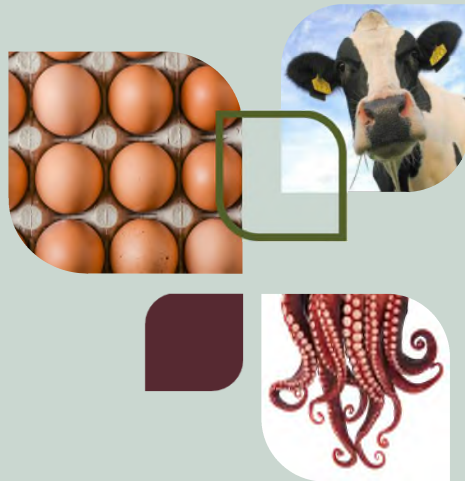




Australian Government
Department of Agriculture,
Fisheries and Forestry

Audit trial for low-risk dairy, egg, and fish establishments

25 July 2023



Lisa McKenzie
Dairy, Eggs and Fish Export Team

Welcome to the webinar everyone. Today we'll be giving an overview of the new regulatory approach for establishments that we consider to be low risk, meaning most dairy, eggs and fish stores, live fish establishments and fishing vessels registered with the department for export.

During this session, we'll also provide some information on the trials for this new approach that we're conducting over the 2023/24 financial year.

Before we get started, I'd just like to do an acknowledgement of country.

The department acknowledges the Aboriginal and Torres Strait Islander peoples, their families and communities, the First Australians, whose lands, winds and waters we all now share, and pay respect to their unique values, and their continuing and enduring cultures that deepen and enrich the life of our nation and communities. We pay our respects to elders past and present, their ancestors and their families who meet with us here today.

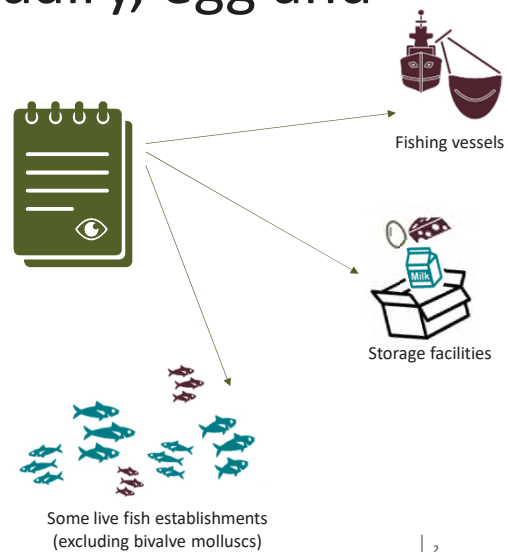
Just some housekeeping before we start.

- The presentation will run for about 25 minutes or so and afterwards we'll have some time for any questions you might have.
- Please save your questions for after the presentation. If you think of a question during the presentation, you're welcome to put it in the chat anytime and we'll bring it up at the end.
- Also, we'd really appreciate it if you could please leave your microphones on mute during the presentation.

Our presenter today is Lisa McKenzie from the Dairy, Eggs and Fish Export Program. I'll pass over to Lisa and she'll run through the project and everything that's involved in our new approach. Over to you Lisa.

Audit trial for low-risk dairy, egg and fish establishments

- New approach for how we regulate and audit your low-risk establishments
- Like the current system, the new approach will still ensure that you can meet food safety and importing country requirements
- All establishments will take part in the trial, you will receive an email clarifying your role.



Department of Agriculture, Fisheries and Forestry

2

Thanks Sam, and welcome everybody. I'll be talking today about the new approach the department is taking to regulate you in the future.

For many of you when you think about being regulated by the department, you would think about your annual site audit where an auditor comes out to your establishment, inspects the premises and reviews lots of documentation that makes up your approved arrangement, checking that your practices match up with what you have documented.

