



EXPORT ADVISORY NOTICE – 2015-06		23 March 2015
Title:	Revised risk-based auditing requirements for ESCAS	
Species:	Feeder and slaughter livestock	
Country:	All export markets	
For information:	[1] Livestock exporters [2] Livecorp / ALEC / MLA [3] Department of Agriculture Live Animal Exports Officers	

1. Purpose

This EAN outlines the Exporter Supply Chain Assurance System (ESCAS) auditing requirements. This includes the move to a risk-based audit framework which was announced by the Minister for Agriculture on 11 September 2014.

The auditing requirements outlined in this EAN are effective from 1 April 2015 and replace the ESCAS auditing requirements provided in EANs 2013-05, 2013-06 and 2013-13.

2. Background

To comply with requirements for the export of livestock, exporters must demonstrate that they have a supply chain assurance system that amongst other things:

- meets World Organisation for Animal Health (OIE) standards for animal welfare;
- enables livestock to be traced by exporters within a supply chain through to, and including slaughter;
- is effectively controlled by the exporter; and
- is independently audited and reported on.

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

There are two main types of independent audit reports:

- The Initial Independent Audit Report (IIAR) which the exporter provides as part of their application for approval for new supply chains and with applications to add new facilities to an existing supply chain. The IIAR reports on the exporter's control of the supply chain; the traceability system; and whether the World Organisation for Animal Health (OIE) recommendations for animal welfare can be met in the supply chain.

- The Independent Performance Audit Report (IPAR) is provided by the exporter on the performance of the supply chain, including control of the supply chain; the traceability system; and whether the OIE recommendations for animal welfare were met.

3. Independent Initial Audits

An IIAR is submitted as part of an exporter's application for ESCAS approval for new supply chains and with applications to add new facilities to an existing supply chain. 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
- an assessment of discharge and land transport
- on-site audits of all facilities within the proposed supply chain including observations of livestock handling and for abattoirs, slaughter.

In many instances it will not be possible for the auditor to observe discharge and land transport of animals sourced from Australia during the initial audit of a new supply chain. In such instances the auditor must either

- observe local animals provided they are of a similar size and class to animals that will be discharged and transported under ESCAS arrangements; or
- assess compliance with the relevant sections of the auditor checklist by reviewing the Standard Operating Procedures (SOP) and relevant infrastructure and commenting on their appropriateness (or otherwise) in the IIAR. In this case, an audit which observes discharge and land transport of animals from Australia and must be completed within one month of the first shipment.

4. Independent Performance Audits

The purpose of IPARs is to provide assurance that the control, traceability and animal welfare elements of the ESCAS are being met.

This EAN sets out a risk-based auditing schedule on a facility basis for an exporter's ESCAS.

Each exporter who is approved to utilise a facility must provide an audit report for that facility as the department regulates livestock exports on an exporter basis and does not have regulatory control over the actions of the importer or operator of a facility. Exporters may share audit reports to minimise costs provided each exporter submits an audit report which references their name.

Audit frequency is determined by the type of facility, its inherent risks and the actions and compliance history of exporters. Where there is an established history of compliance and a facility is considered low risk, the frequency of auditing required to be assured that the ESCAS requirements are being met is low. Where there are higher risks or a history of non-compliance, the department may require an increased frequency of auditing.

The process for assigning the risk level and setting audit frequency is outlined at **Attachment A**.

Audit frequencies for facilities are reviewed each year and new information is taken into account at that time. However during the year the delegate can respond to non-compliances by increasing the audit rate at any time, or implementing other measures that are considered necessary to ensure compliance.

IPARS should preferably be conducted when animals sourced from Australia are present however where this is not possible animals that are of a similar size and class must be observed. Audits are required to cover the ESCAS elements of animal welfare, control and traceability at feedlots and abattoirs. Audits of transport are to be covered by observing loading/unloading activity at facilities but do not require a separate audit. An audit of discharge is not required as part of the IPAR unless specifically requested by the department.

The department will also include a review of an exporter's overall control and traceability systems auditing exporter licences.

4.1 Due date for submitting IPARS

The reporting periods for IPARs are outlined in **Table D of Attachment A**. Reports must be provided to the department within one month of being completed and no later than 10 working days after the end of the specified audit period.

The department recognises that appropriate time needs to be given in order to conduct and provide IPARS. If a new supply chain or facility is approved within two months of the end date of the next reporting period, the exporter is not required to provide an IPAR for the new supply chain or new facility for that period. For example, where a new facility is approved on 20 May an IPAR would not be required for the period ending 30 June. An IPAR for the new facility or new supply chain would need to be provided for the next reporting period.

If an exporter cannot adhere to the audit schedule for any reason, they must contact the department as soon as possible to give reasons why, and to advise what steps they intend to take to return to the required audit frequency.

