



CCSBT-CC/1209/07

Revised Audit Policy

A revision of the Trial Audit Policy (Compliance Policy 2) was prepared by the Chair of the Compliance Committee in March 2012. The revision took Member's comments at the previous meeting of the Compliance Committee into account and this resulted in significant changes to the policy. The changes were of a nature that provided more time for implementation of the policy and left control with Members for appointing their own auditors and managing their own costs.

The feedback from Members ranged from no comments to opposing the entire policy. Members' comments are provided at Attachments A through C inclusive. Attachment C provides a copy of the revised audit policy that includes changes suggested by some Members (the Member suggested changes are tracked).

Due to the diverse range of feedback, no attempt was made to progress the policy any further intersessionally. Instead, it was referred to the 7th Meeting of the Compliance Committee for further discussion.

Comments provided by Members in relation to the revised Audit Policy

Australia

Australia's suggested changes are shown (in blue) at Attachment C.

Indonesia

...“so far there are no problem with the audit Policy. Therefore Indonesia will go along with the new revision.”

Japan

“With regard to the draft Audit Policy, our idea on CCSBT audit is quite different from what is described in the draft. Japan would like to submit some general comments only, as it is difficult for us to make detailed comments on the draft.

Japan hopes the combination of a new set of minimum performance requirements and an auditing to confirm the compliance situation of each Member, will further improve compliance of all CCSBT Members and Cooperating Non-Members.

Japan, however, thinks that the idea of dispatching auditors to each Member's government to check their compliance system is too much. No RFMO has compliance audits which include dispatching of auditors to each Member. We recognize that building the necessary domestic systems to meet the compliance requirements set by CCSBT, and operating and maintaining the systems, are in principle responsibilities of the Member. Checking the effectiveness of such domestic systems by dispatching auditors appears too much, or even negative. Japan does not deny having dispatch-type audits in the future, but at this time, we think it is premature. In addition, we are still concerned about the costs necessary to have dispatch-type audits.

Instead of audits where auditors are dispatched to the governments, one idea would be to ask the compliance officer of the Secretariat to conduct a detailed and targeted checking of Member's compliance system, without visiting governments. In this case, CCSBT would set 1-2 subject(s) a year (for example, “catch reporting system”), and the officer conducts a detailed checking of appropriateness/weakness of each Member's system regarding the subject, based on the national reports (and other additional and more detailed data and information, if necessary) submitted by Members. The Compliance Committee would discuss the effectiveness of the systems of each Member, based on the reports from the officer.

Taking this one step further, another idea would be to have an external auditor, instead of the compliance officer of CCSBT Secretariat. This is to hire an external auditor, and to ask to do what are mentioned in the above, without visiting the governments. The Compliance Committee would discuss the effectiveness of each Member, based on reports from the external auditor. This means some additional cost compared to asking compliance officer, but would allow us to have an external checking.”

Supplemental explanation from Japan

...“What I wanted to say was that "on-site inspection" itself would be too much. In the method mentioned in the draft, there would be on-site inspections on the management system of each government anyway. This sounds excessive and therefore it is difficult for us to make specific comments on the draft. For us requesting the compliance officer or inviting external auditor to the Compliance Committee appear to be reasonable and proper way to have some checking of compliance situations of the Members at this time, although there would be on-site inspections in the future.”

Korea

“Korea does not have comments on the revision of the Audit Policy.”

New Zealand

“Some comments on the audit policy paper changes:

- How will the trial system audit members be selected? The Compliance Committee will prioritise system audits once the system is fully operational but there’s no mention of how the trials will occur. Will the Compliance Committee seek volunteers for the initial trial? There are some cost related risks for any member who volunteers if the audit programme is abandoned or significantly amended at the end of the 3-year trial. New Zealand would prefer to see the initial trials funded jointly through the secretariat. From a budgeting perspective, it is much easier for New Zealand to accommodate regular yearly contributions rather than large one-off costs.
- It may be appropriate to consider differing funding approaches for the two types of audits proposed. The targeted compliance audits should indeed be paid for by the member who’s deficiencies have raised the need for the audit but systems audits arguably serve a much broader role that warrants a more centralised approach to funding. As the name implies, systems audits benefit the system as a whole and therefore can be seen as a common good for members worthy of joint funding.
- Recommend a formalised review period (30 days) for the auditor nomination process before the audit can begin. This will avoid members starting the audit process with an unsuitable auditor and should limit the potential for reports to be later questioned based on concerns surrounding the appropriateness of the auditor.”