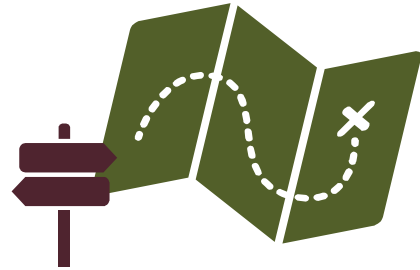
The department has categorised establishments based on risk levels to determine audit frequencies, and the reason you've had this annual audit is because your establishments are considered to be low risk. This classification focuses on food safety risk, with the idea that the products and processes involved at these establishments are low risk, meaning that there is not much chance of affecting the safety of the product for the end consumer. This system has remained relatively unchanged for about 20 years, until now.

What we're looking at in this new approach is whether we can regulate by using different information and taking this into account. It is very important that you produce and store food in such a way that it is safe, but not everything relates to food safety risk. The other reason the department regulates you is because we need to demonstrate to our overseas markets that we have systems in place here in Australia that ensure that the product has integrity, it's safe to eat and it meets importing country requirements. This underpins the certification that we provide when the product is exported.

For the purposes of our trial, we are starting with fishing vessels, storage facilities and some live fish establishments. At this stage we are not including live fish establishments that handle bivalve molluscs, which are still classified as high risk. For the storage facilities, at the moment we cannot include those that store meat products because they may have other importing country requirements and some are subject to quarterly audits. So for stores we will initially only be including dry or cold storage establishments that store dairy, eggs, fish or a combination of those. All of these low risk establishments will take part in the trial in one form or another.

Why do we need to change the current system?

- The current system works well, but it can be better and there are other ways of assessing compliance!
- We want to look at risk, not just food safety
- 50% of establishments will be audited under the new 'verification and assurance model', and 50% will be audited under the current 'site audit approach'



Department of Agriculture, Fisheries and Forestry

| 3

Our current system does work effectively to provide assurance to overseas countries, but we are looking at better ways of regulating that considers more aspects of risk while still being able to provide really strong assurance from a market access point of view. We're not alone in this. A lot of other countries are moving in this direction, towards new technology and more efficient ways of regulating.

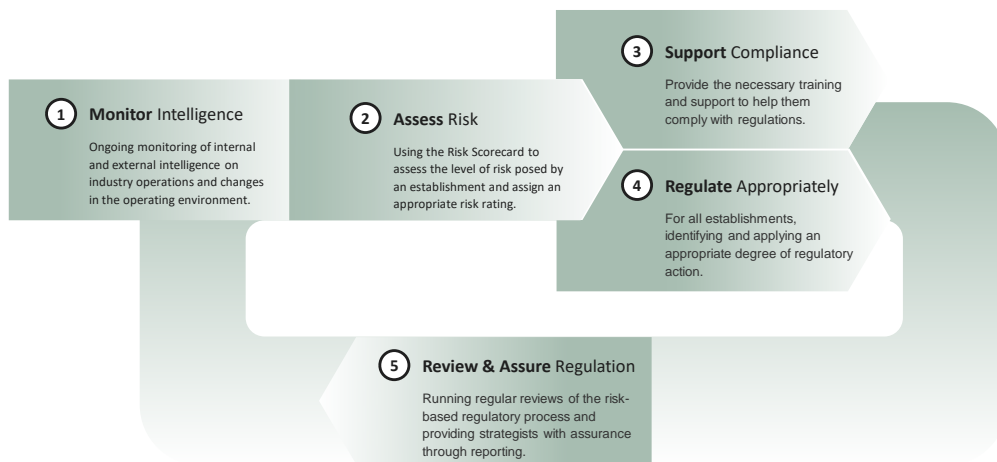
A trial is essential to test our assumptions – over an initial 12-month period, we will be testing out our new model which we are calling the “verification and assurance model” and comparing that to the outcomes under our traditional “audit model”.

50% of the low risk establishments in the trial will be audited in exactly the same way as they have been previously, so they will form the control group. The other 50% will participate in our new verification and assurance model of auditing. We are doing this trial over the 2023-24 financial year, which began in July 2023, so if you've already been site audited by the department for the year, you are automatically part of the control group and we don't really need any further action from you at this stage.