Unless there is a good reason the department will not allow a feedlot or abattoir to remain within an ESCAS supply chain if it has not been audited in accordance with the audit schedules. Where it is removed, a new independent initial audit of the facility(ies) must be conducted before it can be considered for re-inclusion in a supply chain.

4.2 Breeding animals that leave the approved supply chain

Where animals that have been exported as feeder/slaughter animals leave the supply chain for breeding purposes, the exporter must arrange for the independent auditor to confirm records of these movements at the next audit of the supply chain arrangements. Exporters must ensure that they maintain appropriate records of any such movements as part of their control and traceability arrangements.

5. Independent Auditors

5.1 Independence, Competence and Expertise

Independent auditors must possess the necessary accreditation, qualifications and skills to be accepted by the department 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, the department 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).

- One example of an authority that provides appropriate accreditation is the Joint Accreditation System – Australia and New Zealand (JAS-ANZ). The accreditation should be to an international standard (such as ISO) in Quality Management Systems or equivalent.

The department will require evidence that the auditing company meets these requirements prior to accepting an independent audit report. To avoid delays in the consideration of audit reports, the department suggests that the evidence of the selected agency's competence and accreditation should be provided to the department prior to the independent audits being undertaken. The department will then be able to provide advice to the exporter on whether an auditor meets the criteria specified in the regulatory framework.

5.2 Assessment of Compliance with the OIE Animal Welfare Code

The department has provided guidance to auditors for assessing ESCAS animal welfare outcomes against the OIE Terrestrial Animal Welfare Code in EAN2015-05. Copies of the latest version of the audit forms and guidance are available on the department's website at: www.agriculture.gov.au/export/live-animals/livestock/information-exporters-industry/escas.

The audit forms and guidance detail the aspects of the supply chain that must be covered by an ESCAS audit.

Where specific observations of animals or facility infrastructure are required, this is detailed in the OIE checklist. Beyond this guidance the independent auditor determines the appropriate methodology for making an assessment in accordance with standard audit practice.

Any animals observed as part of the audit must be of the same size and class as animals that are in / will enter supply chains under ESCAS arrangements.

5.3 Assessment of Supply Chain Control and Traceability arrangements

The auditor must evaluate if the exporter has an effective process for control of the supply chain from the port of discharge through to and including the point of slaughter. The control process may include formal agreements or other arrangements between the different entities in the supply chain

including the licensed exporter, importer, feedlot/holding facility operator, abattoir/slaughter facility operator and transporters.

Independent auditors must provide an assessment as to whether the livestock are effectively identified and all movements of livestock through the supply chain are accurately recorded.

The auditor must provide an evaluation of whether the traceability and control arrangements are effective in ensuring that livestock remain within the approved supply chain and can be accounted for, in accordance with ESCAS:

- from the point of unloading in the destination market and during transport to and between facilities in the supply chain,
- while at the holding facility / feedlot, and
- while at the slaughter facility / abattoir facility.

6. Audit Report Content and Format

Each independent audit report (both Independent Initial Audit Report – IIAR, or Independent Performance Audit Report - IPAR) must contain the following information:

- exporter identifier
- importer identifier
- name and signature of auditor(s) and audit company name
- names and physical addresses of all the supply chain facilities (holding facilities / feedlots, slaughter facilities / abattoirs) that are included in the supply chain
- names and physical addresses of the supply chain facilities that have been assessed as part of the audit report
- detailed description (including photographs) of the type of restraint and slaughter used at each slaughter facility
- description of the supply chain elements covered by the audit
- date of on-site audits at each supply chain facility
- completed 'ESCAS Summary audit report (version in EAN2015-05 or available at www.agriculture.gov.au/export/live-animals/advisory-notice) covering each part of the supply chain
- summary of outcomes of the audit(s) including a statement describing:
 - Animal Welfare - whether the OIE animal welfare standards are met (IPAR), or could be met (IIAR), at all points along the supply chain
 - Control - whether the exporter has processes in place for control of the supply chain from the port of discharge to and including the point of slaughter.
 - Traceability - whether the traceability system ensures that all livestock can be (IPAR), or could be (IIAR), individually accounted for (cattle/buffalo) or the mob accounted for (sheep/goats) at all points throughout the supply chain.

- details of any non-compliances and corrective action taken.

7. Implementation of this EAN

For the initial year of this EAN the new arrangements will be phased in. The first step will be the department assessing an exporter's supply chain ratings and associated audit frequencies and issuing instruments with this information to the exporter before 31 March 2015.

There will be a legislated time based fee (currently \$116.90 per quarter hour) applied to the assessment of the exporter's supply chain ratings and audit frequencies.

For 2015, exporters with facilities that have a

- high risk rating are required to undertake the first audit by 30 April 2015 and submit the audit report by 14 May 2015 (in line with the previous audit schedule). The next audit must be undertaken by 30 June 2015 and the audit report submitted by 14 July 2015. All further audits would be due each quarter in line with Table D.
- medium risk rating are required to undertake the first audit by 30 June 2015 and submit the audit report by 14 July 2015. The next audit must be undertaken by 31 December 2015 and the audit report submitted by 14 January 2016
- low risk rating are required to undertake the audit by 31 December 2015 and submit the audit report by 14 January 2016.

