

The Auditor-General
Audit Report No.2 2006–07
Performance Audit

Export Certification

Australian Quarantine and Inspection Service

Australian National Audit Office

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of Australia 2006

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Canberra ACT
6 September 2006

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Australian Quarantine and Inspection Service in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Export Certification*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee'.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

ACO	Approved Certifying Organisation
AMLIA	<i>Australian Meat and Live-stock Industry Act 1997</i>
ANAO	Australian National Audit Office
AQIS	Australian Quarantine and Inspection Service
CAR	Corrective Action Request
DAFF	Department of Agriculture, Fisheries and Forestry
ECA	<i>Export Control Act 1982</i>
EDN	Export Declaration Number
FSANZ	Food Standards Australia New Zealand
KPI	Key Performance Indicator
MOU	Memorandum of Understanding
NOI	Notice of Intention to Export
NPMS	National Plant Management System
SRA	State Regulatory Authority
HACCP	Hazard Analysis Critical Control Point

Glossary

Approved Arrangement	<p>An arrangement between AQIS and a registered establishment. An approved arrangement is a condition of registration for establishments in the Meat, Dairy, and Fish export programmes. The arrangement:</p> <ul style="list-style-type: none">• covers each stage of production;• documents the controls used to ensure that legislative and food safety requirements are met;• documents the controls used to ensure that importing country requirements are met; and• documents any other controls used to ensure that there is a sound basis for issuing an export permit or government certificate. <p>For food processing establishments includes a HACCP plan.</p>
Approved Certifying Organisation	<p>The organisations which are responsible, under delegated authority from AQIS, for inspecting and certifying organic producers and exporters.</p>
Audit	<p>A process of inspection and review by which AQIS verifies an exporter's or establishment's compliance with its approved arrangement, quality management system or required standards.</p>
Corrective Action Request	<p>A direction by an officer, authorised under the ECA (or subordinate legislation), to an exporter or establishment requiring corrective action to address a defect or non-compliance.</p>

Establishment	<p>Includes the following:</p> <ul style="list-style-type: none"> (a) a building, aircraft, vehicle or ship; and (b) a place (whether enclosed, or built on, or not). <p>Reference to a premise in this report can also be taken as reference to an establishment.</p>
Export Declaration Number	<p>Export declarations provide Customs with details about goods intended for export. This information is used to ensure that exports comply with legislative requirements, as a source for exports data and to facilitate importing country processing. Each consignment has a unique EDN.</p>
HACCP	<p>A risk-based methodology for ensuring food safety by identifying critical points in the food processing chain. Safe parameters are developed for these points and processes are monitored to ensure they remain within the parameters. An important part of HACCP is continuing re-examination and validation of critical points.</p>
Inspection	<p>Physical inspection of products to verify that they comply with importing country requirements.</p>
National Plant Management System	<p>The computer system used by the Meat export programme to manage and monitor audits of abattoirs and other Meat export establishments. A significant redevelopment during 2005–06 has led to its successor, NEVS (National Establishment Verification System). References in this report to the NPMS can be taken as references to NEVS.</p>
Notice of Intention to Export	<p>A notification to AQIS of intention to export prescribed goods. The NOI initiates the export certification process for a consignment of prescribed goods.</p>

Preparation	<p>In relation to prescribed goods, includes the following:</p> <ul style="list-style-type: none"> (a) the slaughter or killing of animals and the dressing of carcasses from which prescribed goods are obtained; (b) the processing, packing or storage of prescribed goods; (c) the treatment of prescribed goods; and (d) the handling or loading of prescribed goods.
Prescribed Goods	A class of goods prescribed under the ECA which it is illegal to export until an export certificate has been obtained from AQIS.
Registered Establishment	An establishment registered by AQIS under the ECA and subordinate legislation for the preparation of prescribed goods for export. Before achieving registration, the occupiers of the establishment must satisfy AQIS that all necessary conditions have been met.
State Regulatory Authority	The authority in each State and Territory responsible for food safety, particularly (for export certification) dairy food safety.

Summary and Recommendations

Summary

1. Exports from Australia's meat, dairy, fish, horticulture, grain, live animal and organics export industries are worth an estimated \$32 billion per year. An estimated \$21 billion of these goods must be certified each year as meeting importing country health and quarantine requirements, prior to their export. These goods are classed as 'prescribed goods' under the *Export Control Act 1982* (ECA).

2. Export certification protects Australia's reputation as a safe and reliable source of food and other agricultural and horticultural products. By providing assurance that standards have been met, it facilitates Australian access to foreign markets. It is an important service, affecting a significant portion of Australia's exports.

3. The Australian Quarantine and Inspection Service (AQIS) is part of the Department of Agriculture, Fisheries and Forestry (DAFF). Amongst its responsibilities is providing assurance (in the form of an export certificate) that exports of food and other products are prepared in accordance with the health or quarantine requirements of the importing country. AQIS does this through:

- registration of establishments intending to prepare prescribed goods for export from Australia;
- licensing of exporters intending to export prescribed goods from Australia;
- auditing registered establishments and licensed exporters to assess compliance with required standards; and
- where required, product inspections.

4. AQIS manages export certification through seven commodity-based programmes. These are the Meat, Fish, Dairy, Grain, Horticulture, Live Animals and Organics export programmes. The programmes are administered by officers located in AQIS's central office (Canberra) and across its eight regional offices. Third-party providers deliver export certification services for the Dairy and Organics export programmes on behalf of AQIS.

5. The ECA sets out the requirements for entities wanting to export prescribed goods. It also gives effect to the regulatory powers required by AQIS to fulfil its role. The *Export Control (Prescribed Goods – General) Order 2005* and the *Australian Meat and Live-stock Industry Act 1997* (AMLIA) support and

complement the ECA. There are also AMLIA Regulations and ten commodity specific Export Control Orders (e.g. *Export Control (Meat and Meat Products) Orders 2005*).

6. Following a National Competition Review (and other reviews), the Export Control Orders for all of the export programmes were reviewed and simplified by AQIS, in consultation with industry.¹ The new Orders were finalised in 2004 and came into effect in December 2004² and July 2005.³ In accordance with a recommendation of the National Competition Review, domestic and export food standards have been harmonised and made consistent with international standards.

7. Under the Export Control Orders, primary responsibility for meeting food safety and importing country requirements rests with the occupier of a registered establishment or the exporter of prescribed goods. This obligation is expressed in the form of an approved arrangement, or similar system that describes how compliance is achieved.

8. AQIS's role is to provide assurance that approved arrangements are working and requirements are being met. It does this through audits of approved arrangements and, where required, inspections of export products to verify that the required standards have been met.

This audit

9. The objective of this audit was to assess AQIS's management of export certification. In particular, it addressed the systems, procedures, processes and resources used to:

- register premises and license exporters;
- monitor compliance with arrangements; and
- manage non-compliance.

10. The audit focussed on regulatory activities for assuring that Australian exports meet food safety and quarantine requirements. The methodology involved an examination of each of the seven AQIS export programmes.

¹ Except for Organics.

² Live Animals.

³ Other programmes.

Overall conclusion

11. The ANAO concluded that many aspects of AQIS's administrative procedures support sound management of export certification. It has procedures in place to verify that establishments seeking registration to prepare products for export, and exporters seeking an export licence, meet legislative requirements. Its programmes of audits and inspections check compliance with the food safety and quarantine requirements of importing countries, and require establishments and exporters to take action to address identified non-compliance. Its services provide Australian exporters with the certification they require to access foreign markets.

12. However, the ANAO identified opportunities for AQIS to improve its administration of export certification by:

- improving guidance to industry on the requirements for registration and licensing;
- assuring audit quality and reliability; and
- better management reporting and performance information.

13. The extent of improvement possible varies by programme, with the Meat export programme, which accounts for 68 per cent of AQIS export certification resources, having the most well developed administrative and information systems.

Improving guidance to industry

14. The current Export Control Orders are less prescriptive and more outcomes-focused than previous orders. In these circumstances, providing industry with guidance on AQIS's expectations and working cooperatively with industry to aid understanding, assists compliance with regulatory requirements and reduces the regulatory burden on industry.

15. While most AQIS programmes had guidance for industry and staff, some was in draft form or out of date. Also, available guidance material for the majority of programmes was not broadly communicated.

16. The ANAO has recommended that, to assist industry understanding of export certification, AQIS review and improve the availability of export registration and licensing information.

Assuring audit quality and reliability

17. A central issue for AQIS's management of industry compliance is the consistency and quality of its assessments and decisions. AQIS has some systems to facilitate audit quality and reliability, including audit checklists and peer reviews of audits conducted. However, the extent to which these measures were used varied between export programmes. This limits management assurance on audit quality and reliability for most programmes. The exception was the Meat export programme, which has a range of such measures.

18. The ANAO has recommended that export programmes strengthen assurance arrangements by capturing and assessing data on the extent and cause of variance between audits.

Better management reporting and performance information

19. AQIS conducts audits and inspections to confirm that required standards are being met. However, with the exception of the Meat export programme, there was no reporting to national or senior management on audit progress and results. This is partly because the systems used for managing audits are regionally based or managed by third party providers. The systems do not allow for the capture and routine reporting of management data on audit progress, nor on results, compliance and corrective action.

20. This limits AQIS's ability to analyse trends and patterns of non-compliance and associated risks.

21. The ANAO has recommended that AQIS strengthen its information management systems to enable the routine capture, monitoring and reporting of audit and non-compliance data. This will not require collecting new information, but better utilisation of information that AQIS already retains.

22. Limitations in capture, use and reporting of information on audit outcomes is reflected in AQIS having few Key Performance Indicators (KPIs) that assist management with, and inform stakeholders on, its regulatory activities.

23. The DAFF *Annual Report* and *Report to Clients* are the primary means used by AQIS for reporting its performance to the Government, industry and the public. The ANAO found that these reports provide only limited insight into AQIS's regulatory activities and overall effectiveness. To support external reporting, and for management purposes, the ANAO has recommended that

AQIS develop performance indicators that measure an appropriate range of regulatory activities.

AQIS response

24. Overall, AQIS recognises the report as an accurate representation of its business activities in relation to export certification and believes that the report findings will be a useful blueprint to sustain its commitment to continual business improvement.

25. In response to the recommendations of the report AQIS agrees to all six recommendations.

Key Findings

Export registration and licensing (Chapter 2)

26. Establishments and exporters intending to prepare prescribed goods for export or manage the export of meat and livestock from Australia must be registered and/or licensed by AQIS before export operations can commence.

27. The broad processes and requirements for registering an establishment and obtaining an export licence are detailed in the *Export Control Act, 1982* (ECA), the *Australian Meat and Live-stock Industry Act 1997* (AMLIA), the various Export Control Orders and the AMLIA Regulations. AQIS has established procedures for ensuring that establishments seeking to produce goods for export, and exporters seeking an export licence, meet legislative requirements.

28. Export programmes have developed guidance on the processes for registering establishments and the requirements that establishments must meet in order to be registered. However, some guidance was in draft form, or needed to be updated to be consistent with new export control orders.

29. The AQIS website is the primary source of information on export requirements for potential occupiers of establishments and exporters seeking information on registering an establishment and obtaining an export licence.

30. The information on the website is of assistance to exporters. However, the ANAO found considerable variation between the seven export programmes in terms of the volume and type of guidance available on the AQIS website. The Fish, Meat and Live Animals export programmes had published guidance on establishment registration, with Live Animals guidance also including licensing requirements for livestock exporters. The Fish and Meat export programmes also published their audit and inspection policies and processes, increasing their transparency and the accountability of AQIS.

31. Overall, while AQIS has sound registration processes, there is scope to improve the content and availability of information on export certification requirements, for the benefit of exporters.

Assessing industry compliance (Chapter 3)

Audit and inspection

32. The current Export Control Orders require establishments, as a condition of registration, to have complying or approved arrangements in

place.⁴ These detail the quality management system that the establishment or exporter will use to ensure products prepared for export comply with legislative and importing country requirements.

33. AQIS export programmes routinely audit establishments against their approved arrangements to confirm that standards are being met and that the occupiers have discharged their regulatory responsibilities. These include both announced and unannounced audits. For some export products, AQIS also conducts a physical inspection. In particular, AQIS is required to inspect all meat carcasses.

34. For livestock exports, AQIS currently conducts leave-for-loading inspections⁵ and monitors dock-side inspections of animals prior to their export. Initial audits of exporter compliance with arrangements commenced in December 2005. At the time of the audit, AQIS audits of livestock registered establishments had not commenced.

35. Where registered horticulture or grain establishments do not operate under an approved arrangement, AQIS conducts end-point inspections of a sample of product.

Audit policies and procedures

36. A sound regulatory environment includes emphasis on communicating audit procedures to staff and industry. All AQIS export programmes have documented audit policies and procedures. However, as with the registration guidelines, some are still being updated to reflect the new export control orders.

37. A draft of the policies and procedures for the Dairy export programme had provisions, particularly on the reporting of audits, which were not consistent with the *Export Control (Milk and Milk Products) Orders 2005*. This needs to be corrected.

38. Generally, audit policies or procedures set out the frequency at which audits were to be conducted. However, for most programmes, the rationale supporting audit frequencies was not documented, reducing assurance that audit coverage adequately addresses risk.

⁴ An approved arrangement is a voluntary requirement for registered establishments within the Horticulture and Grain export programmes.

⁵ An inspection of animals, to confirm that requirements have been met, at assembly points (registered establishments), by an AQIS veterinarian immediately prior to the transport of the animals to the dock or airport.

Maintaining and monitoring audit schedules

39. All AQIS export programmes⁶ had audit schedules or work programmes that detailed the audits to be conducted by establishment. However, the extent to which there was information to assist management monitoring of delivery against schedules varied.

40. The Meat export programme has a database which provides a national view of audits planned and conducted, as well as the audit result, for each establishment in the programme. However, the Fish, Horticulture and Grain export programmes relied on regionally developed systems to manage audit schedules. These systems do not provide readily accessible information for assurance, locally or nationally, of the extent to which schedules are being met.

41. As well, audit schedules for the Dairy and Organics export programmes were developed and maintained by third-party providers. The extent to which providers adhered to audit schedules was not routinely monitored.

Assuring audit quality and reliability

42. A central issue for those subject to regulation, and those relying on the assurance provided by the regulator, is consistency and quality of regulatory assessments and decisions. All AQIS export certification programmes had some processes to facilitate audit quality and reliability. For example: audit procedures; audit checklists; verification audits or peer reviews of audits conducted; and training programmes. However, the extent to which these measures were used and effectively applied varied between export programmes.

43. The Meat export programme used its database to analyse data on audit results. Other export programmes did not capture the data required to assess audit quality and reliability.

44. AQIS export programmes provide some routine reporting to national management on audit activity. However, the lack of national data reduces assurance that audits undertaken address risks as intended.

Managing audit records

45. An effective regulatory system includes sound records management, including documentary records of key regulatory decisions and the underpinning reasons. AQIS files and systems generally provided sufficient

⁶ The Live-Animals programme had yet to commence audits at the time of fieldwork.

documentation of registration approvals and compliance audits or inspections conducted. However, there were instances where supporting evidence for audit reports was not well documented.

46. The ANAO also identified other deficiencies in recordkeeping practices for some export programmes and regional offices. These included the use of non-official recordkeeping systems for registering audit files and, to a lesser extent, the non-creation and incomplete maintenance of records. These limitations would be addressed by better utilisation of DAFF's record keeping system, consistent with departmental policy.

Managing non-compliance (Chapter 4)

47. The effective management of non-compliance is particularly important for AQIS, as its role in export certification involves obtaining assurance for importing countries and other stakeholders that registered establishments and exporters continue to comply with requirements. This necessitates a shared understanding between AQIS and industry of: how non-compliance is defined and assessed; the processes and requirements for rectifying non-compliance; the range of sanctions that may be applied; and dispute and appeals processes.

48. AQIS has defined non-compliance, and procedures and sanctions, in audit policies and supporting procedural guidance. However, with the exception of the Horticulture, Grain and Organics export programmes, this guidance did not describe procedures for exporters to appeal audit findings. The ANAO has recommended that AQIS better communicate to clients procedures for appealing audit findings, to improve accountability and transparency of processes.

49. Most AQIS audits reveal a number of operational practices that do not comply with approved arrangements or broader legislative requirements. Details of the non-compliance, the proposed corrective action and the date for rectification are recorded in a Corrective Action Request (CAR).⁷ These are issued to the occupier of the establishment at the completion of the audit. A CAR is finalised or 'closed out' when AQIS is satisfied that it has objective evidence that the non-compliance has been rectified.

50. The Meat export programme has the most effective systems to support management of non-compliance. All CARs are recorded and monitored on a

⁷ Also known as a Defect Report.

national system, with an audit rating of ‘unacceptable’⁸ assigned if a CAR is not closed out in time.

51. Other export programmes do not enable the routine capture, monitoring and reporting of non-compliance data, such as the number of CARs issued, and the type and nature of non-compliance. These programmes record CARs as part of the audit report, which are usually held on paper files at regional offices. This limits management assurance that action to rectify non-compliance had been taken. ANAO analysis of AQIS files found that CARs were not always finalised or were carried over to the next audit.

