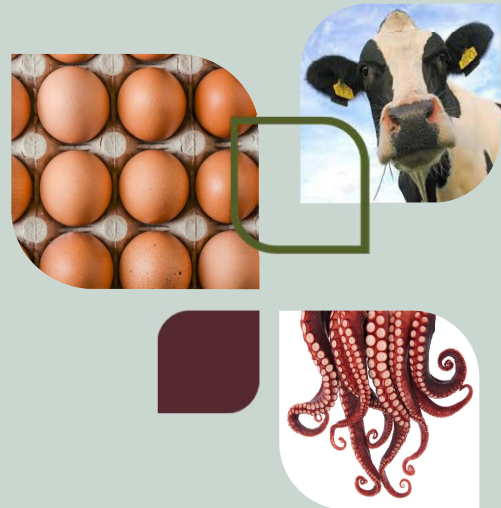




Australian Government  
Department of Agriculture,  
Fisheries and Forestry

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

27 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.

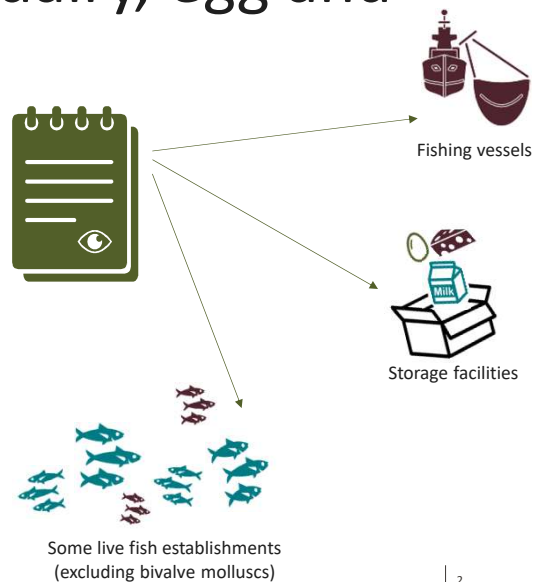
Just some housekeeping before we start.

- 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 team. 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.



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Thanks, Sam, and welcome everybody. We're very excited to be able to present some information to you today about some changes that we're looking at making, starting with the trial. It's a new approach to how we regulate and audit our low-risk establishments.

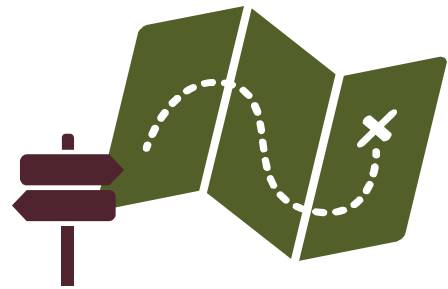
A couple of days ago we did a presentation to companies that are exporting live fish, and cold storage facilities, and there might be a bit of overlap because when it comes to vessels, some of the companies may own a cold store and manufacture as well. The really important part of this is that we're making some changes to the way that we actually regulate you. You're all very used to participating in an annual physical audit, where the department comes to look at your vessel, look at your approved arrangement, and writes you an audit report, and pretty much that's all you see of us for a year or so. For those of you with more than one vessel, we repeat the same process for the other vessels.

We recognise from some work we've done on the trials that the processes and the products that you prepare are low risk, and this really comes from a background of food safety where we've always looked at the products that you prepare in terms of the risk they present to the end consumer due to what they are and the way that they're handled. It's really a single-minded way to look at risk when it comes to what you're doing. In reality, there are other risks associated with what you do and there's other reasons why we regulate you. The systems that we have in place for auditing you are essentially to verify that you're meeting the requirements of the export legislation. We do this so that we can be confident when we certify the product for export that it is going to meet the overseas markets, any importing country requirements, and if we do this smoothly we're going to maintain market access with these countries, so it brings into play other elements of risk. Some markets are more sensitive than others, and some of them have more stringent importing country requirements, so failing to meet some particular importing country requirements may be a threat to market access that has nothing to do with food safety.

The project looks at a whole bunch of different elements that could contribute to the risk of what your establishments are doing and sort of rebranded that as low risk. So not just focusing on the food aspects, but other aspects of your operation. It'll be a new approach. All vessels will take part in the trial in some shape or form, and you'll receive an email clarifying your role in the trial.