We are really hoping for a positive outcome from this trial. We're hoping that at the end of the initial 12 months, we can potentially move all our low risk dairy, eggs and fish establishments onto our new assurance and verification model. However, if we're not finding that the results are conclusive after 12 months and we need more information to gauge the success of the trial, our plan would be then to swap over for the next 12 months, so if you received a site audit this year, we'll swap you onto the verification and assurance model for the next year.



The New Approach



This is a high level slide that attempts to illustrate our thinking and approach to the new verification and assurance model.

At the first step, we're going to monitor intelligence using different types of data. Instead of just doing a site audit and getting the usual information that we get from the site audit, we're going to look at other areas and external intelligence that can assist us with understanding how the industry operates, and whether some sectors that we've always treated as the same are in fact different with different risks involved. For example, in preparing for this trial, we looked at a lot of cold storage facilities. There are quite a few cold stores that store product on behalf of other people, where product comes in with a transfer certificate and goes out with a transfer certificate to another facility, and there's another class of cold store that actually loads the containers that go for export. The facilities loading containers can present a different risk compared to those just transferring product in and out from an export certification perspective. As an example, if an export container is declared as having 100 cartons of product loaded inside and the department issues certification identifying this, but the container was actually loaded with 110 cartons, the goods could be detained at the importing country because the actual consignment received does not match the export documentation.

Potentially we've got one type of storage facility that's not quite like the other, and these are the kind of differences and intelligence that we're trying to pick up to see if we can really personalise the risk categories that you fall into and apply different regulatory treatments as appropriate. The low risk operations are a good place to start experimenting with this. In assessing risk at Step 2 on this slide, we've started you all off here at the same low risk level, and from there we will see what the trial results indicate.

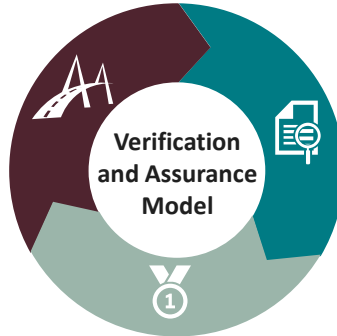
We will be working internally and externally to check the data that we receive for consistency. We can tap into our own internal systems within the department and check information about your establishment that we already have on file. For example, how many establishments actually operate as inspect establishments for load out versus those that don't. We can look at things like country listings in place for particular countries, and whether they're more sensitive markets, and we can also appeal to you to help us with some of the information that we might not have asked you to provide before. An example of that would be things that we've noticed through experience over the years, but have never really had the means to measure, such as whether an establishment that has had the same systems and staff in place for many years is less likely to encounter compliance problems compared to an establishment that has a high turn of key personnel who understand the approved arrangement.

We'll be looking at things like this during the trial to enable us to regulate appropriately based what you actually do instead of just a blanket approaching of treating everyone the same regardless.

We'll monitor as we go through the trial and may ask for your assistance if we need to tweak anything with the approach. We'll be asking for feedback at regular intervals and hopefully at the end of it, the data will tell us that the trial has been a success, and enable us to come up with a more flexible and targeted regulatory approach.

What will you get out of the new approach?

Streamlined approach
Reducing red tape for industry.



Audit report
To share with your customers if needed.

Reward for good performance
Can focus on medium and high-risk establishments.

What will you get out of this new approach?

You will still get a type of audit report that you can show your customers if needed, and we will also be uploading that audit report into the department's audit management system. This system houses audit reports for audits conducted under the traditional approach, so by having all the audit reports from the old and the new models together on the one platform, we can more easily do direct comparisons between the two models. We are really hoping that this approach will allow us to apply our regulatory focus more on the medium and higher risk areas of our business, and that this streamlined model will assist in reducing red tape.

What do we need from you?



Both groups will play an important role in proving that the trial works



Verification and assurance model:

- Declaration
- Questionnaire
- Photos for AI assessment
- Additional sector level verification activities



Cost – we are keeping it fair and equitable!