Audits can be conducted any time in the period leading up to their due date and hence any audits conducted under the previous EANs 2013/05 and 2013/06 reporting period can be used to meet the requirements of this EAN provided that they met the requirements of this policy in relation to submission times.

For audit schedules applicable to 2016 and subsequent years, the department will advise exporters by the end of November 2015 of their audit schedule.



Narelle Clegg

Assistant Secretary

Live Animal Exports Reform

Department of Agriculture

Contact officer: Tim Naylor / Damien Gibbons / Spencer Whitaker

Ph: (02) 6272 4581

Email: livestockexp@agriculture.gov.au

Risk Based Audit Schedule

Risks vary across the live export industry, depending on different markets, exporters, species and facilities. While there are many risk factors that could be assessed (e.g. animal welfare laws, modern vs. traditional facilities, private vs. public ownership) supporting information about these factors is not readily available or objectively assessable.

Facilities are assessed and given risk scores based on how long a facility has been approved, the type of facility and slaughter method, and non-compliances that affect individual facilities (see **Table A**)

Supply chains are also given risk scores based on non-compliances that affect supply chains, and how long that market has been approved under ESCAS (see **Table B**). These issues are explained later in this attachment.

The risk scores for facilities and supply chains are combined (see **Table C**) to determine ESCAS audit frequency for each facility.

The decision maker may take into account additional factors that reduce the risk of future non-compliances occurring and change the risk rating and associated audit frequency. These factors could include:

- the presence of an animal welfare officer/supply chain officer/supply chain manager, or exporter employees in market with ESCAS oversight responsibilities
- ongoing training (including assessment of competence) of facility/supply chain employees
- monitoring of animal handling and slaughter processes, or CCTV cameras and reviewing of footage
- improvements to infrastructure and/or equipment
- supply chain quality assurance processes (internal auditing/quality assurance systems etc)
- any other measures considered relevant by the delegate.

Should exporters wish the decision maker to consider additional factors they must provide a submission which outlines the relevant information and includes supporting evidence.

During the year the decision maker can respond to significant non-compliances by imposing additional conditions or audits on facilities or supply chains at any time, or implementing other measures that are considered necessary as a compliance measure. These circumstances will be taken into account each year when audit ratings are reviewed.

Audit reports are required to be conducted and submitted within the reporting periods outlined in **Table D**.

Determining risk ratings

The overall risk rating for a facility would be determined by combining the facility score (see Table A) with the supply chain score (see Table B) to give a risk rating for a facility per exporter (Table C).

Table A: Determining facility score

Criteria	1 point	3 points	6 points
Previous non-compliances that affect a facility	No non-compliances in past 12 months	N/A	Non-compliances in past 12 months
Length of time since initial approval (for any exporter)	More than 12 months	Less than 12 months	N/A
Slaughter lines	A feedlot OR Sheep abattoir OR Cattle - All stunning	Cattle - Non-stunning	N/A

Table B: Determining supply chain score

Criteria	1 point	3 points	6 points
Previous non-compliances that affect a supply chain	No non-compliances in past 12 months	N/A	Non-compliances in past 12 months
Length of time since ESCAS first approved for the market	More than 12 months	Less than 12 months	N/A

Table C: Matrix to determine the facility risk rating

		Supply chain score		
		1-2	3-5	6+
Facility score	1-3	Low Once a year	Medium Twice a year	High Four times a year
	4-7	Medium Twice a year	Medium Twice a year	High Four times a year
	8+	High Four times a year	High Four times a year	High Four times a year

Audits are required to be conducted and audit reports submitted within the reporting periods outlined in **Table D**. Audit reports must be provided to the department within one month of being completed and no later than 10 working days after the end of the specified audit period.

Table D: Determining facility audit frequencies and periods

Risk rating	Reporting periods			
	Jan 1	Mar 31	Jun 30	Sept 30
Low	Once annually between Jan 1 – Dec 31			
Medium	Once between Jan 1 - Jun 30		Once between Jun 30 - Dec 31	
High	Jan 1 – Mar 31	Mar 31 – Jun 30	Jun 30 – Sept 30	Sept 30 – Dec 31

Assessing non-compliance for audit purposes

In deciding if a particular non-compliance will be taken into account in determining future audit frequency the department will consider the nature and severity of the incident and how the exporter has dealt with the non-compliance for example:

- whether the exporter has demonstrated ownership of the non-compliance and made effective efforts to address the cause
- whether the incident was preventable or within the exporter’s control and if it is a reasonable expectation that the exporter could have prevented it
- whether it is necessary to escalate the significance. For example, where several similar incidents have occurred that suggest a systemic problem.