# 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
- The trial will involve all establishments
- 50% of establishments will be audited under the new 'verification and assurance model', and 50% will be audited under the current 'site audit approach'

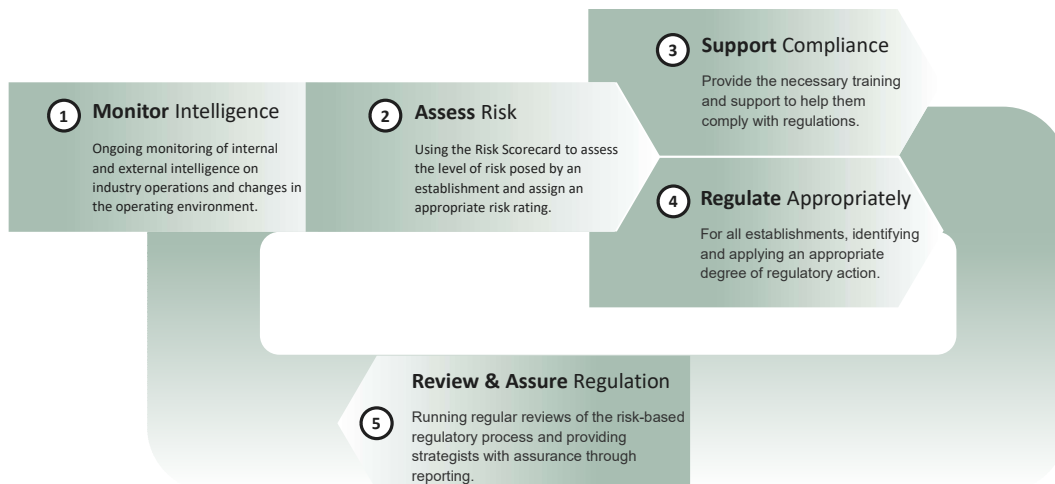


We don't really need to change the subject current system, it's not broken. It's effective in providing market assurance and access, but we need to start looking at risk, not just food safety.

We think that there's other ways of assessing compliance, and this is why we're doing the trial. It certainly doesn't lessen the confidence in the current system, it's just a new way of achieving the same level of confidence in the export system. We do have to trial it; we do have to make sure that it works and some of the assumptions that we've made about risk are actually correct. The proposed trial is of the model we're calling the 'verification and assurance model', as opposed to the 'site audit' model where we come out and physically inspect your vessel once a year and look at your approved arrangement. We're going to run it initially for a 12-month period, which is the financial year from July 2023 to June 2024. 50% of vessels will be audited using the new 'verification and assurance model' going forward and 50% of all vessels will continue to be audited per the current 'site audit' approach. So given that we're now nearing August, if your vessel has already been site audited by the department, you won't hear anything else from us for the rest of the year.



# | The New Approach



This is a fairly complicated and high-level slide, but it's an attempt to illustrate what I've just been talking about; that we're really looking at other ways we can consider risk and not just food safety.

With food safety, for example, we'd be looking at things like: Have you had a failed product result? Is a recall of the food required? Has there been a domestic recall? - all associated with food safety, but now we're looking at other sorts of levels of input to determine risk, and some of that input we've already got, and it doesn't involve contacting you about it. We can tell from our export records which countries your product's being exported to, what the product volumes of the vessel are being exported, how much of it is being reprocessed for those purposes in a land-based establishment - those kinds of things.

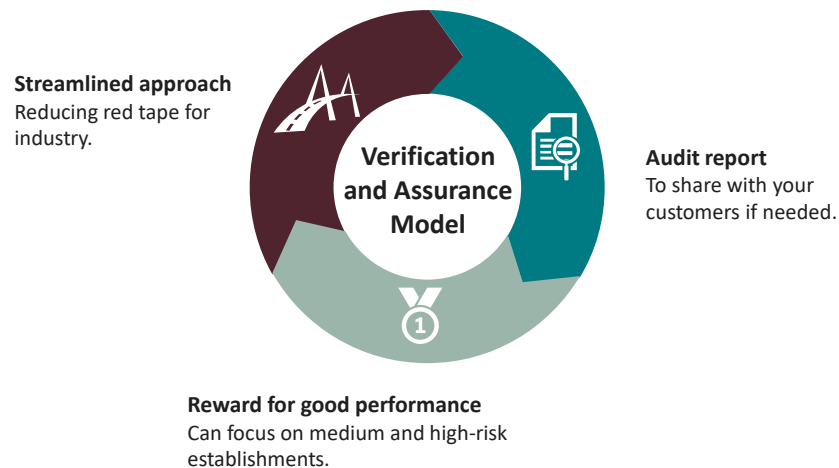
We can start using, for the first time, the data to question - Does this provide us with any additional assurances? Does this provide us with any additional risks?