*Suggested editorial changes from New Zealand are shown (in red) at **Attachment C**.*

Taiwan

*See separate letter from Taiwan at **Attachment B**.*



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FISHERIES AGENCY

Council of Agriculture, Executive Yuan

No.1 Yugang North 1st Road,

Chien chen district KAOHSIUNG, TAIWAN

TEL: 886-7-8113288 FAX: 886-7-8158278 <http://www.fa.gov.tw>

April 25, 2012

Robert Kennedy
Executive Secretary
Commission for the Conservation of
Southern Bluefin Tuna
PO Box 37, Deakin West, ACT 2600, Australia

Dear Bob,

I am writing in response to Circular 2012/008 dated 21 March 2012.

Let me begin by thanking you for your efforts on revising the Audit Policy. When the proposal of Audit Policy was tabled for discussion last year, I remember some members were in favor of the matter, but some had reservation. As you may recall, we opposed the proposal. The reason was that in our government system the process of external auditing does not exist. The only auditing process by the Ministry of Audit is on accounting, where government auditors will be sent to different agencies to undergo auditing. Regarding the fisheries administration, regulations and rules will be reviewed and amended by Fisheries Agency every year according to the resolution or recommendation adopted by the RFMOs. Besides, as for the possible deficiency in the administration, say for instance, in the fisheries administration, every now and then, regulations and rules relating to a specific fisheries matter will be reviewed, and where necessary, such regulations and rules be amended. This applies to MCS measures.

We realize different conditions and backgrounds exist in fisheries management in different countries, while the approach for meeting the compliance objectives may differ one another. For example, in Taiwan, the validation of Catch Documentation Scheme (CDS) is done by designated officials of the Fisheries Agency after inspection, but for some countries, non-government officials or even individuals from the business may be authorized to undertake such work. While we are opposing the entire audit policy, if any member or members are willing to conduct a trial audit on a voluntary basis at their own expenses, we are not in the position of raising an objection. However, we would like to emphasize that conducting such voluntary trial audit as well as its result shall not imply that we will be in favor of such audit.

Yours sincerely,

Shiu-Ling Lin
Senior Specialist
Deep Sea Fisheries Division
Fisheries Agency

Audit policy

Compliance Policy 2

1. Introduction

This compliance policy provides direction and guidance to implement Strategy 9.1(i)¹ of the CCSBT Strategic Plan:

Routinely audit Members' implementation, enforcement, and compliance with conservation and management measures and international obligations as they relate to CCSBT.

Independent auditing is a process that assesses the adequacy and effectiveness of management systems. Regular audits help Members identify how well their management systems are working and whether any improvements are needed. It benefits the audited Member by giving them confidence in the integrity and robustness of their own monitoring and reporting systems. Audits also promote confidence among all Members as to the quality of individual Member's performance reporting.

In this policy all references to the Commission include the Extended Commission, and all references to Members include Cooperating Non-Members (CNMs) of the Extended Commission.

This document sets out the audit policy and a timeline for implementation.

2. Purpose of policy

The purpose of this policy is to provide for independent assessment of the effectiveness of Members' MCS systems and processes with respect to meeting their CCSBT obligations, and identification of any necessary improvements.

The policy provides for two types of MCS audits:

- a) routine systems audits, and
- b) targeted compliance audits.

Systems audits may focus on particular CCSBT obligations, and comprise:

- a) overview checks to ensure that MCS systems are in place to meet obligations;
and
- b) sampling of the effectiveness of the MCS systems.

¹ This corresponds to *Strategy 9.1 Auditing Members MCS systems and processes* in the draft Compliance Plan.

Compliance audits will focus on particular aspects of the MCS framework which present a material compliance risk. Compliance audits are more in depth and there is greater testing of the MCS systems. A compliance audit is not an enforcement investigation.

