

## Frequently Asked Questions re Third Party Auditing of APIQ✓<sup>®</sup>

### Third Party Auditing

- **Why change?** Under existing APIQ✓<sup>®</sup> policies and procedure; APL owns, develops, administers and manages APIQ✓<sup>®</sup>; and facilitates audits and approves certifications. Performing these tasks limits APL's ability to be independent and is seen as an unacceptable conflict of interest (COI) by external parties that limits the credibility, acceptance and value of APIQ✓<sup>®</sup> to industry.
- **How does industry benefit?** Increased credibility and value leads to increased acceptance by regulators and markets. APIQ✓<sup>®</sup> becomes a more useful tool that strengthens the *Pork Supply Chain Integrity Program* and supports the industries push into overseas markets. Efficiencies within APL allow resources assigned to APIQ✓<sup>®</sup> to be reduced and/or re-deployed. Overhead and current project costs specific to APIQ✓<sup>®</sup> could be reduced by up to 300K.
- **How will producers benefit?** Increased credibility and value in the opinion of customers leads to market opportunity. Arranging audits will be simpler and audit costs more transparent and in some cases cheaper. More auditors spread in more areas will allow audit costs to be managed more carefully and allow uncertified producers to become certified. Compliance to rotation and COI requirements will be simpler and audit assessments will become more consistent over time.
- **Is there a downside?** Change can be difficult to adjust to and audit costs may increase for some producers, such as producers whose audit is part of a veterinary service contract. These producers may find that their vet fees and products have been subsidising their audit costs and will need to renegotiate their contracts, less the cost of their audit.
- **Who is the preferred contractor?** *AUS-MEAT Limited* has been identified by the Expression of Interest (EOI) review committee, the APIQ Panel and APL Board QAAW committee as the organisation best suited to manage the audit process on your behalf.
- **How was AUS-MEAT selected?** Having completed an independent *Financial Analysis of Administration and Management of Auditing: In-house or by an External Third Party* (Project 2015/067) as directed by the Board in May 2015. APIQM called for EOI's from five (5) organisations identified in the project as having the ability and expertise to provide the required services. Following detailed discussions with four (4) of these organisations, three (3) EOI's were received. EOI's were reviewed by a review committee tasked with identifying and recommending the preferred organisation. Detailed analysis looked at each organisations audit team, audit expertise, audit training systems, auditing systems, administrative ability, business structure, and understanding of APIQ✓<sup>®</sup> and the industry. The Panel made a recommendation to the QAAW committee who have endorsed AUS-MEAT as the organisation best suited to the tasks.

- **What will AUS-MEAT do under the new arrangement?**

AUS-MEAT will:

- Manage on-farm audits required by the APIQ<sup>✓</sup> program nationally, including; audit scheduling, auditor appointment, closure of Corrective Action Requests (CARs).
- Auditor engagement, management, training and support.
- Liaise/report routinely to APIQ Management (APIQM)/APL.

- **What will APIQM do under the new arrangement?**

APIQM will:

- Establish, maintain and manage the contract and ensure agreed policies and practices are followed.
- Manage routine reviews and activities for development of Standards and Policies.
- Facilitate Panel activities including CCARs.
- Focus on uptake and producer assistance to become certified.
- Focus on customer, consumer and community education in relation to APIQ.
- Provide industry reports as needed.
- Approval of certification and provision of certificates.