There are other things that we've considered in terms of risk - things like the consistency of the company. Some companies have had no change to their management and control for years. They've employed the same staff consistently for years, we turn up to do the audit and nothing's changed. But then, as an alternate, we've got other establishments and vessels that change hands regularly. The approved arrangement might be a bit different. The staff might change, and the consistency of the QA management might change. So, is this a bigger risk to the business making an error inadvertently than if you've been doing the same thing over and over again without change? This is where we'd be looking at assessing the risk and seeing what all of this information that we're gathering can actually tell us. It is a trial because we don't know, and we'll be monitoring it as we go along. If we're not asking the right questions, not accessing the right information or making the right connections, we can alter it, and will of course review the outcome of the trial.

In the future, we're hoping that there's an increase in data and regular review of the cycle, and that we can use this knowledge to give us a much more flexible and targeted regulatory approach. The example that I used in yesterday's session with cold stores is that there are a lot of cold stores that simply receive product in, store it on behalf of other people, and then transfer it out wherever the owner of the goods wants it to be transported. But we do also have other cold storage facilities that will actually load containers for export, the point that the export certifications being

issued. If the export documentation is for 1000 cartons and they load 1100 cartons, then we've got a problem because there's 100 cartons that have been exported without a valid permit. So, the risks associated with overseas markets and problems with certification are going to be greater for a cold store that, potentially, like I said, we're trialling this, be at a greater risk and require more monitoring than an establishment that isn't engaged in that level of the export chain. These are the sorts of things that we're exploring now when we're looking specifically at vessels.

# What will you get out of the new approach?



## What do you get out of this?

We'll still provide you with a form of audit report that you can circulate as you would usually or show your customers. We'll also load the report into our audit platform system so that we've got a point of comparison with the vessels that are undergoing the standard routine audit. What we're looking at doing is matching the questions and data that's involved from those participating in the 'verification and assurance model' to the same points within the standing audit. Hopefully, this will enable us to reward you for good performance, placing the responsibility and risk where it needs to be placed and really streamline our approach, reducing red tape for industry.

Depending on what happens at the end of the trial's 12 months, we can potentially swap everyone around for another 12 months if we need more data, or hopefully at the end of the 12-month period, move everybody onto the same 'verification and assurance model'. I can't emphasise enough that it is a trial, and we would really appreciate if you could give us some feedback or whether you've got any ideas on the proposed requirements under the new model. Hopefully with the low risk, being more streamlined and less of a regulatory imposition, we can really focus on starting to look at the same model for medium and high-risk establishments.

# 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

As I've said, both groups will play an important role in proving that the trial works. For all vessels, instead of a site audit, those participating in the trial will be sent out a request to complete a declaration, a questionnaire and provide us with some photographs. We will be providing you with a web link, where you can simply click on the web link, complete your declaration, complete your questionnaire and upload some photos. This is a particularly exciting part of the process. The portal is not something that requires you to download any software. In the future this may change, but at this stage it's a web link with the department. It's all subject to the standards of privacy and the transfer of information that are in place when we do an audit anyway, and that are part of the government's dealings with you all as our clients.

The way that we've modelled this is so that the 'verification and assurance model' mirrors what we would do at a site audit. The declaration is similar to the declaration that's made in the front of your approved arrangements. It really is just a reminder that you're aware of your obligations to the department, that you're redeclaring that you understand your responsibilities. If you change management structure, or you're changing QA personnel, it's a requirements to submit an EX26B form to the department, but in the declaration, we're reminding you that it's your responsibility to do that, and it also provides us with, for example, information that you may be having a higher turnover of staff. Not that this is a good or bad thing, but it may be an indicator.

