

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.

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 ~~an audit programme with~~ two types of MCS audits:

- a) ~~(1)~~ routine regular systems audits, and
- b) ~~(2)~~ targeted compliance audits.

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

- a) ~~(a1)~~ overview checks to ensure that ~~all necessary~~ MCS systems are in place to meet obligations; and
- b) ~~(b2)~~ sampling of the effectiveness of the MCS systems.

Compliance audits will focus on particular aspects of the MCS framework which considered to 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.

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

3. Policy statement

- 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 under~~go take a~~ systems audits of their MCS systems and processes, in accordance with this policy and the agreed audit programme, once every 5 years.
- Members are to under~~go take~~ a compliance audit where the Commission considers that a particular component of the MCS framework presents a material compliance risk.

~~The Compliance Committee will advise the Commission of any compliance risks it considers warrant a compliance audit. The compliance risk may relate to the MCS systems of all Members, a single Member, or a group of Members. Advice from the Compliance Committee will include the terms of reference for the compliance audit and set out any specific questions to be answered by the auditor.~~

- The Compliance Committee may from time to time recommend ~~specify~~ technical implementation guidelines that attach to this policy.
- The costs of implementing the audit programme will be part of incorporated into the annual budget of the "Commission fees."

3.1 Audit programme

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

- a) priorities for systems audits for the year; ~~for all Members~~
- b) specific compliance audits for the year; and
- c) proposed priorities for systems audits for the following four years.

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

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

Audits must be undertaken by an auditor approved by the Commission. ~~The All~~ auditors must be certified to carry out ~~ISO 9001~~ external ~~certification~~ audits (e.g. ISO 9001) ~~(or equivalent).~~

~~Members must nominate one or more organisations who may carry out audits of their national MCS systems. The Member must provide evidence that the nominated auditor(s) are appropriately certified and independent.~~ The Commission will approve the auditors following verification that the nominee ~~is~~ are appropriately qualified, ~~and~~ independent, and has relevant expertise. The Executive Secretary will contract the approved auditor to carry out audits of Members' MCS systems in accordance with the agreed audit programme. ~~maintain a list of approved auditors for each Member.~~

3.3 When an audit is to be undertaken, Members are to contract an auditor from the list of approved auditors.

Systems audit objectives and procedure

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

- What systems and supporting processes 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? ~~/s, as set out in Compliance Policy 1?~~
- 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:

- Within 20 working days of completing the fieldwork for the audit, a draft of the report will be sent to the Member for comment.
- Members will have 20 working days to comment on the draft. Members' comments should be limited to correcting any factual errors or seeking clarification in the draft report.
- The final ~~A copy of the audit~~ report is to be provided to the Commission, with a copy to the Member, ~~and to the Commission~~ within 230 working days of receiving the Member's comments. ~~completing the audit.~~

3.43 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 any deficiencies are identified, ~~t~~The Member may provide a written report to:

- a) ~~(i)~~ explain any deficiencies, including any discrepancies between the audit report and the Member's annual performance report; and
- b) ~~(ii)~~ 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. ~~approval.~~ If no agreement is reached, the matter will be referred to the Commission for determination.

~~The audit report and any additional report from the Member will be publicly available following consideration by the Compliance Committee, subject to Rule 10 of the CCSBT Rules of Procedure.~~

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

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

The Compliance Committee may recommend ~~waiving~~ 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.

3.54 Compliance audit objectives and procedures

The Compliance Committee will identify the objective of a compliance audit, based on potential compliance risks, and recommend ~~set~~ the terms of reference for the audit. The terms of reference will include any specific questions to be addressed by the auditor.

The procedure for a compliance audit will be as set out in section 3.32 for a systems audit, however the terms of reference may provide for different time frames for reporting. Consideration of a compliance report will be as set out in section 3.43.

4. Roles and responsibilities under this Policy

Who	Responsibility to:
Commission	<ul style="list-style-type: none"> • Approve policy <u>and audit programme</u> • <u>Approve auditor</u> • Consider Compliance Committee's report and recommendations • Require any compliance audits
Compliance Committee	<ul style="list-style-type: none"> • <u>Recommend audit programme</u> • Consider audit reports and any <u>written additional</u> Members' reports • Consider secondary audit reports • Recommend any compliance audits <u>Report to Commission, and recommend actions to correct deficiencies</u> • Monitor Member progress in implementing this policy • Review and revise policy <u>and recommend any changes</u>
Secretariat	<ul style="list-style-type: none"> • <u>Contract</u> Maintain list of approved auditors • Place policy and reports on website
Members	<ul style="list-style-type: none"> • <u>Cooperate with</u> attract approved auditor • Respond to audit report • Correct any identified deficiencies

5. Policy review

This policy is to be reviewed every three years from the date of agreement. The ~~Compliance~~ Commission ~~tee~~ 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.

6. Approval

This policy was approved by the Commission:

Chair, Commission

Date : _____

Review date: _____ (unless reviewed earlier)