that audit schedules may be reduced, no specific allowance for auditing outside the audit cycle is identified.

- **Auditor competence**

Common to all the reviewed programs is the requirement for individual auditor competency as defined by protocols based on *ISO19011:2011 - Guidelines for auditing management systems*. For example, SQF auditors are required to undertake a compulsory three day training course run by SQF in addition to a five-day Lead Assessor course and must be registered with SQF. This is in addition to meeting basic educational requirements and workplace experience requirements. Some standards require a similar level of training and will also review the first five or ten audit reports completed by a newly trained auditor before bestowing formal recognition of competency. Other standards accept the witness auditing regime whereby parallel audits are undertaken by an experienced auditor to assess the competence of another auditor. This is considered to be a standard requirement of any third party accredited body.



Some programs manage their own auditor competency recognition while others will stipulate that an auditor must be recognised by an external organisation that is accredited to a standard such as *ISO17024: General Requirements for Bodies Operating Certification Systems of Persons*.

ESCAS requires particular auditor competency on an organisational level as per the following excerpt:

*Independent auditors must possess the necessary accreditation, qualifications and skills to be accepted by DAFF as an ESCAS auditor. To establish these requirements, an auditing company must meet the following criteria:*

- *independence*
- *no conflict of interest, and*
- *possession of an appropriate level of competence and expertise (through qualifications and experience)*

*In assessing these three requirements, DAFF will require evidence from the exporter of current accreditation of the auditing company by an appropriate authority such as a member of the international body for accreditation of Conformity Assessment Bodies – the International Accreditation Forum (IAF).*

Individual auditor competency is not necessarily required and there is no specification to ensure auditors understand animal welfare indicators nor that they have an appreciation of animal behaviour, husbandry and welfare.

Through involvement with ESCAS related initiatives, SCG has observed that many auditor auditing under ESCAS have come from either accounting or manufacturing auditing backgrounds and have no understanding of what may or may not be considered good animal welfare outcomes. Under ESCAS, there is also no stipulation for any calibration training to occur.

#### **2.4.4. Duplication of audits**

The reviewed programs have historically experienced audit duplication; however, not within their own standards. The duplication of auditing has occurred between programs (inter-program) rather than within a program (intra-program), for example where a supplier is seeking to supply two customers they may be required to satisfy a similar audit for each company, as illustrated below.

- **Food industry**

In the food industry duplication of audits is a major issue for the food supply companies. Woolworths developed the first major retailer assurance scheme in Australia in 1987 following a food poisoning incident where deaths occurred arising from contaminated smallgoods. There was no international standard at that time so Woolworths pioneered their own standard, WQA,.

Coles did not have their own scheme for several years following 1987 but, in increasing their own risk management, recognised successful audits against the WQA company standard as sufficient to become a Coles supplier.

In May 2006, Coles announced their decision to move to independent third-party audits for suppliers of "Housebrand" food products. They accepted audits against three standards: Freshcare, SQF and British Retail Consortium (BRC) but not WQA. As a result, a supplier wishing to supply Coles and Woolworths was required to be audited against the WQA standard and one of the Coles accepted standards where they supplied both retailers.

This situation was compounded for exporters wishing to supply markets requiring additional assurance but where mutual recognition of certification between programs was not afforded. For example, if an exporter wished to supply Costco in the USA, a separate audit against the Costco supplier program was also required.

A group of major retail companies, the Consumer Goods Forum, formed the Global Food Safety Initiative (GFSI) in 2000 to seek to address the issue of inter-program audit duplication. Its espoused aim was to establish a framework of mutual recognition between food safety standards that were benchmarked against a set of GFSI defined criteria. Its vision was, and is, "Certified Once, Recognised Everywhere". There are currently nine standards benchmarked against the GFSI criteria which include SQF, GlobalGAP and FSC. Unfortunately, however, this has had limited acceptance.

- **Non-food industries**

The two forestry standards (FSC and AFS) have been benchmarked as having close to 90% alignment in their requirements. Despite this, there has never been any mutual recognition between the two standard owners. They are in direct competition with each other and any supplier seeking recognition for both programs must undertake separate audits under both standards.

The MSC standard is also broadly stand alone although there has been work towards alignment between the MSC (originally founded in Europe) and the Aquaculture Stewardship Council (ASC). There are a range of other program owners that have developed standard modules related to seafood including GlobalGAP and the Global Aquaculture Alliance. These are both GFSI benchmarked but there is no mutual recognition with MSC and all of these standards compete in the market.

#### **2.4.5. Different approaches to audit duplication**

In order to identify potential models that could be applied to the intra-program audit duplication occurring under ESCAS, the differences in approach to inter-program audit duplication were considered. The dominant model used by retailers is for a retailer to directly contract third-party accredited certification bodies and utilise those certification bodies' qualified auditors to audit suppliers. There are variants on and within this model.