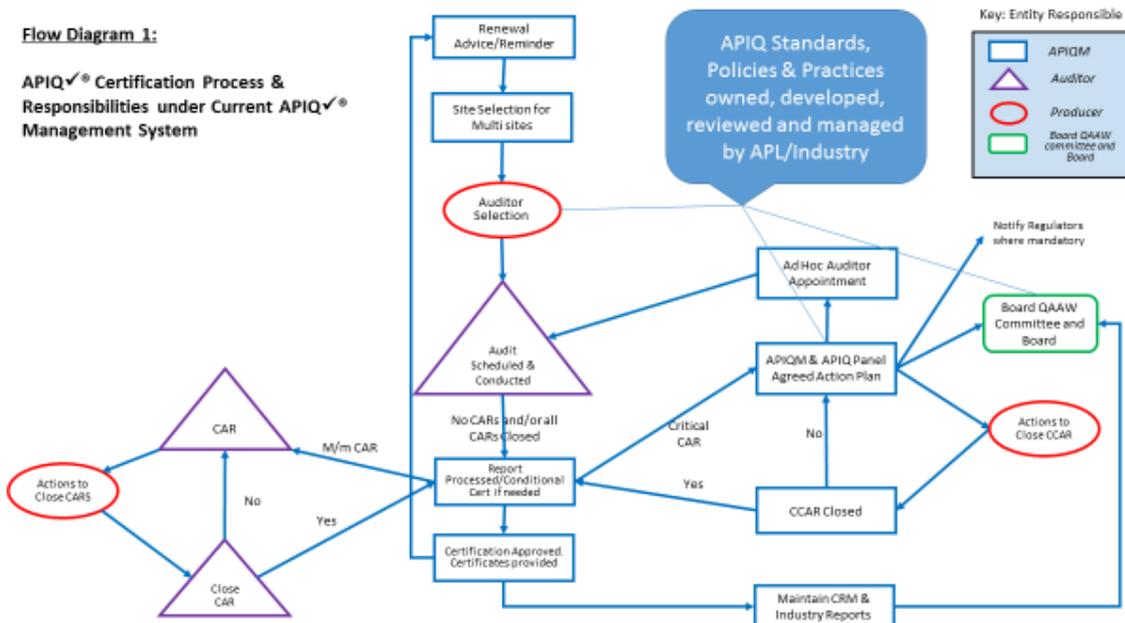
- **What will the APIQ Panel do under the new arrangement?**

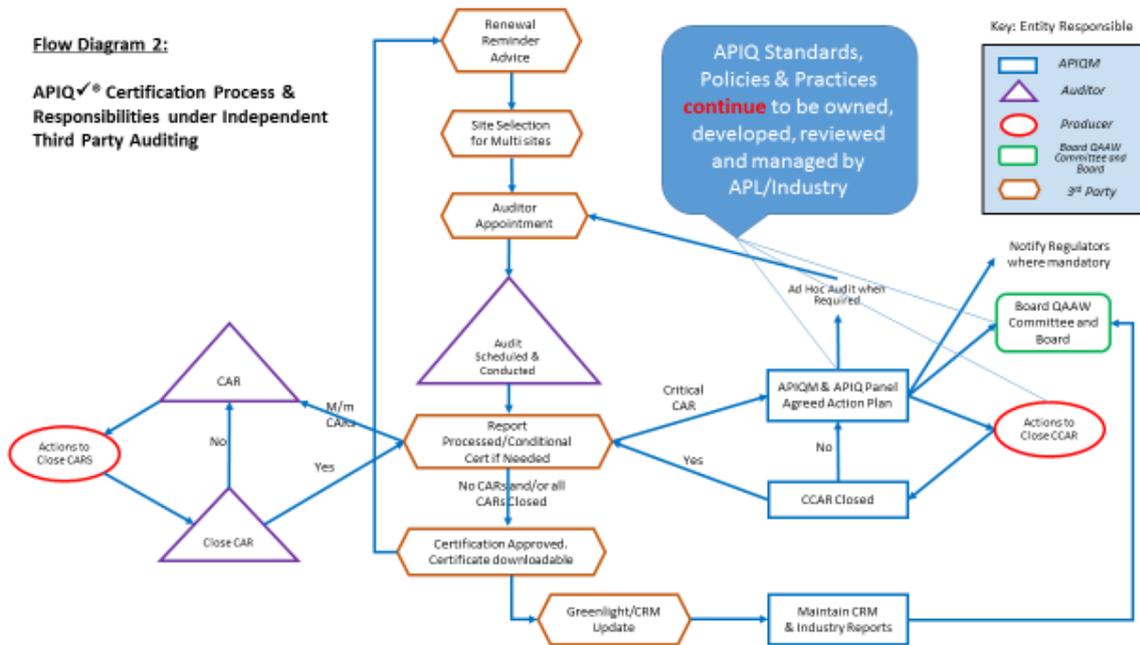
The Panel will continue to operate as it does now, it will:

- Review incidences, issues and situations re certification and audits that are outside policy.
- Review standards and Policies routinely and make recommendations for improvement to the QAAW committee and Board.

- **What will the QAAW Committee and Board do under the new arrangement?** The QAAW Committee and Board continue to operate as they do now.

Flow Diagrams 1 & 2 show the key entities and their responsibilities in relation to the Certification Process.





