

EXTENSION MATERIAL COPY

Clearer and more effective compliance

WHY

Why is compliance with integrity systems important?

Integrity systems are the red meat industry's protection against rare but potentially damaging incidents. Australian producers rely on access to markets, and any incident that affects the ability of red meat producers to export could have flow on effects that cost up to \$42.5 billion. As a result, red meat integrity systems are vital to minimising the risk presented by food safety and product integrity issues on farms to Australian businesses in the sector.

To support the industry in managing these risks, the Livestock Production Assurance (LPA) program provides the baseline assurance that underpins Australian producers' ability to stand by what they sell. Along with the National Livestock Identification System (NLIS), it ensures market access by allowing customers to have confidence in where livestock has come from to expect quality products from Australian producers.

Why improve compliance with our red meat integrity systems?

The red meat sector is widely dispersed across Australia, covering remote parts of the country in all states and territories. This means that identifying risks and detecting issues that may affect market access is extremely difficult. It only takes a single integrity issue, such as a disease or residue detection, to cause damage to the entire industry, including the large number of producers who seek to do the right thing.

We must use new tools and approaches to ensure that we can identify areas where non-compliance poses the greatest threat to all producers, and focus our resources on lifting standards where it will make the greatest difference to the industry overall.

Addressing risks to the sector and providing greater assurance will make certain that Australia's red meat integrity systems are maintained and will help preserve Australia's reputation as a red meat producer in an increasingly competitive international market.

WHAT

What will compliance look like in the future?

The Integrity Systems Company (ISC), which delivers on-farm assurance programs and traceability systems through the LPA program and the NLIS, are seeking to provide a more focused and effective approach to improving compliance with red meat integrity systems. This approach will be based on an understanding of areas of greatest risk to the industry, will use data to guide its

decisions and will seek new ways to verify the practices and systems that underpin the LPA and NLIS systems:



RISK-BASED

Manage whole of supply chain risk by identifying areas of highest risk and the most important risk controls.



DATA-LED

Increase use of online systems to provide gather better risk and compliance information for decision making.



VERIFIABLE

Seek to verify and to incentivise producers to understand and comply with integrity systems requirements.

What does risk-based compliance mean?

While all components of the LPA standard are important for assuring the integrity of red meat products, there are limited resources available to manage compliance. Making the most of these resources means focusing on areas where non-compliance causes the greatest risk to the industry.

Effective risk-based compliance also means clearly understanding how bad things happen, such as:

- the food safety and product integrity incidents we want to avoid and how they occur
- the barriers in place to prevent these incidents or reduce their effects i.e. the risk controls
- how to ensure that these risk controls are in place on farms and are working as intended.

Producers should be provided clear guidance on these controls and how they are expected to perform.

A risk-based and control-focused approach will give ISC and state/territory partners discretion to focus their resources on specific risks and the controls that are critical to managing risk in the sector. ISC will then be able to communicate to industry how well these major risks are being managed across the country.

What data will be used?

ISC manages information associated with the LPA's National Vendor Declaration and the NLIS, which maintains assurance throughout the supply chain and ensures products are traceable to their source. This information is supplemented by data obtained from audits of approximately 2% of properties annually.

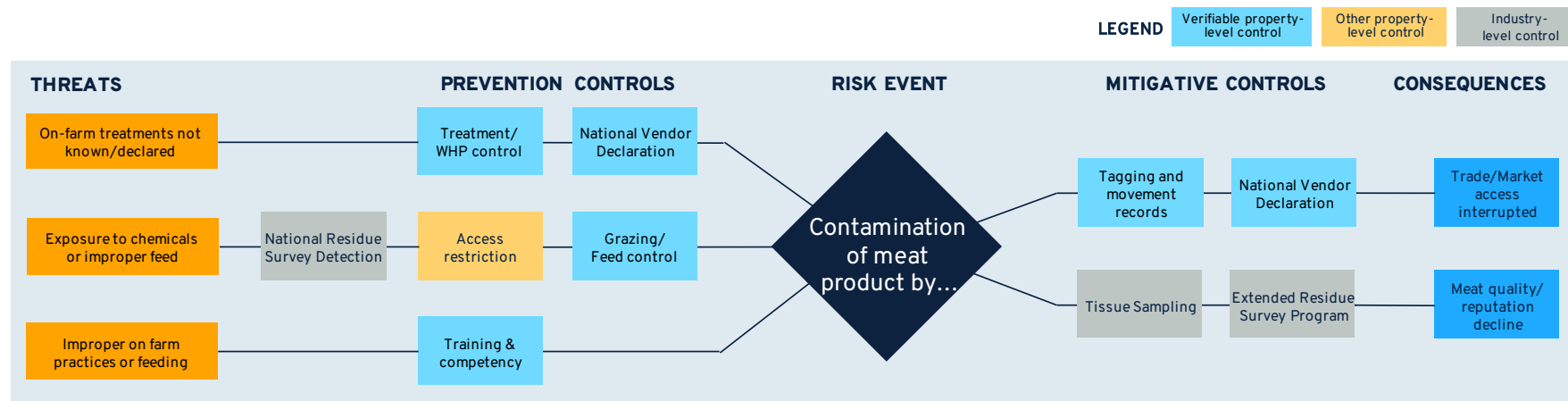
In the future, ISC will not only seek information from declarations as part of the electronic NVD, but will also seek information from producers about their properties and the risks that they manage via the LPA reaccreditation process. Producers can also use this reaccreditation process to demonstrate their compliance by submitting evidence that critical risk controls are in place and are working. This evidence can then remove the need for an on-farm audit, saving time for producers and for ISC.