- Woolworths has a process of contracting a limited number of third-party certification bodies to deliver the service and audit against their company standard. This facilitates a closer relationship and greater control over outcomes.
- Coles also selects a pool of accredited certification bodies to carry out the work on their behalf against a selected number of GFSI recognised standards, with their own additional requirements. They also provide regular performance feedback to all contracted certification bodies.
- Walmart in the USA accepts any GFSI standard but retains a discretion to recognise which certification bodies can act in auditing its' suppliers.
- Costco originally had their own specifications (prior to GFSI) and did not contract third-party certification bodies. They had their own internal process for recognising individual auditors as competent to audit on its behalf. Over time, as their supplier base grew, they did contract this out to accredited certification bodies. This is likely to have been because the scale of the supplier program became too large to manage internally, because that methodology was not necessarily transferable to international supply chains or simply to manage risk by, in part, contracting services.

#### **2.4.6. Cost recovery and financial models**

- **Audit and certification costs**

Where the third-party certification model has been adopted in the food industry, all costs of the audit process and certification of any particular supplier are generally borne by the supplier rather than the retailer and this is invoiced on a fee-for-service basis by the certification body.

In some instances, where a franchise operator requires audits of food service outlets, this cost is borne by the franchisor but is then costed into the franchise fee.

In the forestry and marine standards, the cost of audits is also borne by the organisation seeking third-party recognition.

- **Cost recovery by standard owners**

No clearly defined or consistent cost recovery mechanism accompanies the implementation of international or national standards (which could be considered 'public standards') except where a purchase price for the standards is levied against the user, usually from a national standards organisation (such as the ISO).

Privately owned standards use a range of cost-recovery models. These include:

- Sales of the standards;
- Control of the training and recognition of auditors within the scheme, development of fee-based auditor training programs;
- Charging the certified organisation an annual fee;

- Providing fee-based training programs for organisations seeking to obtain certification;
- Charging the certification body an annual fee to be able to audit and certify under the program;
- Charging fees for auditing tools and collateral and, in a number of instances, fees related to accessing any form of central IT system (either for auditors or certified organisations);
- Charging a fee for the licensing of the use of the proprietary certification mark.

Company standards or product specifications generally have no cost recovery and absorb the significant costs associated with running the schemes but do so to retain a higher level of control over their schemes.

## **2.5. Options for minimising duplication of audits under ESCAS**

Duplication introduces unwanted costs and administration to any program. While ESCAS faces unique issues associated with intra-program duplication, solutions identified to address inter-program duplication in other sectors may be transferable to ESCAS.

To minimise or eliminate the intra-program audit duplication which exists within ESCAS, an approach is required that demonstrates a clear benefit to exporters through both cost saving and risk management. Exporters require confidence that any socialised approach to auditing that minimises duplication will deliver them the assurance their businesses require that risk is being managed effectively.

An exporter is currently required to undertake audits to ensure that each facility within its supply chain complies with ESCAS. As demonstrated previously, 35% of facilities are shared by exporters across all species. The current system does not provide a certificate or recognise the findings of any one audit of any supply chain facility in isolation, nor beyond the immediate export license under consideration. Rather, what occurs is a batching process where documentation to meet the requirements of a particular export contract are only relevant to that consignment.

Were the audits to be carried out to an agreed standard at the facility level by auditors who are deemed to be qualified and if these results were recognised as valid for a defined period of time, then much duplication would be avoided.

### **2.5.1. Option 1: International standards framework**

In the broader standards community, duplication is reduced through the development of International Standards and using an international conformity assessment framework to provide a confidence in the integrity of the system.

This approach, for example, underpins the international management system standards for quality (ISO9001), environment (ISO14001), greenhouse gas verification (ISO14065) and also the international product certification standards, generally under ISO/IEC 17065:2012, that covers items from toasters to childrens' toys to medical devices.

Once any organisation is successfully audited against a standards requirement, the organisation is provided with a certificate of defined life that can then be supplied to anyone else who might require confirmation of conformance with the relevant standard. No additional audits are normally required outside those provided by the certification body. In essence, this certification of the organisation becomes a tradable asset - they can attract customers through the attainment of such recognition.

This approach is considered to be beyond what is practical for ESCAS. The development of an international standard (for example under ISO) and the establishment of a third party conformity assessment framework may take five years or more and come at a very significant cost.

The current structure of ESCAS further limits the application of this option as within ESCAS, recognition is imparted on a supply chain rather than facility level.

### **2.5.2. Option 2: Industry standard with a third-party framework**

There are examples whereby an industry-centric organisation administers an independent, expert, industry-based, third-party certification programs. Such organisations may be membership-based industry service providers (such as an industry round-table) or organisations set up specifically for such purpose (such as GlobalGAP). Such programs are supported and endorsed by members of the industry and often developed around existing ISO guidelines.