52. Instances of ‘critical’⁹ non-compliance are reported to national programme management. However, for most programmes, there is no systematic reporting on other non-compliance issues. This reduces management assurance that non-compliance is being managed effectively. It also limits the ability to utilise information collected to plan future audit programmes.

53. The ANAO found that, for export programmes other than Live Animals, the estimated volume of CARs presents difficulty as a manual process. Effective oversight of follow-up action on CARs requires timely and complete information. The use of automated systems may assist AQIS in this regard.

Supporting the regulatory function (Chapter 5)

Performance information

54. All export programmes report quarterly against a range of mandatory and programme-specific KPIs. These KPIs address a range of financial and non-financial aspects of performance. However, AQIS has few KPIs that allow it to monitor and assess the extent of industry compliance or its own performance in regulating export certification.

55. The DAFF *Annual Report* and *Report to Clients* are the primary means used by AQIS for reporting its performance to the Government, industry and the public. The ANAO found that these reports also provide limited insight into AQIS’s regulatory activities and overall effectiveness.

⁸ In the Meat export programme, an establishment that receives an audit rating of unacceptable must successfully complete a Corrective Action Plan agreed with AQIS if it wishes to continue to export.

⁹ A non-compliance is critical if it would result in unsafe food or in product that does not meet importing country quarantine or food safety requirements. A defect that leaves AQIS unable to assess whether the product meets quarantine or food safety requirements is also a critical non-compliance.

Recommendations

The ANAO believes the two most important recommendations are No.2 and No.5, which complement each other.

Recommendation No.1
Para 2.27

The ANAO recommends that, to assist industry understanding and facilitate compliance, AQIS improve the content and availability of information on export certification requirements.

AQIS response: Agreed

Recommendation No.2
Para 3.39

The ANAO recommends that AQIS strengthen its ability to assure export programme audit quality and reliability by capturing data on audit results and analysing the extent and causes of variation.

AQIS response: Agreed

Recommendation No.3
Para 3.47

The ANAO recommends that export programme audit records be created, maintained and accessed through DAFF's official recordkeeping system, as required by its recordkeeping policy.

AQIS response: Agreed

Recommendation No.4
Para 4.13

The ANAO recommends that AQIS communicate to clients procedures for appealing and resolving disputed export programme audit findings.

AQIS response: Agreed

Recommendation No.5
Para 4.34 The ANAO recommends that AQIS strengthen management information systems to support the monitoring and management of non-compliance.

AQIS response: Agreed

Recommendation No.6
Para 5.44 The ANAO recommends that AQIS identify and develop performance indicators, for management purposes and external accountability, to enable assessment of the scope and effectiveness of its regulatory activities.

AQIS response: Agreed

Audit Findings and Conclusions

1. Introduction

International and Australian food safety standards, importing country requirements and AQIS's role in administering export certification are outlined in this chapter.

Export certification

1.1 Exports from Australia's meat, dairy, fish, horticulture, grain, live animal and organic export industries are worth an estimated \$32 billion¹⁰ per year. This equates to 19.5 per cent of exports of goods and services and 3.6 per cent of GDP. An estimated \$21 billion a year of these exports (12.8 per cent of exports of goods and services and 2.4 per cent of GDP) require certification that they meet importing countries' health and quarantine conditions.¹¹

1.2 Export certification protects Australia's reputation as a safe and reliable source of food and other agricultural and horticultural products and, by providing assurance that standards have been met, facilitates Australian access to foreign markets. It is an important service, affecting a significant portion of Australia's exports.

1.3 The Australian Quarantine and Inspection Service (AQIS) provides export certification services. These services include:

- assurance that exported food is wholesome and prepared under hygienic conditions;
- assurance that agricultural exports (other than food) meet the quarantine requirements of importing countries;
- the negotiation of access conditions with importing countries; and
- the development of food safety (and other commodity) standards and regulations, in conjunction with industry, standards bodies and the States and Territories.

1.4 A key outcome of export certification is a certificate,¹² confirming that the product has met all the health and food safety or quarantine standards

¹⁰ AQIS estimates.

¹¹ Importing countries have border protection (quarantine) measures to protect themselves from pests and diseases that could have disastrous effects on their animals and plants. They also have measures to ensure the safety of food imports.

¹² The *Export Control Act 1982* and subordinate legislation specify classes of goods that are 'prescribed' goods. It is illegal to export these goods without an export certificate. Not all agricultural and horticultural produce is prescribed.

required by the importing country.¹³ An export certificate can be a health certificate (food and live animals), a phytosanitary certificate (horticultural products, grains) or an organic or biodynamic certificate (organic or biodynamic products).

1.5 AQIS gains the assurance required to issue export certificates through:

- the registration of establishments intending to prepare prescribed goods for export from Australia;
- the licensing of exporters intending to manage the export of prescribed goods from Australia;
- the conduct of regular audits of registered establishment and licensed exporter compliance with requirements; and
- where required, product inspections.

1.6 Export certification services are delivered through a range of commodity-specific export programmes. Descriptions of these programmes, including the commodities covered, can be found in Appendices 1-7. The seven export programmes are:

- Meat;
- Fish;
- Dairy;
- Grain;
- Horticulture;
- Live Animals; and
- Organics.

1.7 The services are delivered in a variety of ways. For example, AQIS veterinarians and meat inspectors (Meat exports), State Regulatory Authority inspectors (Dairy exports), and AQIS authorised inspectors (Horticulture exports). Services are delivered by officers located in AQIS's central office (Canberra) and in AQIS's eight regional offices.

¹³ This may include details such as the date and specific boning room of an abattoir where meat was slaughtered.

1.8 The exporting entities range from a small number of large entities (Meat and Dairy), to a large number of small entities (Horticulture). Table 1.1 illustrates the number of registered establishments by programme.

Table 1.1

Establishments at February 2006

Programme	Number¹
Meat	790
Dairy	431
Fish	1129
Horticulture	1255
Grain	605
Live Animals	106
Organics	2401
Total	6717

1. Some establishments are registered under more than one programme.

Source: AQIS

1.9 Table 1.2 illustrates the resources allocated to each export programme in 2004–05.

Table 1.2

Export certification resources

Programme	Staffing Levels (Full Time Equivalents)	Total Expenditure \$'000
Meat	493.7	61 784
Dairy ¹	6.0	1 202
Fish	27.7	4 125
Horticulture	44.7	6 759
Grain	52.4	7 790
Live Animals	25.6	3 752
Organics ²	1.4	174
Support Programmes	35.9	4 908
Total	687.4	90 494

1. The officers who inspect establishments in the Dairy exports programme are employed by State Regulatory Authorities, which accounts for the small number of employees in that programme.

2. Certification of organic establishments is the responsibility of Approved Certifying Organisations, which accounts for the small number of employees in the Organics export programme.

Source: AQIS

1.10 AQIS operates on a cost recovery basis. In August 2001, the Government reduced the recovery amount for AQIS export programmes to 60 per cent of costs. The Government provides the remaining 40 per cent.

Australian legislation and standards

Export certification legislation

1.11 The *Export Control Act 1982* (ECA) sets out the requirements for entities wanting to export ‘prescribed goods’,¹⁴ and the broad responsibilities of AQIS in administering the Act.¹⁵ The *Export Control (Prescribed Goods – General) Order 2005* supports this legislation. There are also ten commodity specific Export Control Orders (e.g. *Export Control (Meat and Meat Products)*)

¹⁴ Under the ECA, there are ‘prescribed goods’ and ‘non-prescribed goods’. Examples of prescribed goods include dairy, fish, eggs, grain, organic produce, dried fruit, live animals, meat and meat products, fresh fruit and vegetables, animal food (frozen raw meat) and pharmaceuticals (raw animal material).

¹⁵ The Department of Agriculture, Fisheries and Forestry Australia (DAFF) is the legal entity responsible for administering the Act. AQIS is part of DAFF.

Orders 2005), which are administered by the seven export programmes. An associated act, the *Australian Meat and Live-stock Industry Act 1997* (AMLIA) and supporting regulations, provide for the licensing of exporters of meat and livestock. Appendices 1 – 7 summarise the legislation and orders pertaining to each export programme.

1.12 The effect of the ECA is that classes of goods declared to be prescribed goods can only be exported after an export certificate has been obtained from AQIS. The ECA (and regulations and orders made under it):

- details the conditions or standards which must be met before an export certificate can be issued;
- empowers AQIS to conduct inspections and audits, and issue certificates; and
- authorises AQIS to issue requests for corrective action and apply sanctions for non-compliance.

1.13 In 1999, the National Competition Policy Review¹⁶ of the ECA was initiated. The report from this review¹⁷ (known as the Frawley Report) contained 14 recommendations, all of which were agreed to by the Government.¹⁸ In response to these recommendations, the Export Control Orders for all of the major export programmes, with the exception of Organics, were revised and simplified by AQIS, in consultation with industry. The new Export Control Orders also give effect to recommendations from other reviews, such as the *Live-stock Export Review 2003*. The Export Control Orders were finalised in 2004 and came into effect in December 2004¹⁹ and July 2005.

¹⁶ National Competition Policy Reviews are reviews of Commonwealth legislation designed to ensure that national competition policy is being followed. That is, that legislation does not present unnecessary or undesirable impediments to competition.

¹⁷ <www.aqis.gov.au/Legislation> Export Assurance – National Competition Policy Review of the Export Control Act 1982.

¹⁸ The Government response to the Frawley report can be found on the AQIS website along with the report.

¹⁹ The Orders for the Live Animals export programme came into effect in December 2004.

Australian standards

1.14 One of the recommendations of the Frawley Report was:

that domestic and export standards for the production of food and agricultural products be harmonised, and that they be consistent with relevant international standards.²⁰

1.15 The Export Control Orders require exporters and establishments preparing products for export to comply with the specified Australian Standard. Table 1.3 summarises the requirements for the seven export programmes.

Table 1.3

Applicable Australian Standards

Programme	Standard	ANAO comment
Meat	Australian Standard for the Hygienic Production and Transportation of Meat Products for Human Consumption	
Dairy	Australia New Zealand Food Standards Code	A Primary Production and Processing Standard for Dairy is expected to be gazetted by FSANZ ²¹ late 2006.
Fish	Australia New Zealand Food Standards Code	The Australian Seafood Industry Council has applied to FSANZ for a Primary Production and Processing Standard for Seafood.
Horticulture	Standards for Establishments where Prescribed Horticultural Produce is Inspected for Export	Published by DAFF.
Grain	None	However, the Plants and Plant Products Orders have prescriptive requirements for grain exports.
Live Animals	Australian Standards for the Export of Live-stock	
Organics	National Standard for Organic and Bio-dynamic Produce	Published by DAFF.

Source: ANAO

1.16 Export Control Orders require establishments preparing produce for export to comply with the relevant Australian standards, particularly food safety standards. As a result, food certified by AQIS as meeting export food

²⁰ <www.aqis.gov.au/Legislation> Export Assurance – National Competition Policy Review of the Export Control Act 1982, Recommendation 4, p.137.

²¹ Food Standards Australia New Zealand.

safety standards meets Australian food safety standards can be (and is) sold into the Australian domestic market without further inspection.

International standards and importing country requirements

International standards

1.17 Australia, as a member of the World Trade Organisation (WTO), has an obligation to comply with a range of international standards governing food safety and quarantine requirements. Australia works to standards prepared by three international bodies:

- Office International des Epizooties (OIE) for live animals;
- International Plant Protection Convention (IPPC) for plants and plant products; and
- Codex Alimentarius for food and food products.

1.18 Further information on international standards can be found in Appendix 8.

Importing country requirements

1.19 Some importing countries have requirements in addition to international standards (and hence the applicable Australian Standard). These requirements are negotiated between the Australian Government and the government of the importing country, with a strong Australian preference to stay as close as possible to Australian Standards. Only producers/manufacturers wishing to supply such markets are required to comply with these additional standards. An example is the European Union requirement for the monthly testing of water used in abattoirs and other meat processing establishments.

Australian Quarantine and Inspection Service

Objective

1.20 AQIS is an administrative unit of the Department of Agriculture, Fisheries and Forestry (DAFF).²² AQIS's objective is:

To reduce the risk to Australia's animal, plant and human health status and maintain market access through the delivery of quarantine and export services.²³

1.21 Export certification is managed by two AQIS divisions, Export and Animals Programs Division and Quarantine and Plant Programs Division.

Structure

1.22 AQIS has a Central Office in Canberra and eight regional offices. Regional Office managers are responsible to AQIS's Executive Director (CEO) for the efficient and effective use of resources allocated. However, national programme managers in Central Office are responsible to the Executive Director for the operations of their programmes, including the activities of staff located in regional offices.

Responsibilities

1.23 AQIS's role has changed over time. Initially it was primarily an inspection service, where compliance was achieved by inspection of product. During the 1990s, government policy emphasised a co-regulatory approach to ensuring food safety. Under this approach, industry took joint responsibility for compliance in conjunction with AQIS.

1.24 Under the current Export Control Orders, primary responsibility for meeting food safety requirements and importing country requirements rests with the occupier of a registered establishment and/or exporter²⁴ (which is often the same entity). As part of the registration process, applicants are required to enter into an approved arrangement or similar agreement with

²² DAFF's outcome is: *Australian agricultural, fisheries, food and forestry industries that are based on the sustainable management of and access to natural resources, are more competitive, self-reliant and innovative, have increased access to markets, are protected from diseases and are underpinned by scientific advice and economic research.*

²³ Commonwealth of Australia, 2006, *Portfolio Budget Statements 2006–2007, Agriculture Fisheries and Forestry Portfolio*, p.65.

²⁴ The *Australian Meat and Live-stock Industry Act 1997* requires exporters of meat and exporters of livestock to be registered.

AQIS.²⁵ These arrangements set out the quality management system that the occupier or exporter will use to ensure that products presented for export meet importing country food standard or quarantine requirements.

1.25 AQIS's role is to provide assurance that the approved arrangements are working and that requirements are being met. It does this through audits of approved arrangements and/or inspection of product to verify that the required standards have been met.

Audit approach

Audit objective and criteria

1.26 The objective of the audit was to assess AQIS's management of export certification services, particularly the systems, procedures, processes and resources used to:

- register premises and license exporters;
- monitor compliance with arrangements; and
- manage non-compliance.

1.27 In making this assessment the ANAO addressed the following criteria:

- whether AQIS was effective in confirming that new (and existing) exporters and the occupiers of export establishments meet the specified requirements;
- whether AQIS was effective in providing assurance that export products meet the required standards;
- whether AQIS was managing non-compliance effectively; and
- whether AQIS was maximising the efficient and effective use of resources.

1.28 These criteria, as well as supporting sub-criteria, reflect ANAO experience in auditing regulatory bodies (see para 1.35).

²⁵ The exception is establishments operating under the *Export Control (Plants and Plant Products) Orders 2005*. Products prescribed under these Export Control Orders must be prepared and presented for inspection in a registered establishment. However, while such establishments may enter into an approved arrangement, it is not a necessary (or, for many establishments, appropriate) requirement.

Audit scope and focus

1.29 The focus for this audit was AQIS's regulatory activities in ensuring that Australian exports meet food safety and quarantine requirements. The audit did not examine AQIS's activities in negotiating access conditions with importing countries or its activities in developing food safety and other standards.

1.30 The audit included an examination of each of the seven AQIS export programmes, as well as two supporting programmes.

1.31 In Audit Report No.10 2000–01, the ANAO examined AQIS's cost-recovery systems. Audit Report No.17 2003–04 reviewed AQIS's progress in implementing the recommendations from Report No.10. Accordingly, cost recovery is not addressed in this audit.²⁶

Audit methodology

1.32 Fieldwork was conducted in AQIS's Central Office in Canberra and in regional offices in Brisbane, Melbourne and Perth. Fieldwork comprised:

- interviews with AQIS officers;
- visits to registered establishments to observe AQIS operations;
- review of relevant legislation;
- examination and analysis of AQIS documents and data; and
- discussion with selected stakeholders.

1.33 The ANAO engaged the consulting firm Courage Partners to assist with the preparation of issues papers and a draft report.

1.34 The audit was conducted in accordance with Australian Auditing Standards at a cost of \$483 000.

Other relevant audits

1.35 ANAO audit reports which contributed to the development of the audit criteria and test programme used for this audit include:

- ANAO 2004, Audit Report No.18, 2004–05, *Regulation of Non-prescription Medicinal Products (Therapeutic Goods Administration)*;

²⁶ A summary of the findings of these audits can be found as Appendix 9.