The declaration is really saying that you confirm that you understand what your obligations are. The questionnaire will be questions about things like changes that you've made, staff changes and information about fishing seasons, things where we can really use the information to better target the way we do things. The portal will be available around about November, so that is when we expect that we'll request for you to upload the information during the trial. It will be a fairly simple process.

The exciting bit of this is the photographs for artificial intelligence assessment. We're going to ask you to upload some photographs of particular things. Our auditors that are doing site audits will take photographs of those particular things as well, and we'll use this to build up a library of photographs that we can apply artificial intelligence to, to see if we can use this AI tool to provide us with some assurances as well.

It's not super sci-fi. It's not going to send us an analysis of your procedures or anything like that. Everything that's

going on in the photographs, it needs to be taught.

An example of how this is being applied already is some work the NSW Food Authority is trialling for truck registration. It enables them to get people to photograph trucks that are going to be used for transporting food, and with more photographs and people reviewing these photographs first, teaching the artificial intelligence that, for example, this is a picture of a well-sealed door, this is a picture of a clean truck. The AI has the capability to read the number plate if that's what we want it to do, so it can match it to other documents submitted for registering the truck, can match it to a driver's licence, those kinds of things. It's fairly static at the moment and in its infancy, and that's looking at a truck, but in terms of a vessel, this will give us the ability to, for example, match the marks on the side of the boat. If an overseas country comes to us to determine if we actually look at these boats, we can show that we know what they look like, and this is how we verify the information. There's a timestamp on it, and a location stamp, so probably not advisable to go in and take photos of your mate's boat. However, it's not going to be able to look at absolutely everything, it's going to be a process of teaching it to look at what we want to teach it. We've also found with trucks, the photos being fairly static is great because you're looking at one thing, but we would also potentially be requesting videos because it works better in terms of looking at larger areas, like walking through a cold store.

For example, whilst we'll still need the photographs as a more accurate way of pinpointing things like numbers on sides of boats, we could also be asking you to do a video walkthrough of processing at sea, which is more than we've actually seen before. There's things that I know aren't possible out at sea, for example, the engineers left a Coke can on the sorting tray, things like that. It's not going to last very long out there at sea. It really gives us an opportunity to see the operating conditions of the vessel, which are often nothing like what we see at a site audit when it's tied up and potentially undergoing a refit. There's stuff everywhere, there's people going on and off, and it may not be in a state that you would be operating when you were processing. All of this can be done on a simple iPhone, so we've made this as uncomplicated as we possibly can. I'm pretty sure you've got plenty of deck hands that are capable of doing a walk around the boat and videoing it. I've seen plenty of good examples of this on YouTube already. So, a lot of exciting things that we are developing in the AI space.

On top of that, we will be coming out and doing additional sector level verification activities. There will be some spontaneous audits of boats when they're available. We'll probably contact you for that because we need to know where they are, but this will be at no cost and it's just for us to compare with the information that we receive through the new approach. It's part of verifying that the trial is going to work.

As far as the cost goes, we are going to keep it as fair and equitable as possible. Those of you participating in the trial will be charged two hours per vessel, so that the ones that are being site audited have similar charges to the ones that are participating in the trial. We really need you to help us with assessing the trial, by sending through feedback and potentially participating in surveys or even just randomly contacting us to let us know how you're feeling about the trials.



# What does success look like?



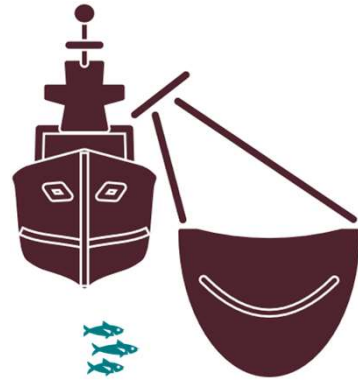
What do we hope for in the future? That the new approach is going to reduce cost. It's going to reduce the time burden for industry being in port, having people there participating in the site audit and organising things. It's going to reduce cost for the department in travelling around. We don't charge you for travel at the moment, so that's a cost to the department, and being able to deploy our people to areas that we identify are at a higher risk.

