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Scoping study to investigate options for consolidating commercial audits in the Australian beef processing industry

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Contents

1 Background

A plethora of Quality Assurance and Certification Schemes (QAS) are now recognized in the Australian beef processing industry. These QAS often extend beyond the key regulatory requirements, to encompass other national and international standards and individual credence values for commercial customers, including traceability, labelling, personnel management and social accountability, product quality, BSE and animal welfare[1].

Despite the gains in efficiency[2] from implementing QAS in terms of improvements in process, the ability to identify problems, manage risk and meet regulatory and customer requirements, the associated costs, including labour and material costs of record keeping and testing are becoming significant as more QAS are required[3]. Furthermore, the abundance of different requirements within multiple QAS and audits to demonstrate these standards are now being recognized as a source of increased cost and input for suppliers, where benefits are becoming increasingly difficult to measure[4]. In Australia and internationally, customers and end-users of Australian beef have recognized that HACCP and ISO systems that reflect the Codex Alimentarious Guidelines and existing Australian food regulatory systems alone may not provide the due diligence or assurance they require. Therefore, the development of end-user proprietary programs has increased substantially.

Industry is now required to fulfil these customer QAS in addition to regulatory and importing country requirements in order to supply companies such as Woolworths, Coles, Spotless, MetCash, Costco, Cisco, Subway, Burger King, McDonalds and Yum Brands. Furthermore, as new customers enter the market, they too are designing their own proprietary QAS – for example, in Australia Aldi, Nando and Walmart are entering the market. Supply chains are becoming more complex in nature, and this can mean multiple, parallel requirements for suppliers and lead to duplicate systems, audit and paperwork, yet there are many similarities in the requirements of most international and national food safety and quality standards.

As the Australian beef processing industry continues to target high value markets[5] and now, with the increasing globalization of the food service industry[6], companies are often communicating directly with the end-user/customer. As a result, the constant demonstration of different requirements through QAS that are acceptable to each individual end-user/customer or market is part of daily business.

As the number of commercial and regulatory standards and QAS continues to grow, one implication is that the pressure on suppliers to demonstrate these different requirements is also increasing[7], a consequence of which is multiple audits. It is also widely believed that the number

[1] Antle, J.M. 1999. Benefits and Costs of Food Safety Regulation. Food Policy, 24, 6, 605-623

[2] Nganje, W., Mazzocco, M. 2003. The Impact of HACCP on Factor Demand and Output Supply Elasticities of Red Meat. Published by North Dakota State WAEA Annual Meeting, Denver, Colorado.

[3] Antle, J.M 1998b No such thing as a free, safe lunch: the cost of food safety regulation in the meat industry. Research paper 9, Trade Research Centre, Montana State University. 2000.

[4] FSIS RIS 1996. The final rule on pathogen reduction and HACCP. US Department of Agriculture, 61, 144, 38805-38855.

[5] CRC for Beef Genetic Technologies, Agriculture and Rural Based Manufacturing Sector (Developing from an existing CRC) – NSW. Report of intended outcomes, 2004.

[6] Dries, L., Mancini, M., Gay, S. 2006. Food Quality Assurance and Certification Schemes, Report for the Stakeholder Hearing, European Commission.

[7] Willems, S., Roth, E., Roekel, J. 2005. Agriculture and Rural Development Discussion Paper 15 (World Bank) Cost of Compliance with SPS Standards - Changing European Public and Private Food Safety and Quality Requirements. Challenges for Developing Country Fresh Produce and Fish Exporters- European Union Buyers Survey.

of private standards will not decrease in the future, but will be expanded to include other specific requirements such as ethical and environmental issues[8]. Furthermore, tracking and tracing of products in the supply chain will become a private and a public requirement[9]. In the attempt to address these pressures, the Australian beef processing industry has acknowledged the need to investigate future options for managing the multiple audits that have resulted from the vast diffusion of QAS in the industry.

2 The project

The objective of the project is as follows:

- provide background on the pressures facing industry in relation to increasing Quality Assurance and Certification Schemes (QAS) in the commercial sector and associated multiple audits;
- provide background on the efforts to date made by industry, certification bodies and regulatory authorities nationally and internationally towards consolidating QAS and audit functions;
- examine, on the basis of the information collected on current practice, possible options, steps and tools within the current framework for consolidating multiple commercial audits.
- provide some draft recommendations for consideration by the industry towards consolidation and delivery of combined audits in the beef processing industry.

The strategic context of this project was designed to underpin other industry and government food safety and audit policies, with the objectives of:

- promoting national consistency in managing auditors and auditing;
- assisting food regulators implementing food safety audit managing systems, including sharing of resources, simplifying requirements and operating consistently in all jurisdictions;
- giving recognition and acceptance by industry of minimum core regulatory requirements.

SCOPE:
The project identified two elements within commercial QAS that currently require multiple audits and that present opportunity for future consolidation. The two areas identified include animal welfare and BSE/SRM.

These elements were selected on the basis of stakeholder consultation with industry representatives. Additionally, these elements presented a reasonable example to investigate issues surrounding multiple audits, due to the standards and activities for audit being similar. As these elements (animal welfare and BSE/SRM) are relatively new to the QAS environment and agri-food market, the number customers and certification bodies is still relatively small, compared to food safety *per se*.

[8] Thankappan, S., Marsden, T. 2006. Private Standards Driving the Agri-Food Supply Chains: What Role do Global Organisations Play? The Centre For Business Relationships, Accountability, Sustainability and Society WORKING PAPER SERIES No. 40.
[9] Willems, S., Roth, E., Roekel, J. 2005. Agriculture and Rural Development Discussion Paper 15 (World Bank) Cost of Compliance with SPS Standards - Changing European Public and Private Food Safety and Quality Requirements. Challenges for Developing Country Fresh Produce and Fish Exporters- European Union Buyers Survey.

Food safety consolidation will also be considered in this report, as recommended by industry stakeholders involved, however consolidating food safety requirements has already been investigated considerably in the literature[10]. Furthermore, the large array of difficulties associated with food safety consolidation, including the scale of difference QAS nationally and internationally, together with the larger number of players involved requires considerable investigation. The need to address multiple QAS and audits has previously been acknowledged in the effort made by the British Retail Consortium (BRC) to consolidate standards into a single international system. This objective is also currently being investigated as part of the Global Food Safety Initiative (GFSI)[11] and some of the current efforts and considerations relating to food safety consolidation and multiple audits will also be referred to later in this report.

3 Summary of the drivers

As trends in demographics, consumer preferences and the complexity of the supply chain increase, the variety of compliance programs and different standards covering a range of safety and quality elements is placing increasing pressure on suppliers[12].

In Australia, a beef export processing enterprise must fulfil, firstly, the legislative requirements for both domestic and export meat production, as well as the relevant importing country requirements. Secondly, the same enterprise will be required to fulfil (in order to supply) the requirements of their specific commercial customers, which in some cases could require up to twelve different QAS and twelve different audits averaging two days per audit[13]. For example, some establishments have to be certified in HACCP, SQF, BRC, EUREPGAP, and IFS. Similar circumstances are seen overseas, where, in a report by Williems (2005)[14] the outcomes of multiple food safety standards was discussed. In this report a case study involving Belgian manufacturer outlined the enterprise was ISO 9001-, HACCP-, and BRC-certified, however, its other suppliers, the German retailers do not accept these packages, therefore the company is considering becoming IFS-compliant as well. The report indicated that as a consequence, the company will need four audits a year (Joppen 2003), excluding the regulatory requirements and local quality requirements. Therefore, national and international QAS, whilst based on similar principles of ISO and HACCP but that contain different elements lead to multiple certification and audit. This is becoming an ever-increasing issue, as differences continue to be established in terms of quality attributes, personnel and enterprise management requirements and differences in terms of targets, standard terminology and practice requirements.

Aside from the recognised international programs, such as BRC, IFS, SQF, Dutch HACCP and ISO, there are a large number of proprietary programs developed and managed by commercial customers. These include McDonalds, Wholefood Markets, Gerber, Cisco, Burger King, Yum Brands, Spotless, Costco, and Subway, all of which have their own specific modules and

[10] Food Quality Assurance and Certification schemes, Report for the stakeholder hearing, May 2006.
[11] WHO global strategy for food safety: safer food for better health. II.Series. ISBN 92 4 154574 7 (NLM Classification: WA 695) World Health Organization 2002.
[12] Willems, S., Roth, E., Roekel, J. 2005. Agriculture and Rural Development Discussion Paper 15 (World Bank) Cost of Compliance with SPS Standards - Changing European Public and Private Food Safety and Quality Requirements. Challenges for Developing Country Fresh Produce and Fish Exporters- European Union Buyers Survey.
[13] Pers. Comm., Australian Meat Holdings, Cargill Beef, 2007.
[14] Willems, S., Roth, E., Roekel, J. 2005. Agriculture and Rural Development Discussion Paper 15 (World Bank) Cost of Compliance with SPS Standards - Changing European Public and Private Food Safety and Quality Requirements. Challenges for Developing Country Fresh Produce and Fish Exporters- European Union Buyers Survey.

standards. Although the outcomes of these different programs and standards are often similar, as are the practices they govern at the establishment, the subtle differences in the design, terminology and application of each QAS means that companies are required to gain certification to each program to supply the specific customer.
Over the last 5 years, there has been considerable investigation and discussion surrounding the need to consolidate QAS requirements.[15] Many reviews of QAS internationally have examined the similarities between various programs and requirements and other initiatives that lend towards the need for consolidation. Other reviews have focussed on the barriers to adoption of QAS, and the increasing complexity of these programs, and as a consequence, making the opportunities for industry co-ordinated innovation more and more challenging.

In the Australian beef industry, the current framework for export beef processors involves:

- Export Meat Orders
- Australian Meat Standard
- AUS-MEAT Standards
- Approved Arrangement Guidelines (export)
- Volume 2 of the Export Meat Orders
- AQIS Meat Notices
- Verification framework (ATM and VU function)
- Commercial requirements.

The Australian Meat Standard and the Approved Arrangement Guidelines are examples of regulatory consolidation, where the key requirements for a wide variety of aspects, including traceability, animal welfare and food safety are presented in a single document to underpin regulations for certification. For instance, the Approved Arrangement guidelines, when coupled with specific requirements for the importing countries of each supplier, provide the framework to meet export certification for establishments. From a State and Territory perspective, consolidation of regulatory functions has also occurred to a reasonable level, where regulation is managed under the Australian Meat Standard. The principles in the Australian Standard are consistent with the export documentation (ie Approved Arrangement) and provides a nationally consistent standard for the production of meat and meat products for human consumption. These standards and the efforts towards consistency in the Australian meat processing sector highlight the importance of presentation of an effective framework and the demonstrated ability to communicate that framework to trading partners in order to achieve a reasonable level of consolidation.

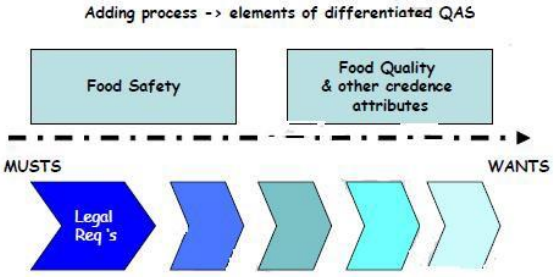
More recent assessments[16] on the changing nature of the food service sector indicate that the increasing proliferation of QAS and multiple audits are featuring as a key industry concern. A recent survey for the National Food Industry Strategy (an Australian initiative),[17]shows that manufacturers believe the major impediments for maintaining food safety are auditing costs (frequency, complexity, etc) (39%) and human resources (people, time, etc) (38%). Amongst the manufacturers surveyed, 36% mentioned cost, and 23% stated too many audits, multiple audits, inspections, specifications and lack of a national approach. Other impediments to maintaining

[15] NCS International, news issue 32, 2006; Havinga, T. 2006. Private regulation of Food Safety by Supermarkets, Law and Policy, 28, 4, 516-531.
[16] Nationport “Data Survey ers”, 2005. BIS Shrapnel Pty Ltd Level 8, 181 Miller st, Nth Sydney NSW 2060 Australia.
[17] National Food Industry Strategy, Report “Data Survey of Food and Beverage Manufacturers”, 2005. BIS Shrapnel Pty Ltd Level 8, 181 Miller st, Nth Sydney NSW 2060 Australia.

food safety included government regulations/legislation (13%), time (8%) lack of trained staff/personnel (8%), and testing/codes/systems (EU, ANZFA, etc) (7%).[18]

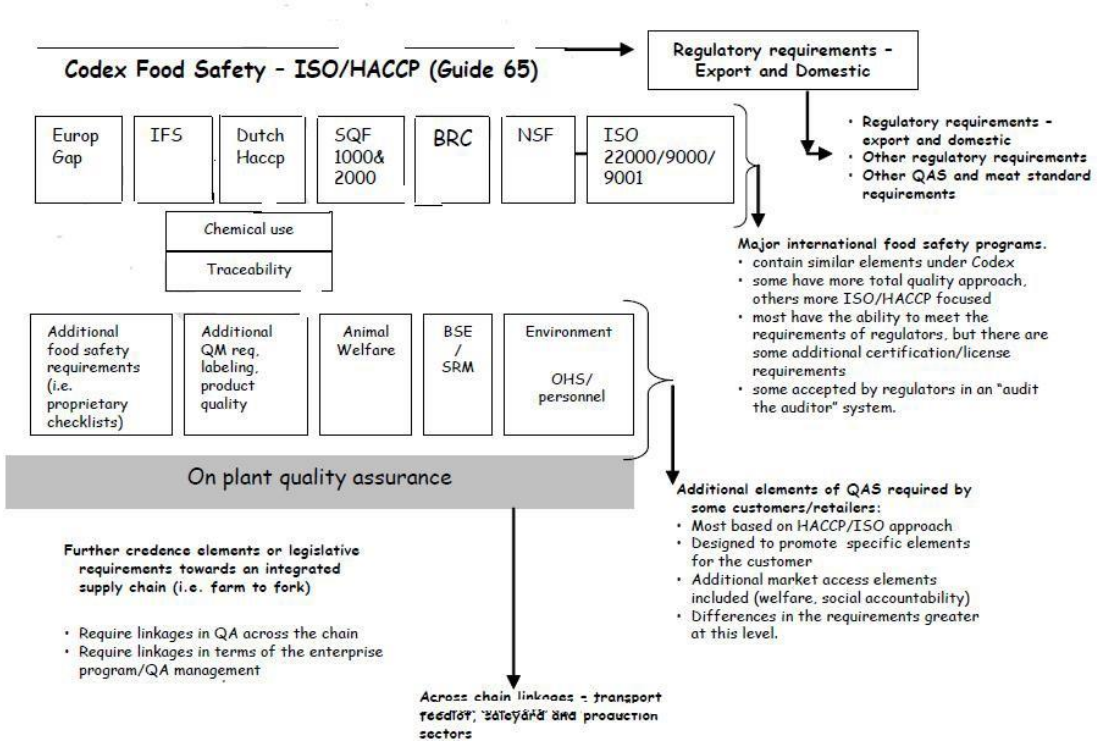
The background paper provided in Appendix 1 provides further background on the development of QAS from food safety to the addition of quality elements.