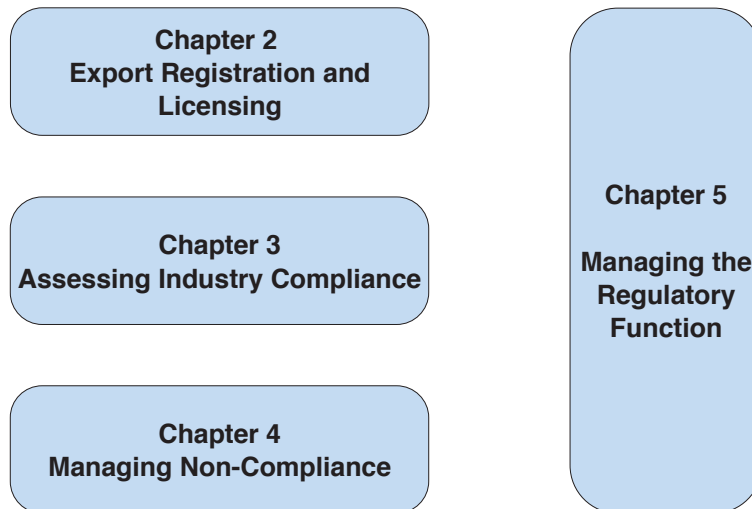
- ANAO 2005, Audit Report No.20, 2005–06, *Regulation of Private Health Insurance by the Private Health Insurance Council*; and
- ANAO 2005, Audit Report No.30, 2004–05, *Regulation of Commonwealth Radiation and Nuclear Activities*.

Report structure

1.36 Figure 1.1 provides a diagrammatic summary of the report's structure.

Figure 1.1

Report structure



2. Export Registration and Licensing

Guidance provided by AQIS to assist occupiers of establishments and exporters of prescribed goods to register premises and obtain an export licence is examined in this chapter.

Introduction

2.1 Establishments and exporters intending to produce prescribed goods for export, or to manage the export of prescribed goods from Australia, are required to be registered or licensed by AQIS before export operations can commence.

2.2 The broad processes and requirements for registering an establishment and obtaining an export licence are specified in the *Export Control Act 1982* (ECA), the *Australian Meat and Live-stock Industry Act 1997* (AMLIA), the various Export Control Orders and the *Australian Meat and Live-stock Industry (Export Licensing) Regulations 1998* (the AMLIA Regulations).

2.3 While the registration process is similar across the seven AQIS export programmes, the specific requirements vary according to the goods to be exported. Appendices 1 to 7 provide further details on the registration and licensing requirements for each AQIS export programme.

2.4 The ANAO examined the extent to which AQIS had clearly articulated, and communicated to producers and exporters, guidance on the processes and requirements for registering an establishment and obtaining an export licence.

Registering an establishment

2.5 Prescribed goods intended for export are required to be prepared and/or inspected at a registered establishment. A registered establishment can be either sea or land-based and can take a variety of forms. Examples include a prawn trawler (which cooks prawns on board), an independent meat boning room, a grain loading terminal and a dairy heifer export quarantine station.

A fixed establishment (Dinmore abattoir – Australian Meat Holdings)



Courtesy Australian Meat Holdings

2.6 As part of the registration process, the occupier of a registered establishment must enter into an approved arrangement or similar agreement with AQIS.²⁷ An approved arrangement is a voluntary requirement for establishments within the Horticulture and Grain export programmes. Approved arrangements detail the quality management system that the establishment will use to ensure that products presented for export meet importing country food standards or quarantine requirements.

Registration process

2.7 The process for registering establishments is summarised in Figure 2.1. The Export Control Orders for all export programmes require AQIS to evaluate and approve proposed arrangements in a desk audit and to conduct an

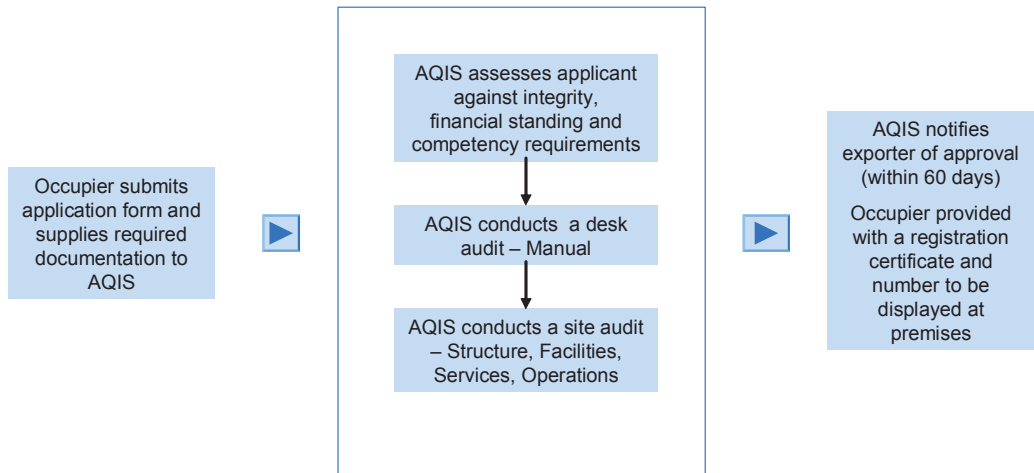
²⁷ Other key registration requirements include an AQIS assessment as to whether:

- the persons in management and control of the establishment are assessed as 'fit and proper persons' in accordance with the requirements specified in the *Export Control (Prescribed Goods – General) Orders 2005*; and
- any debts owed to the Commonwealth in connection with the establishment are acquitted through the payment of the debt or through an undertaking.

inspection of the establishment, facilities, equipment and services to be used in the operations.²⁸

Figure 2.1

Summary of establishment registration process



Source: ANAO

2.8 Once an establishment has been assessed as meeting registration requirements, it is entered into the Establishment Register.²⁹ This database allows AQIS officers approving export certificates to readily determine whether products have been prepared in a registered establishment.

²⁸ The Fit and Proper Person Test is conducted against the requirements specified in Order 4.04-5 of the *Export Control (Prescribed Goods – General) Order 2005*.

²⁹ The operations of the Establishment Register are discussed in Chapter 5.

A mobile establishment (registered fishing vessel)



Source: AQIS

2.9 With the exception of livestock establishments,³⁰ the registration of an establishment is perpetual. However, it is granted on the basis that AQIS will conduct either:

- regular audits to confirm that establishments remain compliant with their approved arrangements and legislative requirements; and/or
- inspections to verify that export products meet importing country requirements.

2.10 AQIS audit and inspection arrangements are discussed further in Chapter 3. Guidance provided by AQIS to assist potential occupiers of establishments to register premises is examined below.

Guidance on registration

2.11 The current Export Control Orders are less prescriptive and more outcomes focussed than the previous Orders. In these circumstances, providing industry with guidance on AQIS's expectations can assist industry to understand and comply with regulatory requirements. Such guidance will also facilitate consistent decisions by AQIS staff.

³⁰ The duration of a livestock establishment registration is one year.

2.12 The ANAO examined the seven export programmes to determine if AQIS provided guidance on registration requirements and registration processes. Table 2.1 sets out the results of this analysis.

Table 2.1

ANAO analysis of registration guidance by export programme

AQIS programme	Guidance on registration requirements?	Guidance on registration process?	Comment
Meat	Yes	Yes	Some guidance was in draft form.
Dairy	Yes	Yes	Guidance was in draft form.
Fish	Yes	Yes	-
Horticulture	No	No	Guidance was out of date.
Grain	No	No	Guidance was out of date.
Live Animals	Yes	Yes	Some guidance was in draft form.
Organics	Yes	Yes	-

Source: ANAO analysis

2.13 The majority of AQIS export programmes had developed guidance that set out both the registration process and registration requirements for establishments under the new Export Control Orders. For example, the Fish export programme had developed detailed guidance³¹ to assist registered establishments and staff in the development, implementation and maintenance of approved arrangements against legislative requirements. Some of the guidance prepared by other export programmes was in draft form even though the Export Control Orders came into effect in December 2004 and July 2005.³² For example, the Meat export programme had not finalised and published guidance to assist industry in meeting the requirements of an approved arrangement. The Horticulture and Grain export programmes were yet to update guidance on their registration process and requirements.

2.14 With the exception of the Meat, Dairy and Organics export programmes, AQIS export programmes had not documented timelines for

³¹ See AQIS, *Approved Arrangement: A Guideline to Compliance with the Export Control (Fish and Fish Products) Orders 2005*.

³² The Export Control (Animals) Orders came into effect in December 2004. The Orders for the other programmes came into effect in July 2005, with the exception of the Organics export programme, where there was no change.

processing and approving registration applications. This reduces the transparency of AQIS' processes and its ability to manage its own performance in this aspect of the regulatory process.

Obtaining an export licence

2.15 Obtaining an export licence is a requirement for potential exporters or export businesses wishing to export meat and meat products³³ or livestock³⁴ from Australia. Other AQIS export programmes do not require exporters to be licensed, with the exception of specific produce within the Horticulture export programme.³⁵

2.16 Export licence requirements are detailed in the AMLIA and the AMLIA Regulations. Licensing is based upon the following elements:

- the person(s) in management and control of the export business meet integrity, competency and financial standing requirements specified in the AMLIA Regulations;
- an Operations and Governance Manual that complies with requirements specified in the AMLIA Regulations (for live-stock exporters only); and
- accreditation of the exporter's quality assurance system by the relevant standards body³⁶ (for meat exporters only).

2.17 While not detailed in available documentation, the process for obtaining a meat and livestock exporter licence broadly involves the exporter completing and submitting an application form, together with the required documentation (e.g. accreditation certificate or manual, as well as required financial records and criminal history checks), to AQIS. AQIS is responsible for assessing the application and documentation against legislative requirements and granting approval.

³³ Meat is any part of a slaughtered animal, while meat products are any product containing meat. Meat licences are required for beef, sheep and goat only.

³⁴ Livestock licences are required for the export of cattle, sheep, goats, buffalo, deer and camelids (camels, alpacas and vicunas).

³⁵ There are product protocols for specific importing countries in the Horticulture export programme that require exporters and producers to be registered. An example is the Fruit Fly Host Product Protocol with New Zealand. It should be noted that this registration is not done under the legislation, but as a requirement of the importing country. The audit did not include an examination of product protocol exporter requirements in its review.

³⁶ The relevant standards body is Aus-Meat Limited. It is responsible for establishing and maintaining National Industry Standards for meat production and processing.

2.18 The AMLIA Regulations state that the export licence remains in force for the period (which must be at least one year) stated in the licence. The process for renewal of a licence is the same as obtaining a licence. AQIS advised the ANAO that it was departmental practice to issue livestock and meat exporters with licences that are valid for one year. However, this practice was not documented. The Live Animals export programme advised that it is updating its information to reflect this. The AMLIA Regulations also provide for audits of exporter operations (see Chapter 3).

Guidance on exporter licensing

2.19 AQIS has produced guidance material on obtaining a livestock export licence which expands the licensing requirements specified in the legislation further. For example, AQIS has published Guidelines for an 'Operations and Governance Manual' which provides guidance to both livestock exporters and AQIS staff on the required content of the manual.

2.20 AQIS has not provided similar guidance on the licensing requirements for the Meat export programme, including the accreditation process or requirements of the relevant standards body, Aus-Meat. This means that the onus is on the exporter to identify the registration requirements from the ECA and the AMLIA Regulations, as well as identifying the requirements of Aus-Meat. The requirements of the latter are not specified in the legislation.

2.21 Neither the Meat nor the Live Animals export programmes had documented the licensing process, including: the application form to be used; the approval process steps; processing time; the duration of licences; and renewal requirements.

2.22 Achieving clarity and understanding of the licensing process and requirements assists AQIS in facilitating industry compliance and in managing its own performance. The ANAO considers that guidance for exporters, and staff, on the export licence process and requirements, would facilitate greater understanding of the registration requirements of the Meat and Live Animals export programmes.

Guidance on AQIS website

2.23 The AQIS website, along with AQIS contact officers, is the main source of information for industry on establishment registration and exporter licensing requirements and processes. The ANAO reviewed the website to

assess whether it contained appropriate information on registration and licensing requirements and processes.

Table 2.2

Information on AQIS website

AQIS export programme	Is there a link to the relevant legislation?	Is guidance published on the website?	Nature of guidance published.
Meat	No	Yes ¹	Policies on establishment registration process and establishment registration requirements. Audit Policy and Sanctions.
Dairy	No	No	All Dairy guidance is in draft form.
Fish	Yes	Yes	Guidelines on registration process and complying with registration requirements. Audit regime.
Horticulture	No	No	-
Grain	No	No	-
Live Animals	Yes	Yes	Guidance on complying with registration and licensing requirements.
Organics	Yes	No	-

1. No guidance had been developed on obtaining a meat export licence.

Source: ANAO analysis of AQIS website

2.24 As set out in Table 2.2, there was considerable variation across the seven export programmes in terms of the volume and type of export information published on the website. Of note, the Fish, Meat and Live Animals export programmes, had published their guidance on registration and licensing requirements (and for some programmes processes) on the website. The Meat and Fish export programmes also published their audit and inspection policies and processes, increasing their transparency and the accountability of AQIS.

2.25 The Dairy, Horticulture, Grain and Organics export programmes have not published registration guidance on the website. Furthermore, with the exception of the Organics export programme, these programmes do not provide a reference or link on their homepages to the relevant legislation. It is

not good practice to oblige clients to locate and interpret relevant legislative requirements.

2.26 The level and nature of guidance provided to new and existing occupiers of registered establishments and exporters on the AQIS website can be substantially improved to make it more informative and uniform across export programmes. This would be consistent with the AQIS objective of facilitating access to export markets and industry compliance with requirements.

Recommendation No.1

2.27 The ANAO recommends that, to assist industry understanding and facilitate compliance, AQIS improve the content and availability of information on export certification requirements.

AQIS response

2.28 Agreed. AQIS will conduct a gap analysis to identify the required improvements to information to assist industry understanding of and facilitate compliance to export certification requirements.

3. Assessing Industry Compliance

Arrangements put in place by AQIS for assuring industry compliance with export certification requirements are discussed in this chapter.

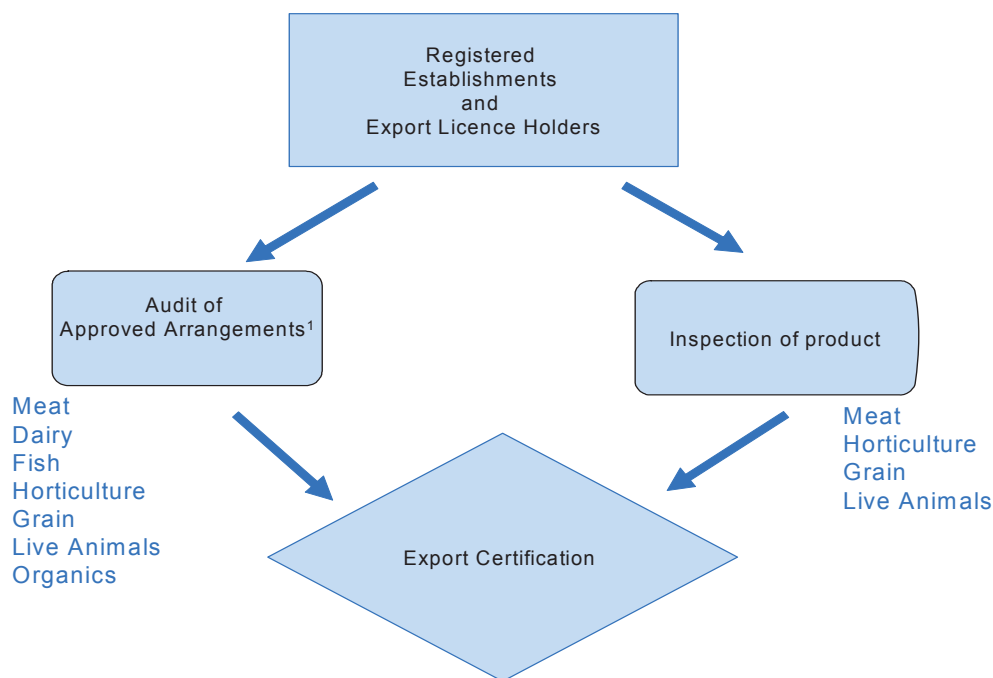
AQIS framework

Introduction

3.1 A key element of a regulatory system is to verify compliance. AQIS has systems in place designed to verify industry compliance with food safety, animal health and quarantine requirements specified in the legislation. These include the conduct of regular audits and, to a lesser extent, product inspections. The framework used by AQIS for audit and inspection is summarised in Figure 3.1 and examined further below.

Figure 3.1

AQIS audit and inspection framework



1. Includes audits against approved arrangements and other similar quality management systems.

Source: ANAO analysis

Approved arrangements

3.2 Management of registered establishments and export licence holders are required to comply with the relevant Export Control Orders and/or AMLIA Regulations. This obligation is expressed through an approved arrangement (or similar system) that describes how the establishment (or exporter) will ensure compliance with legislation and importing country food standards or quarantine requirements.

3.3 Approved arrangements vary according to the type of prescribed good to be produced for export. For example, structural, equipment and hygienic requirements will be different for a dairy factory compared to those of an abattoir. However, there are key elements of these arrangements, such as the development of a Hazard Analysis Critical Control Point (HACCP) Plan³⁷ or similar risk plan, that apply regardless of the type of good prepared. Audits of establishments are designed to assess the establishment's compliance with the approved arrangement.

3.4 With the exception of livestock export establishments, approved arrangements and operations at establishments and exporters are routinely audited by AQIS. A combination of announced and unannounced audits is conducted.