Hopefully, it is going to ensure that we continue to meet the food safety standards and overseas requirements. There will be a little bit of engineering to make sure that happens, and really the outcome would be that we can maintain the integrity of the export system that we already have, which, as I said, is not broken, but it's time to look at better ways of doing things. If the application of the AI is successful, even at a moderate level, it really is looking like it's going to prove to be a really good tool, down to things like it being able to scan and look at documents and make various checks. The idea of you sending in documents for traceability, from a transfer off the vessel through to an export document, that it can actually match up and provide us assurance that traceability requirements are being met.

All up, the trial will be baby steps, but we really would like this to be successful.

## Alternatives for owners of multiple vessels

- Currently the legislation requires each registered vessel to hold an AA and be audited annually
- An alternative could be to audit the holder of the approved arrangement for multiple company vessels, not each individual vessel
- This may require a restructuring of the existing AA to refocus roles and responsibilities

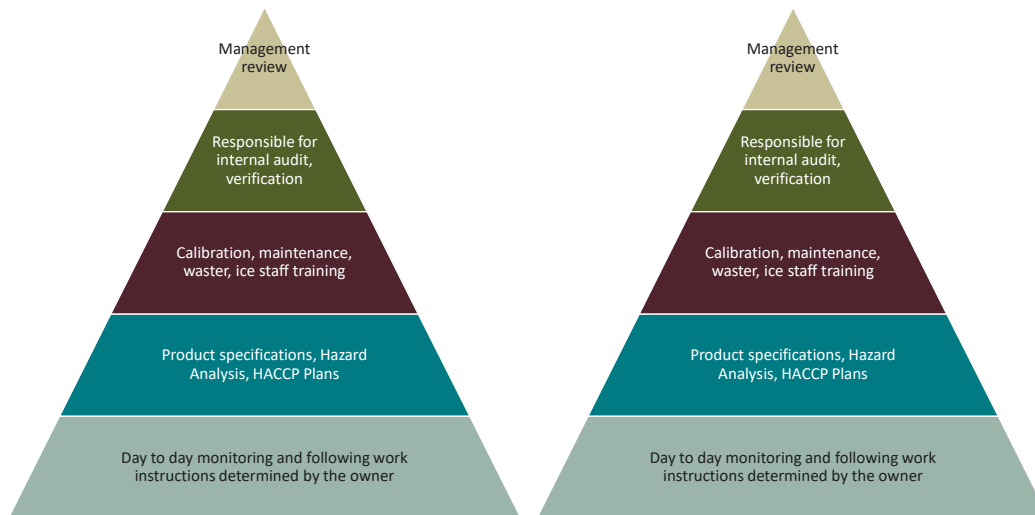


With vessels, we are aware that there are owners of multiple vessels. This is where the new approach gets really interesting. It's difficult to say what multiple vessels is. It could be two vessels. We've got people that have 10 vessels.

Currently, the legislation requires that each registered vessel holds an approved arrangement and it's going to be audited annually. An alternative to this could be that we audit the holder of the approved arrangement. So, for companies that have multiple company vessels, we wouldn't have separate audits for each individual vessel. This would require a slight tweak to the legislation.

It's not dissimilar to a lot of commercial audit standards where they will audit a head office, and they have the expectation that the head office has control all the way down to the vessels. A similar approach that we're looking at is that any company that has multiple vessels wanting to explore this option can present to us a restructured approved arrangement, that refocuses so that the system could potentially be audited at the head office owning the vessels, with enough information presented and enough restructuring to give us the confidence that there are systems in place that ensure the requirements and legislation are met all the way down to the level of the vessel.