In the current global environment, a plethora of regulatory, commercial and production sector QAS are recognized. These QAS often extend beyond the key regulatory food safety requirements, to other product quality and credence values such as livestock traceability, management, product quality, occupational health and safety, and animal welfare[19] as shown in the diagram below:



Below shows an example of the QAS framework in industry, depending on supply chain partner:

Diagram 1: Representation of the current QAS framework:



[18] National Food Industry Strategy, Report "Data Survey of Food and Beverage Manufacturers", 2005. BIS Shrapnel Pty Ltd Level 8, 181 Miller st, Nth Sydney NSW 2060 Australia.

[19] Thankappan, S., Marsden, T. 2006. Private Standards Driving the Agri-Food Supply Chains: What Role do Global Organisations Play? The Centre For Business Relationships, Accountability, Sustainability and Society WORKING PAPER SERIES No. *40.*

As the number of customers requiring their own standards, QAS to deliver the standards and audits for verification is increasing, industry faces continual pressure to increase innovation, efficiency and manage inputs against costs relating to these activities in order to remain viable.
A consequence of increasing QAS is multiple audits, despite the conduct and content of the audits being similar in many cases. This is a double-edged sword for both industry and certification bodies. While it means for industry, improvements in efficiency from regular inspections of QAS function, it also means increased input in terms of labour and quality assurance expertise, increasing audit costs and time input from enterprise staff to manage and oversee quality assurance processes and audit activities. This requires training, delivering broader services, implementing new technologies and systems and an overall increase of resource into quality assurance mechanisms within the enterprise. Similarly for the certification bodies, as demand for audit of multiple QAS increases, the need for improved efficiency in meeting supplier needs, having accreditation for multiple programs and hiring and training auditors that are certified to audit a wide array of programs are the key challenges[20].

In practice, another consequence of multiple QAS and audits is the need to duplicate some processes and systems. For example, the beef processing enterprise may have to develop, record and demonstrate procedures for a single procedure or practice in different ways for different customers. Additionally, beef processing enterprises may have to maintaining separate and individual work instructions, standard operating procedures, audit and recording mechanisms, depending on the specifics of the various QAS required by their customers.

In summary, increasing regulatory and commercial QAS requirements, combined with the consequence of multiple audits lead to increasing resource inputs from the beef processing enterprise. Literature[21] suggests that the major costs associated with the implementation of QAS or HACCP for an enterprise is time and labour required to document, update, audit and report on the system. These costs extend to the ongoing maintenance of the QAS and audits once implemented, which the literature[22]categorises as follows:

- labour related to audits (including time spent in preparation for audit, time spent during the audit);
- labour related to:
  - maintaining the QA system, including HACCP and SOP/GMP;
  - internal auditing,
  - reporting,
  - data collection
  - recall and verification activities.
- training and human resource costs to be able to manage and deliver on requirements;
- the actual cost of audit.
- The above excludes capital costs associated with compliance activities, testing requirements, packaging and labelling requirements and new technologies, all of which have been expressed as inputs from industry stakeholders[23].

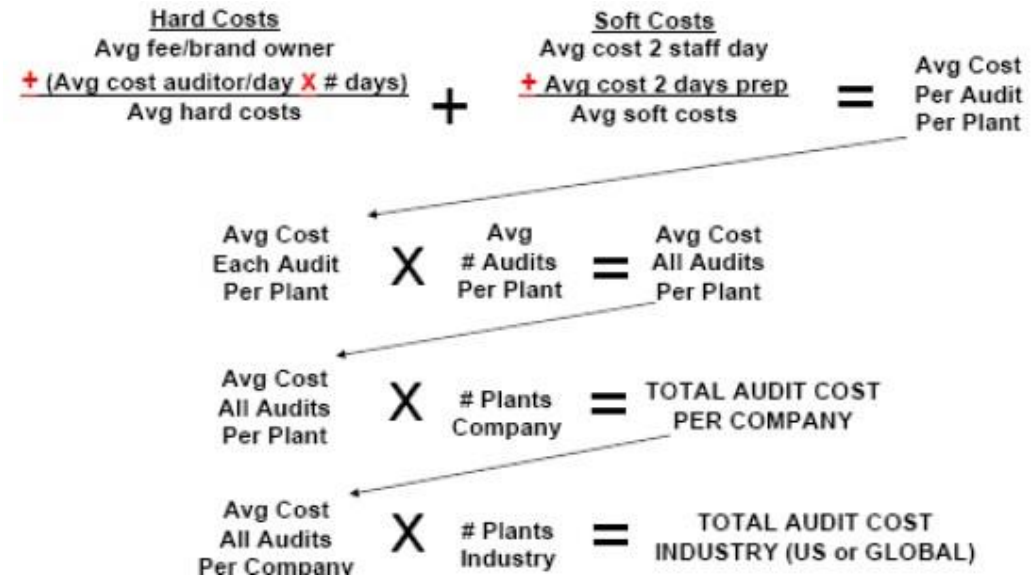
Processors are estimated to spend as much as 224 days per year preparing for external audits, conducting internal audits, accompanying external audits and responding to corrective actions[24].

[20] Pers comm., AusMeat Ltd.
[21] Henson, S., Holt, G., Northern, J. 1998. Costs and benefits of implementing HACCP in the UK dairy sector. Food Control, 10, 99-106.
[22] Assessment of options for food safety regulation, Food Standards Australia and New Zealand, Regulatory Impact Statement, 2007.
[23] Pers comm., AMIC steering committee, 2007
[24] Pers comm., AMIC consolidating audit project steering committee, 2007.

This cost, at the approximate amount of $35-45 per person (average 2 people per day) is significant (estimated 1 full salary minimum to an average total for 2 people of $130,000p.a). Despite the documented benefits (ie retail meat businesses have reported 11% savings from implementing HACCP programs)[25], the costs as the number of different QAS increase, may not be further outweighed by the benefits in the future. The literature on costs and benefits of food safety programs and audits present the difficulties in applying economic theory, including the difficulties in obtaining/verifying accurate input data, and difficulties in conducting meaningful comparisons across enterprises and/or industries[26]. For 'real' estimate of cost, economic assumptions on the effectiveness of the specific HACCP standards, the estimated risk of food bourne disease, the costs associated with verification and some determination of "improved product quality" as a benefit need to be determined. For instance, benefits and costs of food safety regulation and control are difficult to measure, in essence, because food safety itself is difficult to measure[27]. Therefore economic assumptions must be developed to make best use of limited and imperfect data in these approaches.

However the question of benefit and cost relating to multiple QAS and audits is certainly one that requires attention. In a recent assessment of the options for food safety regulation, commissioned by Food Standards Australia and New Zealand (FSANZ) quantitative compliance costs were documented to determine the most appropriate options for Government and industry[28]. The report acknowledged that every effort should be made to recognise audit equivalence so that businesses do not bear the costs (and confusion) of multiple audits – a consideration for future cost/benefit analysis. The report acknowledged, after quantitative analysis of the costs and benefits for regional manufacturers and producers that if one audit was acceptable to all parties (customers/regulators), then direct audit charges would be cut by 75%, i.e. from $4000 per year to $1,000 per year with additional savings in time and resource inputs[29]. Nearly all of the previous reviews on the increasing the diversity of QAS and multiple audits for suppliers have been initiated on the basis of cost, inefficiency and pressure on industry[30]. Cargills, the US based company, provided a presentation at a recent meeting on the need for international agreement on food safety (AFDO, 2007[31]) and presented the following model:

[25] Assessment of options for food safety regulation, Food Standards Australia and New Zealand, Regulatory Impact Statement, 2007.
[26] Antle, J. 1999. Benefits and Costs of Food Safety Regulation. Food Policy, 24, 6, 605-623.
[27] Antle, J. 1999. Benefits and Costs of Food Safety Regulation. Food Policy, 24, 6, 605-623.
[28] Assessment of options for food safety regulation, Food Standards Australia and New Zealand, Regulatory Impact Statement, 2007.
[29] Assessment of options for food safety regulation, Food Standards Australia and New Zealand, Regulatory Impact Statement, 2007.
[30] FSANZ (Food Standards Australia New Zealand) 1999, Food safety standards—costs and benefits: an analysis of the regulatory impact of the proposed national food safety reforms, www.daff.gov.au.
[31] International Agreement on Food Safety and the baseline for audits, AFDO, 2007, Scimeca, J. Director Corporate Regulatory Affairs, Cargill.



Cargills presentation[32] indicated that using the average cost of $7,684 per audit for 3 plants ($23,052 total for Cargills) the cost of audits for the US industry would be estimated at $700m and $3 billion globally. The investigation indicated a cost reduction of $450m for the US and between $2-4 billion globally if there was agreement on an acceptable audit/standard.

The costs for certification bodies and customers has not been quantified in the literature. However, reports from industry participants indicate that the main costs for certification bodies include accreditation, labour/personnel, training and audit costs/time. Additionally, without agreement on a single standard, the conduct of multiple audits (consolidating current audits) reduces the time spent/audit cost, however may increase administrative cost associated with reporting and verification for different customers (data entering etc).

In summary, as the number of different commercial QAS continues to increase, there is a need to examine a framework, combined audit or single standard that enables delivery to multiple customers (and regulators), without continually increasing the time, efficiency and resource burden on beef processing enterprises.

In conclusion, some of the drivers for consolidating current QAS and audits include the following:

- There are many similarities between commercial QAS. Codex is the most applicable tool to compare standards and resist audit proliferation, and the leading QAS (BRC, IFS, ISO 22000, SQF 2000 etc) all contain the 37 criteria of Codex[33]. Similarly, most audit programs, when compared, exhibit 91-94% similarities in their elements and structure[34].
- There is the opportunity to reduce cost to suppliers by enabling multiple audits through development of a combined audit function;
- There is the opportunity to reduce cost to certification bodies by reducing time spent through consolidated audits;

[32] International Agreement on Food Safety and the baseline for audits, AFDO, 2007, Scimeca, J. Director Corporate Regulatory Affairs, Cargill.
[33] International Agreement on Food Safety and the baseline for audits, AFDO, 2007, Scimeca, J. Director Corporate Regulatory Affairs, Cargill.
[34] International Agreement on Food Safety and the baseline for audits, AFDO, 2007, Scimeca, J. Director Corporate Regulatory Affairs, Cargill.

- Establishing baseline similarities and equivalence between the major QAS may provide increased focus, understanding and improvements in resource allocation – many QAS elements are in fact, non-competitive
- There is opportunity for a more effective and integrated supply chain. A range of food safety and quality standards have been purpose-built for Australian agricultural industry sectors and regulatory frameworks; and many enterprises are trained in these;
- There would be opportunity to create a framework for national benchmarking of key performance standards and compliance through consolidated systems and agreed baseline requirements; (note: this is currently a national priority)
- There would be improved ability to communicate the system to end-users and across the supply chain;
- There would be improved efficiency and resource management at the supplier enterprise;

This report will consider these opportunities whilst discussing the various options reported by stakeholders for consolidating multiple audit functions in the beef processing industry.

4 Current efforts towards consolidation

Appendix 1 provides some of the background literature referred to in this report, including a section detailing some of the previous and current attempts towards consolidation of QAS and multiple audits.

Efforts towards consolidation by industry and Government

Australia has already achieved reasonable consolidation of regulatory and QAS requirements, in comparison with other countries. For example, State and Territory Food Authorities have been established to govern the domestic requirements and the Commonwealth for export requirements under national food safety legislation, as previously described. Further efforts to provide linkage across domestic and export requirements have also been successful, in relation to principles of equivalence and acceptance of verification activities. For instance, in some circumstances, there are Memorandum of Understanding arrangements between Government and other controlling authorities.

A review (1998) of the national system that assisted in underpinning these moves towards consolidation[35], reported that food regulation at the time was characterised by a lack of uniform legislation, lack of clarity and consistency in agency roles and responsibilities. Additionally, the review reported that there was obvious overlap and duplication of agency responsibilities, lack of coordination, inadequate and uncoordinated enforcement effort, and [36] *Food Regulation Review Committee: Report of the Food Regulation Review July 1998 DAFF, Commonwealth of Australia* multiple audits being conducted by industry and governments[36]. These issues form a long-standing problem that to date, remains unresolved, due to the complexities involved. However the steps towards consolidation are underway, with the initial efforts being placed in the regulatory framework, consolidation of auditing function and competency underway, both to be followed with further investigation into linkages with the commercial framework. Essentially, once the regulatory framework can be effectively described, communicated and can provide reliable

[35] Food Regulation Review Committee: Report of the Food Regulation Review July 1998 DAFF, Commonwealth of Australia

[36] Food Regulation Review Committee: Report of the Food Regulation Review July 1998 DAFF, Commonwealth of Australia

national benchmarks, discussions and agreements with the commercial sector towards consolidation will also be improved and vice-versa.

More recently, the Victorian Competition and Efficiency Commission released a report,[37] outlining options for simplifying and consolidating the regulatory systems in the food industry. The report[38] also noted the increase in responsibility and duty of care by the customers and end-users leading to greater development and proliferation of individual customer requirements and QAS. In Australia, the major retailers such as Woolworths and Coles have strong reputation incentives, recognising the serious national consequences if one of their stores is found to have sold unsafe food. The Victorian Farmers' Federation noted in the report[39] that the major supermarkets require their suppliers to comply with the supermarkets' food safety plans and the Australian Industry Group commented that the very high standards demanded by the large retail food chains are such that the need for government regulation is becoming somewhat secondary.