HOW

How will the changes affect producers?

The fundamental aims and requirements will be similar to the current LPA requirements. However, ISC will be seeking to focus on risk controls rather than standards. The advantage of this risk-based approach means that the intent of the program’s requirements will be clearer by linking them to risk and providing guidance on how these controls can be managed and verified.

The following diagram indicates how specific controls relate to on farm risk management (in this case, for managing contamination of meat product):



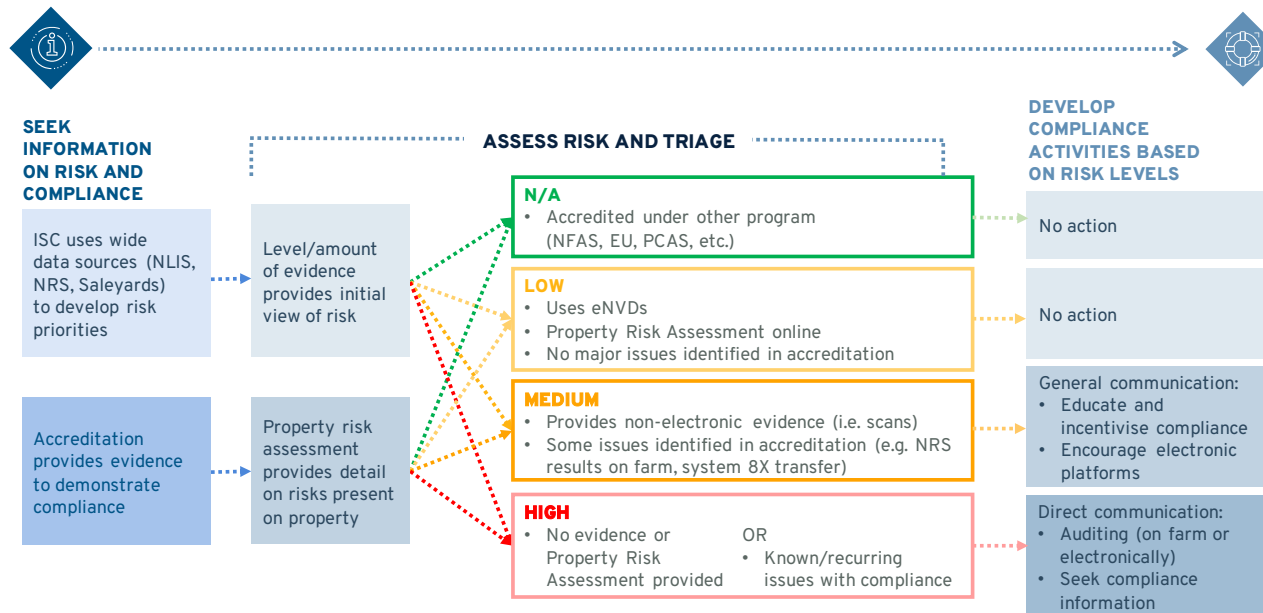
In this example case, all controls relevant to the risk are already covered under existing LPA standards. However, contextualising these requirements in terms of how they manage risk provides clarity of what controls are important and why they are important.

Critical controls (controls that are either the only barrier or are the most important barrier preventing the risk from eventuating) must be verifiable and have clear criteria for success. In brief, producers will be required to meet the same level of assurance as they currently do, but must demonstrate their compliance for the critical controls that are considered most important for managing risk. In general, the more evidence and verification of compliance that a producer provides, the lower the perceived risk. Lower risk producers require much less attention from ISC in terms of audits, communications and other requirements.

How will ISC assess risk and use data?

There are multiple sources of data that can be used or can be improved, such as NLIS data and information captured on eNVDs. ISC will also use LPA reaccreditation information, and compliance evidence provided as part of this process, to prioritise its activities and focus its attention.

The diagram below shows a conceptual example of how ISC can use risk to prioritise its approach to compliance activities. In this example, the property risk assessment (currently required as part of LPA accreditation) is an online tool that outlines relevant hazards and contains information on how the property manages its risk controls:



Using online LPA and NLIS data gives ISC more discretion in its compliance activities. Properties can be “virtually audited” using information provided as part of reaccreditation, and compliance issues can be addressed without the need for an on-farm audit. On-farm audits could still be used as a compliance option, and specialised audits (such as at saleyards or other areas of the supply chains) may be valuable to provide insight on compliance trends.

WHAT NEXT

To improve the effectiveness of compliance activity, there are three broad areas of change to be undertaken:

- Focusing on areas of highest risk:
 - i. Re-frame standards as risk controls to be verified
 - ii. Develop processes for assessing risk and for a tiered approach to compliance activities
 - iii. Use communications and direct engagement to address compliance issues
- Using data to detect risk and prioritise compliance activities
 - i. Expand and formalise data sources from other organisations relevant to integrity systems
 - ii. Improve the uptake of eNVDs by producers and incorporate NVD data into compliance activity
- Verify the level-level controls that maintain the integrity of the red meat sector
 - i. Expand accreditation process to collect property risk data and provide evidence of compliance
 - ii. Address low information properties to verify compliance and promote online accreditation submission processes
 - iii. Review effectiveness of intervention and ongoing monitoring in improving compliance.

All of the above initiatives will need to be supported by effective communications to ensure that all producers understand any changes in requirements.