3. Policy statement

- All audits are to be undertaken by an auditor who is independent, ~~and~~ appropriately qualified and has relevant experience.
- Members are to appoint their own auditor and provide evidence to the CCSBT that the auditor is independent, appropriately qualified, and has relevant expertise.
- The Compliance Committee is to recommend an audit programme setting out priorities for systems audits and any compliance audits, for approval by the Commission. The audit programme will aim to ensure that all Members' MCS systems and processes are subject to a systems audit once every 5 years.
- Members are to ensure systems-audits of their MCS systems and processes are undertaken, in accordance with this policy and the agreed audit programme.
- Members are to undergo a compliance audit where the Commission considers that a particular component of the MCS framework presents a material compliance risk.
- The Compliance Committee may from time to time recommend technical implementation guidelines—including standards, specifications and methodologies—that attach to this policy.
- The cost of an individual Member's audit will be borne by the Member.

3.1 Audit programme

The Compliance Committee will develop an annual audit programme setting out:

- a) priorities for systems audits for the year;
- b) any specific compliance audits for the year;
- c) due dates by which finalised audit reports for the year are to be provided to the Secretariat for circulation to Members (this would usually be at least 8 weeks before a meeting of the Compliance Committee); and
- d) proposed priorities for systems audits for the following four years.

Priorities for systems audits will be set-identified in discussion with Members based on the Compliance Committee's assessment of the obligations which are most important to implement effectively.

The Compliance Committee will identify any compliance risks it considers warrant compliance audits. A compliance risk may relate to the MCS systems of all Members, a

Comment [CCSBT1]: Australia commented that this will need to be discussed further and agreed by all Members as either option (this new option or the previous version) might be more acceptable.

The Secretariat notes that the previous version was: "The costs of implementing the audit programme will be part of the annual budget of the Commission".

single Member, or a group of Members. The Compliance Committee will recommend the terms of reference for the compliance audit and set out any specific questions to be answered by the auditor.

The audit programme will be updated every year with the aim of ensuring that:

- a) all Members' MCS systems and processes are subject to a systems audit once every 5 years; and
- b) compliance audits are required when a specific and material compliance risk has been identified.

3.2 Auditor appointment

Audits must be undertaken by an auditor appointed by the relevant Member. All auditors must be:

- a) independent of the national fisheries agency or agencies with MCS responsibilities for SBT,
- b) certified to carry out external audits (e.g. ISO 9001).

Members must notify the Secretariat of their appointed auditor and provide evidence that the auditor is appropriately certified, independent, and has relevant expertise. An auditor may be appointed by more than one Member.

[Remaining Members will be given 30 days from the date of notification to object to the appointment of the auditor put forward by the auditing Member.](#)

3.3 Systems audit objectives and procedure

The auditor must review MCS systems and processes, and assess the following matters:

- What systems and supporting processes are in place?
- Are the systems and processes fit for purpose?
- Do the systems and processes work when tested in the course of sampling the effectiveness of the MCS systems?
- Do the systems meet CCSBT obligations to required performance standard?
- Have any corrective or preventative measures been taken in response to compliance monitoring?

To verify systems compliance and effectiveness the auditor must examine relevant, objective evidence. Where the Member does not provide the auditor with sufficient information to effectively conduct the audit, the Member will fail the audit.

The auditor is to prepare an audit report, setting out findings from the assessment and identifying any deficiencies that should be addressed. The following procedure will be used:

Comment [CCSBT2]: New Zealand commented that the scenario this is trying to avoid is one where a costly audit is undertaken only to be rejected later by other members based on the auditor's lack of independence/ability. New Zealand also commented that there may also need to be some sort of "dispute resolution" here in the event that a sustained objection arises.

- A draft of the auditor's report will be provided by the auditor to the Member for comment.
- The Member may seek clarifications concerning the draft report from the auditor and may comment on any factual errors in the draft report.
- A final audit report is to be prepared by the auditor and provided to the Member.
- By the agreed due date, the Member is to provide a copy of the final audit report to the Secretariat for circulation to all Members. The Member may also provide a report for circulation that comments on the audit report.

3.4 Consideration of systems audit report

Audit reports will be considered by the Compliance Committee, which will report the outcomes and any recommended actions to the Commission.