For the primary production sector in Australia, there are greater opportunities for consolidation of food safety and QAS. It has already been identified that many of the Australian industry quality assurance standards share common elements and can be integrated for one on-farm audit[40] (Clark 2002). Therefore, mixed farming enterprises such as those producing sheep, cattle and grain have developed integrated QAS, enabling them to acquire certification to all three standards through one audit. As a result, many industries have developed programs that contain a variety of requirements for both commercial and legislative bodies that are delivered under a single QAS framework for the individual business or industry. This has been achieved with reasonable success in the primary production sector, with key examples in the sheep/beef, pork, poultry, livestock transport, feedlot and saleyard industries. One obvious advantage in attempting consolidation within these sectors has been that vast numbers of different standards from customers are still reasonably limited or have not yet been fully imposed. Accordingly, there are obvious opportunities for immediate consolidation of on-farm and other production sector standards and QAS and essentially, the opportunity for a whole of chain approach.

The On-Farm Quality Assurance and Food Safety Conference (2002)[41] in Hobart had a consistent theme of harmonising on-farm assurance by building on existing standards, rather than creating new ones. There was an active interest in harmonising Australian and international on-farm standards by developing modules that address perceived shortfalls or required credence values in the Australian standards. Hancock (2002)[42] reaffirmed the strong market signals for food safety and quality, and noted emerging interest in environmental protection, biodiversity management, animal welfare, ethical trade and social responsibility. The administrators of major Australian standards such as Freshcare and SQF 2000 have also expressed a desire to harmonise with international standards and develop modules to address other credence values. A comparison of Australian standards such as SQF 2000 and Freshcare with EUREPGAP found

[37] Simplifying the menu: Food Regulation in Victoria, draft Report, 2007. Victorian Competition and Efficiency Commission.
[38] Simplifying the menu: Food Regulation in Victoria, draft Report, 2007. Victorian Competition and Efficiency Commission.
[39] Simplifying the menu: Food Regulation in Victoria, draft Report, 2007. Victorian Competition and Efficiency Commission.
[40] Clark, M. (2002). Freshcare. In: Proceedings of the Third National On-farm Food Safety and Quality Assurance Conference, Hobart, July 2002. Tasmanian Quality Assured.
[41] Food safety and quality assurance conference (2002). Proceedings of the third national On-farm Food Safety and Quality Assurance Conference, Hobart, July. Tasmanian Quality Assured, Hobart.
[42] Hancock, P. (2002). Environmental assurance in Australia, one system. In: Proceedings of the third national On-farm Food Safety and Quality Assurance Conference, Hobart, July. Tasmanian Quality Assured.

many common elements[43]. Several other reviews[44] have indicated similarities across the various QAS, both in Australia and internationally. Cargill (US) provided a comparison[45] of the leading international programs against Codex and concluded that 99% of the programs contained between 36-37 of the 37 Codex requirements.

For the production sector, currently characterized by slightly less regulation and individualized commercial standards, despite the "farm to fork" evolution, there may be even greater opportunity for consolidation. Meat and Livestock Australia[46] also recommended that on-farm quality assurance for red-meat producers include optional customer-defined modules. The rationale for this is to recognize that it is important not to overreact to market signals and implement QAS that go beyond the requirements of most markets. Accordingly, developing two levels of certification within QAS enables the ability to demonstrate various modules as required by the specific market/customer. This approach recognises that that the QAS have similar elements for key areas and in particular, that some areas are non-negotiable and non-competitive. For example, the food safety and the vendor declaration approach often are chosen to demonstrate key requirements[47], with the second level of the QAS covering any additional customer required elements, such as animal welfare and environment. These additional elements enable suppliers to give assurances that the specific production practices and/or product attributes required by an individual supply chain customer have been met. This on-farm approach represents one option for consolidation for post farm gate QAS and audits also, where agreement on the non-negotiables could be established and similarly, agreed modules or certifications for other QAS elements across commercial sectors could be reached.

The optimal approach towards consolidating audits is to ensure that the development and application of the second level of QAS is negotiated with value-chain partners, particularly customers and retailers. This approach, a demand-driven approach, enables greater opportunity for alignment of standards and improved communication and consequently acceptance of equivalent standards as they emerge. This approach is currently being applied in terms of new policy and commercial standard development in some instances, where suppliers, customers and regulators are working together towards agreed standards. This approach provides the ability to develop an agreed baseline of minimum standards, for either regulatory or commercial entities. The advantage for commercial customers is that not every customer organisation has to therefore formulate its own standards, convince suppliers to comply, and monitor compliance at suppliers' sites. A common standard applied by all customers/supermarkets maximizes the pressure on suppliers to comply with this standard; leaving supermarkets the choice from as many certified suppliers as possible. Moreover, a common standard might restore consumers' trust in "the supermarket."

The other "supply-driven" approach is the opposite, where retailers or industry independently develop and implement their own standards within QAS, can inefficiently target consumer requirements, reduce choice in certified suppliers, and/or lead to multiple standards being created. This is seen in some industries in the US, where retailers and customers have initiated individual QAS development in response to consumer and public pressure. For example, for

[43] Bennett, R. (2002). Gap analysis comparison of on-farm systems with EUREPGAP. Third National On-farm Food Safety and Quality Assurance Conference, Hobart, July. Tasmanian Quality Assured.
[44] Unpublished, pers comm. NSCI; Tasmanian Food Authority; SGS Ltd.
[45] International Agreement on Food Safety and the baseline for audits, AFDO, 2007, Scimeca, J. Director Corporate Regulatory Affairs, Cargill.
[46] Meat and Livestock Australia. (2002). Review – on-farm QA in the Australian livestock sector. PICU.700. Meat and Livestock Australia, Sydney.
[47] Eco-Range: Market-Oriented Certification for rangeland pastoral industries, 2: a review of on-farm standards, part of the Eco-report series, RIRDC, 2004, L.Pahl.

example, Wendy's require that for cage-free laying hens, all laying hens which produce eggs for Wendy's must have a minimum space requirement of 72m^2. This requirement is more than 20% above common industry standards[48]. For Wholefoods Market Ltd, broiler chickens stocking densities in fixed housing require 1.2 sq. ft. (0.1115m^2) per bird and in mobile housing 0.71 sq ft (.0066m^2) per bird[49]. Alternatively, the US SPCA (RSPCA) division in the US and Canada require 50% more space for broiler chickens and 300% more space for laying hens that are cage free[50].

It is obvious, that these different requirements could cause difficulties at the practical level if producers were to supply to more than one customer and additionally, the choice of certified suppliers for the customer is reduced. Likewise, the benefits are minimal (the example above does not provide any scientific basis for improved animal welfare) and essentially the differences are not great enough to warrant communication targeting consumer buying behaviour. Therefore, setting baseline or minimum agreed standards is necessary for freedom (choice of supplier), competitiveness in the supply chain and trust by consumers in the 'food production sector and retailers'. Certainly, for the non-negotiable attributes, such as food safety, there is an expectation by the consumer that these are all met regardless and as a result, any direct benefit from the descriptive differences in various QAS will remain inconclusive in terms of consumer buying behaviour.

Similar attempts towards consolidation of QAS and audit have been developed overseas, with These international QAS, combined with the individual proprietary standards developed by companies such as Woolworth's, McDonalds, Spotless, and others, mean that even a relatively small food company must overcome a wide array of requirements before entering the market. The relatively recent increase in the type and number of standards is the result of a number of factors, including a heightened focus on risk control and, to a considerable extent, an increase in the number of 'proprietary brand' products now available on the supermarket shelves – a trend which is expected to be increasingly seen in Australia and New Zealand in the next few years. This aspect is the major focus of the Global Food Safety Initiative, where the GFSI Guidance Document Version 5 (released September 2007), contains commonly agreed criteria for food safety standards, against which any food or farm assurance standard can be benchmarked. The benchmarking work undertaken by the standard owners and other key stakeholders on four food safety schemes (BRC, IFS, Dutch HACCP and SQF) has now reached some convergence[51]. Each scheme is now aligned with the common criteria defined by the represented food safety experts, with the objectives of making food manufacture as safe as possible, driving cost efficiency in the supply chain and reducing the duplication of audits. The GFSI vision of 'once certified, accepted everywhere' is becoming more possible and recently, Carrefour, Tesco, Metro, Migros, Ahold, Wal-Mart and Delhaize have agreed to reduce duplication in the supply chain through the common acceptance of any of the four GFSI benchmarked schemes[52].

Efforts towards consolidation by industry, certification bodies and customers

There have been a number of approaches towards consolidating the commercial audits already within Australia, predominately led by both industry (company) and certification bodies. Most of these approaches have been initiated directly between suppliers and their certification bodies. Attempts towards consolidation include:

[48] Wendy's Ltd. Policy, Practice, Priorities and Ongoing Initiatives and our Animal Welfare and Handling Audit, 2007. www.wendys.com

[49] Farm Animal and Meat Quality Standards Program Requirements, Whole Foods Market, 2007. www.wholefoodsmarket.com/products/meat-poultry/qs_programrequirements.html

[50] Animal Welfare Verification in Canada, a discussion paper. Prepared for: Canadian Council of Grocery Distributors Alberta Farm Animal Care Association Farm Animal Council of Saskatchewan, 2002

[51] CIES - The Food Business Forum, www.ciesnet.com, FRANCE

[52] CIES - The Food Business Forum, www.ciesnet.com, FRANCE

1. consolidated audits for specific customers to reduce the number of days spent auditing
2. consolidation of the relevant internal audit and recording practices at the supplier premises to deliver to customers
3. consolidation of the relevant QAS material to effectively cover requirements of all customers
4. linkages and combined audit conducted between the regulatory and commercial certification bodies in some instances
5. agreement between customers to accept other programs or apply equivalence

Most of the above activities have been able to be generated by improved efficiency in quality assurance application at the enterprise and discussions with certification bodies to combine required audits[53]. Current limitations to consolidating audits include the accreditation capacity of certification bodies ie. Certification bodies, depending on their accreditation may only conduct some of the supplier's required audits, and some customers accredit only key certification bodies to their programs, with individualized training as part of this arrangement.[54]

Nevertheless, major certification bodies are now attempting to answer the concerns of industry relating to these increasing multiple audits[55]. Many of these certification bodies have already commenced combining multiple audits for several major customers, predominately in areas of HACCP, GMP and in some cases animal welfare and BSE/SRM. Some certification bodies are also offering "packaged QAS audits" to the industry suppliers that provide combined audit functions to meet several QAS at the same time. This achievement is largely due to innovation and communication between industry and certification bodies towards determining the key standards and developing a methodology to deliver a single audit[56]. Whilst the current effort towards consolidation of audit functions does not necessarily reduce the number of requirements, QAS or individual reporting, these achievements have delivered a reduction in the time spent during audit and consequently, a reduction in costs for the supplier. From an industry point of view, even where consolidation of standards, reporting and/or data collection may not be achievable, the consolidation of audits and resultant reduction in cost is still highly desirable.

5 Mapping options for consolidating audits –survey of industry and other stakeholders

With consideration the previous attempts towards consolidation described above and in the literature[57,58] and the concerns raised by industry relating to multiple audits, an investigation of

[53] Pers. Comm. A. Little, AusMeat, 2007
[54] Pers. Comm., McDonalds Corporation, 2007.
[55] Pers. Comm., SAI global, AusMeat, SGS Ltd, 2007. Also see: www.sgs.com.au, www.ausmeat.com.au, www.saiglobal.com.au.
[56] Reference as above. Pers. Comm., SAI global, Ausmeat and SGS Ltd 2007.
[57] National Food Industry Strategy, an action agenda for the Australian Food Industry, 2002. Department of Agriculture, Fisheries and Forestry, Commonwealth.
[58] National Food Safety Audit Framework Consultation Paper: A paper outlining the proposed national regulatory framework for the approval and management of food safety auditors and food safety audits. Prepared by the Implementation Sub-Committee of the Food Regulation Standing Committee. Food Safety: An audit system. An information paper outlining an audit system developed for the purpose of auditing food safety programs, ANZFA, 1999. GAO Report to the Chairman, Permanent Subcommittee on Investigations: U.S. Senate Report: FOOD SAFETY Experiences of Four Countries in Consolidating Their Food Safety Systems, 1999. Simplifying the menu: Food Regulation in Victoria, draft Report, 2007. Victorian Competition and Efficiency Commission.

current audit practices was conducted with inputs from a small steering committee. The steering committee comprised members from beef processing establishments and industry organizations. A survey was established and a further 15 beef processing establishments were interviewed to determine current practice, industry requirements and views on consolidating audits in the future. Participants provided data on a confidential basis[59] covering details of current audit practices for the establishment, customers involved and their requirements, QAS inputs and expectations and views on consolidation. An example of the survey is provided in Appendix 4.

The survey included the following questions:

- Detail the QA you are required to provide by customer (i.e. HACCP, environment, animal welfare)
- How many audits do you have per annum?
- Which customers?
- How long do audits take?
- What do these audits cover?
- How many days do you take to prepare for an audit?
- What are the activities you do to prepare?
- How much time does feedback for each audit?
- What are the numbers of people involved on plant in QA? And during audits?
- Have you consolidated any audits? How?
- Has this reduced the time spent?
- What are your suggestions to consolidate audits? How would this be achieved and what are the options for you?
- What are the risks, advantages and disadvantages for consolidating audits in your view?

6 Results – general

Establishments were interviewed by phone and in person. The data collected was collected and assessed and the following provides a summary of the observations made.
Currently, beef processing enterprises are subject to some or all of the following:

1. Audits by State regulatory bodies for licensing;
2. Audits performed by AQIS for export certification;
3. Audits performed for specific accreditations (i.e. MSA, AusMeat)
4. Audits for food production enterprises or organizations along the production chain and food processing plants; eg. chicken meat companies (Inghams), Australian Render's Association, NLIS.
5. Audits for customers and end-users; (ie McDonalds, Woolworths)
6. Importing country audits for specific customers (ie US or Asian companies such as Nippon)
7. Importing country audits for specific countries/international government audits (ie FSIS, USDA, EU)
    - Consolidation is currently occurring to a reasonable extent in industry for commercial and regulatory audits with the assistance of certification bodies, however there is vast variability in how these activities are being applied.
    - For example, variation in the type of customers consolidated for suppliers is immense and tended to depend on the demographics of the supplier, content of the QAS relationships and trust and the accreditation of the selected certification

[59] Data supplied by participants deemed commercial in confidence, thus will not refer to any individual establishment, premises or individual without permission.

body involved. Additionally, in some instances, the certification body responsible for third party audit for regulatory purposes was able to consolidate with commercial audits for other customers where requirements were similar.