This is a longer term aspiration for the live export quality assurance program but does not address the immediate issue of duplication.

### **2.5.3. Option 3: Self-managed program**

In the short- to medium-term, modifying the operational mechanisms of the current ESCAS framework to broaden recognition of the work already being done is the most viable option for reducing audit duplication.

- **Short-term**

DoA, an existing industry service provider (ie: LiveCorp/ALEC) and its members accept the concept of sharing audit reports on a voluntary basis and the basis for sharing under ESCAS be explicitly defined by DoA.

DoA agree that audit outcomes and reports such as the IIAR and IPAR are recognised at a facility level as opposed to the supply chain level as is currently the case.

In addition, there would also need to be an acceptance that an audit report has a defined valid lifespan. This should be established based on the determined risk of the supply chain facility(as is the current model), for example this validity period could be aligned to the current reporting periods.

Caveats would be required to recognise defining features such as species and slaughter method.

The process would require an exporter to initiate a facility audit and submit the report to the industry service provider. The industry service provider would hold a register of facilities (as simple as an excel spreadsheet) for which audit reports have been submitted. When considering a facility for their supply chain, other exporters could make enquiries with the industry service provider to determine if an audit report exists on the register for the type of facility required. The industry service provider releases the report which the exporter then provides to DoA.

Such a process would immediately reduce the audit load for those members of the industry service provider who chose to participate and require little expenditure beyond the time required to broker agreement between stakeholders, establish a register and manually collect, collate and distribute audit reports.

It would require the audit reports to be modified to include an expiry date (which may be consistent with the current risk based audit schedule) and for access to these audit reports to be established for participating industry service provider members. There may not initially be any cost sharing, assuming an even distribution of auditing between exporters.

SCG estimates the time required to manage such a solution would equate to 0.2 of an FTE. This role would be administrative and have similar skills, capabilities and requirements to that as a contracts administrator. Based on research, a contract administrator's salary can range between US\$51,000-\$63,000 with an average of US\$61,500. Based on the FTE, the pro rata cost is likely to be US\$12,300 per year.

While this initial step is based on there being no costs to the industry service provider members that participate and free access to audit reports, a variation of this model that would enable cost-recovery is one in which the industry service provider charges a fee for members to access the reports. Part of this fee is then rebated to the initiating exporter (to compensate them for a percentage of their own investment in undertaking the audit). The industry service provider would retain the remaining portion of the fee as compensation for administration.

- **Medium-term**

Following the mode of operation of a number of major food retailers and food service organisations, the industry service provider could consider taking control of the audit program and managing this as a second party audit scheme. This would again require agreement from stakeholders. Several scenarios should be considered under such circumstances:

- ***Scenario 1: Industry service provider utilises contracted auditors***

The industry service provider appoints an internal resource that coordinates the audits as required by members using a limited pool of recognised contract auditors. The role of the industry service provider would be to coordinate audits, allocate auditors and share audit results.

Costs would be borne by the industry service provider and shared among exporters proportional to usage in a manner to be agreed by members. For example, basing fees on number or value of shipments in a year. This could require minimum resources from the industry service provider and allow the audit workforce to develop based on demand.

This could be further expanded to enable the industry service provider to control auditor qualifications and implement auditor training programs (potentially on a cost-recovery basis) as well as enable on-going auditor calibration and monitoring.

There would be less consistency of audit outcomes under this arrangement as auditors would not be totally answerable to the industry service provider.

SCG estimates the time required to manage such a solution would equate to 0.6 of an FTE and that the role would be as per the contracts administrator specified in the short-term option. Based on the FTE, the pro rata cost in this scenario is likely to be US\$36,900 per year.

Audit costs could potentially be reduced by limiting the pool of auditors to those that agree to a standard charge per audit (ie less than the current US\$1,512 average).

- **Scenario 2: Industry service provider employs auditors**

The industry service provider appoints an internal resource to manage the program but also recruits a limited number of dedicated auditors as employees who carry out all audits. Cost recovery could be structured in a similar manner to scenario 1.

This scenario would likely provide the greatest control and greatest consistency of outcomes.

Initial assessments suggest that this model may allow the number of auditors auditing under ESCAS to be rationalised to approximately 10 with the distribution of these auditors being consistent with the distribution of facilities and therefore audits. In this situation, employed auditors would be auditing around the clock and would conduct 'milk-runs' of all export regions.

Based on research, an auditor's salary can range between US\$48,000-\$58,000 with an average of US\$52,000 (not-with-standing that in many regions this could be significantly reduced to be commensurate with local employment rates). In addition, it is estimated that likely travel costs per auditor would be US\$25,000 in Indonesia and US\$50,000 in other markets. Table 21 provides an indication of likely costs in this scenario per year (excluding overheads).