We need you to help us to assess the trial through sending feedback and participating in surveys

So what do we need you to do?

Both groups will play an important role in proving that this trial is going to work and that it's going to provide us with at least an equal level of assurance as our existing system. We will send out an email to notify those establishments that have been selected to participate in the verification and assurance model trial group, and we will provide instructions on what we need from you. Instead of having an annual site audit, we will request you to provide us with certain documentation. Initially that will include a declaration, similar to the declaration that you already make in your approved arrangement, which is the occupier's commitment to compliance with the export legislation. Even though we're conducting a trial to regulate you in a different way, there's still that requirement for establishments to commit to compliance with the legislation. This approach has an upfront focus on the accountability and responsibility of the establishment to manage their own systems to be compliant. In your declaration you will need to commit to an operating system that will meet the requirements.

We'll also provide you with a questionnaire that will ask about some food safety-related things and some of those other things that we've talked about, such as whether you have had any changes in the last 12 months to the structure of the organisation, or considerable changeover of staff. The type of information that might not often be captured until we came to do our annual audit. This approach will also allow us to take operational patterns into account. For live fish establishments, a lot of their activities are seasonal, so the trial will help us identify if we are asking for the right information at the right time. If we were going to come out and audit these establishments, we would want to be doing it at a time when we're actually going to see something, so we can start getting more visibility of how many months per year these establishments are actually active.

So a few different inputs of information from you, but probably the most exciting of them all is that we'll be asking you to take some videos and some photographs of particular things within your establishment. This is for the purpose of building our AI library. AI stands for Artificial Intelligence. We've engaged with a company called 'Wild Mouse' that's assisting us with building up a photo library. To begin with, the library will be for the trial and then we're looking at potentially having regular updates on to it, that will enable us to determine through photographs pretty quickly if something has changed at your establishment. The AI tool is not going to be some kind of all-seeing spyware, AI needs to be taught. We would need to show the AI 100 photos of door seals in cold stores and teach it which examples we thought were acceptable or not acceptable. As it learns over time it will be able to identify the patterns itself, or it can bring up a query to us when it doesn't know the answer. It can only check the photos for what we teach it to check the photos for, so it's not going to be reading over your shoulder or picking up anything that's not relevant to the trial.

We did some work in Queensland recently where we went around some cold stores and took a lot of photos of things. One of the examples we could use to help show whether a cold store was operating really well to one that perhaps wasn't operating as well, was being able to look through the cold store and see that all the pallets are identified with a label, not necessarily exactly what's on the label for this purpose, but the fact that they're all labelled, which indicates that you've got a system in place at your establishment that allows you to know what everything is. That supports integrity, traceability, and recall.

To make all of this information sharing easy, we are developing a digital portal. You'll be able to go into that portal, sign your declaration, answer your questionnaire, upload your photographs and videos, and we can review what you've provided and let you know if there are any issues, such as a photo being too blurry or not showing the thing we need to see. We've tested the portal to be used on an ordinary mobile phone, so it should be accessible and simple to use.

We will also be conducting random additional sector-level verification activities that you may need to participate in. This is where we will come out to do a comparison of the information provided on the portal to what is actually happening at site, and this verification will give us confidence that the trial is going to be a success. These verification activities will not be chargeable so we would really value your assistance with this to help make it a success. Speaking of cost, I'm sure you're wondering if the costs will be different for those participating in the new trial approach. We will be keeping costs as equitable as possible across both groups. If you are participating in the new trial group, you will still receive an annual audit fee for the review that has been conducted virtually to cover the time of us looking at the photographs and working with you on these things. We've averaged it to a three hour charge so it is not dissimilar to what the establishments undertaking a normal site audit will be charged. We really need your help so that we can assess our progress through the trial, including sending in your feedback, participating in surveys and those kinds of things.

What does success look like?



Department of Agriculture, Fisheries and Forestry

| 7

What does success look like for us?