- Variation was also observed in the time spent during a consolidated audit for customers, even where the customers involved were the same for several enterprises.
- In some cases, consolidation was achieved for participants by two certification bodies combining each of their customer's audit requirements.
- The efforts towards consolidation varied in terms of scope, i.e. some involve animal welfare, BSE/SRM and HACCP, others HACCP and customer QAS and/or regulatory requirements and lastly, in some cases consolidation involves environment, product quality, labeling and/or organic requirements.

An example of a typical audit schedule for beef establishments is as follows, with x marking the audits that are, on occasion, depending on scheduling arrangements, combined on the same day:

Table 1: Example of the current audit schedule, days required and certification practice at beef processing enterprise A. Note: Further examples are provided in Appendix 3.

Audit Body	Past Audits Per Year	Days Required	Audits Combined in Audit Carried out by main certification body
Inghams	1	1	X
McDonalds	1	2	
Burger King	1	2	
Devro Hides	1	1	X
Woolworths	2	4	X
Saizeriya	1	1	X
AusMeat	4	4	
ISO	1	2	
HACCP	1	2	X
Masterfoods	1	1	
Outback	1	1	X
AQIS	12	12	
NLIS	2	2	
Australian Renders Association	1	2	
Woolworths Operational	4	4	
TOTAL DAYS Days spent in preparation TOTAL		41 14 55	

Where x is noted in the above, this indicates the same certification body is utilized for these audits. This enterprise reported that the audits marked x were often consolidated and audited on the same day(s) by their certification body, subject to scheduling and availability.

After analysis of the results from the industry survey, it was apparent that although similar circumstances where reported (ie consolidation was already occurring to varying levels) the level of consolidation was subject to:

- type and spread of customer(s) (due to requirements and QAS similarities),
- policies of customers (some accept other programs, some perform own verification, some perform own audit or "audit the auditor")
- composition of the audit (food safety, organics, welfare etc)
- certification body (listing and accreditation)
- supplier performance

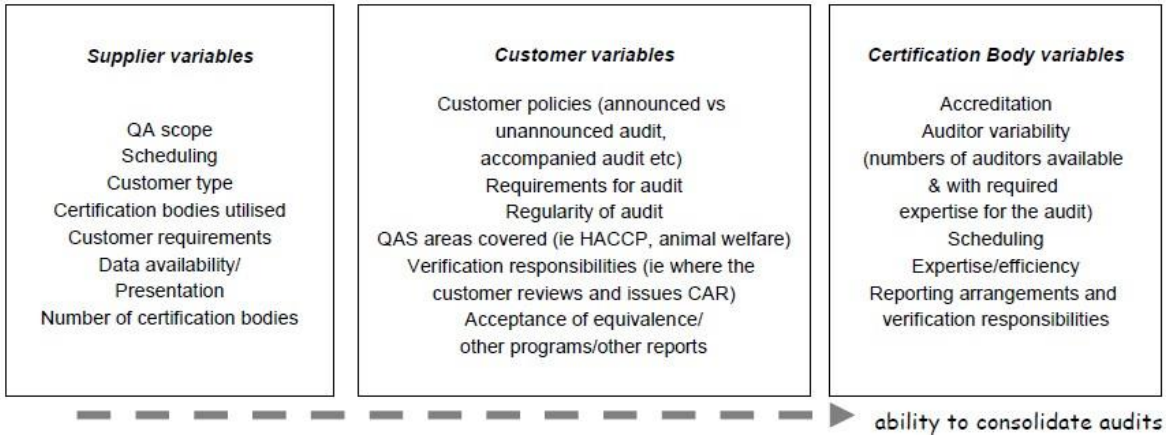
- scheduling across the year
- whether the audits were announced or unannounced (ie McDonalds require announced and unannounced audits, thereby limiting the number of audits that may be consolidated in some instances, depending on scheduling of the audit and availability of auditors)
- the number of audits required by each customer, (ie. 6-monthly, annually)
- available auditors
- certification of auditors.

Therefore, in most circumstances, consolidation for key customer QAS can occur for 1-2 audits per year, with the remaining audits having to be done separately due to audit timing and required occurrence.

Consequently, the time, cost and effort saved by consolidating audits will vary, depending on when the audit is conducted, how long it takes to audit, how many customers can be involved in that scheduling, the availability of auditors and the number of auditors required, and the similarities and differences between QAS for each customer.

This implies that the issue of consolidating audits relates as much to logistics, certification abilities and scheduling as it does to equivalence of standards and similarities in practical audit processes. There are other variables that also impact the ability to consolidate audits for each enterprise and these are detailed in the model below for each stakeholder.

Diagram 2: Reported variables that may impact consolidation efforts



To manage some of the issues detailed above, the industry survey indicated that enterprises had tested options such as engaging two certification bodies, with each of these combining customer audits, depending on scheduling, availability and accreditation. Other options tested by industry included ensuring certification in all the major international programs to then be able to meet all customers and combine these outcomes when possible during audits.

The industry survey indicated that the conduct of consolidated audits varied in terms of scope:

- animal welfare, BSE/SRM and HACCP and customer QAS
- HACCP and customer QAS
- HACCP and regulatory requirements and customer QAS
- HACCP and regulatory, customer QAS and organic
- environment, product quality, labeling and/or organic requirements.
- variations of the above.

The industry survey indicated the average days taken per audit for each customer. Participants who were surveyed also provided the number of days taken when their audits were combined, each giving examples of customer groupings. The following table shows two reported examples, with "normal days" indicating separate customer audits and "with consolidation" indicating the combined audit and reduced audit time.

Table 2: Example of the reported reduction in days through consolidation

Enterprise 1			***Enterprise 2***		
Audit 1	***Normal days***	***With consolidation***	***Audit 2***	***Normal days***	***With consolidation***
Regulatory audit	2	1	Woolworths	2	2* with some elements audited together, some separately
Environment	1	1	Coles	2	
Organic	1		McDonalds	1	2-2.5
1 Commercial customer	2	1	BK	2	
Retailers (major)	2	1	YUM	1	
Total	8	4 days	Total	7	4-4.5 days

Participants provided the information relating to time, inputs, cost and number of days without combined audits and then the same information with combined audits, where these were being conducted. It appeared from the data provided that the ability to reduce the days taken to audit depended on the customers involved (number and scope of audit), scheduling issues, and the number of auditors available at the time.

Similar information was collected from certification bodies that were conducting combined audits. Three certification bodies reported that in general, consolidation of audit containing the food safety elements together with some additional customer requirements where similar, resulted in reducing audit time by a minimum of 1 day. Further reductions in audit time depended on the customers involved, the preparation of the supplier, the availability of auditors and scheduling. For instance, Burger King, Yum and Gerber all recognize the same standards and consequently, a single audit and report can be performed[60]. An example[61] of consolidation effort reported by one major certification body is as follows:

Audit example	***Normal days***	***Cost***	***With consolidation***	***Cost***
Burger King	2	@ $1,200	2-2.5	@1,200
Yum Brands	1			
Costco	2			
Gerber	2			
BRC	2		2	
Woolworths	2			
Total	11	$13,000	4	$5,400

The above demonstrates savings in terms of actual audit cost as a result of the time spent during audit and additionally for industry, reduction in the cost of inputs, including QA personnel being available at the time of audit.

[60] Pers comm., A. Little, Ausmeat, 2007
[61] Source: pers commm, AusMeat, 2007.

Certification bodies interviewed for this report indicated that they were offering packages to consolidate audits to industry. One example of options presented by certification bodies to an enterprise for the above customers would be as follows:

Audit example	*Normal days*	*Combination 1(days*	*Combination 2 (days)*	*Combination 3 (days*
McDonalds	2	2	2	2
Burger King	2	2	3	3.5
Yum Brands	1			
Costco	2	2		
BRC	2	2	2	
Total	9	8	7	5.5

Note: source: pers comm., SAI, SGS, AusMeat, NCSI.2007

6.1 Stakeholders perspectives

Responses from the survey were collated and the following results were identified:

Industry participants (suppliers)

- On average, the number of people on plant required to maintain quality assurance systems was reported to be between 5-12 quality assurance officers and 1-2 quality assurance managers.
- 90% of participants reported they required at least 2 people to attend on the day of audit ($30-45 per hour labour cost).
- 80% of participants indicated they would spend an additional day prior to the audit to prepare paperwork and other resources required by the auditors.
- The remaining 20% that did not spend time preparing identified that their system enabled easy preparation of paperwork required for the audit and were generally those participants that had similar audits for fewer customers throughout the year.
- All participants were audited by at least 5 different authorities.
- At least 50% of participants were required to meet between 7-12 audits for authorities and customers each year.
- All participants interviewed reported they spent at least 3 days per month on internal audits, with at least 50% of participants reporting a minimum of 200 internal audit days per year.
- All enterprises interviewed were audited for at least one Australian supermarket retailer.
- All enterprises interviewed were audited for at least 2 commercial customers.
- At least 75% had already considered consolidation and 50% of these had already attempted consolidation of audits.
- All enterprises that had attempted consolidation did this in collaboration with the enterprise certification body.

- Many reported changing certification bodies to enable greater consolidation.
- Consolidation attempts involved 1 certification body combining at least 2 customers, and/or 1 certification body combining with regulatory requirements.
- For example, one plant reported they had consolidated all audit requirements for ISO, HACCP, PrimeSafe, Ausmeat and Woolworths which were conducted at the one audit process.
- Other establishments reported consolidation of environment and quality, and/or animal welfare and BSE/SRM.
- Some establishments reported that they were able to consolidate food safety requirements, although this was subject to auditor availability (auditors certified to the required programs for the combined audit).
- Most establishments reported that when they consolidated their audits, they saved at least 1-2 days in audit time.
- Some establishments reported that when they combined their audits through arrangements with their certification bodies this reduced audit days on average, by a range of 1-3 days for a normal 4-6 day audit.
- All reported that the indirect cost savings (defined as time saved from reduced input required and time during audit on site) was the greatest benefit in consolidating audits.
- Most reported that there were some direct and indirect cost savings in reducing audit time at the site.
- In most cases the cost of the packaged audit was less (direct costs for the certification body to provide the audit).
- In all cases, there were indirect cost savings – ie from inputs such as plant personnel being available at the audit.
- Others reported that there were no direct cost savings, as the certification body has to provide additional auditors for a consolidated audit to be completed in the timeframe allocated.
- All establishments reported that they believed the requirements for all customers and regulatory authorities were similar “if there was one body that compared the standards and established a baseline standard for all, it would make things much easier. We provide exactly the same information for each audit and have to repeat this throughout the year”
- Other participants reported that they believed the only way to ensure consolidation was to gain accreditation in various high level QAS i.e. SQF and BRC that met a number of customer requirements. **Examples of comments received during the interviews**

“The standards for the key retailers are essentially the same – we do not understand why we cannot combine the requirements and audits for them as it would make things more efficient”” **industry participant**

“Our regulatory authority accept other regulatory audits, so our customer audits should also” **industry participant**

“Our certification body has worked with us to combine audits which has made everything easier” **industry participant**

“We have over 300 internal audit days per year – industry should also focus on consolidating the internal audit requirements across customers, not just the certification audits” **industry participant**

“There is definitely opportunity for consolidating audits – the limits relate to customer proprietary QAS and the need for individual reporting which places more administrative burden” **certification participant**

“Systems that are electronic such as iLeader will help immensely – but unless standardized SOP’s and other aspects are developed that can be viewed by multiple organisations, we will still

have to manage endless requirements and we won't see enough value in consolidation" **industry participant**

"We already have trouble with duplicate auditor training for specific customers, auditor qualifications and listing with customers – this is an area where work is required in the future if consolidation is to be achieved" **certification participant**

"There is a lack of trust – if we were to move towards one certificate that met numerous standards there would need to be wide agreement – this may not be achieved as the perceived benefits for individual QAS programs in the marketplace, plus the need for integrated and controlled supply chains is too great"" **customer participant**

"The ability to reduce the number and cost of audits is already available" **certification participant**

Certification bodies

- Certification bodies reported that in some cases to consolidate audits, they needed to send additional auditors.
- Certification bodies reported that they had been consolidating audits for some time, however one limitation was the ability to be widely listed with retailers/customers to provide full services to suppliers on site.
- Certification bodies reported that time spent on site can defiantly be reduced by consolidating audits.
- It was also reported that in discussions with customers, agreement had been obtained to combine audit function.
- The only limitation reported was the need to report individually to customers and retailers and the need to complete any additional checklists/requirements above the generic HACCP/GMP/ISO requirements.
- Certification bodies reported they had established packaged to combine audits for key customers and suppliers.
- Certification bodies reported that administration time required to manage multiple audits is greater – however travel and time on site is reduced.
- Certification bodies reported that one of the limits to consolidation was the need for customers/retailers to continue their own proprietary QAS irrespective of duplication in order to demonstrate duty of care.
- Certification bodies reported that consolidating audits generally resulted in reducing time spent by at least 1 day per audit. If there were more than 2 customers being combined, the time could be reduced by 2 days in most cases.

Summary

- Industry has already commenced consolidating audit functions in collaboration with certification bodies.
- Certification bodies, depending on their accreditation with customers/retailer organizations can offer packaged audits to industry.
- There is wide agreement on the similarities for key commercial and regulatory audits in food safety, GMP, HACCP and ISO.
- There is evidence that the consolidation of other similar standards, such as BSE/SRM and animal welfare is being achieved and could be more widely applied.
- Consolidation depends on a number of variables, such as the supplier preparedness, customer base, certification body accreditation and availability, annual audit schedules and type of audit.

- Whilst consolidation is occurring already, there is still a need to investigate wider application in industry. Some establishments reported they were unaware of the ability to combine audits.
- As the number of customers requiring their own program and audit increases, cost to industry will increase, as seen in the US examples provided.
- Scheduling of audits is one limiting factor in consolidating audits.
- Accreditation of certification bodies is another key factor limiting the ability to consolidate audits.
- Agreement on a single standard still requires examination for any 'real' resolution of the problem.
- Examining internal audit requirements placed by customers on industry may present another opportunity to reduce inputs relating to food safety/quality system management.