Where the audit report identifies any deficiencies in national MCS systems, the Member may provide a written report to:

- a) explain any deficiencies, including any discrepancies between the audit report and the Member's annual performance report; and
- b) set out intended actions to correct deficiencies.

If the Member disagrees with the auditor, the Compliance Committee will endeavour to reach a consensus on the way forward taking into account the need to mitigate any compliance risks. The consensus on the way forward will be referred to the Commission for endorsement. If no agreement is reached, the matter will be referred to the Commission for determination.

Following the Commission's consideration of the Compliance Committee's report, Members must:

- a) correct any deficiencies identified in the audit report, as agreed by the Commission, and
- b) undergo a secondary audit 18 months after correction of deficiencies to confirm effectiveness of improved systems.

The Compliance Committee may recommend waiving the secondary audit if it considers the deficiencies do not pose a significant risk to the effectiveness of the relevant MCS systems, and it is satisfied with the Member's intended actions to address the problem.

The audit report and any written report from the Member will be publicly available following the Commission's consideration of the Compliance Committee's report, subject to Rule 10 of the CCSBT Rules of Procedure.

3.5 Compliance audit objectives and procedures

Comment [CCSBT3]: New Zealand commented that it preferred the original wording since it was less restraining. For example, the auditor may identify access to information issues in his report that Members may want to respond to. Additionally the auditor may find deficiencies in the measure itself and its application. These would not necessarily fit within the strict definition of "national MCS systems".

The Secretariat notes that the original version did not contain the words: "in national MCS systems".

The Compliance Committee will identify the objective of a compliance audit, based on potential compliance risks, and recommend the terms of reference for the audit. The terms of reference will require the audit to focus on one or more compliance risks, ~~require most~~ testing of the MCS systems, and include any specific questions to be addressed by the auditor.

Comment [CCSBT4]: New Zealand had proposed a slightly different change here, in which the deleted words would be: "require additional".

The procedure for a compliance audit will be the same as for a systems audit (as set out in section 3.3). Consideration of a compliance report will be the same as for a systems audit (as set out in section 3.4).

4. Roles and responsibilities under this Policy

<i>Who</i>	<i>Responsibility to:</i>
Commission	<ul style="list-style-type: none"> • Approve policy and audit programme • Consider Compliance Committee's report and recommendations • Approve any technical guidelines recommended
Compliance Committee	<ul style="list-style-type: none"> • Recommend audit programme • Consider audit reports and any additional reports from Members⁴ • Consider secondary audit reports • Report to Commission, and recommend actions to correct deficiencies • Monitor Member progress in implementing this policy • Recommend technical guidelines, as needed • Review policy and recommend any changes
Members	<ul style="list-style-type: none"> • Appoint auditor for their national MCS systems • Notify Secretariat of auditor appointment and <u>provide proof of the auditor's competence independence, qualifications and expertise</u> • <u>Engage the auditor to</u> undertake audits in accordance with <u>the CCSBT</u> audit programme • Cooperate with their <u>nominated</u> auditor • Provide the final audit report, and any additional Member's report, to the Secretariat • Correct any identified deficiencies
Secretariat	<ul style="list-style-type: none"> • Maintain a record of the auditors appointed by Members • Circulate and maintain a record of audit reports submitted by Members

- | | |
|--|---|
| | <ul style="list-style-type: none">Place policy and reports on the secure section of the CCSBT website |
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5. Implementation timeline

Following approval, this policy is to be implemented over a 3-year period. Phased implementation allows for the development of a methodology for the systems audit followed by a systems audit trial, prior to full implementation based on the agreed audit programme.

Implementation will be phased in as follows:

- 2013 – Develop and approve methodology for systems audits [and a list of Members and their nominated auditor](#)
- 2014 – Trial systems audits and amend audit policy if necessary
- 2015 – Initiate full implementation based on agreed audit programme

6. Policy review

This policy is to be reviewed every three years from the date of full implementation in 2015. The Commission may initiate a review at any earlier time. A Member may request an earlier review. The request, setting out the reasons for the review, must be submitted to the annual meeting of the Compliance Committee.

7. Approval

This policy was approved by the Commission:

Chair, Commission

Date : _____

Review date: _____ (unless reviewed earlier)