## Organisation

- **What happens to APIQM?** APL staff dedicated to APIQ<sup>✓</sup>® will be reduced from three (3) to one (1) or one and a half (1.5), depending on the final contract. Existing staff may be assigned to other tasks or responsibilities or employment may be concluded.
- **Does this change the cost of APIQM to industry?** The direct project and overhead costs to APL to administer and manage APIQ<sup>✓</sup>® will reduce by up to 300K once the transition to contract is complete with these costs absorbed by AUS-MEAT in their fees and charges.
- **Who owns the program?** APL continues to own APIQ<sup>✓</sup>® with overall responsibility for its Standards, Policies and Procedures.
- **Who reviews and amends the Standards?** Existing processes for reviewing and developing Standards are maintained; including routine Major and minor reviews by producer and other stakeholder working groups.
- **Who reviews and amends the APIQ Certification and Administrative Policies?** Certification Policies continue to be reviewed, agreed and approved by industry. In consultation with AUS-MEAT to ensure they are aligned with best practice.

Administrative Policies (or processes) specific to APL/APIQM responsibilities are determined by APIQM and approved by the Panel.

Administrative Policies specific to AUS-MEAT responsibilities are set by AUS-MEAT to ensure they meet the requirements of the CP's and the contract.

- **When will the change take effect?** 1 January 2018.

## Audit Cost

- **How will audit costs be calculated?** Compliance Audit Fees and Charges have been agreed to by the APL Board and AUS-MEAT Ltd.
- **How can audit costs be minimised?** Because AUS-MEAT auditors audit multiple enterprises across all states and regions, they are able to schedule other audits in proximity to piggeries while complying with your biosecurity requirements. Producers that have their audits on time and work with the auditor to schedule their audits will minimise their associated travel costs.
- **Who pays who?** Producers pay AUS-MEAT directly. AUS-MEAT pays auditors.
- **What will third party auditing cost APL?** Less than APIQ costs now✓®.

## Audit & Certification process

- **Will I be reminded that my audit is due?** Yes, you will receive a reminder notification, as you do now. The AUS-MEAT Ltd auditor will contact you when your audit is due to schedule a time for the annual compliance audit.
- **Will the frequency of audits change?** No. Frequency is outlined in the CP's and site selection for joint certifications will continue to follow the JASANZ formula
- **Who does my audit?** An AUS-MEAT affiliated auditor.
- **How is my audit scheduled?** Your auditor will be given your details and a time frame (typically three months up to your certification expiry) to contact you to schedule and conduct your audit. Cooperating with the auditor allows the auditor to schedule other audits assigned to them in your area which spreads associated travel costs.
- **How is my audit conducted?** The same way it is today.
- **How will CARs be managed?** In consultation with the auditor as they are now.
- **Who approves my certification?** APIQM, as guided by the CP's and Compliance Guide.
- **Who issues my certificate/s?** APIQM
- **Will auditor rotations be required?** Yes, and they are managed by AUS-MEAT.
- **Who will I contact for information on APIQ?** APIQM at APL.
- **How safe is my information?** AUS-MEAT is bound by the same confidentiality requirements as APL/APIQM.

## Issues and Critical CARs:

- **How will Critical CARs be dealt with?** Through APIQM, the Panel and producers as they are now.
- **What if I want to appeal a certification decision?** You can through APIQM and the Panel as you can now.
- **What if I have a complaint?** You can lodge complaints with APIQM as you can now or with AUS-MEAT. They will be dealt with as outlined in the CP's.

## Auditors

- **What happens to the existing auditors?** They could continue to work as auditors under AUS-MEAT if they fit AUS-MEAT criteria, agree to AUS-MEAT contract/employment terms and conditions and meet rotation and COI criteria.
- **What qualifications and experience will AUS-MEAT auditors have?** The same qualifications as existing auditors as specified in the CP's.
- **Who trains the auditors?** Training is AUS-MEAT's responsibility with APIQM providing updates on Standards, amendments and compliance requirements as needed.
- **How many auditors does AUS-MEAT have?** 94 auditors employed and/or contracted across Australia.
- **How experienced are they?** AUS-MEAT auditors have extensive audit experience and audit multiple enterprises across many agricultural and food production enterprises.
- **Do they have pig experience?** Of the 94 auditors, 9 currently meet the experience and qualification criteria, 10 have suitable intensive industry experience and others will be upskilled to meet the requirements.
- **Is there any savings to APL?** No annual or management fees are paid to AUS-MEAT by APL. AUS-MEAT's overheads are built into the audit fee. APL saves on auditor training, witness audits, muddy boots and APIQM overheads.