## Current AA documentation – An AA for each vessel



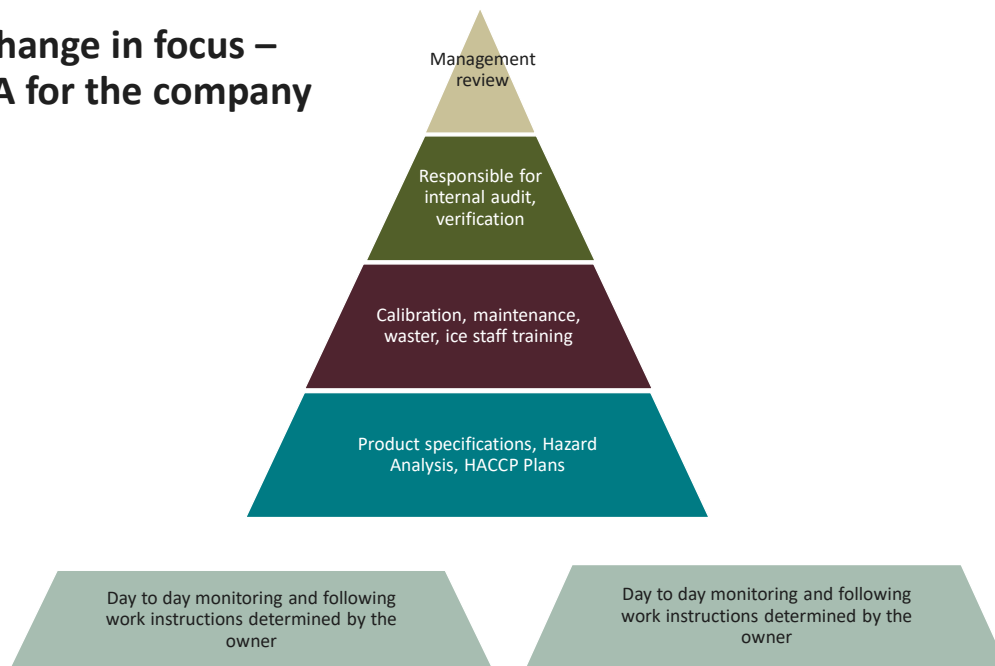
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It's something we need you to consider, and I'll talk you through our thinking on this. Think about the potential cost savings; if we charge you two hours per vessel and you've got two vessels, it's going to be very different to if we're charging you two hours to participate in this trial and you've got ten vessels.

This screen illustration here looks at what happens now. Most companies with multiple vessels simply have a duplicate approved arrangement that has a different vessel name and number on it. A lot of the responsibility within those AA's talks about the crew and they talk about the fleet manager, but it really doesn't go much further than that. A typical fleet manual may look at management review being conducted between the skipper and the fleet masters, with the responsibility for the internal audit actually being the skipper doing something, whereas in reality, what occurs is that in responsibilities for things like an internal audit of the structural requirements of the vessels, this may be something that's really undertaken by a fleet engineer who then gives advice to the company of any structural maintenance required. The skipper of the vessel has very little influence over that.

## A change in focus – An AA for the company



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What we're suggesting is that with a movement of responsibility within the approved arrangement, while the vessel itself would still have some information relating to how that occurs within the company, that more of what is on board the vessel is really what happens. It is instructions for the crew and what they're required to do, what their responsibilities are, instructions for the skipper, what they will do and what they report to the company. Most of these vessel approved arrangements have a HACCP plan in place, which for the crew and the skipper is simply for their information. If there's going to be a change to the way the processing occurs on board, that's going to come down from the company.

For example, if they want to supply the vessel with a cheaper version of sodium metabisulfite or change to a new trial additive, that's going to come down through the company. So, it's really a matter of looking at the reality of the structure of large companies. An example is that a lot of the approved arrangements that are out there have procedures for reviewing the trade description. The crew on the boat don't do that and often it's the marketing department that will sign off on the actual proofs for a trade description, without even being aware that there's a requirement in the approved arrangement that needs to be met in the legislative requirements. This idea of an approved arrangement that changes in focus where we can go and do an audit of a company that is responsible all the way down to the vessels is another potential cost saving.

We think the best way to potentially do this is if before we put the requirement in place when the portal's available in November, if you want to talk about taking this approach for your company and presenting us with an approved arrangement that meets those requirements, then you're more than welcome to contact me to discuss and work through it. We can't provide you with a template for this. It's going to be a matter of it's either going to work for you, and you understand how this is a potential way forward for your company. It certainly can work on a three-vessel level as much as it can work on a ten-vessel level, but those approved arrangements are going to look a lot different.

We also need to look at making some minor changes to the legislation, but I think there's huge opportunity. For companies that are getting more and more vessels, and the bigger companies, this is a really good potential, but it can even work for a company that has, say, its own cold store and multiple vessels. We can look at amalgamating this into the idea of a holder of an approved arrangement being the company and responsible for its extended entities.