3.5 In the Dairy and Organics export programmes, audits are conducted by third-party providers on behalf of AQIS. The providers are State Regulatory Authorities (SRAs) for the Dairy programme and Approved Certifying Organisations (ACOs) for the Organics programme. AQIS audits third-party providers to verify the quality of their audits and the competence of their auditors.

Physical inspection

3.6 For some export products, AQIS also conducts a physical inspection in addition to its routine audits. In particular, AQIS is required to inspect all meat carcasses.³⁸ AQIS currently conducts leave-for-loading inspections³⁹ of livestock and monitors dock-side inspections prior to their export. Initial audits

³⁷ HACCP is a methodology used by food processors to identify the critical control points at which serious health hazards or risks could arise, develop treatments, monitor the effectiveness of treatments, and address any problems that arise.

³⁸ Carcass inspection is a requirement under the *Export Control (Meat and Meat Product) Orders 2005*.

³⁹ An inspection of animals, to confirm that requirements have been met, at assembly points (registered establishments) by an AQIS veterinarian immediately prior to the transport of the animals to the dock or airport.

of exporter compliance with arrangements commenced in December 2005. There had been no audits of livestock registered establishments at the time of the ANAO audit.

3.7 For registered horticulture or grain establishments that do not operate under an approved arrangement,⁴⁰ AQIS conducts product inspections. In particular, AQIS conducts end-point inspections of a sample of horticulture and grains produce.

Certification

3.8 AQIS uses the assurance obtained from audits of approved arrangements and/or inspection of products to prepare and approve export certificates, food safety certificates, phytosanitary certificates and animal health certificates.

Inspecting apples for export



Source: AQIS

Audit policy and procedures

3.9 The Export Control Orders and AMLIA Regulations provide the authority for AQIS to conduct audits of the approved arrangements or the equivalent system operated by registered establishments or export licence holders.⁴¹ With the exception of the Organics export programme, the legislation does not specify audit frequency.

⁴⁰ Note: A registered establishment within the Horticulture and Grain export programmes is not required to have an approved arrangement. If there is no arrangement, AQIS is responsible for inspecting a sample of product in order to issue the required certification documentation. If there is an arrangement, as part of that arrangement an inspector approved by AQIS (known as an AQIS approved inspector) conducts the inspection and certifies the product for export.

⁴¹ A meat exporter's licence is subject to the condition that an exporter must export meat in accordance with the quality assurance system accredited by the relevant standards body, currently Aus-Meat. The AMLIA Regulations provide for the relevant standards body to conduct audits of licence holder's quality assurance system. This audit did not cover audits conducted by Aus-Meat.

3.10 The communication of audit arrangements to industry and staff is considered to be an important feature of regulatory system design. Documented audit policy and procedures facilitate a shared understanding of arrangements and responsibilities. The ANAO assessed whether AQIS had an audit policy, plans and supporting procedures, across each of the seven export programmes. Table 3.1 shows the results.

Table 3.1

Audit policies and procedures

AQIS export programme	Audit policy or plan?	Audit procedures?	Key legislative audit requirements reflected in operating procedures?	ANAO comment
Meat	Yes	Yes	Yes	Procedural guidance was in draft form.
Dairy	Yes	Yes	No	Audit policy and procedural guidance were in draft form. Guidance did not always reference or reflect legislative requirements.
Fish	Yes	Yes	Yes	-
Horticulture	No	No	Yes ¹	Guidance is out of date.
Grain	Yes	Yes	Yes ¹	-
Live Animals	Yes	Yes	Yes	Audit policy and procedural guidance were in draft form. Did not cover audit of the operations of registered establishments.
Organics	Yes	Yes	Yes	Policy and procedural guidance were contained within one document.

1. No specific legislative requirements.

Source: ANAO analysis

3.11 As set out in Table 3.1, with the exception of the Horticulture export programme, AQIS export programmes had developed or were in the process of updating or developing audit policies and procedures to direct and support

the conduct of audits under the new Orders. However, audit policies and procedures for the Live Animals and Dairy export programmes, and procedural guidance for the Meat export programme, were in draft form, although the relevant Export Control Orders came into effect in December 2004⁴² and July 2005.

3.12 AQIS had developed policies and procedures for auditing export licence holders' governance and operations systems and began audits in December 2005. No policies or procedures had been developed to audit registered livestock premises. AQIS advised that, on the basis of risk, priority was placed on developing the audit regime for licensed livestock exporters. In the interim, AQIS relies on two measures for assurance on compliance by livestock establishments. These are: visits by AQIS veterinarians to properties for leave-for-loading inspections (conducted for every livestock shipment); and inspection of documentation produced by the establishment (again for every shipment). The ANAO notes that while these provide AQIS with some assurance that livestock establishments are complying with arrangements, it would now be appropriate to develop audit procedures for establishments.

Loading cattle for export



Source: AQIS

3.13 Most policies and procedures reflected and elaborated on the key audit requirements outlined in legislation. The exception was the draft policies and procedures for the Dairy export programme in which the ANAO identified a number of deficiencies. In particular, policies and procedures did not always reference or reflect the requirements of the legislation. An example is provided in Figure 3.2.

⁴² The *Export Control (Animals) Order 2004* provide for AQIS to conduct audits. This was not a provision in the previous Orders. At the time of audit fieldwork the Live Animals programme had a draft audit policy and work instruction to support planned audit activity.

Figure 3.2

Dairy export programme procedures

Order 63.2 of the *Export Control (Milk and Milk Products) Orders 2005* requires that '*within 14 days after the day an auditor (including an approved auditor) ends an audit the auditor must give the occupier, exporter or approved export permit issuer concerned a copy of the audit report for their operations*'.

This requirement was not referenced or reflected in draft policies and procedures, including the audit checklists to support the conduct of verification audits of State Regulatory Authorities and their authorised officers.

This reduces the ability of AQIS to provide assurance that reports are issued in compliance with the Orders. Further, policies and procedures did not reference or interpret the legislative requirements relating to the required content of the audit report. In particular, there was no reference to Order 62.3 and Order 62.4(b).

Source: ANAO analysis

3.14 Sound regulatory practice is to match audit frequency to risk. An inherently risky process (or establishment) would be audited more frequently than a low risk process. For example, abattoirs would be audited more frequently than cold stores. Similarly, poorly performing establishments would be audited more frequently than highly compliant establishments.

3.15 Thus, good regulatory practice includes a well articulated and systematic rationale for determining audit frequency, including documentation and supporting data analysis. Periodic evaluation of the rationale for audit frequencies also provides assurance that risks are effectively controlled.

3.16 The ANAO examined whether the seven AQIS export programmes had a documented rationale for determining the frequency of audits.

3.17 As set out in Table 3.2, audit frequency differed between AQIS export programmes. ANAO analysis of AQIS documentation found that generally all programmes stated the frequency of audits in their policy or procedural documentation. However, this documentation did not address the rationale for determining audit frequency, with the exception of the Fish export programme.⁴³ AQIS later provided advice on the rationale behind other programmes' audit frequency. These included:

- importing country requirements;
- international standards; and
- AQIS risk assessments.

⁴³ See <www.aqis.gov.au/Export> Exporting Fish and Fish products>Guidelines to compliance with the Export Control (Fish and Fish Products) Orders 2005>Export Documentation-Audit Regime

Table 3.2

AQIS rationale for audit frequency

AQIS export programme	Audit frequency	Rationale for audit frequency disclosed?
Meat	Abattoirs and independent boning rooms – monthly audits Food processors – quarterly or six monthly audits Cold stores and container stores – annual audits US approved cold stores – three monthly audits	No
Dairy	Establishments producing milk and milk products – two audits per year Establishments who only store or handle milk and milk products – one audit per year	No
Fish	Vessels and land based establishments – minimum of one audit per year to a maximum of one per month for land based establishments ⁴⁴	Yes
Horticulture	Minimum of annual audit and surveillance or drop in audits as required ¹	No
Grain	Minimum of two audits per year and surveillance or drop in audits as required	No
Live Animals	Exporter who exports < 5 consignments in 2005-/06 – annual audit Exporter who exports ≥ 5 consignments in 2005-06 – minimum of two audits per year ²	No
Organics	At least one routine audit per year and random audits as required	Yes – legislative requirement

1. Audit frequency can vary on the basis of product and importing country.

2. Initial audits commenced in December 2005.

Source: ANAO analysis

3.18 Appropriately documented rationales and supporting analyses would provide AQIS with greater assurance that the frequency of audit coverage of its export programmes is adequately addressing the level of risk. The ANAO suggests that AQIS strengthen the management of, and accountability for, the process for assigning audit frequency by articulating the rationale for audit frequencies for each export programme and undertaking regular evaluations of their appropriateness.

⁴⁴ Actual frequency determined by level of risk of products processed at the establishment and their compliance history (i.e. the rating assigned at the last audit).

Maintaining and monitoring audit work schedules

3.19 With the exception of the Live Animals export programme, all AQIS export programmes had developed audit schedules that detailed the audits to be conducted for each establishment. Where required, these schedules covered both announced and un-announced audits.

3.20 The Meat export programme's audit schedule was managed nationally using the National Plant Management System (NPMS) database. This system enables a national view of meat audits planned and conducted, as well as the audit result, for each establishment in the Meat export programme. The system includes a table of audit frequency by type of establishment.⁴⁵

3.21 The NPMS is designed to alert management to audits outstanding on a monthly basis. However, the ANAO found that, at the time of audit field work, system generated reports were not being utilised by management. As a consequence, management assurance that audit schedules are being achieved is reduced.

3.22 Audit schedules, using computer spreadsheets, were developed and maintained at the regional level for the Fish, Horticulture and Grain export programmes. These were not amalgamated to a national level. For the Dairy and Organics export programmes, audit work schedules were developed and maintained by third-party providers for their designated geographic areas.

3.23 Regional programme staff advised that they conducted a visual check of audit schedules on a monthly basis to ascertain progress. However, such a system does not provide either rigorous local assurance or readily accessible information to provide a national picture on the extent to which schedules are being met.

3.24 The ANAO examined audit files in selected export programmes to assess whether audits were being conducted as scheduled. In the Fish export programme the ANAO found that :

- 32 percent of vessels and land based establishments in Victoria were overdue in September 2005; and
- 52 percent of vessels in Brisbane were overdue. 32 per cent were more than one month overdue.

⁴⁵ The NPMS specifies the month the audit is to occur. Area Technical Managers (ATMs), who conduct the audits, prepare monthly work plans for the establishments they need to audit during the month.

3.25 In the Dairy export programme the ANAO found that SRAs provided Dairy programme managers with audit summary reports (detailing audit date and outcome) at the completion of each audit conducted, but the receipt of these were not timely (i.e. some taking several months).

3.26 Similarly, managers in the Organics export programme did not routinely monitor the achievement or otherwise of the audit schedules managed by their third-party providers.

3.27 The ANAO concluded that AQIS did not have sufficient information to provide assurance that planned audit intervals are being achieved. Recommendation No.2 (at the end of the next section) proposes that AQIS strengthen its management information systems, which will support the planning, management and monitoring of outcomes from audits.

Assuring audit quality and reliability

3.28 A central issue for those subject to regulation, and all stakeholders, is consistency and quality of regulatory assessments and decisions. This requires systems that provide management with assurance that compliance assessments are done consistently, equitably and in accordance with legislative and policy requirements.

3.29 The ANAO examined the systems AQIS has put in place to ensure consistency in audit conduct, and overall quality and reliability. All programmes have processes to assist in achieving audit quality and reliability. Table 3.3 summarises these measures.

Table 3.3

AQIS assurance measures for each export programme

Assurance Measures	Programme	Meat	Dairy	Fish	Horticulture	Grain	Organics
	Audit Checklists	Yes	Yes	Yes	No	No	Yes
Verification Audits and Peer Review	Yes	No	Yes	Yes	Yes	No	
National Training	Yes	No	Yes	No	No	No	
Data Analysis	Yes	No	No	No	No	No	

Source: ANAO analysis

3.30 However, there is scope for some programmes to strengthen processes. For example, unlike other programmes, the Horticulture and Grain export programmes had not developed audit checklists. Doing so would help to ensure that audits of establishments are conducted in a consistent manner and

also provide a level of assurance to external stakeholders on the rigour of the audit process.

3.31 The Meat export programme provides assurance of audit quality and consistency through verification audits conducted by an independent⁴⁶ Verification Unit, which began operations in 2003. The Verification Unit conducts in-depth system compliance audits, which review an establishment's approved arrangements, its compliance with those arrangements and the activities of AQIS on establishment certifying staff. AQIS advised that it intends to extend this type of audit to other export programmes.

3.32 The two programmes that use third party providers conduct audits to verify the quality of auditing by the providers. However, the ANAO found that there were some limitations in the administrative arrangements for the Dairy export programme. For example, an audit of a SRA had not been finalised five months after fieldwork was conducted.

3.33 The Fish export programme conducts consistency reviews where, on a yearly basis, the senior inspector from one state reviews audits undertaken by a selection of auditors in other states, including accompanying them on audits of establishments. The Grain and Horticulture export programmes have also implemented informal peer reviews of audit practice.

National training

3.34 The quality of assessment depends, to a large extent, on the skills and competencies of individual auditors. Technical knowledge and formal training can assist in this regard. The Meat export programme has developed compulsory national and competency based training modules for all audit and inspection staff. Training is supported by workplace assessment and regular training updates. The Fish programme requires all employees to complete an approved audit training course.

3.35 Other export programmes relied on regionally developed on-the-job training as the principal form of training in audit practice. The Horticulture and Grain export programmes were in the process of developing a draft national training package. Establishing a national training programme with, where possible, common modules across programmes would assist in achieving audit quality and reliability.

⁴⁶ At the time of audit fieldwork the Verification Unit reported to the manager of AQIS's Food Export Branch (who is also responsible for the Meat export program). From 1 July 2006 the Verification Unit will be part of AQIS's Technical Standards Branch, which will further enhance its independence.

Data analysis

3.36 The Meat export programme is the only programme that captures and analyses management data on the results of audits conducted. This is achieved through the input of audit data (such as scores assigned to establishments) into the NPMS.⁴⁷ Data from the NPMS is analysed (on an informal basis), to identify inconsistencies in assessment decisions and any trends.

3.37 The ANAO analysed data on audits of abattoirs in the Meat export programme for the periods 2003 and 2005. The data showed considerable variance between auditors in scores assigned to establishments, but that this had reduced since 2003. For example, the standard deviation of scores had decreased from 5.2 in 2003 to 3.6 in 2005. This change appears to reflect some success by AQIS in improving consistency between auditors. However, the data also suggests that there is still some degree of variation, requiring continuing attention by AQIS.

3.38 Other export programmes would benefit from a systematic approach to monitoring and analysing audit quality and reliability. This would require the capture of data and assessment of the extent of and cause of variance between audits.

Recommendation No.2

3.39 The ANAO recommends that AQIS strengthen its ability to assure export programme audit quality and reliability by capturing data on audit results and analysing the extent and causes of variation.

AQIS response

3.40 Agreed. AQIS will develop and implement a mechanism to capture and maintain audit data for those programmes where this is not in place.

Managing audit records

3.41 An effective regulatory system includes sound records management, including documentary records of key regulatory decisions and the underpinning reasons.

⁴⁷ The NPMS is used to facilitate and manage audits of establishments in the Meat export program. As part of the audit process AQIS auditors assign scores to aspects of an establishment's operations. The NPMS, amongst other things, uses this information to determine a total score and assign a rating to the establishment. This information can be used to monitor assessments of establishments by an auditor.

3.42 The ANAO found that AQIS files and systems examined generally provided sufficient audit trails for desk and on-site audits of establishment registration, and subsequent compliance audits or inspections. However, there were some instances where supporting evidence for audit reports was not well documented.

3.43 Although not impacting on the integrity of the audit trail, the ANAO observed variations and deficiencies in recordkeeping practices across export programmes and for regional offices within the same programme. In one office visited, all export programmes administered showed good recordkeeping discipline. In particular, the DAFF official recordkeeping system was used to register files and working documents were stored in a fashion that facilitated their retrieval if required.

3.44 In contrast, in another office visited, audit and inspection reports for an export programme were filed without making use of the DAFF official registry system. Another programme used a spreadsheet, rather than the official recordkeeping system, to register files and their location. This programme found it difficult to locate files requested by the ANAO.

3.45 In the Fish export programme, a record of the number and results of AQIS audits was not being maintained over time. As a result, there is no historical record of audit activity, thereby limiting the ability to provide assurance of the achievement, or otherwise, of audit schedules.

3.46 Failure to create and maintain accessible and complete records is not in accordance with DAFF internal recordkeeping policy. Furthermore, such action reduces the credibility of audit activities in support of AQIS certification and potentially the relationship with importing countries.

Recommendation No.3

3.47 The ANAO recommends that export programme audit records be created, maintained and accessed through DAFF's official recordkeeping system, as required by its recordkeeping policy.