7 The existing systems

To examine options for consolidation, consideration of the current systems and requirements is necessary.
This report, however, will not provide a complete comparison of programs as this has previously been examined in the literature[62],[63] and by several food service experts for a number of industries[64]. Much of these previous efforts to compare program elements are still relevant, however it should be noted that these investigations must be continually re-visited over time due to the changes within and across the various commercial and regulatory QAS. Of the schemes available globally, some are inevitably better than others – but it is not always clear how they differ and the consequences of particular approaches taken[65].

The regulatory framework for food safety in most countries and now several commercial food safety standards (EUREP-GAP, BRC, SQF, IFS, ISO 9000 etc) have been developed under the Codex principles, for the production, handling, and distribution of food. The commercial food safety standards extend beyond the scope of the regulatory requirements in some areas and are formalized proprietary programs required by individual commercial customers. Due to wide recognition of the growing pressure on industry to meet these commercial requirements and audits, in 2000, a group of international retailers formed the Global Food Safety Initiative (GFSI) with the objective of reaching agreement on globally accepted food safety standards[66]. Additionally, investigations are underway as to whether the development of new "proprietary QA systems" in comparison to subscribing existing schemes, is of greatest value[67]. So far, more than fifty retailers have joined the GFSI, and four food safety standards have been benchmarked to be in compliance with the GFSI Guidance Document. A Task Force initially compiled a set of 'Key

[62] Davies, W.P., Baines, R.N. 2004. Understanding the Changing Consumer, Credence and Trust in Modern Food Supply. Proceedings of the Europ-Asia 2004 Conference, Kuala Lumpur, Malaysia, 1-38
[63] Bairnes, R. presentation at the SQFI conference, 2006, summary report; Comparison of ISO22000:200X and the BRC Global Standard - Food Packaging, J Surak, Safepack, 2006; Standards and Regulatory Capitalism: The Diffusion of Food Safety Standards in Developing Countries
Diahanna L. Post Brookings Institution in Washington, D.C., and University of California, Berkeley;
[64] Tasmanian food authority, Meat and Livestock Australia, NSCI, SGS, pers comm., 2007
[65] Bairnes, R., Batt, P.J. Benchmarking International Food Safety and Quality Systems Towards a Framework for Fresh Produce in the Transitional Economies. Proceedings of the 1st IS on Supply Chains in Transitional Econ. 2006.
[66] The Food Business Forum, CIES 2007. Washington, D.C. and Singapore
[67] Bairnes, R., Batt, P.J. Benchmarking International Food Safety and Quality Systems Towards a Framework for Fresh Produce in the transitional Economies. Proceedings of the 1st IS on Supply Chains in Transitional Econ. 2006.

Elements' to serve as the requirements against which existing food safety standards now are benchmarked Global Food Safety Initiative Benchmark Project. The 'Key Elements' as defined by the Task Force involve Food Safety Management Systems, Good Practices for Agriculture, Manufacturing and Distribution and HACCP.

Some food safety standards have already been submitted by their owners to be benchmarked against these 'Key Elements': BRC Technical Standard; Dutch HACCP Code; EFSIS standard; International Standard for Auditing Food Suppliers (International Food Standard) and the SQF 2000 food safety standard developed in the US[68].

The GFSI mission is to strengthen consumer confidence in the food bought in retail outlets, develop a simple set of rules of standards, ensure harmony between countries, to drive cost efficiency in the supply chain and reduce the duplication of audits[69]. In Australia, a recent study[70] highlighted the value of benchmarking food safety and quality schemes in the global trade arena. Initial research provided in the study indicated that there is confusion over food safety and quality terminology, difficulty in understanding HACCP-based and/or HACCP-complaint systems and confusion in defining the consumer and the customer. The report indicated that respondents failed to appreciate the 'whole supply chain' and to connect their specific responsibilities to other links therefore not presenting an understanding of integration in the production sector. This re-inforced the belief that priority must be given to the key credence attributes such as food safety and that recent proliferation of QAS appears to have distracted industry, customers and consumers from this key requirement. Furthermore, these observations highlight the difficulty in working towards a 'single standard or system' whereby the requirements could be communicated as a complete framework, enabling equivalence and acceptance across the production chain.

In Australia, initiatives towards developing a single system are underway, with the recent development of the electronic Quality Management System, iLeader, designed to consolidate documentation for enterprises under the export regulatory system and enable access by regulators off-site, thus reducing inputs to oversee the programs. Similarly, recent investigation[71] by the Australian Quarantine Inspection Service to develop key food safety and QAS indicators or benchmarks mirrors the approach underway by the GFSI internationally. In the U.K, a review of the current requirements within the regulatory framework is also occurring, and the Food Standards Agency (FSA) is also considering a model of inspections based on risk, where audit questions would be streamlined and more focus placed on enterprises identified to be higher risk. Furthermore, the new program may include a new cost model, where smaller processing plants would pay for the audit proportionally to their outputs (per animal processed).

7.1 Food safety

In the beef processing industry, as aforementioned, there are a number of QAS programs, each with a variety of elements, such as food safety, product quality, sanitation, hygiene, process control, biosecurity, pest control, personnel management, labelling, environment, traceability and animal welfare. However, this is not an exhaustive list. Additionally the industry must meet the standards for licensing with export and domestic regulatory agencies, importing countries and international customers. Generally, the more global QAS (such as BRC) extend beyond the

[68] Whilm, K. Complex Food Safety Systems, presentation at the GFSI conference, 2006.
[69] The GFSI Guidance Document Version 5, 2007 CIES.
[70] Bairnes, R.N. The impact of global Retailer initiatives on their supply chains – what lessons for Australian producers, exporters and retailers? In Batt., PJ., From Farm to Fork, 2002, Proceedings of the Muresk 75th anniversary conference. Curtin University, Perth, WA.
[71] Pers comm., AQIS, 2007.

scope of regulatory requirements, however regulators recognise the important role that major commercial customers play in driving HACCP adoption along the food production chain[72].

Whilst nearly all of the food safety requirements are similar, regardless of whether these apply in a commercial or regulatory setting, individual customer QAS still need to be met to supply particular customers. For example, Coles and Woolworths each have their own proprietary programs. Woolworth's manage a quality and safety program (Woolworths QA - WQA) to which its food suppliers must comply. Coles have recently introduced a requirement that involves suppliers of its house-brand products to be certified to either BRC (British Retail Consortium - favoured by UK supermarkets) or SQF (Safe Quality Food - applied by US counterparts). These programs, whilst based on similar principles of ISO and HACCP contain some different elements of management, internal audit practice and other key differences in terms of targets, terminology and practice requirements.

British Retail Consortium (BRC) is the lead retail trade association in UK, representing the whole range of British retailers, from large multiples and department stores through to independents, including Tesco Stores, Sainsbury's Supermarkets, Waitrose, and Marks and Spencers. The BRC food safety standard is based on the Codes HACCP principles requires that food businesses have in place a fully operational HACCP system, quality management system, factory environment standards and product, process and personnel controls. SQF is based on the Codex HACCP guidelines and ISO9000 Quality Management Systems and requires the development of good manufacturing practices to maintain food safety and quality plans to control operations that are critical to product integrity.
Coles Supermarkets, in adopting the policy to accept either of BRC and SQF as part of their audit requirements, have demonstrated effort towards consolidation. This has since been furthered, with Burger King adopting BRC and IFS or equivalent as the options for their system[73]. This enables industry to select the program best suited to their needs and/or trading partners internationally.
Applying equivalence in this manner may be one alternative to consolidation, however this alone may not necessarily resolve all of the current complications of multiple audits unless the principle is adopted widely. Additionally, before any wide agreement can be reached towards equivalence, there is still a need to determine the "base system" and be able to communicate that system to all customers.

Currently, combining the audit for several customers in areas of GMP and HACCP is already underway to a limited degree[74], and for each audit (depending on the customers) there may be other areas covered for specifics such as product quality and labelling requirements.

The current approach towards combined audits still requires individual data input and individual reporting by the certification bodies, despite the audit being conducted on the same day. Customers generally set policies in terms of audit conduct, data collection and reporting. Additionally, some customers manage the verification process, whereby data from the audit is provided and the customer then determines the need for corrective action by the supplier. Other customers have an agreement with the certification body for verification to be conducted on their behalf.

[72] Bairnes, R., Batt, P.J. Benchmarking International Food Safety and Quality Systems Towards a Framework for Fresh Produce in the Transitional Economies. Proceedings of the 1st IS on Supply Chains in Transitional Econ. 2006.
[73] SAI Global thinking business, 2006, "Food companies call in the inspection experts".
[74] Pers comm., SGS, Ausmeat, SAI, 2007.

The previous example provided, where a combined audit can be conducted for Woolworths, Coles, Burger King, Yum, Gerber, McDonalds, Costco, and Subway[75] indicates obvious benefits in terms of time/cost of the audit and reduced input from the supplier. However, some of these customers still require their audit data to be completed in their separate checklist, half require a specific reporting sheet, and some require control of the verification practices. Therefore, consolidating audits still presents administrative complications for the certification body in the absence of an agreed standard and/or reporting mechanism.

There are examples of attempts to overcome these issues and move towards a single standard and combined audit. For instance, Burger King, Yum and Subway are known to accept other standards provided that they meet their requirements[76]. Predominately though, customers do expect that their requirements and duty of care is met. Therefore, in the current environment, industry must become familiar with the components of these programs, what the standards are, the differences between them, and which are best suited to their enterprise.

In considering the option of a single standard, or even obtaining agreement to accept single reports or parts of other standards to combine audits, some understanding of the drivers for customers to maintain their own programs is necessary.

Customers have reported several benefits, such as duty of care / due diligence, control over process and the ability to achieve an integrated supply chain. Additionally, it was reported that for a customer, their QAS enabled key aspects of management specific to their supply chain to be met. There appeared to be a lack of trust between customers in terms of the equivalence of other programs to their own and certainly, lack of trust in terms of the application of the programs and audit functions by other certification bodies than those approved by them. One might ask, whether for commercial customers, it will continue to be beneficial to develop, manage and deliver their ongoing proprietary QAS, in comparison to subscribing to existing schemes? In reality, a further complicating factor for the industry and customers in determining the most suitable QAS is the political dimension of quality assurance. For example, the EU/UK retailers influence supply chains for several commodities and still require their suppliers to adopt the schemes they have an interest in, and specifically promote, regardless of the GFSI benchmarking exercise. Generally, they will insist on the BRC, IFS standards and in contrast, the US retailers, perhaps in resenting this influence, are increasingly supporting the SQF system in which the Food Marketing Institute has invested[77].

It should be noted that this differentiation of QAS amongst customers in the supply chain does not necessarily translate to the consumer. Additionally, issues related to firm-level costs and benefits of QAS/HACCP continue to pose even greater challenges because the market for food safety has limited differentiation. One could argue that for other credence attributes, such as animal welfare, that the ability to gain differentiation in the market through application of different standards will also be unachievable because, like food safety, these requirements are viewed by consumers to be non-negotiable. The USDA [78]estimated that firms in the red meat industry will incur most of the QAS/HACCP costs (about $734.67 million) over the implementation phase. It is hypothesised that this cost will adversely affect the demand for inputs (labor, materials, carcass,

[75] Pers comm., AusMeat, 2007.
[76] Pers comm. Certification bodies SAI, Ausmeat and SGS.
[77] Bairnes, R., Batt, P.J. Benchmarking International Food Safety and Quality Systems Towards a Framework for Fresh Produce in the Transitional Economies. Proceedings of the 1st IS on Supply Chains in Transitional Econ. 2006.
[78] MacDonald, M.J., E.M. Ollinger, K.E. Nelson, and R.C. Handy. “Structural Change in the Meat Industry: Implication for Food Safety Regulations.” Economic Research Service, USDA. 1995.

etc.) and the supply of output (causing firms to produce only products they can afford to implement the relevant QAS system).

Despite the literature demonstrating that QAS provide cost saving benefits at the firm level[79], several recent publications have indicated that these savings and benefits will reduce as more inputs into multiple QAS and audit is required[80]. Considering no obvious differentiation or direct influence on buying behaviour, the question must be asked: will these increasing requirements for QAS will continue to provide benefits that outweigh the costs?[81]. This is yet to be assessed, however anecdotal reports and company based assessments[82] from industry suggest that increasing costs from implementing and complying with multiple QAS are now far outweighing the benefits.

For instance, there is no reported reflection from one cage size to another in terms of buying behaviour in the same way that can be seen for other product attributes including price, quality and packaging. This suggests that in some respects there may be an existing expectation from the public that these ethical and responsible elements are already demonstrated through legislation and other requirements for market access. One conclusion that might be drawn is that there are some elements of quality assurance that have no obvious gain if differentiated from other products, therefore it is possible that the gain or benefit in terms of market share will not necessarily outweigh the costs of implementing and managing these standards for a particular customer.

As a result, the effort towards consolidation of food safety will take time to address. It appears, however that provided enterprises have in place systems for HACCP that underpin the guidelines in Codex, there is opportunity to meet regulatory requirements and the requirements of a number of national and international customers at the same time which is already occurring. Further developments towards food safety consolidation are also underway, with certification bodies currently offering options to conduct HACCP and GMP audits for multiple customers at the same time. Thus, industry can currently choose to select a certification body that can meet all of their program needs within a combined audit, subject to the variables discussion previously. The scope of these combined audits will depend on the number of customers involved, the areas they cover and the verification and reporting practices expected.

The table below shows a brief comparison of the elements of some of the key programs in the beef processing industry:

Table 3: Summary of program elements currently required of the Australian beef processing industry

	Food Safety	*BSE/ SRM*	*Animal Welfare*	*Traceability identification*	*Social accountability, personnel controls*	*Product Quality*	*EMS**	*Own checklist*
Regulatory (export)	*Codes*	✓	✓	✓	✓	✓	✓	✓

[79] Crutchfield, S. R. et al.. " An economic assessment of food safety regulations: The new Approach to Meat and Poultry Inspection. ERS, USDA (1997).
[80] Cropper, M.L. 1995. Valuing food safety, which approaches to use? Caswell, Valuing food safety and nutition, Westview Press, CO.
[81] Crutchfield, S. R. et al.. " An economic assessment of food safety regulations: The new Approach to Meat and Poultry Inspection. ERS, USDA (1997).
[82] International Agreement on Food Safety and the baseline for audits, AFDO, 2007, Scimeca, J. Director Corporate Regulatory Affairs, Cargill.