**Table 21: Costs for company-employed audit program**

Number of auditors employed	10
Total salary (US\$)	\$520,000
Travel costs (US\$)	\$400,000
Total costs (US\$)	\$920,000

An alternative would be to appoint part-time auditors to each region (ie. 19) in order to reduce travel costs and time.

This scenario presents a number of issues with auditor location being the most obvious. Auditors would need to be either located in local markets or in Australia. For local auditors, consideration would need to be given to international employment arrangements although this would ensure reduced travel costs. For Australian-based auditors, travel costs may become exorbitant and this may create issues in-market where there is a reluctance to let foreigners into facilities.

o **Scenario 3: Outsource the management**

Either scenarios 1 or 2 could also be adopted by contracting out the management of the audit management to a third-party. This would reduce the resource needs both financially and in time for the industry service provider but would not restrict access to the program for outside audit agencies. This would also maintain the independence of auditors.

In this scenario the industry service provider could appoint a service provider through competitive tender. While any suitably qualified third-party may be able to provide this service, it is likely that a certification body would be best qualified to manage such a program.

This third-party would be responsible for coordinating audits, allocating auditors and sharing audit results.

A downside to this scenario is that the management of the scheme by a certification body may be viewed as a conflict of interest by some. A certification body responsible for managing a scheme may be reluctant to use auditors that are not employed by or contracted to them. In this case, consideration would need to be given to whether the certification body only uses their auditors (and if so, what the ramifications are if they have no local audits in some markets) or is required to allow auditors from other certification bodies be involved. Some certification bodies will be more accepting of one model over another.

Previous research undertaken by SCG for other programs indicates this management function would require a fee of between US\$46,000 and US\$62,000 per year.



This scenario would need further consideration in terms of handling of third-party complaints and situations where a facility 'fails' an audit.

### 3. Conclusions and recommendations

A number of conclusions and recommendations can be drawn from the findings of this project:

- Duplication of ESCAS auditing is occurring within cattle and sheep feedlot and abattoir facilities within Australia's live export markets.
- Such duplication is more prevalent in cattle supply chains and specifically in cattle abattoirs, due to the higher occurrence of facility sharing. Overall, facilities are shared by 35% of supply chains across all species.
- Due to the occurrence of facility sharing, of all the performance audits in a two-year cycle, 34% are duplicated and potentially unnecessary.
- The average cost of a performance audit of any one facility and including the preparation of the audit report is US\$1,512.
- It is estimated that audit duplication is currently costing the Australian live export industry more than US\$1.9 million over a two-year cycle.
- Anomalies exist in the data used to establish the figures in this report, the standardisation of facility names, confirmation of stunning vs non-stunning facilities and some mechanism for minimizing duplication of facility listings would assist in more accurate figures.
- Historically, other conformity assessment programs have experienced audit duplication; however, not within their own standards (ie 'intra-program'). Such duplication of auditing has occurred between programs (or 'inter-program').
- The dominant model used by conformity assessment programs is to directly contract third-party accredited certification bodies, with their qualified auditors, to audit their supply chain. In addition these organisations opt to work with a very small number of certification bodies to select, train and then use a small pool of dedicated auditors on their programs.
- Typically, the cost of audits is borne by the organisation seeking third-party recognition.
- Privately owned standards have the greater ability to implement cost-recovery models which range from the sale of standards through to charging for training services, the right to audit and auditing tools.

- Company standards or product specifications generally have no cost recovery and absorb significant costs associated with running the program.
- Duplication introduces unwanted costs and administration to any program. In order to minimise duplication within ESCAS audits, an approach is required that demonstrates a cost saving while effectively managing risk.
- Modifying the operational mechanisms of the current ESCAS framework to enable the auditing component of ESCAS to operate under a self-managed model is the most viable option to reducing audit duplication in the short- to medium-term.
- In undertaking this modification, exporters would need to accept the concept of sharing audit reports and implement systems to allow this to happen and the DoA would need to allow this to occur at a facility level.
- In the short-term, an existing industry service provider would appoint an internal resource to establish an audit register and manually collect, collate and distribute audit reports between participating members.
- Initially there may not necessarily be any cost sharing, assuming an even distribution of auditing between exporters. However, should cost-recovery be required, this model could be expanded to enable the industry service provider to charge a fee for members to access the reports and rebate part of this fee to the initiating exporter.
- A medium-term strategy for removing the duplication of audits is for the industry service provider to take control of the audit program and manage it as a second-party audit scheme. In this arrangement, the industry service provider is best to initiate contracts directly with auditors or contract out the entire management to a third-party such as an international certification body.
- It is recognised that the proposed development of the Live Export Global Assurance Program, along with regulatory reform currently being considered for ESCAS will alleviate many issues associated with audit duplication in the long-term (+12 months).