AQIS response

3.48 Agreed. AQIS will make sure that audit records are maintained in compliance with its record keeping policy.

Reporting audit results to senior management

3.49 The regional offices for the Fish, Horticulture, and Grain export programmes provide a monthly performance report to their respective national programme manager. As part of this reporting, data is required to be provided on the number of audits completed and instances of critical non-compliance. The Fish export programme also provides data on the number of land based establishment audits running late. AQIS advised that this programme had also recently included a specific performance indicator for overdue vessel inspections. Data provided by regional offices is aggregated at the national level for the Fish export programme only.

3.50 In the Dairy export programme, SRAs provide summary reports⁴⁸ on each audit completed to the national programme manager. The Organics export programme requires ACOs to report annually on a range of issues, including sanctions issued.

3.51 The NPMS in the Meat export programme contains information on audits to be conducted and completed. As mentioned previously, system generated reports on audits overdue were provided to national management, although these were not being utilised at the time of audit fieldwork. There is no other routine reporting on audit progress provided to national management.

3.52 Overall, while AQIS export programmes provide some routine reporting to national management on audit activity, none of the AQIS export programmes report against their audit work schedules. This reduces assurance that risks have been adequately addressed.

3.53 Moreover, with the exception of the Meat export programme, there is no reporting to national management on audit results and/or levels of compliance more generally. This is partly because, for other programmes, the systems used for managing audits are regionally based (or managed by third parties) and do not allow for the capture and routine reporting of management data such as audit results or levels of compliance. Accordingly, information that would inform management of compliance, including emerging risks, is not readily available.

⁴⁸ AQIS advised that full audit reports from the SRAs are to replace the summary reports currently provided.

3.54 Implementation of Recommendation No.2 (para 3.39) would assist in better informing senior management on adherence to audit schedules, audit quality and audit consistency.

4. Managing Non-compliance

AQIS management of non-compliance is examined in this chapter.

Introduction

4.1 The Export Control Orders for all export programmes broadly detail the requirements or grounds for non-compliance, as well as notification and appeals procedures. For some export programmes, the legislation also defines ‘critical non-compliance’.⁴⁹

4.2 The Export Control Orders provide the authority for AQIS to issue Corrective Action Requests (CARs) and impose sanctions in the event of non-compliance.

Corrective Action Requests

4.3 Most AQIS audits reveal a number of operational practices that do not comply with approved arrangements. Deficiencies are recorded in CARs (also known as Defect Reports), which, when required, are issued to the occupier of the establishment at the conclusion of the audit.⁵⁰

4.4 A CAR is a formal AQIS document that records and details a non-compliance detected during an audit, the proposed corrective action and the date for rectification. CARs form part of the audit report. A CAR is finalised or ‘closed out’ when objective evidence that the fault has been rectified has been provided to, or obtained by, AQIS or its authorised auditors.

4.5 When the extent of non-compliance is considered unlikely to pose a risk to public health and safety and/or market access, the establishment continues to prepare goods for export. However, the establishment is required to rectify deficiencies within the agreed timeframe stipulated in the CAR. AQIS verifies action taken to rectify non-compliance in the next scheduled audit. Depending on the nature of the defect identified, a separate visit may be conducted.

⁴⁹ Critical non-compliance is defined in the Export Control Orders for the Meat, Dairy and Fish export programmes. It is defined in terms of the actual or potential impact(s) of the failure to comply (e.g. failure to comply with a requirement results in or is likely to result in the preparation, or export, of products for export as food that are not fit for human consumption).

⁵⁰ Legal authority to issue a CAR or Defect Report is contained in the Export Control Orders governing the product. For example, see Part 8 of the *Export Control (Fish and Fish Product) Orders 2005*.

An example of a CAR

Australian Government
 Department of Agriculture, Fisheries and Forestry
 Australian Quarantine and Inspection Service

NPMS Form 6

National Plant Management System AQIS Corrective Action Request

Lead Auditor:		Car No: 999.16052006.9.1
Estab Name: AQIS DEMONSTRATION ESTABLISHMENT		
Estab No: 999	Audit Date: 16-May-2006	
Activity: SANITATION/HYGIENE		
Nonconformity: Steriliser again recording 65C at the No1 legging position for the second day running.		
Deadline for rectification: 16-May-2006		Follow up Date: 17-May-2006
I understand/agree with the nonconformity		
..... Signature (Company Representative) Printed Name (Company Representative)	Issued Date
..... Signature (Auditor)	Printed Name (Lead Auditor)	Issued Date
CLOSE OUT DETAILS		
Management corrected faulty heat exchanger. Ongoing compliance demonstrated by the company and verified by company QA records and AQIS OPS monitoring.		
..... Signature (Auditor) Printed Name	16-May-2006 Close Out Date

Source: AQIS

4.6 A CAR is also issued when the auditor considers non-compliance is critical, for example, where deficiencies (or a collection of deficiencies) result in an actual or potential risk to public health and safety and/or market access. In these instances, the establishment is either required to cease preparation of goods for export or additional conditions and restrictions are imposed until the non-compliance is addressed. The timeframe for correcting critical non-compliance(s) is discussed and agreed by AQIS and the occupier of the establishment. A follow-up audit is scheduled after the correction action has been taken. If no instances of critical non-compliance are found during the follow-up audit, the establishment can recommence producing goods for export.

4.7 To assess AQIS management of non-compliance, the ANAO examined whether AQIS had:

- policies and procedures on non-compliance;
- systems to manage non-compliance; and
- arrangements in place for monitoring and reporting to senior management.

Policies and procedures on non-compliance

4.8 The effective management of non-compliance is an essential requirement of a sound regulatory system. It necessitates a shared understanding between the regulator and industry of: how non-compliance is defined and assessed; the process and requirements for rectifying non-compliance; the range of sanctions that can be applied in the event of critical or continued non-compliance; and dispute and appeals processes.

4.9 The ANAO found that the seven AQIS export programmes had defined non-compliance, and the sanctions that accompany it, in their audit policies and supporting procedural guidance. However, the Meat export programme had not clearly defined what constituted non-compliance in its policies and procedures.

4.10 To facilitate the management of non-compliance, most programmes had identified two or more non-compliance categories (e.g. minor, major, and critical non-compliance). The Dairy and Fish export programmes also provided examples of the situation that would contribute to each non-compliance category. Further, with the exception of the Live Animals export programme, all programmes defined critical non-compliance and the range of accompanying sanctions.

4.11 All seven export programmes had documented procedures for actioning non-compliance. While the level of guidance varied across programmes, it typically encompassed: guidance on the assessment of non-compliance; the issue and close out of CARs; required actions in response to critical non-compliance or continued non-compliance; and the range of sanctions that can be applied.

4.12 The Horticulture and Grain programmes had a Compliance Policy that highlighted the right to appeal an audit finding and an Appeals Policy that set out the process by which AQIS will review disputed non-compliances or audit results. However, the other programmes did not describe procedures

for appealing and resolving disputed audit findings and other AQIS decisions in their audit and procedural documentation, or as part of the audit report provided to the exporter. This reduces the accountability and transparency of AQIS processes.

Recommendation No.4

4.13 The ANAO recommends that AQIS communicate to clients procedures for appealing and resolving disputed export programme audit findings.

AQIS response

4.14 Agreed. AQIS will make sure avenues for appeals and dispute resolution are included in relevant documentation to clients.

Systems to manage non-compliance

4.15 Follow-up on action to rectify instances of non-compliance and critical non-compliance is one of the key controls of the assurance process. Unless the follow-up shows that a defect has been corrected, assurance for export certification cannot be given.

4.16 The ANAO found that only the Meat export programme had a national database, the National Plant Management System (NPMS), on which all CARs were recorded and could be readily tracked until closed out. This system also provides assurance that CARs are being addressed through the automatic generation of an 'unacceptable rating' if a CAR is not closed out on time. This in turn results in the establishment being put into the Scheme for Corrective Action.⁵¹

4.17 All other export programmes⁵² record CARs as part of the audit report, which is filed on the relevant establishment file. However, with the exception of one regional office visited within the Horticulture and Grain export programme, there was no ready means of monitoring outstanding

⁵¹ Under the Scheme for Corrective Action establishments are issued with a CAR and are given a timeframe (usually 2 weeks) to develop a corrective action plan (which is required to be approved by the ATM). At the end of the corrective action plan period (usually 4 weeks) the establishment is audited by a Field Operations Manager. If the establishment is found acceptable, the establishment is moved out of SCA. If not found to be acceptable, appropriate sanctions are determined and applied.

⁵² ANAO analysis did not include the management of CARs in the Live Animals export programme. At the time of audit fieldwork AQIS had not commenced audits of livestock exporters or registered premises. AQIS began audits of livestock exporters in December 2005 but, at the time of this report, had not commenced audits of registered premises.

CARs or additional audit requirements. The visited regional office maintained a computer spreadsheet listing CARs. The spreadsheet could be manually checked by officers but it did not have the capacity to automatically generate reports on the status of CARs. As a consequence, none of the programmes, other than Meat, have a ready means of assuring AQIS senior managers or other stakeholders that action to rectify non-compliance has been taken.

4.18 The numbers of establishments under each of the programmes ranges from 106 to 1 255 and these are subject to at least two audits per year. ANAO observation indicates that most audits result in one or more CAR being issued on each audit. Table 4.1 illustrates the potential number of CARs.

Table 4.1

Estimated volume of CARs by programme

Programme ⁵³	No. of establishments	Potential number of CARs per year ¹
Meat	790	1580
Fish	1129	2258
Grain	605	1210
Horticulture	1255	2510
Live Animals	63 ²	126
	106 ³	212

1. Based on at least one CAR per audit with at least two audits per year for each establishment.

2. Number of licensed livestock exporters.

3. Number of registered livestock premises.

Source: ANAO analysis

4.19 AQIS could improve oversight of follow-up, timeliness and action on CARs if more management information on the status of CARs was available. Furthermore, for export programmes other than Live Animals, Table 4.1 suggests a volume of information that would be better managed by computerised information systems rather than existing manual approaches.

4.20 ANAO analysis of AQIS files indicated there were weaknesses in the current approaches used for tracking and managing CARs. In the Fish export programme the ANAO found instances where identified defects were not closed out and were carried over to subsequent audits.

⁵³ The Dairy and Organics export programmes use third parties to conduct audits and manage CARs and are therefore excluded from this table.

4.21 In the Horticulture export programme, the reason for issuing CARs was not always clear and CARs were not always closed out. Similarly, in the Dairy export programme, an internal review conducted in 2005 identified a significant number of instances where there was a lack of follow up and closing out of CARs.

4.22 As a CAR is a requirement for corrective action, which has legislative force, action to ensure that it is closed out at the agreed time is an important part of ensuring that legislation is complied with and risks are addressed.

Monitoring and reporting to senior management and stakeholders on non-compliance

4.23 Part of AQIS's role in export certification involves obtaining assurance, through audits, that registered establishments and/or licensed exporters continue to comply with requirements. AQIS therefore needs processes or systems that provide its senior management with assurance that non-compliance is: rectified in a timely fashion; managed in accordance with policy and procedures; and documented and reviewed to identify the nature and type of non-compliance, including any systemic patterns in non-compliance.

4.24 All export programmes require that critical non-compliance is immediately reported to national level management within the programme. Where the sanctions to be applied include a suspension of production, notification is issued by the national office.

4.25 There is some routine reporting on audit activity to AQIS national management. However, with the exception of the Meat export programme, there is no routine reporting on non-compliance, other than critical non-compliance mentioned above. The Meat export programme provides a monthly report to national management on establishments in the Scheme for Corrective Action and progress in rectifying non-compliance.

4.26 The Fish, Horticulture and Grain regional offices provide a monthly performance report to their national programme manager. As part of this reporting, data is provided on the number of audits completed, instances of critical non-compliance and, for some programmes, the number of audits running late.

4.27 In the Dairy export programme, State Regulatory Authorities (SRAs) provide summary reports⁵⁴ on each audit to the national programme manager. These reports detail the rating applied to the establishment, the number of CARs issued by description and category, and the status of previous CARs issued. The value of this reporting would be enhanced if the information was regularly collated and analysed to produce a national picture of compliance.

4.28 The Organics export programme requires Approved Certifying Organisations to report annually on a range of issues. Reporting includes data on sanctions applied to certified operators for non-compliance with standards and related corrective action. No routine reporting is provided between the annual reports.

4.29 The absence of routine reporting reduces national and senior management level assurance that non-compliance is being effectively managed. It also limits the ability to plan for future audit programmes and target the use of audit resources by systematically utilising information collected, such as:

- recurrence of certain kinds of defects in particular establishments;
- timeliness of rectifying non-compliance across regions and programmes; and
- trends or patterns in critical non-conformities that may indicate an emerging risk within or across regions or programmes.

4.30 The absence of routine reporting on non-compliance is partly attributable to the lack of adequate information management systems that would enable the routine capture, monitoring and reporting of non-compliance data (e.g. data on the number of CARs issued and the type and nature of non-compliance).

4.31 Only the Meat export programme has a management information system (NPMS) which has the capacity to track CARs and their follow up. This system also has the capacity to generate reports on numbers of CARs issued, the percentage of CARs that have been closed out on time and the type of defect identified. However, such reports are not produced.

4.32 All other programmes record details of CARs on the audit report and store these on the relevant establishment file. Information management

⁵⁴ AQIS advised that full audit reports from the SRAs are to replace the summary reports currently provided.

systems are not in place to allow tracking of information and generation of reports on, for example, the number or nature of CARs being issued (minor, major, critical, and for what kind of defects), the action that has been taken and the timeliness of that action. The volume of CARs, and the paper-based files on which the information is held, presents difficulties in terms of reporting.

4.33 One approach, having regard to cost-benefit considerations, is to improve reporting on the conduct of audits against schedules, audit outcomes and the management of non-compliance by developing appropriate computer systems. Current systems do not provide senior managers in AQIS or importing countries with robust assurance on monitoring and managing non-compliance.

Recommendation No.5

4.34 The ANAO recommends that AQIS strengthen management information systems to support the monitoring and management of non-compliance.

AQIS response

4.35 Agreed. AQIS will review gaps in current information management systems and enhance systems to address identified deficiencies.

5. Supporting the Regulatory Function

Key aspects of AQIS's governance activities applicable to export certification are examined in this chapter.

Introduction

5.1 The focus of this report is on the regulatory aspects of export certification. However, the audit also included a broad examination of supporting management processes within AQIS, particularly:

- risk management (including fraud);
- review of Export Control Orders;
- systems supporting export certification;
- client consultation and satisfaction; and
- performance information.

Risk management (including fraud)

Risk

5.2 Risk management provides a means by which significant non-compliance risks may be identified and assessed, and treatments put in place and monitored. Risk management helps inform the balance and targeting of regulatory treatments, resources and approaches.

5.3 AQIS manages risk within the DAFF risk management framework. The *AQIS Business Plan 2005–06* incorporates an overall risk analysis and risk management plan. The AQIS business plan is supported by divisional and programme business plans, which also incorporate risk management plans.

5.4 Export certification risks identified by AQIS include:

- failure to identify and deal with emerging issues;
- not responding to changing technologies;
- delisting by an importing country;
- food supply chains compromised;
- inconsistent programme delivery;
- failure to protect security of the Export Group's electronic systems;

- training systems not in place or not effective; and
- poor stakeholder confidence and engagement.

5.5 The ANAO examined the risk management processes incorporated into AQIS business plans, having regard to better practice models.⁵⁵ The ANAO found that AQIS identified and assessed risks to achieving successful programme outcomes and developed strategies to treat them. The export certification risks are then re-assessed and ranked in order of priority. The AQIS business plans detail the strategies to be used to manage risks.

5.6 AQIS programme business plans are reviewed quarterly by the Business Plan Review Committee. As part of the review, the programme manager prepares a formal report on all aspects of the programme, including risk. Examination of these reports confirmed that risk treatments are reviewed and re-assessed following the implementation of treatment, and additional risks are added as required.

5.7 Overall, AQIS has a structured approach to risk management to support its management of export certification.

Fraud

5.8 DAFF manages the risk of fraud through a risk management framework which is integrated with the department's overall risk management philosophy. AQIS manages fraud (and other non-compliance with legislation) through its Compliance and Investigations programme.

5.9 During 2004–05, the Compliance and Investigations programme conducted 881 investigations, 88 of which related to export activities. During that year, one export related case was referred to the Director of Public Prosecutions.

5.10 The ANAO examined the methodologies and work practices of the Compliance and Investigations programme. The programme was considered to provide satisfactory support to export programmes in managing fraud and other non-compliance with the Export Control Act and Export Control Orders. This is consistent with DAFF's Fraud Control Plan 2005–2007 assessments of AQIS activities.

⁵⁵ ANAO Better Practice Guide, July 2003, *Public Sector Governance Volume 1*.

Review of Export Control Orders

5.11 The purpose of the Export Control Orders is to reflect international importing standards and, where applicable, relevant food standards. It is important that AQIS has a process for the regular review of the Orders to ensure that they fully support export certification by reflecting the current state of international codes and importing country requirements.

5.12 The ANAO found that the Orders are reviewed periodically by AQIS programmes. The first review began in 1998 and was completed in 2004. This review involved extensive consultation with industry. It also incorporated the findings of the Export Control Act Review.⁵⁶ The next major review is scheduled for 2008. There is also ongoing monitoring of importing country requirements and changes in industry operations, with minor amendments to the Orders made as required.