BRC (Coles)	HACCP			✓	✓	✓	✓	✓
SQF 2000	HACCP			✓	✓	✓	✓	✓
SQF 1000	HACCP							
IFS	HACCP				✓	✓		✓
EuropGap	Codes			✓	✓	✓	✓	✓
WQA	HACCP		✓	✓	✓	✓	✓	✓
McDonalds	HACCP	✓	✓		✓	✓		✓
BK	HACCP	✓	✓		✓	✓		✓
YUM	HACCP	✓	✓		✓	✓		✓
Subway	HACCP				✓	✓		✓
Costco	HACCP		✓		✓	✓		✓
Cisco	HACCP		✓			✓		✓
Organic	HACCP		✓	✓	✓	✓	✓	✓

** TQM defines total quality management system, including requirements for internal audit*
** EMS defines environmental management systems*

7.2 BSE/SRM

In addition to more stringent food safety standards, newly identified hazards have brought about new and more extensive regulation. For example, BSE is linked to human health risks[83]. Its mode of transmission among cattle or between animals and people is not fully understood. Following several enquiries and investigations, together with publication of guidelines by the OIE, new regulations in the EU, US and UK regarding BSE have been developed. These concern the age of the animal at slaughter, monitoring of animal herds, testing of animal brains at slaughter, exclusion of specified risk materials (brain, spinal cord, etc.) and exclusion of certain products from cattle feed, all designed to reduce the risk of transmission. These regulations are extensive, covering every step of the food production and distribution system from animal feed to meat butchering. The major customers currently requiring QAS covering BSE/SRM and that audit for these requirements include Burger King, Yum Brands and McDonalds, the major US retailers. In a comparison of the standards for the above customers for BSE/SRM, the following was determined:

There are slight differences in terminology for audit questions and in the associated targets for specific questions in the audit (that initiate a Corrective Action Request (CAR) when exceeded).

The differences are present in the following areas:

- Description of downer (non-ambulatory) livestock.
- Define SRM for All cattle
- Define SRM for: Cattle 30 months or older
    - Documented procedures exist for the use and cleaning of all dedicated equipment for the removal of SRM.
- Targets for verification of SRM removal
- Advanced meat recovery systems

[83] Bambrick, H. National Centre for Epidemiology and Population Health, ANU: 'Trading in Food Safety', published by The Australia Institute. First printed in The Australia Institute, Dec 2003 No 41

However, the differences identified in the above requirements are relatively minor, mostly concerning the limit upon which corrective action is applied and the terminology. On this basis, there appears to be scope for discussion towards a 'single standard' or reporting arrangement covering BSE/SRM requirements.

7.3 Animal welfare consolidation

The development of animal welfare standards has recently developed to meet changing expectations of consumers. Increasingly, quality is being determined with other credence value considerations, such as ethical and environmentally responsible production[84].

For example, the EU does not accept meat from countries that do not guarantee certain standards of welfare at the time of slaughter and eggs from free range systems are commanding higher prices than non-free range production systems.[85] The development of standards for animal welfare in the US resulted from an initiative of the American Food Marketing Institute. Since 1999, US retailers began introducing requirements for the handling and slaughter of livestock into their audits, and now many other countries have commenced with similar auditing systems[86]. The standards currently applied for animal welfare in the commercial sector involve the major US customers, McDonalds, Burger King, Yum Brands, Cisco and Costco together with several other international customers including Marks and Spencer, Wholefood markets and Gerber[87]. These audits predominately measure potential welfare concerns, such as stunning efficiency, insensibility following stun, vocalization during handling and stunning, slips and falls, management of ambulatory livestock and the use of the electric goad (Grandin 2006).

Additionally, in the Australian beef processing industry, there is a national framework describing animal welfare standards, involving Model Codes of Practice integrated into regulation in some States, export standards regulated by the Commonwealth and other national standards including those relating to domestic and export licensing, under the Australian Standard for the Production of Meat and Meat Products and the Approved Arrangement Guidelines. As a result there are an increasing number of livestock industries and companies/businesses that use livestock products, nationally and internationally, introducing animal welfare into daily management and business systems in a similar way to the integration of food safety practices.

Industry is aware of the increasing concern by consumers and the public towards animal welfare practice and the development of standards within customer QAS, and recognizes that animal welfare is now considered a credence value of food in a similar manner to food safety. However, despite some attempts to place a premium on products where there may be a perceived welfare benefit, for example, free-range eggs, poultry, pork and red meat or product from organic production systems, there is evidence that in general animal welfare is not a concern that generally influences consumers' buying behaviour[88]. This suggests that in some respects there may be an existing expectation from the public that these ethical and responsible elements are already demonstrated through legislation and other requirements for market access. One conclusion that might be drawn is that there are some elements of QAS that have no obvious gain if differentiated; therefore it is possible that the benefit in terms of market share will not

[84] Main D.C., Webster A.J.F. & Green L.E. (2001). – Animal welfare assessment in farm assurance schemes. Acta agric.scand., **51** (Suppl. 30), 108-113.
[85] Mathews, L.R., Animal Welfare and sustainability of production under extensive conditions: a Non EU perspective, Applied Animal Behaviour Science 49, (1996), 41-46.
[86] Farm Animal Welfare Council, report 2003
[87] Grandin, T, pers comm., 2007
[88] Coleman and Hay, in press, 2005.

necessarily outweigh the costs of implementing and managing many different standards for a particular product attribute.

As aforementioned, many major retailers overseas are developing their own animal welfare standards and requirements and in some cases the variation in targets creates more confusion that actual demonstration of improved animal welfare and choice for the consumer. The example previously discussed in the US egg industry, where different cage sizes mean customers have limited suppliers to choose from and the supplier is also limited in terms of the production system and infrastructure employed to meet the specific targets.

In Australia however, given the development of commercial animal welfare standards is relatively new and the major driver for these standards has originated from industry rather than customers, there is already a reasonable “baseline” standard. For example, the current legislative framework provides Codes of Practice that outline the expected animal welfare practice, which are integrated with the various Act(s) governing animal welfare. Industry has responded by developing national QAS that integrate these Codes and any other practical or commercial requirements – a “one stop shop”. Industry has also attempted to drive consolidation towards a “single standard” by negotiating with partners across the supply chain to develop linkages of similar animal welfare standards and have held discussions with new customers entering the market. These actions are certainly beneficial towards improving communication and acceptance of a national animal welfare QAS and the eventual goal of a ‘single standard or system’.

A comparison of the animal welfare standards for Burger King, Yum and McDonalds was conducted for this report - a Beef Commercial Checklist (Appendix 5). The Beef Commercial Checklist is an example tool that provides all of the relevant customer requirements for use during a single, combined audit.

The tables below provide a specific comparison of the targets required for Burger King, Yum Brands and McDonalds for animal welfare.

Burger King and Yum Brands – targets for animal welfare:

Summary of audit findings

Activity		Corrective Action Level	Failure level	Score (%)	Result
Stunning Accuracy First Shot	(95% must be stunned correctly first shot)		> 5%	#VALUE!	Enter Pass or Fail
Vocalisation	(95% of animals must not vocalise)	> 3%	> 5%	#VALUE!	Enter Pass or Fail
Bleed Rail Insensibility	(100% must be insensible on bleed rail)		> 0%	#VALUE!	Enter Pass or Fail
Slipping During Handling	(97% of animals must not slip*)		> 3%	#VALUE!	Enter Pass or Fail
Falling During Handling	(99% of animals must not fall**)		> 1%	#VALUE!	Enter Pass or Fail
Use of Electric Goad/Striking of Cattle	(75% of cattle must not be goaded)	> 10%	> 25%	#VALUE!	Enter Pass or Fail

McDonalds – targets for animal welfare:

Summary of Audit Findings:

Activity		Corrective Action Level	Failure level	Score (%)	Result
Stunning Accuracy First Shot	(95% must be stunned correctly first shot)		> 5%	#VALUE!	Enter Pass or Fail
Vocalisation	(95% of animals must not vocalise)		> 3%	#VALUE!	Enter Pass or Fail
Bleed Rail Insensibility	(100% must be insensible on bleed rail)		> 0%	#VALUE!	Enter Pass or Fail
Slipping During Handling	(97% of animals must not slip*)		> 3%	#VALUE!	Enter Pass or Fail
Falling During Handling	(99% of animals must not fall**)		> 1%	#VALUE!	Enter Pass or Fail
Use of Electric Goad/Striking of Cattle	(75% of cattle must not be goaded)	> 10%	> 25%	#VALUE!	Enter Pass or Fail

The above examples demonstrate the similarities between the targets employed for animal welfare audits. Additionally, there are several other similarities, including requirements for training, internal audit (although timing of these differs slightly with Burger King requiring internal audits weekly and McDonalds monthly), requirements for Standard Operating Procedures and other facility and process related items.

For the comparison above, it appears there is considerable scope for consolidating the audits for the major customers currently requiring animal welfare standards. Certainly, the practicalities of recording 10% animals for the above targets for two or three customers separately requires considerable more audit time and resource.

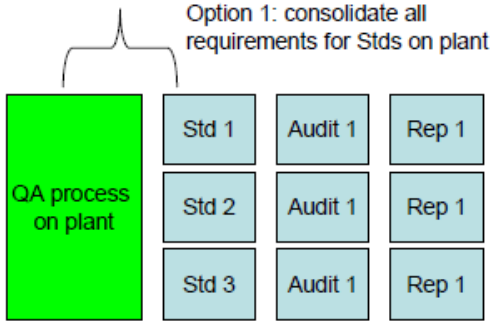
Note: A full comparison of the standards is provided in Appendix 5.

8 The options

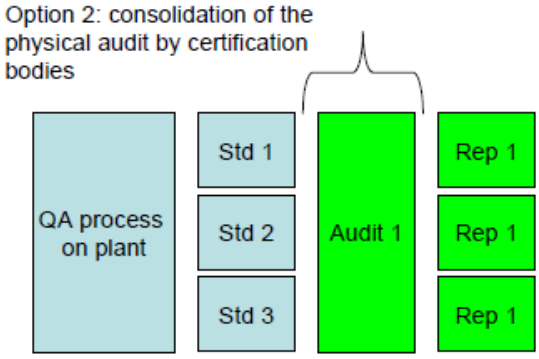
There are several options that might be considered for consolidating multiple audits, some short term, others longer term. The short term options, such as consolidation at the plant or physical audit level, are currently occurring to a reasonable degree in industry. Longer term options include the development of an agreed 'single standard', the implications of which have already been discussed in this report.

Some of the options presented may be able to be applied immediately, such as consolidation of animal welfare/BSE/SRM. This is predominately due to the existing similarities in requirements, combined with the logistical and policy arrangements between customers, certification bodies and suppliers. Further scoping and assessment would need to be carried out for other areas, such as food safety, as is underway internationally. The options developed on the basis of discussions with industry participants include the following:

Option 1: consolidation at the plant level



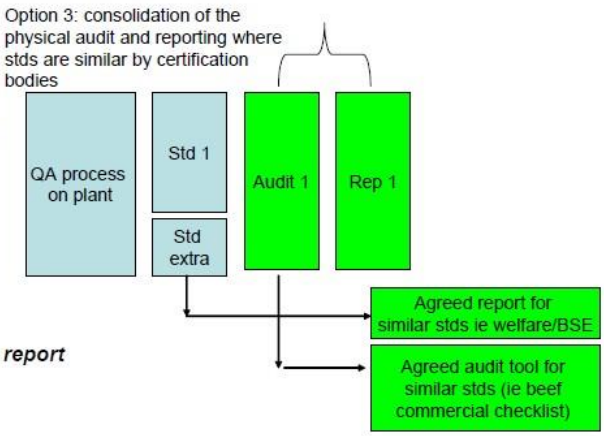
Option 2: consolidation of the physical audit by certification bodies



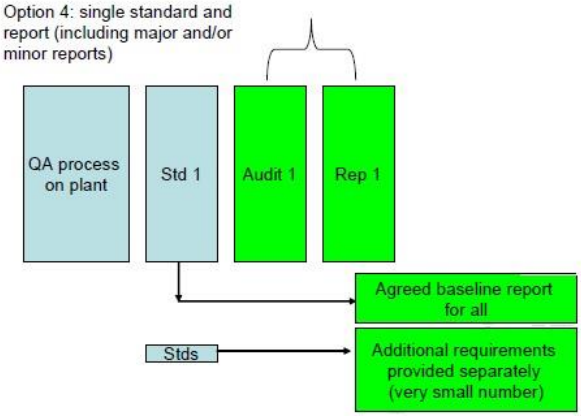
Option 3: consolidation of physical audit and reporting by certification bodies for multiple standards

a) use of an agreed audit tool to consolidate audit whilst maintaining multiple standards