It's going to be a reduced cost for industry, and in a lot of cases, by cost, we mean time as well. Time is money. A lot of people have told us that putting aside a member of staff to spend all day with an auditor doing the same thing over and over again is really a big imposition when you don't have a lot of staff. It's a cost and time burden for you, but similarly it's a cost and a time burden for the department.

We don't currently charge establishments for the travel out to do an audit, but it does take our personnel resources, and it does take time and it does cost. It is a huge opportunity to reduce the cost and time burden for everyone with this approach if the trial can demonstrate that we can maintain the integrity of our export system and get the same level of assurances that your export operating systems are working and the requirements of the legislation are being met.

We would love to be able to move this over to 100% of our low risk establishments after the 12 months, or after 24 months if necessary, but even if we don't get this model fully off the ground we are still looking at moving to auditing low risk establishments every 24 months instead of annually, as the worst case scenario from the trial outcome. So that's what success looks like for us. If the application of AI is successful, it will be absolutely huge.

We are extending on this with a slightly different seminar on Thursday for fishing vessels, so if any of you are a cold store associated with your own fishing vessels, please feel free to come along to that one and see how we could possibly integrate the two trials. With fishing vessels, the AI would enable us to do things like recognise the numbering on the side of the vessel to confirm that you have in fact sent us photos of the correct vessel. I'm sure one of the crew would love to have a walk around on the deck and show us how it's done and help build our library, as we know that it can be difficult to see processing occurring during an audit of a vessel. This might even become a more effective way of maintaining to our overseas partners that we do in fact produce great Australian seafood.

Recap – what do I need to do now?



Double check to make sure that you have updated your contact details with the department.
dairyeggsfish@aff.gov.au



Each low-risk storage and live fish establishment will receive an e-mail to confirm if they are participating in the new approach.
If your establishment is selected for the 'verification and assurance model', you will receive further instructions for the trial requirements.
If you don't get an email by 31 August, please let us know!



Respond to emails quickly!
We need your help to make this trial successful!

So just to recap. What do you need to do?

Really importantly, in our establishment registration system, we can store two emails to contact you by. If these emails aren't up to date, or you'd really like to make sure that we are directly contacting the person who's going to be responsible for your establishment's participation in the trial, please if you need to double check, drop us an email to dairy eggs, fish on the screen there and we can check that we've got your email details up to date.

Each low risk storage establishment and live fish establishment will receive an email to confirm whether they're participating in the new approach or whether they're continuing to be site audited as normal. If you are in the new approach group, we've communicated with the department's audit program so they won't be contacting you to arrange a site audit. If there is some confusion on this, please get in touch with us at dairyeggsfish@aff.gov.au. You'll receive further instructions for the trial requirements. We're looking at the portal being available hopefully around November, December, so there's no mad rush on this and we'll start feeding through information as it comes to hand, but if you don't get that initial email from us by the 31st of August to advise which group you are in, please go back to step one to double check your contact details are up to date and please let us know. It will be helpful if you can respond quickly to these emails so we know that we're in contact with the right person and finally just emphasising that we really need your help to make this trial successful.

What's next?



- Consider whether this approach is applicable to other commodities
- Medium and high-risk establishments
- Verification and Assurance Model roles out to 100% of low-risk establishments

Department of Agriculture, Fisheries and Forestry

| 9

There's huge opportunities for this we think. Being able to roll out this whole system to a verification and assurance model for our low risk establishments and then support that through random spot-auditing verification reduces the burden on both the department and yourselves, and gives us the ability to further concentrate on our medium risk and high risk establishments.

We want to see this become quite a flexible system and the scope may be extended in future, where we will consider if this approach is going to be applicable to other commodities, including imported foods and red meat stores.

So I've done a lot of talking. I might throw to Clint, have we got any questions in the chat?

Any questions?



dairyeggsfish@aff.gov.au

Q: How much time will we have to actually fill out the questionnaire, take the pictures etc, and then upload that information for review?