Systems supporting export certification

5.13 AQIS has two major information systems that provide support for export programmes other than the Organics and Live Animals programmes. They are the:

- Export Documentation System (EXDOC); and
- Establishment Register (ER).

5.14 The National Meat Management System and its subsidiary systems (including the NPMS, which is discussed in Chapters 3 and 4) support the Meat export programme. A description of the NPMS can be found in Appendix 1, Meat export programme.

EXDOC

5.15 EXDOC is an export documentation system for the automated lodgement and issue of export documentation (i.e. export permits, health certificates, certificates as to condition and phytosanitary certificates).

5.16 The system allows an exporter to apply electronically, via a commercial interface software package, rather than using paper forms. Stated

⁵⁶ The Export Control Act Review (also known as the Frawley report) is part of the comprehensive examination of legislation by the Commonwealth Government to ensure compliance with the National Competition Policy. The Review focused on those parts of the *Export Control Act 1982* which restrict competition or which result in costs or benefits for business.

advantages of EXDOC include reduced costs for certificates, greater security, improved timeliness and a higher level of consistency in certification.⁵⁷

5.17 While the use of the system is not mandatory, AQIS has a long term aim to achieve 100 per cent EXDOC uptake. AQIS estimates of EXDOC usage by export programmes are provided in Table 5.1.

Table 5.1

Percentage of certificates generated by EXDOC

Programme	EXDOC usage (%)
Meat	
Edible Meat	100
Skins and Hides	45
Dairy	93
Fish	94
Horticulture	68
Grain	40

Source: AQIS estimates

5.18 EXDOC performs a Customs Agent role for users who request AQIS to obtain an Export Declaration Number (EDN).⁵⁸ Users also have the option of applying for EDNs directly through the Customs export system, by purchasing a Digital Certificate from Customs.

5.19 EXDOC is a 24 hour, seven days a week service. However, out of hours business support is available for emergency use only.

5.20 The ANAO discussed EXDOC with users, as part of stakeholder consultation. Stakeholders in the Meat and Dairy export programmes considered EXDOC to be a useful tool. However, while some stakeholders in the Horticulture and Grain programmes were satisfied, others raised the following issues:

- outages;
- error messages; and

⁵⁷ AQIS, *EXDOC Plain English Information Paper for Prospective Users*, January 2004, Version 8.2, accessed AQIS website April 2006.

⁵⁸ Export declarations provide Customs with details about goods intended for export. The Customs export system processes the information provided and issues an EDN.

- delays in entering inspection results.

Outages

5.21 The ANAO found that AQIS routinely monitored EXDOC performance. AQIS data showed that over the 11 months from January to November 2005, there were 32 outages totalling 217 hours. Of these, 23 outages totalling 150 hours were under AQIS's authority, including 120 hours from outsourced information technology service providers and 30 hours from the department. The remaining nine outages, totalling 67 hours, were attributed to external organisations outside of AQIS's authority.

5.22 EXDOC users advised that the main consequences of an outage(s) are that:

- if the documentation cannot be produced in time for loading and departure, an exporter may miss a shipment while waiting for the problem to be fixed;
- an exporter cannot obtain an EDN through EXDOC and will need to telephone Customs, with consequent resourcing implications; and
- once certification via EXDOC has been started for a shipment, users cannot revert to manual certification if there is an outage. They must wait for the problem to be fixed before being able to complete the export. AQIS advised that it has contingency arrangements in place to produce manual certificates, regardless of the status of an electronic document.

Error messages

5.23 The ability to obtain an EDN through EXDOC provides AQIS clients with a 'one stop shop' facility for generating export documents. However, exporters and AQIS regional staff advised the ANAO that Customs error messages produced while processing EDNs are often difficult to interpret. The exporter has to resolve with Customs the issue(s) that led to the error message, even although they applied for the EDN through the AQIS system.

5.24 It would be beneficial for AQIS to liaise with Customs to produce more interpretable error messages. This would enhance the level of support provided to EXDOC users.

Delays in entering inspection results

5.25 Prescribed goods cannot be exported without the appropriate export documentation. Accordingly, prompt completion by AQIS of final processing and certificate generation can be important, particularly for airfreight exports.

5.26 One of the limitations of EXDOC is that it is not aligned with the work patterns of mobile AQIS inspecting officers. These officers are not always able to access EXDOC and process export certificates in the field, following the inspection and satisfactory assessment of goods intended for export. If this is the case, the processing of export certificates has to wait for the officer to return to an AQIS office or be processed by phone message to AQIS staff. The latter can be an issue when all AQIS staff for the programme are working out of the office.

5.27 At the time of audit field work, AQIS was issuing its inspection staff with portable computers. These could be used to access EXDOC, but are limited by phone line bandwidth. AQIS has explored using wireless technology to approve EXDOC certificates, but advised that currently the option was not considered secure. The evidence available to the ANAO suggests that the problem of timely recording of inspection results is mainly associated with the Horticulture and Grain export programmes. The ANAO notes that one regional office visited during the audit had implemented a support officer arrangement to assist mobile inspectors.

Establishment Register

5.28 The AQIS Establishment Register database is used to support all aspects of registering establishments. This includes initial registration, review of registrations, generation of certificates of registration, and suspension or deregistration. The database records current and historical details of establishments for the Meat, Dairy, Fish (including domestic chicken eggs), Horticulture and Grain export programmes. It records the current status of establishments (registered or unregistered), a date history of audits (for programmes except Dairy), and establishment ratings. It also records those people in management positions at the establishment who have met the 'fit and proper person' test detailed in Order 4.05 of the *Export Control (Prescribed Goods – General) Order 2005*.

5.29 EXDOC uses the Establishment Register to confirm that an establishment generating export documentation is registered and is complying with its approved arrangement or quality management plan. It is also used by

EXDOC to confirm that, where required, the establishment is listed as an approved establishment by the importing country. Officers completing manual certificates have access to the Establishment Register.

5.30 The ANAO reviewed the Establishment Register and did not identify any problems in the support provided by the Establishment Register to the registration of premises or the operations of EXDOC.

Client consultation and satisfaction

5.31 Good working relations between a regulator and industry are useful as a means of achieving the appropriate balance between providing the necessary safeguards in the public interest while minimising the commercial and management imposts regulation places on the industry.

5.32 In order to facilitate discussion with industry, AQIS has industry consultative committees for each export programme. AQIS holds regular discussions with these committees, including about potential or proposed programme changes. The committees are also consulted in setting budgets for each programme and in the disposition⁵⁹ of any surplus funds. The ANAO consulted with a number of stakeholders, including members of consultative committees about their relationship with AQIS. Most classified relations as good.

5.33 This was supported by the results of the *2005 AQIS Export Certification Client Satisfaction Survey*,⁶⁰ in which 88 per cent of clients rated their overall satisfaction as six or more out of ten. However, the survey also indicated some areas requiring attention. Only 42 per cent of AQIS clients were aware of the peak industry organisations that represent their interests. Also, 83 per cent of clients were not aware of the AQIS Service Charter. Increasing awareness of peak industry organisations and the Service Charter warrants attention.

Performance Information

5.34 Effective capture and use of information collected through regulatory functions is an important administrative consideration that can improve the targeting and conduct of regulatory activities, and reduce the burden on those regulated.

⁵⁹ For instance, whether surplus funds should be returned to industry (perhaps by postponing a planned fee increase), invested in improved export certification services or allocated to a relevant research project.

⁶⁰ AQIS conducts annual Client Satisfaction Surveys. They alternate each year between quarantine clients and export certification clients. The focus in 2005 was on export certification.

5.35 The public availability of performance information can also provide a necessary degree of transparency and accountability to the Parliament and other stakeholders on the extent of business compliance, as well as the actual performance of the regulator.

Internal reporting

5.36 AQIS export programmes report quarterly on their performance against Key Performance Indicators (KPIs) identified in their respective business plans. KPIs encompass both mandatory (across programmes) and programme-specific indicators. There were 129 AQIS KPIs over the seven export programmes.

5.37 The mandatory KPIs fall into four categories: Financial Performance; Cost Efficiency; Performance through People; and Departmental Performance Indicators: Export.⁶¹ KPIs in the first three categories are consistent with good practice. The last category covers information required to report to Parliament on targets in the Portfolio Budget Statement (PBS) and is discussed in the next section.

5.38 More than 75 per cent of KPIs used by AQIS export programmes have targets, which is consistent with good practice. While the ANAO recognises that it can be difficult to allocate targets to some types of performance information, the absence of targets reduces the value of KPIs in informing management about performance. Comparatives and benchmarks could be considered if targets are difficult to establish.

5.39 The ANAO found that a few targets were not useful indicators because they were outside AQIS's control. For example, achievement of a target of less than ten CARs issued per establishment depends on the performance of the establishment, rather than of AQIS.

5.40 In another example, a target of processing an export form in five days has little practical value, as the time taken to process a form is out of AQIS's control when waiting on further information from the exporter. Use of more appropriately qualified targets would adjust for this. For example, setting a target turnaround time from the time all documentation is received by AQIS.

5.41 As illustrated in Table 5.2, AQIS's use of KPIs to assess regulatory performance is limited and not consistent between export programmes. For

⁶¹ Every programme has performance indicators in the same four categories. However, not all mandatory indicators are relevant to every programme.

example, the number of CARs issued is a measure of non-compliance levels, but only Organics reports on this KPI. Another indicator is timeliness of audits. However, only the Dairy export programme reports on timeliness of audits, and only for verification audits of State Regulatory Authorities (SRAs), not audits of establishments. While the Meat programme has the information systems to capture data for most of the regulatory KPIs in Table 5.2, it is only reporting on three.

5.42 The KPIs in columns 1 to 6 of Table 5.2 provide basic information for most programmes. Note that appropriate KPIs would not necessarily be uniform across all programmes. In the ANAO's opinion, AQIS does not have sufficient KPIs in place to monitor the regulatory effectiveness of export certification services at the organisational or export programme level.

Table 5.2

Summary of AQIS KPIs to assess regulatory performance

Export programme	(1) No. of audits conducted	(2) Percentage of audits late	(3) No. of CARS	(4) Percentage of CARS closed out on time	(5) Arrangements suspended	(6) No. of critical non-conformities or defects issued	(7) Results of Systems Audits of regions	(8) No. of establishments acceptable at SCA audits	(9) No. of AQIS on-plant systems fully effective
Meat	No	No	No	No	Yes	No	na	Yes	Yes
Dairy ¹									
DRU Audits	Yes	Yes	No	No	No	Yes	na	na	na
SRA Audits	No	No	No	No	No	No	na	na	na
Fish	Yes	No	No	No	Yes	No	No	na	na
Horticulture	No	No	No	No	No	No	Yes	na	na
Grain	No	No	No	No	No	No	No	na	na
Live Animals	No	No	No	Yes	No	Yes	No	na	na
Organics	Yes	No	Yes	No	No	No	na	na	na

1. Dairy is split into information on audits conducted by the AQIS Dairy Review Unit and audits conducted by State Regulatory Authorities.

Source: ANAO analysis

5.43 A factor affecting the range of KPIs available to management is the ability of administrative systems to capture and produce the necessary data. This has already been discussed in Chapter 4.

Recommendation No.6

5.44 The ANAO recommends that AQIS identify and develop performance indicators, for management purposes and external accountability, to enable assessment of the scope and effectiveness of its regulatory activities.

AQIS response

5.45 Agreed. AQIS will refine and further develop key performance indicators within its business planning framework in preparation for the 2007-2008 cycle and associated management review.

External reporting

Annual Report

5.46 The Annual Report is the primary tool for reporting on performance to Parliament and the public. Appendix 10 has excerpts from AQIS's contribution to the DAFF *Annual Report 2004–05*, and ANAO analysis against the individual indicators.

5.47 AQIS reports on three KPIs:

- the number of consignments in export markets where facilitation of release of cargoes is attributed to AQIS;
- rejection of export consignments; and
- level of awareness of AQIS export services.

5.48 The first indicator provides a means of assessing AQIS's facilitation activities. It reports on trends, and provides statistics for each quarter.

5.49 The second indicator reports on rejections. Rejection of a shipment by an importing country indicates that there may be a problem with AQIS's auditing and inspection regime, which makes it a potentially valuable measure. However, the DAFF *Annual Report 2004–05* only reported rejections data from three of the export programmes, despite this being a mandatory KPI. Further, no data is provided comparing performance with earlier years. The ANAO considers this indicator would be more useful if used for all programmes, and with contextual information, such as the number of consignments.

5.50 The only information provided for the third indicator is a general statement that activities have been undertaken to improve awareness. This indicator is not measured or assessed to give indication of change over time, or other perspective of AQIS's performance in this area.

5.51 In summary, DAFF Annual Reports provide limited insight into AQIS's regulatory activities.

Report to Clients

5.52 In addition to the performance information publicly available in DAFF Annual Reports, AQIS also produces a *Report to Clients*.⁶² This report gives a summary of export matters for the year, and includes any issues and developments that have impacted on exports for each programme.

5.53 The *Report to Clients* provides useful information and statistics for clients. It provides general insights into AQIS's regulatory activities and overall effectiveness. The report to clients would be more beneficial if it also included statistics and benchmarks, which clients could draw on to make their own assessments. Possibilities include: the nature or number of CARs being issued across programmes; the number of critical non-compliances issued; the timeliness of audits; the results of overseas audits; and the number and reasons for export consignment rejections.

5.54 The ANAO notes that a necessary prerequisite to improving external reporting on AQIS's regulatory activities is improvement in internal reporting.



Ian McPhee
Auditor-General

Canberra ACT
6 September 2006

⁶² The report covers both quarantine and export certification activities. Reporting on export certification is aimed at exporters, producers and establishments regulated by AQIS.

Appendices

Appendix 1: Meat Export Programme

Introduction

1. The AQIS Meat Inspection programme provides inspection and certification services to the export meat industry in Australia. There are two elements in this task:

- the maintenance of a technically advanced system of inspection which is acceptable to Australia's trading partners and on which AQIS certification is based; and
 - the supply of veterinary and inspection staff to service that system.
2. The nature of the services provided is:
- the provision of export certificates acceptable to Australia's trading partners;
 - a scientifically-based inspection system which is designed to ensure the production of wholesome meat and meat products;
 - a capacity for ongoing scientific review of that system;
 - the supply of on-establishment inspection services and veterinary oversight where necessary at all establishments registered for export with AQIS; and
 - an audit function to verify compliance with the programme's systems.

Products

3. The Meat export programme includes meat and meat products from cattle and bison, Asian water buffalo, camels, goats, deer, sheep, pigs, horses and donkeys. It also includes⁶³ meat and meat products from: domesticated fowls, ducks, geese and turkeys; rabbits and hares; ratites (emus, ostriches); and game⁶⁴ animals.

Programme specific legislation

- *Export Control (Meat and Meat Products) Orders 2005;*
- *Game, Poultry and Rabbit Meat Orders 1985;*

⁶³ Under the *Game, Poultry and Rabbit Meat Orders 1985*.

⁶⁴ A game animal is a wild animal, other than a bird or rabbit, that has been killed in its habitat by a shot from a firearm.

- *Australian Meat and Live-stock Industry Act 1997;*
- *Australian Meat and Live-stock Industry (Export Licensing) Regulations 1998;*
- *Australian Meat and Live-stock Regulations 1998;*
- *Australian Meat and Live-stock Industry (Standards) Order 1997;*
- *Australian Meat and Live-stock Industry (Export of Live-stock to Saudi Arabia) Order 2005; and*
- *Australian Meat and Live-stock Industry (Live Cattle Export to Korea) Order 2005.*

4. Order 3.1 of the Meat Orders states:

3.1 The objectives of these Orders are to ensure that meat and meat products intended for export for food:

- (a) are wholesome or are identified for export for further processing for food; and
- (b) meet requirements to have an accurate trade description; and
- (c) meet the importing country requirements necessary to maintain market eligibility; and
- (d) are traceable, can be recalled if required and their integrity is assured.

5. Order 3.2 states:

3.2 The objectives of these Orders are also to ensure an accurate assessment can be made as to whether the following are met:

- (a) the objectives specified in suborder 3.1; and
- (b) the applicable requirements of the Act and these Orders.

6. The international standard organisation for this programme is Codex Alimentarius.

Exporter licensing

7. Meat exporters are required to be licensed.⁶⁵ A meat exporter is required to provide an accreditation certificate from Aus-Meat to obtain an

⁶⁵ Section 54 (1), *Australian Meat and Live-stock Industry Act 1997*.

export licence from AQIS. They must also undergo a 'fit and proper persons' test,⁶⁶ which covers integrity, competency and financial standing.

Registering establishments

8. All premises producing meat for export must be registered and those operating under the Meat Orders must have an approved arrangement,⁶⁷ including a HACCP plan, in place.⁶⁸

Inspection and auditing regime

9. An importing country requirement is that every carcass be inspected by an inspector employed by the central certifying authority (AQIS). AQIS provides meat inspectors to slaughtering establishments to fulfil this requirement. A further requirement is the presence of an AQIS veterinarian at every establishment processing meat or meat products.