b) use of an agreed report for baseline standards



Option 4: agreement on a single standard and single report



Scoping study to investigate options for consolidating commercial audits

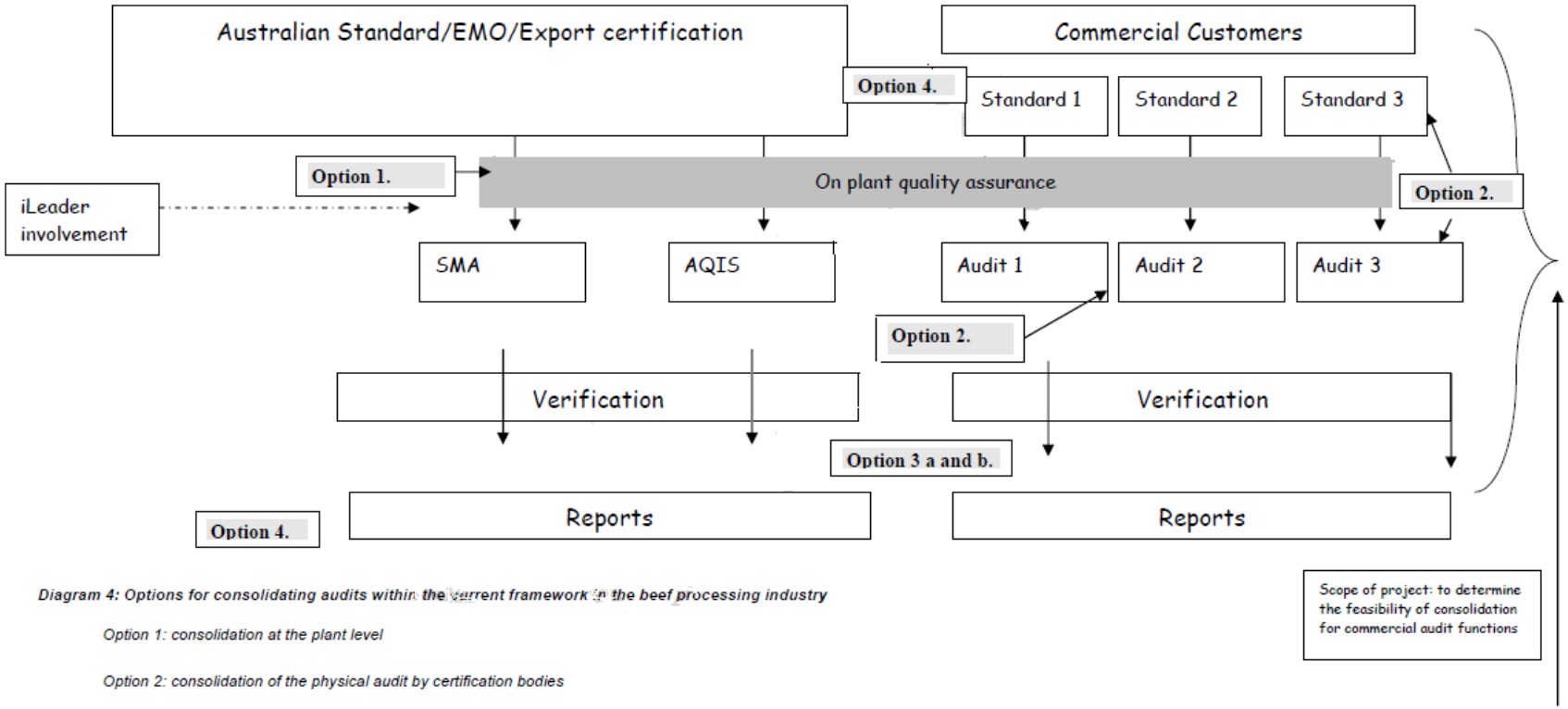


Diagram 4: Options for consolidating audits within the current framework in the beef processing industry

Option 1: consolidation at the plant level

Option 2: consolidation of the physical audit by certification bodies

Option 3: consolidation of physical audit and reporting by certification bodies for multiple standards

a) use of an agreed audit tool to consolidate audit whilst maintaining multiple standards
b) use of an agreed report for baseline standards

Option 4: agreement on a single standard and single report

In summary the following options may be considered for consolidated auditing:

Table 4: comparison of the options identified for consolidating audits

Variable	***Auditing***	***Report function***	***Standards***	***result***
Current situation (base case)	***Multiple Audits***	***Multiple reports***	***Multiple standards represented differently***	***Multiple customer requirements and different targets***
Option 1	Different audits	Different reports	Different standards	Plant attempts to consolidate any internal audit functions, SOP's, reporting as possible.
Option 2	1 combined physical audit	Multiple reports and data collection	Multiple standards	Reduced time spent at the supplier enterprise, additional time spent compiling data and reporting to different customers (different report formats).
Option 3* *(option might only be achieved for customers with similar requirements i.e. welfare/BSE/ SRM)	1 combined physical audit and data collection – can be provided in multiple or combined reports	Multiple reports and/or 1 major report, 1 minor report	A single standard where standards are similar and additional/other multiple standards	Reduced time spent at the supplier enterprise, reduced time spent compiling data and reporting to different customers – use of same baseline data for single agreed standards, still some time spent with additional reporting required for minor differences in standards/customer requirements. Alternative would be to use 1 baseline report for single agreed standards, with minor report for any remaining differences in standards/customer requirements. Option allows for different verification practice.
Option 4	1 single standard and fully combined audit	1 major report, 1 minor report	Single standard for major report, some different standards for minor reports.	1 major report from a multiple audit informs key components of the customer's program/ elements (key requirements covering HACCP, GMP, welfare, BSE/SRM.). Same verification practice. Additional elements collected separately in minor report. Minor amount of time spent on different requirements where these additional items formulated into separate checklist and CAR from baseline report.

Scoping study to investigate options for consolidating commercial audits

Some of the benefits and challenges identified are as follows:
Table5: comparison of the perceived benefits and challenges identified for consolidating audits

Variable	Auditing	Report function	Standards	Result	Benefits	Challenges
Current situation	Multiple Audits	Multiple reports	Multiple standards represented differently	Multiple customer requirements and different targets.	Autonomy for customers (management of their own programs/standards and verification) innovation and differentiation of standards over time.	Increasing requirements, cost to suppliers and certification bodies, overlap in verification and standards, administration.
Option 1	Different audits	Different reports	Different standards	Plant attempts to consolidate any internal audit functions, SOP's, reporting as possible.	As above.	For industry to continue to reduce time and cost, increase efficiency in practical consolidation and management of various customer requirements
Option 2	1 combined physical audit	Multiple reports	Multiple standards	Reduced time spent at the supplier enterprise, additional time spent compiling data and reporting to different customers (different report formats).	Reduced cost from less time during audit (i.e. may reduce from a 5 day audit to 3) both for certification body and industry (supplier). Less resource input from reduced audit days, ease of audit and avoiding repetition.	For certification body – managing the audit for different standards at the same time, increased administration to provide multiple reports, administration of data etc.
Option 3* *(option might only be achieved for customers with similar requirements welfare/ BSE/ SRM)	1 combined physical and desk audit	Multiple reports	Multiple standards where standards are already similar	Reduced time spent at the supplier enterprise, reduced time spent compiling data and reporting to different customers – use of same baseline data for key requirements, still some time spent with additional reporting required for minor differences in standards/customer requirements.	Reduced time spent and therefore reduced cost as above.	As above, although some improvements in terms of the use of baseline data due to standards being similar and an agreed major report (i.e. welfare BSE/SRM).
Option 4	1 ultimate fully combined audit	1 Report	Multiple standards, where verification carried out against individual targets	Reduced time spent at the supplier enterprise, reduced time spent compiling data and reporting to different customers – use of 1 baseline report for key requirements, some additional reporting may be required for minor differences in standards/customer requirements. Option allows for different verification practice. 1 major report from a multiple audit informs key components of the customer's program/ elements (key requirements covering HACCP, GMP, welfare, BSE/SRM.). Additional elements collected separately in minor report.	Reduced time at audit and reduced administration effort required. Use of 1 baseline report for key requirements – enabling consolidation for the supplier in terms of their systems – application of QMS (i.e. iLeader) would also facilitate improvements in this option more than in the "base case". Ease of consolidation for the plant, greater understanding of the key requirements for commercial audits, consolidation with regulatory requirements. iLeader and other QMS application enabled for efficiently. Would give the ability for benchmarking key components of industry compliance – a priority for Gov's.	Agreement on the full baseline report, especially for areas such as HACCP/GMP. This is occurring to a limited degree however, therefore may be explored. If minor reports used, additional data to be compiled, differences in verification policies with customers (where some do their own, others rely on certification body assessment). Could be applied for areas where standards are already similar.

9 Discussion on the options, benefits and challenges

Option 1: consolidation at the plant level

Option 1 is currently being applied already in the majority of beef processing establishments. Establishments are continually finding new and innovative ways to reduce the resource input required to meet various customer requirements. Recent examples of this can be seen in the adoption of electronic computer systems, where procedures, monitoring requirements and records are now being maintained centrally, so that individual customer changes, new requirements or targets can simply be integrated and provided electronically to areas of the business. Many establishments have developed their systems to provide electronic Standard Operating Procedures that can be emailed/viewed by other sites as they are updated and there are several examples of data analysis programs that link across the enterprise for measurement of specific targets. A further extension of this approach is being seen with the implementation of the iLeader program, adding another dimension where regulators can also view the establishment's system electronically.

Option 1 is demonstrated within the enterprise by use of a "single system" that demonstrates the requirements of the regulator, the customer(s) and any importing/other requirements. This 'single system' provides the HACCP, GMP's, SOPs, records and internal audit functions at the enterprise. However, as the number of QAS increase, industry is reporting challenges to this 'single system'. These challenges include new requirements from customers to customize SOPs, internal audits and work instructions to their QAS, creating the need for duplicate systems and a step backwards from consolidation. Furthermore, the efforts towards achieving consolidation within this Option appear limited due to the lack of acceptance of the large global programs by retailers. For example, Coles now require BRC/SQF, which is accepted by some commercial customers such as Burger King, however not others, including other large retailers, such as Woolworths. As a consequence, enterprises are reporting that they see no choice but to become accredited in multiple programs, even where they are attempting to manage a "single system". This will then bring further complications as they may not be able to utilize their existing certification body unless they have accreditation to the customers involved, further decreasing the opportunity for consolidation. Obviously, the more commercial customers that are able to accept existing global programs, the easier Option 1 is to achieve for the enterprise and the more value new management programs such as iLeader, will add to the industry.

Similarly, the management of internal audit requirements is presenting a challenge to this option – for instance, Burger King require weekly animal welfare internal audits and McDonalds require monthly audits. Thus, enterprises that supply both are either; having to develop a weekly system to manage these requirements so that the data can suffice all requirements, or duplicate the internal audit system. Currently in industry, it has been reported that plants may spend as many as 224 days per year managing and facilitating audits for commercial and regulatory purposes[89]. Thus, there appears to be tremendous scope within this Option for industry to approach customers and develop agreement on the required internal audits. This approach could be extended to the regulators, allowing industry to maintain an internal audit system, based effectively on risk, that would suffice both commercial and regulatory requirements.

Most enterprises reported that they have already commenced Option 1 for the following areas:

- development of a 'single system' that includes HACCP, GMP etc and meets regulatory and commercial QAS.
- discussions with their certification bodies to determine feasibility of consolidation

[89] Pers comm. Industry steering committee

- agreement with certification bodies to commence consolidated audits/changing certification bodies to enable consolidated audits
- discussions with regulatory bodies where certification bodies chosen by these controlling authorities already audit commercial customers
- discussions with customers to consolidate requirements

Option 1 appears to be widely applied in industry in the attempt to achieve consolidation of multiple requirements, predominately as it is a company based and managed system.

Summary:
- Option 1: consolidation at the plant level
- Who: individual company (system owners)
- Industry role: advice to company, application of technologies, advice from technical experts, liaison with certification bodies to determine system efficiencies.
- Status: underway across industry.

Option 2: One combined observational audit.

Option 2 is also currently being applied within the industry.
In most cases, this approach has been developed and applied from discussions between industry (company) and certification bodies, however many certification bodies are also now offering packaged combined audits in the attempt to address the concerns of industry relating to multiple audits. Most certification bodies in Australia are accredited to certify several of the major recognised standards and proprietary QAS.

This option involves applying the knowledge of the various customer requirements on the day to conduct a combined audit and reporting to each customer separately, as would occur for a single audit. Additionally, there is the option to “attach” the different requirements to the main audit for specific customer programs to meet all requirements at the same time.

In the survey, most certification bodies reported that there would be reasonable savings in time (as demonstrated in the tables presenting the reduction in audits days – page 17), however this would be limited due to the large amount of administration required to populate the information for each customer involved. Additionally, other limitations to this option include those mentioned in pages 14-16, such as scheduling (where customers have different audit timetables annually), availability of accredited auditors, the actual accreditation of the certification bodies, preparation of the supplier and the customers and type of QAS involved.
Comments from auditing bodies indicated this approach is feasible, provided that the QAS being audited on the specific day are not too different. For example, Coles and regulatory (domestic) audits have been reported to be able to be combined as both require HACCP, GMP etc and both are twice yearly, each requiring 2 days for the audit.

This approach is currently being offered to processing establishments, in the effort to reduce the number of days spent on physical audit, therefore reducing the cost on industry. From all reports, this approach has been successful in reducing audit time at the establishment, and consequently, cost both in terms of the audit and the personnel required from the establishment at the time.

Multiple reports are then issued to the customers, addressing the requirements of each relevant standard for specific customers. Certification bodies report that this does mean a somewhat longer administrative process, however can demonstrate a reduction in time on site and consequently input from the supplier in terms of resources. Certification bodies report that

the savings in time during audit are significant and that preference for this approach within industry sectors is increasing exponentially as a result.[90]

Consolidation or acceptance of singular reporting arrangements for customer would help this approach, as currently, there are a number of customers that maintain their own reporting system against their proprietary programs. However this option is currently being applied and is generally the most successful approach towards consolidation to date.
For example, the industry participants interviewed reported consolidation had occurred with the following customers:

- McDonalds, BK and Yum Brands
- Coles, McDonalds, BK and Yum and Subway
- Coles, Woolworths, PrimeSafe
- PrimeSafe, Woolworths and AusMeat

Note: this approach was described in detail on page 17.
Auditor experience and competency is a requirement for this option, to enable combined audit by management of the different specifications and reports. This option might be further facilitated with a specific tool, such as the Beef Commercial Checklist (Appendix 5) where all the relevant specifications for each customer concerned are provided on a single sheet for physical application on the day. However maintaining such as tool, and managing document control responsibilities as standards changed over time would be difficult. Without the use of a tool, this approach may also be limited from a practical point of view, combined with considering the additional administration required to 'enter data' for each customer on their different report. In this option, there is no extension of an agreement for the data collection and reporting of the various customers and no real need to address consolidation directly with the customer, except to ensure accreditation of the necessary certification bodies.

As mentioned, this option involves auditors with accredited competencies for the relevant customers conducting a multiple audit for several customers Thus, action that would enable further extension of this option is for industry to work with the certification bodies and customers to gain the wide accreditation required for choice amongst certification bodies to conduct various consolidated audits.

This option has been reasonably successful in terms of its application, however in order to realize the full benefits of this option, some limitations may have to be addressed.