A: Given that you're only audited once a year, we want the information to be correct and allow time for you to ask questions, it will be something like a couple of weeks. It won't be a matter of if you don't upload it by this date, we'll come out and audit you instead. We'll work through any issues with you. You'll be getting plenty of time. It isn't a very long questionnaire, the declaration just needs signing, and for the photos and videos it is just a matter of sending someone out with a mobile phone camera to just walk through the establishment. We'll give you some tips on the best way to take the photos and videos but it shouldn't be too time consuming. That's not the intention.

Q: Confirming that the actual requirements that we have to fulfil in terms of compliance have not changed, just the way you are auditing?

A: Absolutely correct, and I think one of the major changes with this, as I said earlier, is about the declaration. The approved arrangement was always intended under the legislation to be a self-managing system, and this declaration really puts more responsibility on you to be able to say at the end of the day, yes, I've done everything that I'm supposed to have done and everything's under control. We do not want to be in this space where people are relying on their departmental audit to tell them if their systems are working or not, that is what you should be identifying yourself through your own internal audits. So it's a shift in the mindset of responsibility, but in terms of the legislative requirements that need to be met and what's written in your approved arrangement, none of that changes.

Q: Will the presentation be made available?

A: We will be putting it up on the department's website, and it will just be the slides with the transcript which will go through some tidying up because the AI interpretation of speech can be a bit strange sometimes. So it will be up on the web and we can email out the link in our correspondence so you can pass that on to your staff if you need.

Q: We have a number of storage establishments, most of them are separate facilities but we have one store that has its own establishment number and is part of our dairy manufacturing facility. Would that particular storage establishment still be classified as low risk?

A: Yes, if the storage establishment has its own separate establishment number, it would be considered low risk.

Q: Will we be required to download an app or software program to be involved in the trial?

A: No, there won't be any need for you to download any programs or apps. It's a pretty straight forward secure online portal that's being prepared for us.

Q: We store products for many different customers so we would want to be careful about providing photos that identify our customers. What privacy controls will be in place to manage this?

A: As I talked about earlier, the AI can't do anything with any information that we don't teach it to. We're certainly not able to teach it to read every label and give us a list of your customers or anything like that. It just simply sees these as a label with writing on it. The information and the photos that you upload on the portal aren't on any public web-based storage platform. They come into an internal library database for us at the department and all the information that we receive for this process falls under the exact same Australian Public Service privacy and confidentiality laws as information that we would obtain at a normal site audit.

Some of the other state regulatory authorities are already trialling this type of AI software for things like registering food storage transport vehicles, so people can send in photos instead of having to bring the truck in to be inspected, they can put in their licence details, all these sorts of things and they can already tell by AI whether the licence plates in the photograph matches the licence, and whether the truck is clean or not. We're being a little bit more ambitious than that and that's where we discovered that the video has worked a lot better with cold storage, because they're bigger spaces, as you can imagine the sort of static photos of trucks are pretty easy. That's a clean truck, that's not a clean truck.

They've also done some work with fishing vessels, so that's how we know that we may need to teach AI to read things, like the numbers on the side of the boat, for example, if there's a rope hanging over one of the numbers, AI may say I can work out that that's a "P" or it might ask us for help and we can teach it that actually that one was a "B". So it's not an all-powerful tool, but the more information and the more photographic images that it's fed, it enables us to do a lot of work faster than we normally could and it would still flag to us if it believes, or we've taught it, that there might be an issue, that it needs to bring to our attention.

So it appears to be the way of the future. It can also be used to scan documents, which gives us the possibility of being able to look at traceability exercises. It's the brave new world, and we're really hoping that we can make this work because as I said, we recognise you're low risk, we recognise that there aren't a great deal of compliance issues and that there should be some reward for coming on board with this and working with us to save costs and streamline into the future.

With no additional questions, we will conclude this session and . With such exciting opportunities ahead to move into a more risk-based and data-driven regulatory approach, we encourage everyone to actively participate in the trial. Thanks everyone for attending and for your questions. If you do think of any further questions, please feel free to contact us via the Dairy, Eggs and Fish email address up on the screen.