10. The Meat export programme has the most robust audit regime. This is illustrated by Figure A1.1. All establishments in the Meat export programme are audited against their approved arrangement. That is, it is the establishment's responsibility to comply with the required standards and with legislation. AQIS conducts audits to verify that the establishment is compliant.

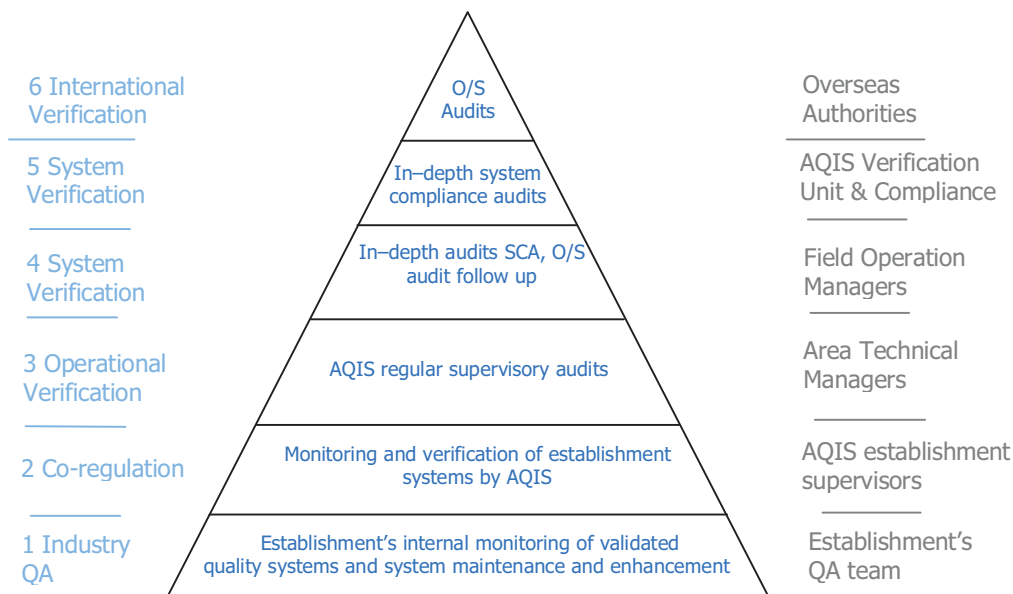
⁶⁶ See Order 4.05 of the *Export Control (Prescribed Goods – General) Orders 2005*.

⁶⁷ The requirements for an approved arrangement are specified in Schedule 2 to the *Export Control (Meat and Meat Products) Orders 2005*.

⁶⁸ Orders 29.1 and 30 of the *Export Control (Meat and Meat Products) Orders 2005*.

Figure A1.1

AQIS regulatory pyramid (Meat export programme)



Source: AQIS

The NPMS

11. AQIS uses the NPMS to manage audits of establishments. It is a database where audit results are recorded, establishment scores and ratings are calculated, the audit programme is monitored and Corrective Action Requests (CARs) are tracked.

12. AQIS has identified 18 elements for an approved arrangement. Each element has been assigned, on a risk basis, to one of three categories, which have the weights shown:

- Minor; 2
- Major; and 4
- Critical. 8

13. During an audit each component (element or activity) is given a rating (by the auditor) from 1 to 10, with 10 being fully acceptable. These ratings are entered into the NPMS. The rating for an element is then multiplied by the weight for the category to which that element has been assigned. For example, if the rating for the element is 8 and the element is categorised as major the score for that element is the rating*weight*0.1, which would be 3.2.

14. The scores are summed and divided by the number of elements/activities relevant to that establishment to give the establishment score. Table A1.1 shows acceptable scores by type of establishment.

Table A1.1

Acceptable scores by establishment type

Type of establishment	Unacceptable	Marginal	Acceptable
Abattoir	≤77	78-80	>80
Independent Boning Room	≤78	78-82	>82
Cold Store	≤90	90-94	>94

Note: At February 2006.

Source: AQIS

15. In the NPMS, where an element/activity receives a rating of 6 or less a CAR must be raised. If the rating is greater than 6 a CAR is optional.

16. The NPMS facilitates the management of CARs. A CAR is raised by completing a form on the NPMS. This includes the date the CAR was raised and the deadline for action. When the CAR is closed out that date is also entered into the NPMS. A CAR that has not been actioned by the due date can be extended once. If it is not closed out at the completion of the next audit the establishment is rated unacceptable. If an establishment has an excessive number of open (not closed out) CARs the system will also rate the establishment unacceptable.

Non-compliance

17. Minor defects identified by establishment supervisors are discussed with the establishment's Quality Assurance Team. A CAR is issued for more serious defects (and uncorrected minor defects). Establishments which are rated unacceptable or persistently marginal are placed in the Scheme for Corrective Action.⁶⁹

18. AQIS sanctions range from temporarily stopping operations in part of an establishment until a defect is rectified, through to termination of an approved arrangement. One option that AQIS uses is to suspend part of an

⁶⁹ Under the Scheme for Corrective Action, establishments are issued with a CAR and are given a timeframe (usually 2 weeks) to develop a corrective action plan (which is required to be approved by the ATM). At the end of the corrective action plan period (usually 4 weeks), the establishment is audited by a Field Operations Manager. If the establishment is found acceptable, the establishment is moved out of SCA. If not found to be acceptable, appropriate sanctions are determined and applied. AQIS's use of the SCA is discussed further in Chapter 4.

approved arrangement. In this case, rather than relying on the approved arrangement for assurance, AQIS puts in its own inspector(s). An example would be to suspend the approved arrangement for the boning room for an abattoir and have a meat inspector present at all times until a satisfactory new approved arrangement is in place and verified. In such cases the establishment is required to meet the cost of the extra AQIS officer.

19. Another option used by AQIS is to temporarily de-list the establishment from certain markets. For instance, an establishment approved for export to the European Union has to meet requirements in excess of Australian standards. If it fails to meet these requirements it can be de-listed for export to the European Union but still export to other markets. Once AQIS is satisfied that the necessary remedial actions have been taken the establishment can be re-listed.

Further information:

20. The Aus-Meat Limited website is:

<www.ausmeat.com.au>

21. The Meat and Livestock Australia website is:

<www.mla.com.au>

Information on the AQIS website:

<www.aqis.gov.au/meat>

Appendix 2: Dairy Export Programme

Introduction

1. The Dairy export programme provides assurance that dairy products meet food safety, legislative and importing country requirements. AQIS works in conjunction with State Regulatory Authorities (SRAs) under a Memorandum of Understanding to administer export certification for dairy produce.

Products

2. Dairy products include milk, milk powder, cheese, cream, yoghurt, butter, ice cream and dairy dips.

Programme specific legislation

- *Export Control (Milk and Milk Product) Orders, 2005.*

3. Order 3.1 of the Milk orders states:

3.1 The objectives of these Orders are to facilitate trade by ensuring the following:

- (a) that milk and milk products for export as food are fit for human consumption or are manufacturing grade milk and milk products and are identified as manufacturing grade for export for further processing;
- (b) that milk and milk products for export as food have a complete and accurate trade description and their integrity is assured;
- (c) that milk and milk products for export as food meet importing country requirements;
- (d) that milk and milk products for export as food are accurately identified and there can be effective traceability and recall if required.

3.2 The objectives of these Orders are also to ensure:

- (a) the accuracy of any statement made in relation to the condition and preparation of milk and milk products for export as food; and
- (b) that an accurate assessment can be made as to whether the objectives specified in suborder 3.1 and paragraph 3.2(a) are met; and
- (c) that an accurate assessment can be made as to whether the requirements of the Act and these Orders are met.

4. The international standard organisation for this programme is Codex Alimentarius.

Exporter licensing

5. There is no requirement for exporters to be licensed.

Registering establishments

6. Export establishments must apply to AQIS for initial registration for their premises. This involves having an approved arrangement containing a Hazard Analysis Critical Control Point (HACCP) plan and details of how they will comply with the Orders. The occupier of an export establishment must also undergo a 'fit and proper persons' test as part of this process. Note that the approved arrangement also meets virtually all domestic market requirements.

Inspection and auditing regime

7. Most dairy establishments registered with AQIS also produce for the domestic market. Rather than have two sets of auditors, SRAs in Victoria, New South Wales, Queensland, Tasmania and Western Australia audit and inspect export-registered establishments on behalf of AQIS. At the time of audit fieldwork AQIS audited registered establishments in South Australia. AQIS is negotiating with South Australia for it to audit these establishments on AQIS's behalf. The ability to use SRAs to audit on AQIS's behalf is facilitated by the harmonisation of domestic and international standards.⁷⁰

8. SRAs conduct audits of establishments producing milk and milk products twice per year, and for establishments that store or handle milk and milk products, once every 12 months. There is a mix of announced and unannounced audits. In addition, load out inspections are carried out on each exporter at least once per year.

9. AQIS audits SRAs twice annually to verify the activities they are performing on AQIS's behalf. This includes a competence review of all SRA auditors at least once annually. AQIS also audits a sample of dairy establishments as part of their audit of SRAs.

⁷⁰ See Appendix 8 for more information on international standards.

Non-compliance

10. Corrective Action Requests (CARs) are issued by SRAs and AQIS where a defect is found. These are classified as 'non-compliance' and 'critical non-compliance'. Primary responsibility for the management of CARs lies with the SRAs. Sanctions range from the imposition of extra load out inspections (at the establishment's cost) to the deregistration for export of the establishment. Most sanctions are applied under State legislation.

Further Information

11. The *Australian and New Zealand Food Standards Code* is available from: <www.foodstandards.gov.au>, or use the link on the AQIS website under 'Useful Dairy Links'.

12. Information on the Dairy Industry, including exports, is available from: <www.dairyaustralia.com.au>

Information on the AQIS website:

<www.aqis.gov.au>Exports>Dairy Exports

Appendix 3: Fish Export Programme

Introduction

1. The primary aim of the Fish export programme is to provide assurance that fish or eggs exported meet importing country requirements and food safety standards. AQIS registers and audits both land establishments and vessels.

Products

2. *Fish and fish products.* Fish includes aquatic vertebrates and aquatic invertebrates including shellfish, aquatic amphibians and reptiles. It does not include aquatic mammals. Examples include wild fish, farmed fish, lobster, oysters, and crocodiles.

3. *Egg and egg products.* Limited to eggs from the species *gallus gallus* (domestic chickens). Egg products are the contents of an egg removed from its shell, and in liquid, frozen or dried form.

Programme specific legislation

- *Export Control (Fish and Fish Product) Orders 2005;* and
 - *Export Control (Eggs and Egg Products) Orders 2005.*
4. Both of these Orders have objectives, which are identical to the objectives for the Dairy programme described in Appendix 2.
5. The international standard organisation for this programme is Codex Alimentarius.

Exporter licences

6. There is no requirement for exporters to be licensed.

Registering establishments

7. In order to export, egg processing establishments, land based fish processing establishments and vessels which undertake fish processing (as defined in the Fish Orders) are required to be registered with AQIS and have a quality assurance system in place. An approved arrangement is needed for registration, which must include a HACCP plan.

8. The occupier of an export establishment must also undergo a 'fit and proper persons' test as part of this process.

Inspection and auditing regime

9. Establishments are audited against their approved arrangements. As detailed in the table below, AQIS conducts audits of registered land-based establishments (including egg processing establishments) based on a risk category of the establishment, and their most recent establishment rating ('A' to 'D'). The risk ratings are developed by the likelihood of there being a failure to comply with the requirements of the Act or Orders and the harm that may result from the failure. An establishment with an 'E' rating is unable to produce for the export market.

Table A3.1

Audit frequency

Risk Category	Establishment Rating			
	A	B	C	D
Low	Annual	6 months	4 months	2 months
Medium	9 months	5 months	3 months	6 weeks
High	6 months	4 months	2 months	1 month

Source: AQIS

10. Audits are conducted by AQIS officers. Mixtures of announced and unannounced audits are conducted. Vessels are inspected annually, unless they receive a 'D' or 'E' rating, where they will be audited more frequently subject to operational constraints.

Non-compliance

11. Defect reports are given where a defect is found. These are classified as 'minor', 'major' and 'critical'. Sanctions can range from a request to address a deficiency, through a warning letter, a suspension of part of the establishment's approved arrangement, to deregistration.

Further information

12. The *Australian and New Zealand Food Standards Code* is available from: <www.foodstandards.gov.au>, or use the link on the AQIS website under 'Useful Dairy Links'.

Information on AQIS website:

<www.aqis.gov.au/Food> Exporting Food>Exporting fish and fish products

Appendix 4: Horticulture Export Programme

Introduction

1. The Horticulture export programme provides assurance that Horticultural exports meet legislative requirements, importing country quarantine requirements and Australia's obligations under the International Plant Protection Convention (IPPC). It also provides assurance that exports of dried fruits meet food safety requirements. Export certification is in the form of a phytosanitary certificate.⁷¹

2. There are a large variety of horticulture exporters, ranging from long-term exporters with a good knowledge of importing country requirements and export certification procedures, to producers who have found themselves with excess stock and who are looking to export markets. These latter often have little knowledge of export certification procedures or importing country requirements.

3. A phytosanitary certificate is sufficient to meet the quarantine requirements of many importing countries. However, a number of important export markets have additional requirements. A common example is procedures to ensure that exports from Australia are free from fruit fly. Examples include:

- Fruit fly host produce to New Zealand;
- Citrus to Japan – on shore treatment;
- Citrus to Japan – in transit treatment;
- Mangoes to Japan;
- Ware Potatoes to South Korea through Victoria;
- Fruit Fly host produce from Riverland to Taiwan;
- Australian Citrus exports to Thailand;
- In transit cold treatment of citrus to Korea; and
- Fresh Australian apples to Taiwan.

⁷¹ To obtain a phytosanitary certificate product must be free of insects and other pests and diseases prohibited by the importing country. The product must also be free of contaminants such as sand or soil which could harbour undesirable organisms. It must also not contain undesirable weed seeds. Note that 'free' ranges from nil tolerance to 'no more than x per sample'.

Products

4. Horticulture products include plants; cut flowers; fresh and dried fruits; and vegetables.

Programme specific legislation

- *Export Control (Plant and Plant Products) Orders 2005*; and
 - *Export Control (Mung Beans) Orders*.
5. The international standard organisation for this programme is the IPPC.

Exporter licensing

6. There is no legislative requirement for exporters to be licensed. However, under the Australia-New Zealand Bilateral Quarantine Arrangement, an approved arrangement is required for the export of fruit fly host commodities to New Zealand. This includes exporter registration.

Registering establishments

7. Prescribed goods must be prepared and presented for inspection in a registered establishment. The Plant and Plant Products Orders provide for approved arrangements, including a HACCP plan or similar quality assurance arrangement, on a voluntary basis. The Orders also include separate requirements for 'bulk' premises and 'small' premises.

8. Establishments with a quality assurance arrangement with AQIS in place can use an employee (who has been approved by AQIS) to conduct phytosanitary inspections.

9. In addition, a specific approved arrangement is required for fruit fly host produce being exported to New Zealand. Further, where exporters are exporting specific produce to specific countries, they must ensure their approved arrangements address these requirements (e.g. the requirement to segregate potatoes sourced from Victoria from potatoes from Western Australia when exporting to South Korea through Victoria).

10. Both registration and approved arrangements are approved after a desk audit and a site audit.

Inspection and auditing regime

11. Where an arrangement is in place, approved inspectors perform the end point inspection of each shipment; otherwise an AQIS officer performs the inspection. At their appointment, approved inspectors demonstrate to AQIS the required phytosanitary and commodity inspection competencies. Inspectors are then reviewed by AQIS every 12 to 18 months.

12. There are different audit frequencies for different products and country destinations. For exporters of dried fruits and cut flowers, there is an initial audit regime that involves an annual formal audit and bi-monthly surveillance audits. Once exporters have demonstrated their competence they go to a regime of an annual formal audit and quarterly surveillance audits.

13. For other Horticultural products there is an annual inspection supplemented by surveillance audits as deemed necessary. Where there is an 'approved' arrangement in place establishments are audited against the arrangement.

Non-compliance

14. Shipments which do not pass inspection are rejected. A rejected shipment may be treated (e.g. fumigated) and presented for re-inspection. The fact that a shipment has been treated and re-inspected will be noted on the phytosanitary certificate.

15. Where a defect is found at a premise, a Corrective Action Request will be issued. Where a serious defect is found registration may be suspended or withdrawn.

Further information

Information on AQIS website:

<www.aqis.gov.au/Plants> Grains and Horticulture>Exporting Plants/Grains and Horticulture

Appendix 5: Grain Export Programme

Introduction

1. The Grain export programme provides assurance that exports of grains and other products in the programme meet legislative requirements, importing country quarantine requirements and Australia's obligations under the International Plant Protection Convention (IPPC). Export certification is in the form of a phytosanitary certificate.⁷²

Products

2. Products in the Grain export programme include wheat, barley, oats, hay and straw, cotton, logs and timber products.

Programme specific legislation

- *Export Control (Plant and Plant Product) Orders, 2005*; and
 - *Export Control (Hay and Straw) Orders, 2005*.
3. The international standard organisation for this programme is the IPPC.