Current limitations determined for this option include:

- the variation in customers for the enterprise and customer QAS
- certification body accreditation and availability of auditors
- scheduling of audits and timing (number) of audits per customer per year

This option has been facilitated to a wide degree by certification bodies, who are now offering packages that deliver audits and support for several customers at the same time. Most of the leading certification bodies can deliver this function, the only limitation for industry being which certification body is accredited to the customers they actually require for audit. For instance, AusMeat, SGS and SAI global are offering these packages to their beef processing industry customers. Further benefits in the future may include linkages with other production chain sectors, where these certification bodies are involved, such as production (farm), saleyard, feedlot and livestock transport.

[90] Pers comm., Jeremy Stones, SAI Global, South Australia.

Therefore, there is a clear role for industry to continue discussions with their certification bodies to enable improvements in audit consolidation specific to their customer base. In some instances, industry participants reported that where they could not get consolidation for a group of audits because customers required different certification bodies, they were consolidating two groups of audits with two certification bodies. This still has reported reductions in time, cost and improvements in efficiency for industry.

Scheduling appears to be the other key limitation, as well as the availability of auditors (where more than 1 auditor is required to enable consolidation of the audit).

Another suggestion from industry participants was that the best pathway was to be certified in the major programs to meet all the commercial requirements, there are options provided by certification bodies to achieve this. For example, SGS has developed a set of services that help processors meet the requirements of most internationally recognised food safety or quality standard including ISO 22000, ISO 9001, HACCP, GMP, BRC and IFS with a single audit. The audit pack from SGS allows processors to construct a unified food safety and quality management system. The audit results in a single report with a consolidated set of conclusions[91].

Another option being employed on a number of levels by food businesses is the use of a contracted body to facilitate the adoption and maintenance of a quality system at the enterprise and provide the information required for audit and reporting to customers. These arrangements provide customers with assurance that the requirements are being met and assist the enterprise in developing and maintaining the required system. This option is often employed by smaller businesses, where the management of large quality programs and their requirements may be onerous and this type of support strengthens their abilities to ensure standards are being demonstrated[92].

Summary:

- Option 2: consolidation at the audit level in terms of physical time spent auditing
- Who: individual company in consultation with their certification bodies
- Industry role: in discussions with certification bodies, determine the best package for the customers required and where efficiencies can be achieved in terms of consolidating audit functions.
    - Does industry have a role in promoting combined audit packages?
    - Does industry have a role in working with certification bodies to develop and/or customize these packages?
    - Does industry have a role in working with certification bodies to gain wider accreditation across the required customers?
    - Does industry have a role in developing tools similar to the Beef Commercial Checklist for ease of combining audit – would this type of tool enable improvements in process on plant (understanding, communication of requirements etc).
    - Would tools such as the Beef Commercial Checklist provide a basis for improvements/alignment with programs such as iLeader?
- Status: underway across industry.

Note- the ability to realize change from this option will depend on which customers accept audits by which certification bodies- does industry have a role in promoting acceptance of certification bodies by the various customers to reduce limitations on audit consolidation?

Option 3: One combined observational and desk audit

[91] pers comm., 2007 Supreeya Sansawat, SGS' global manager for food safety services
[92] SAI Global, Thinking Business, 2006

This Option is very similar to Option 2 above, however further steps would be taken to gain agreement on a combined report, albeit a major and minor report to account for any different standards. This would reduce the pressure on the auditor to manage multiple audit sheets on the day, and could still enable the differences in specific targets for individual customers to remain. A single major report used for the case study of animal welfare/BSE/SRM where standards are very similar, could be utilized by the auditor, and still permit reporting of data to customers for the different targets and corrective action limits to be addressed. There is an option to manage different targets in a uniform reporting sheet, however some discussion would be required between industry, certification bodies and customers to determine the best pathway for this to be achieved.

This option may be a feasible approach for animal welfare and BSE/SRM, however applying this concept for food safety consolidation may be more complex. Despite this, there were reports that this has also occurred for food safety, where some certification bodies actually developed an agreed checklist to cover several customers for a physical audit on the day, whilst maintaining separate targets and standards where required in key areas and reporting on the major data, with minor data covering differences provided as necessary. Several auditing companies and industry stakeholders have undergone comparisons of the various programs and standards, and many have already taken the approach to develop a single tool. Difficulties reported from stakeholders include the changes of customer standards, constant revision of the 'checklist' and document control and authority.

This option would be further extended with the application of electronic quality management systems (QMS). QMS are software programs that enable physical auditing, data assembly and reporting to a variety of customers when conducting multiple audits. The Australian Quarantine and Inspection Service (AQIS) were introduced to the QMS concept in 2003. Since that time the QMS application has undergone several iterations and is now known as Information Leader (iLeader). iLeader is a proprietary software package owned by the Theta Company which will include support for the quality assurance/approved arrangement system implemented by export registered meat processing establishments. Over the past 5 years a significant number of export registered establishments have invested in iLeader. As part of a current industry initiative, the aim is to promote efficiency in audit arrangements and reduce associated costs. This will require regulatory authorities and commercial agencies to undertake verification activities via the iLeader platform. A key initial step in this endeavour is for AQIS verification (auditing) activities to utilize the company based iLeader systems.

Based on the success of the trial, it is anticipated that auditing of iLeader will become a routine component of AQIS verification systems where iLeader has been implemented by the Establishment concerned. It is further envisaged that the model adopted here will be applicable for other regulatory agency and commercial audits. Examples utilized worldwide include Sparta Systems TrackWise, Qudos, Congent Audit Systems and others[93].

It has been reported in the UK, by the leading processor of frozen green vegetables, Christian Salvesen Foods, that the are obvious benefits in terms of the time taken to conduct the audit, where the previous paper based system caused many difficulties, as various company divisions and auditors had different styles resulted in a lack of consistency in the results. After recording, the data would be pulled into a report and a list of corrective actions would be identified, the whole process taking 50% longer than the new computerized quality

[93] (Other examples of quality management systems utilized for food safety include, but are not restricted to: CorProfit Systems Pty Ltd, Cura Risk Management Software, IBM LAWLEX, Methodware, Pentana Australia Pty Ltd, Protecht Advisory, Protectus Compliance, RISK360 Software Pty Ltd, RuleBurst Limited, SAFETRAC, Tickit Systems Pty Ltd, IQPC, IT&e Limited, Mavim Australia Pty Ltd, Montrose Computer Services, Nova Solutions, Nuix, Onetest, PolicyPoint Pty Ltd, Quantate Ltd, Redmap Networks, Risk Decisions Pty Ltd, RMSS Risk Management and Safety Systems, SAI Global, Starys Solutions Pty Limited, CA Pacific Pty Ltd and more).

management system. More importantly, these programs also now offer programming with a selection of answers, so results are standardised, therefore, different audits can be compared, data for benchmarking purposes can be identified and data for reporting to specific customers can also be identified. Where similar programs are utilized by certified audit bodies, other data can also be held on the auditors system, (for example necessary guidelines, legislation or customer targets and reports), for reference, increasing the efficiency of the audit on the day.

Summary:

- Option 3: consolidation at the audit level in terms of physical time and desk audit time
- Who: individual company, certification bodies and customers
    - Options might include discussions on the adoption of an agreed tool i.e. the beef commercial checklist, to account for all customer standards in an agreed manner.
    - Initial discussions have been held with some customers to determine the feasibility of this option to date. Limitations were determined to include document control, changing standards, accompanied and unaccompanied audits, scheduling, reporting and verification processes where the policies for these activities differ slightly between customers.
    - A suggestion to facilitate agreement in the above areas following discussion and in-principle sign off from customers, certification bodies and industry might involve an MOU or other arrangement that specified the various policies and responsibilities.
- Industry role: in discussions with certification bodies and customers, determine the best arrangement for fully combined audits and reporting. Additionally, investigating the application of iLeader to facilitate agreed reporting, internal audit requirements and combined audit.
    - Joint meeting with customers, certification bodies and industry would enable discussions on these aspects.
- Status: in-principle agreement from customers, certification bodies and industry to participate in discussions.

Other considerations of costs – the need for a cost/benefit analysis.

In terms of reducing the cost by combining the physical components of audit for multiple customers, there were different views presented in the survey from industry participants. Whilst most participants reported an actual reduction in the audit time by at least 1-2 days for a consolidated audit, together with a reduction in the inputs from personnel required both during and prior to the audit day, there may still be some limitations. For example, it was identified that in some cases (depending on the supplier, customers and accreditation of the certification body) that more auditors were often required to be able to conduct a combined audit. These additional resources for the audit service meant that cost of the audit could not be dramatically reduced, even through days spent were less.

The reduction in time spent during audit is heavily influenced by the complexity of arrangements in place for the establishment being audited. In particular, where an establishment has a large number of customers and is also export certified there may not be a large saving of time during a combined audit. Estimation for a normal 3 day audit that is consolidated would still require around 2.5 days, primarily due to the amount of reporting and data assimilation for each customer involved. The key benefit for industry appears to be the reduction in time spent by the supplier by having one auditor attend on average 2 yearly (each 6 months) rather than a system without any consolidation which may required up to 6 separate auditor visits.

Therefore the reduction in cost was not related to the audit per se, but the gains in terms of costs usually incurred from enterprise personnel spending time. Views from industry suggest

that regardless of audit cost, the reduction in the time spent during the audit and the reduction in personnel required for an audit was highly beneficial.

Some certification and industry participants in the survey indicated they believed in terms of actual audit cost, this approach merely transferred the cost, where days normally spent on the establishment conducting the physical audit, were still required, but for administrative purposes by the certification body post audit. This administrative time is spent collating the results form a multiple audit to separately report to the various customers. Thus, it appears there is still some opportunity to consider agreements on reporting functions between customers.

Therefore, reducing days spent physically auditing by consolidating the audit for customers at the establishment is only half the equation. Administrative costs for the auditing company (in terms of time spent) may also increase with this approach; however this was not extensively investigated in the survey. Nevertheless, report show there are obvious savings and improved delivery of the auditing service to customers and suppliers by combining physical audits where possible. These savings, on average, are reported to be approximately 1-2 days spent, in comparison with no consolidation, i.e. individual and separate audits. In some instances, the saving reduced audit time by up to 5 days.

Option 4: Consolidation at the customer level - acceptance of a single report covering a majority of common issues and multiple reports covering individual customer requirements.

This option focuses on the development of a ‘single standard and report’ for all key requirements. This approach is already underway from a regulatory perspective, with the development of a single set of standards that are to be consistently implemented in all jurisdictions and that are outcome based. with some further options being a major and minor report for any remaining differences that fall outside the ‘single system’. This option recognizes the role that global organizations play in the implementation of standards as well as the ability to harmonise standards, despite other differences in inter-country legislation.

There are a range of benefits from adopting this option. As seen in the recent work with FSANZ, consolidation of the key requirements and integration into all jurisdictions provide the opportunity to have the same food safety requirements in regulation across the country. The development of the nationally consistent regulations (Primary Production and Processing Standards) attempts to reduce the costs to businesses resulting from inconsistencies across the States, remove prescriptive and out of date standards and encourage innovation to manage food safety.

Adding to this system the key commercial requirements would provide a framework that could enable reporting to a wider variety of customers (and regulators) and enable further streamlining of QAS systems and eliminate multiple audits. This approach would encourage a business environment in which each enterprise can take full responsibility for the safety of food produced.

To apply this option commercially, the “baseline system or single standard” would need to be agreed and then the application of equivalence/mutual recognition of audits would need to occur. Alternatives could include major commercial customers adopting any of the key four programs identified in the GFSI, consequently reducing the number of QAS required, however it is likely that this approach would not prevent individual customers adding on their own checklists for specifics, therefore continuing the current differentiation of standards.

Should the majority of commercial customers choose to accept another global QAS program, the move towards a single standard would be improved. Further attempts towards

consolidation could occur for other aspects of commercial QAS such as animal welfare, in an agreement between the customers involved. However, there are some obvious difficulties. Some of the key requirements, such as food safety (and to some degree, animal welfare) are key regulatory requirements and others (quality, social accountability) are more commercial. Therefore finding the best place within a national framework for each aspect requires careful consideration.

However, on a small scale, considering the animal welfare & BSE/SRM example, there are some opportunities to pursue this option. The standards for animal welfare demonstrate there is minimal difference in targets set by commercial customers, thus could be combined into a single standard and report for McDonalds, Burger King and Yum Brands, provided there was negotiation between all parties to ensure that each customer's policies and requirements were to be met. Certainly, agreement on other subsidiary issues, such as regularity of internal audit, may be reached. A further extension is equivalence, where each of these customers would accept each other's standard and audit.

Considerations would include management of individual customer verification processes, for example, some customers conduct their own verification process and others require accompanied audits. Other customers require the auditing company to follow their general instructions for verification, but to be involved in the verification process directly and make decisions on non-conformances directly, provided the customer is kept informed.

This option would require considerable co-ordination of standards and requirements that exist. This would also require effective demonstration and communication of the existing systems, both from a commercial and regulatory viewpoint. For example, the current framework for export beef processors involves:

- Export Meat Orders
- Australian Meat Standard
- AUS-MEAT Standards
- Approved Arrangement Guidelines
- Volume 2 of the Orders
- AQIS Meat Notices
- Verification framework (ATM and VU function)
- Commercial requirements.

This option would require consideration of all aspects and standards above to demonstrate to customers that their requirements are able to be met. It was identified by stakeholders that the current difficulties in communicating the industry wide system in the effort to "sell" the system to other stakeholders are immense. Therefore, developing an alternative to the current commercial framework will require considerable effort, however this option is favourable for the future, as it may be the only viable solution to reducing the ever increasing development of differentiated QAS.

Summary:

- Option 4: acceptance of a single standard and report.
- Who: industry, certification bodies and customers
    - This option extends the objectives of option 3 slight further towards agreed reporting and verification practices.
    - Initial discussions have been held with some customers to determine the feasibility of this option to date. Several customers have indicated they may accept generic reports, provided it met their specifications.
    - A suggestion to facilitate agreement in the above areas following discussion and in-principle sign off from customers, certification bodies and industry might

involve designing the appropriate reporting template to meet customer needs and initiating the agreement with certification bodies for implementation.

- Industry role: in discussions with certification bodies and customers, determine the best arrangement for fully combined reporting.
    - Joint meeting with customers, certification bodies and industry would enable discussions on these aspects.
- Status: in-principle agreement from customers, certification bodies and industry to participate in discussions.

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