## Recap – what do I need to do now?



Double check to make sure that you have updated your contact details with the department.  
[dairyeggfish@aff.gov.au](mailto:dairyeggfish@aff.gov.au)



Each company 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!

### Recap, what do you have to do now?

Please double check that you have the correct contact details with the department, because we'll be sending you some emails to confirm whether you are going to be site audited or whether you're going to participate in the trial. If you don't get an email by the 31st of August, go back to step one. Please let us know.

We can maintain two email addresses in ER that we can contact you with. A lot of these addresses get out of date. We only audit you and remind you that they might need updating about once a year at the moment. It's really important that you check to make sure that your email contacts, at least one of them, is one that we can contact you with about the trial. Especially with the bigger companies, sometimes it isn't going directly where it needs to go, so it's really important that you check by sending an email to [dairyeggfish@aff.gov.au](mailto:dairyeggfish@aff.gov.au). We can send you a copy of your ER report or you can let us know your updated contact details. Please respond to these emails quickly, because this will really let us know if we're working through this trial as need be.

# 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

The future, as I said, we'd love to be able to roll out at least the annual questionnaire, declaration and photo model to 100% of our low-risk establishments. We'd love to be able to take this more flexible and more customised approach with our medium and high-risk establishments. There's some work already started in that area, and there's always the opportunity to consider whether this approach is going to be applicable to other commodities. We've had some interest from the imports area and quarantine approved premises, where in a lot of cases with cold storage, these things overlap.

So, I've managed to talk for more than 25 minutes. I'm going to crossover to Clint for any questions in the chat.

# Any questions?



[dairyeggsfish@aff.gov.au](mailto:dairyeggsfish@aff.gov.au)

Q: In regard to the company side of things, if the company has several vessels and those vessels are under a different occupier, does it still come under the same umbrella?

A: It depends on what the occupier is. We see the occupier as being the ACN, the company name. If those other occupiers and trading names are connected to the company name, we can look at streamlining that, but I don't think we have the capacity to. If three boats are owned by three different companies, we would really have to look at the structure. That's even stretching the way the legislation works and what we recognise as the entity.

Q: We're talking about vessels specifically, but does the option for a company audit also apply to low-risk processing? We're already operating on that model for all our processing sites.

A: We are looking at, first of all, the ones that we classify as completely low risk, which is those that export live fish not including bivalve molluscs, storage establishments and fishing vessels. Although you're probably still audited once a year, which is the same as low risk, I would suggest that your processing establishments are probably at a medium risk level and that's where we will be moving towards next.

Q: Is seasonal processing also on the list? We have some seasonal high-risk sites that only operate for a couple of weeks, but they're audited twice a year.

A: Absolutely. Even with the cold storage facilities we're looking at pinning down when you are at capacity, when are you not at capacity, which is seasonal as well. We're definitely looking at making some alignments so that we're auditing at the right time and optimum benefits to both parties. Seasonality is definitely something in this space that that is important.

Q: Regarding when this comes on board and our approved arrangements, obviously there's lots of sections that we can change, but it still must go under the actual legislation doesn't it?

A: Yes, the approved arrangement in itself is a document that tells us how you're going to ensure that the requirements and legislation are met.

A lot of the AAs are structured in a particular way that's now several years old. It's modelled on an international model of a food safety management plan. Those of you who are involved with companies that are meeting Coles requirements, or Woolworths requirements, will notice that that the requirements are similar, that there needs to be monitoring, there needs to be a HACCP plan, there needs to be work instructions, there needs to be internal audit, testing, verification procedures.

It's possible to tie all of these together because we're not there to say you haven't formatted it correctly. We're going to look at if everything fits together, that there is a system of monitoring that's happening on the vessel, that someone is reviewing to make sure that those records are being completed correctly, that someone is then reviewing to make sure that the next stages of the process are being done, and that you've got an essentially self-managing system. We don't want to be doing your internal audits for you, and this is really a trap that we've fallen into over the years where people expect that the department will come and tell them everything that's wrong and needs fixing.

What should be occurring under these self-managed approved arrangement systems is that you find out what's wrong, and you fix it before we get there, and assure us that all requirements are being met. This is an opportunity to refocus and move away from the idea that we're responsible for telling you how to run your business best.

It's not a prescriptive kind of legislation, it's outcomes based.