Exporter licensing

4. There is no legislative requirement for exporters to be licensed.

Registering establishments

5. Prescribed goods must be prepared and presented for inspection in a registered establishment. Bulk grain exports are inspected at the loading terminals as they are loaded. The inspection facilities are provided by the terminal, while the inspectors are provided by AQIS. The procedures for registering premises, approving arrangements and approving inspectors are described in Appendix 4, Horticulture.

6. Most container loading facilities have a quality assurance arrangement in place with AQIS, under which containers and the product are inspected by AQIS approved inspectors.

⁷² To obtain a phytosanitary certificate product must be free of insects and other pests and diseases prohibited by the importing country. The product must also be free of contaminants such as sand or soil which could harbour undesirable organisms. It must also not contain undesirable weed seeds. Note that 'free' ranges from nil tolerance to 'no more than x per sample'.

Inspection and auditing regime

7. Establishments with ‘approved’ arrangements are inspected formally twice per year against their arrangements. At least one of these has to be unannounced. In addition, AQIS has the right to perform drop-in surveillance inspections, to check on areas of past non-compliance. While an exporter does not pay for a surveillance inspection, where a Corrective Action Request (CAR) is issued, a formal inspection will be carried out, and the exporter may pay for this inspection.

8. AQIS inspects the ships and containers used for export to verify that they are free of insects, rodents and other pests which could infest the shipment and lead to rejection by the importing country.

9. The Plant Orders require that ships must be surveyed by a marine surveyor before loading.⁷³ The surveyor is required to pay particular attention to conditions that could result in ‘contaminating, wetting or imparting an odour to relevant goods’. The responsibility for arranging the survey lies with the master and the responsibility for a declaration from a marine surveyor that the ship is suitable to carry the goods lies with the shipowner or shipowner’s agent. That is, if a cargo is contaminated with rust from the ship, that is not an AQIS responsibility. All AQIS is responsible for is ensuring that a declaration of suitability was produced before loading commenced.

Non-compliance

10. Shipments which do not pass inspection are rejected. A rejected shipment may be treated (e.g. fumigated) and presented for re-inspection. The fact that a shipment has been treated and re-inspected will be noted on the phytosanitary certificate.

11. Where a defect is found at a premise, a CAR will be issued. Where a serious defect is found registration may be suspended or withdrawn.

Further information

Information on AQIS website:

<www.aqis.gov.au/Plants> Grains and Horticulture>Exporting Plants/Grains and Horticulture

⁷³ *Export Control (Plant and Plant Products) Orders 2005, Orders 18 to 21.*

Appendix 6: Live Animals Export Programme

Introduction

1. The Live Animals export programme provides assurance that live animals exported from Australia meet the quarantine requirements of the importing country(s). For livestock exports it also provides assurance on the welfare of the animals exported, including whether their health status and preparation for the voyage will allow them to safely make the journey.

2. AQIS has regulatory responsibility for exporters and for the premises at which livestock are assembled and undergo quarantine prior to export. State Governments have responsibility for animal health and welfare on the farms, feedlots, holding yards and transportation of animals. State Governments are also required to provide certificates on the disease status of the farms from which animals originated.⁷⁴

Products

3. The Live Animals programme includes livestock⁷⁵ animals (cattle, buffalo, sheep, camelids, goats and deer), as well as companion animals such as cats and dogs.

Programme specific legislation

- *Export Control (Animals) Orders 2005;*
- *Australian Meat and Live-stock Industry Act 1997;*
- *Australian Meat and Live-stock Industry (Export Licensing) Regulations 1998;*
- *Australian Meat and Live-stock Regulations 1998;*
- *Australian Meat and Live-stock Industry (Standards) Order 1997;*
- *Australian Meat and Live-stock Industry (Export of Live-stock to Saudi Arabia) Order 2005;* and
- *Australian Meat and Live-stock Industry (Live Cattle Export to Korea) Order 2005.*

⁷⁴ For example, a requirement that the animals for export were kept in a bluetongue virus free zone. This requirement is met by a certificate from a State Department of Agriculture that the farms from which the animals originated are in a bluetongue free zone.

⁷⁵ Livestock covers the commercial export of the species named.

4. The international standard organisation for this programme is Office International des Epizooties (OIE).

Exporter licensing

5. Exporters of cattle, sheep, goats, buffalo, deer and camelids (camels, alpacas and vicunas) are required to be licensed.

6. Export licences can be obtained by submitting an 'operations and governance manual' to AQIS to be approved. This manual must show: how the business will operate and be governed, including how the exporter will comply with *Australian Standards for the Export of Live-stock* (ASEL); the organisational structure of the business; people management and training; risk management; records management; and compliance strategy and review. Exporter licences are renewed annually.

Registering establishments

7. Prior to export livestock must be held in premises registered by AQIS. The operator of the premises must apply to AQIS for registration annually. To obtain registration, the owner must submit a 'registered Premises Operations Manual' and the property must pass inspection. The main criteria for registration are in the *Export Control (Animals) Orders 2004*. The Orders also require operators to comply with the ASEL, in particular, Standard 3, Management of Livestock in Registered Premises.

Accredited Veterinarians

8. AQIS Accredited Veterinarians undertake pre-export preparation and/or on-board export ship veterinary activities for livestock identified in an 'approved export programme'. To be recognised as an AQIS Accredited Veterinarian, veterinarians must apply to AQIS to be registered, meet the criteria and be placed on the 'approved list'. These veterinarians are employed by the exporter.

Administrative process

9. The administrative steps in the process for a livestock export shipment are as follows:

- the exporter gives the Secretary a notice of intention to export (NOI) and a consignment risk management plan (CRMP) for the export;
- the Secretary approves the NOI and CRMP;

- the livestock are treated and tested in accordance with the ASEL and the importing country's requirements;
- the livestock are held in pre-export quarantine or isolation at registered premises in the way that, and for as long as, the importing country requires; and
- before, during or after treatment and testing, the livestock are assembled at registered premises.

Inspection and auditing regime

10. AQIS began auditing licensed exporters in December 2005. The audit regimes for auditing premises and Accredited Veterinarians have yet to be developed. The audit frequency for licensed exporters will be twice per year. This will be reviewed after two years.

Non-compliance

11. Where a confirmed non-conformity exists, an AQIS Corrective Action Request will be issued to the exporter or operator of the premises. AQIS inspects animals at the assembly point for loading and monitors the dock-side loading inspection. At either point AQIS can (and does) withdraw individual animals as not suitable for export.

Further information:

12. *Australian Standards for the Export of Live-stock* are available on the DAFF website:

<www.daff.gov.au/livestockexportstandards>

Information on the AQIS website:

<www.aqis.gov.au> Animals and Reproductive Material>Exporting live animals and reproductive material>Exporting livestock

Appendix 7: Organics Export Programme

Introduction

1. The Organics export programme provides assurance that products labelled as 'organic' meet the required standards. Organic is an overlay of food legislation, an extra requirement, relating to the means and method of production. A person who exports prescribed goods that are also organic must meet the requirements of the programme under which the goods are prescribed, and then meet organic requirements. For example, to export organic meat, the exporter must meet all of the requirements under the *Export Control (Meat and Meat Products) Orders 2005*, as well as the Organic Orders, including separate organic audits of the farms producing the animals and the abattoirs processing them. Potentially, requirements relating to 'organic' could apply to any products under the Export Control Act. It is important, therefore, that requirements be consistent across products.

Products

2. The term 'organic' is defined as:
- the application of practices that emphasise the:
- use of renewable resources; and
 - conservation of energy, soil and water; and
 - recognition of livestock welfare means; and
 - environmental maintenance and enhancement, while producing optimum quantities of produce without the use of artificial fertiliser or synthetic chemicals.⁷⁶
3. Organic products are variable, and can range from meat to tea to wines to cosmetics.

Programme specific legislation

- *Export Control (Organic Produce Certification) Orders 1997.*
4. These orders incorporate the *National Standard for Organic and Bio-dynamic Produce*. The National Standard lists requirements for:
- production;

⁷⁶ Australian Quarantine and Inspection Service, 2005, *National Standard for Organic and Bio-dynamic Produce*, Edition 3.1, January 2005, p.8.

- farming inputs;
- transport;
- storage and handling;
- preparation and packaging;
- labelling and advertising;
- substances permitted for sanitation;
- processing inputs; and
- criteria to evaluate input substances.

Exporter licensing

5. There is no requirement under the Organics Orders for exporters to be licensed.

Registering establishments

6. All organic produce exported from Australia has to be certified, by an Approved Certifying Organisation (ACO), as having been produced in accordance with the National Standard. There are seven ACOs which act on behalf of AQIS. AQIS registers the certifying organisations.

7. In order to become approved, the organisation must submit a Quality Management (QM) manual to AQIS. A desk audit of the organisation's QM manual and an on-site audit of its operations are conducted prior to approving the registration of the ACOs. A 'fit and proper persons' test of the organisation's management is also conducted as part of this process.

8. ACOs then approve certified operators to export, and sign their export permits. Organic export establishments are required to document and implement a quality management system that complies with National Standard, importing country requirements and the trade description of produce.

Inspection and auditing regime

9. AQIS audits the seven ACOs at least once each year, with the ability to audit more frequently if they see a need to. The purpose of the audits is to assess compliance with the requirements of the National Standard, the Organic Orders and importing country requirements. They verify administrative

procedures against the QM manual of the certifying organisation. As part of these audits, AQIS also audits one per cent of certified operators every year.

10. ACO conduct audits of organic exporters at least once every 12 months. Five per cent of these operators are also subject to unannounced inspections.

Non-compliance

11. Where an AQIS audit identifies a non-conformity in the operations of an ACO, a Corrective Action Request will be issued.

12. If an ACO identifies problems with certified operator, sanctions can range from a requirement to address the problem to a withdrawal of certification.

Further information

13. DAFF, *The Australian Organic Industry: A Summary*, 2004. Available from the DAFF website:

<www.daff.gov.au/publications> Agricultural Industries and Food>Australian Organic Industry – A Summary (2004)

14. Dr Darren Halpin, *The Australian Organic Industry A Profile*, 2004. Available from the DAFF website using the previous link.

Information available on the AQIS website:

<www.aqis.gov.au/Food> Exporting Food>Organic and Biodynamic products

Appendix 8: International Standards

1. The Agreement on the Application of Sanitary and Phytosanitary Measures (the 'SPS Agreement') entered into force with the establishment of the World Trade Organisation (WTO) on 1 January 1995. It allows countries to set their own food safety and animal and plant health standards, but these must be based on science.

2. Standards should be applied only to the extent necessary to protect human, animal or plant life or health; and standards should not arbitrarily or unjustifiably discriminate between countries where identical or similar conditions prevail.

3. While international standards are often higher than the national requirements of many countries, including developed countries, the SPS Agreement permits governments not to use the international standards. However, if the national requirement results in a greater restriction of trade, a country may be asked to provide scientific justification, demonstrating that the relevant international standard would not result in the level of health protection the country considered appropriate.

4. There are three international organisations and one international convention that become involved in setting requirements for food. All of these are recognised by the WTO.

- [Office International des Epizooties \(OIE\)](#), which, as the world animal health organisation, develops standards or norms relating to trade in animals and trade in animal products.
- [International Plant Protection Convention \(IPPC\)](#), this convention generally expresses its work through Regional Plant Protection Organisations, such as the Asia and Pacific Plant Protection Commission. Through these organisations standards and norms are developed which are designed to facilitate trade in plants and plant products.
- [Codex Alimentarius](#), a part of the Food and Agricultural Organisation of the United Nations, develops food standards and prescribes maximum residue limits for chemical residues in food.

- [WHO](#), the World Health Organisation maintains an interest in issues relevant to human health.⁷⁷

5. Australia is a member of the WTO and is represented at the OIE, IPPC and Codex Alimentarius, with AQIS staff as members of the Australian delegation and as members of standard setting working parties.

International Standards and Australian Standards

6. In 1999, the National Competition Policy Review⁷⁸ of the Export Control Act began. The report from this review⁷⁹ (known as the Frawley Report) contained 14 recommendations, all of which were agreed to by the Government.⁸⁰ In response to the recommendations, the Export Control Orders for all of the major export programmes, with the exception of Organics, were revised and simplified by AQIS, in consultation with industry. The new Orders were finalised in 2004 and came into effect in December 2004⁸¹ and July 2005.

7. One of the recommendations of the Frawley Report was:

that domestic and export standards for the production of food and agricultural products be harmonised, and that they be consistent with relevant international standards.⁸²

8. The current Export Control Orders require exporters and establishments preparing products for export to comply with the specified Australian Standard.

⁷⁷ For further information see <www.daff.gov.au> International Food and Agriculture>WTO obligations.

⁷⁸ National Competition Policy Reviews are reviews of Commonwealth legislation designed to ensure that National Competition Policy is being followed. That is, that legislation does not present unnecessary or undesirable impediments to competition.

⁷⁹ <www.aqis.gov.au> Legislation>Export Assurance – National Competition Policy Review of the Export Control Act 1982.

⁸⁰ The Government response to the Frawley Report can be found on the AQIS website along with the report.

⁸¹ The Orders for the Live Animals export programme came into effect in December 2004.

⁸² <www.aqis.gov.au> Legislation>Export Assurance – National Competition Policy Review of the Export Control Act 1982, Recommendation 4, p.137.

Appendix 9: AQIS Cost Recovery

1. In Audit Report No.10 2000–2001,⁸³ the ANAO concluded, overall, that AQIS’s cost-recovery systems are mature and stable and, with some exceptions, have delivered near cost-recovery for the AQIS recoverable programmes. Notwithstanding this, AQIS’s cost-recovery systems contain a number of inherent weaknesses that potentially impair the efficiency and effectiveness of the management of those systems.

2. The report made six recommendations. AQIS agreed with recommendations 1-5 and disagreed with recommendation 6. The Joint Committee of Public Accounts and Audit (JCPAA), at a public hearing on the audit report, added two recommendations, and endorsed the ANAO’s sixth recommendation.

3. Audit Report No.17 2003–2004⁸⁴ found that AQIS had implemented ANAO recommendations 1, 2, 3, 4 and 5, and JCPAA recommendations 2 and 4. The report also found that AQIS had made substantial progress in implementing recommendation 3.

⁸³ ANAO Audit Report No.10 2000/2001 *AQIS Cost-recovery Systems*.

⁸⁴ ANAO Audit Report No.17 2003/2004 *AQIS Cost-recovery Systems Follow-up Audit*.

Appendix 10: AQIS Performance Indicators

AQIS performance reporting in the 2004–05 DAFF Annual Report

Indicator	Figures given	Text	ANAO comment
The number of consignments in export markets where facilitation of release of cargoes is attributed to AQIS.	A table with the numbers for each quarter with a total of 772.	‘There was a slight increase in the number of consignments where AQIS officers were required to facilitate clearance, but the trend line continues to be flat. The Department continues to work effectively with industry to minimise the number of consignments requiring assistance for clearance.’	Release of consignments is not always within AQIS’s control, and therefore not necessarily an indicator of their success or otherwise. Also, there is no target or expectations given so the result can be put in context.
Rejection of export consignments.	Graph showing Percentage per quarter for four programmes, then in description figures are given (see next column).	<p>Horticulture: ‘Of horticulture exports, the 21 consignments rejected during the year made up just 0.05 per cent of all consignments exported, compared with 13 consignments (0.08 per cent) in 2003–04.’</p> <p>Grain: ‘Grain rejection is measured at the time the grain is presented for inspection at the point of export. The level of rejection for 2004–05 reflects the short supply of the fumigant phosphine in South Australia during the third quarter. This resulted in larger than expected rejection tonnages (3.16 per cent) for this period and the beginning of the fourth quarter.’</p> <p>Live Animal Exports: ‘A rejection of a live animal consignment occurs when one or more animals are rejected on arrival in the destination country, and are either re-exported or destroyed. Of the 7 892 consignments exported from July 2004 to May 2005, none were rejected. June 2005 figures were not available at the time of reporting.’</p> <p>Meat: ‘Meat rejection data from the United States of America have not been available since August 2002 due to upgrades to their computer systems. It is not yet known when reliable data will be available for use in assessing programme performance.’</p>	There are no targets given, and only horticulture has given results of the previous year to enable readers to compare. Further, Organics, Dairy and Fish are not included, as well as no results for Meat which limits the cross-programme analysis of this indicator.
Level of awareness of AQIS export services.	None.	‘Export Facilitation officers played a vital role in ensuring that Australian exporters of agricultural commodities were aware of the requirements of importing countries. New information products were developed during the year to assist the promotion of export services, including a financial year wall planner.’	There is no target and it has not been measured, which means this is not a measurable performance

Indicator	Figures given	Text	ANAO comment
			indicator, and therefore lacks usefulness. AQIS would need to measure and record results against targets to make this more worthwhile.

Source: DAFF 2004-05 Annual Report pp. 100-102⁸⁵

⁸⁵ Department of Agriculture, Fisheries and Forestry 2005, *Annual Report 2004-05*.

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