

# Remote Audit Practices and Alignment

## Findings from Interviews with Sustainability Standards – October 2020

### Introduction

As part of the ISEAL project on remote auditing practices and assurance responses to COVID-19, ISEAL conducted a series of one-on-one interviews with 16 ISEAL members and select other sustainability initiatives that are part of the IDH basket of standards in floriculture (FSI) and in fresh fruits and vegetables (SIFAV). The purpose of these interviews was to understand how standards are innovating in their assurance practices as a result of the pandemic, and whether there are areas for potential alignment. The interviews build on background research carried out by Assurance Services International (ASI) in the summer. A summary of the key issues raised in these interviews and the breadth of responses is presented here by topic, as a basis for further discussion.

As noted in the background research by ASI, most sustainability systems have implemented new assurance policies and practices in response to the pandemic. The ISEAL interviews took place at an opportune time as many of the initial policies included options for extending certificates by up to six months and, being six months into the pandemic, a number of standards had just implemented or were planning to implement revised and expanded policies with longer-term outlooks.

It is important to note at the outset that while the restrictions on travel have been the main instigator of alternative, remote auditing practices, a number of systems are currently facing only limited restrictions in their travel, particularly with the use of local or regional auditors who have more flexibility of movement than international auditors. A key consideration is whether these alternative practices will be considered improvements in the effectiveness of the assurance model and stand the test of time, even beyond the pandemic.

### Topics

#### 1. Administrative burden

One of the potential benefits of remote auditing practices is that it makes the on-site audits more efficient. Interviewees noted that the **advanced review of documents not only made the on-site audits more focused but increased the quality of the audits and identification of issues to follow up on**. However, this efficiency needs to be **weighed against the increased administrative burden** of organising document reviews and remote

audit logistics. In some cases, standards are considering continuing to charge travel time as that time can be used to compensate for the additional administrative efforts.

Other administrative challenges include that time zones make scheduling difficult and result in audits being stretched over a longer number of days. There are numerous challenges around connectivity, reliability of internet connections, and enterprise and worker competence to engage with the technology of virtual communication. Among the benefits noted is being able to engage remote parties more efficiently without additional travel time.

## 2. New applicants

Initially, while most systems allowed for remote audits of existing certified enterprises in some form, very few would take on new applicants due to the higher risk this presented, i.e. not having a track record of compliant performance on which to build. Some **systems are now allowing for initial audits but are either putting additional measures in place, such as risk assessment for every application** (see section 10) to see how they can credibly check the requirements in the standards through a remote approach, or are only doing partial audits (section 7), such as not allowing for the social elements of a standard to be audited virtually.

## 3. Chain of custody

**One opportunity for alignment or at least discussion amongst standards is the extent to which chain of custody audits may be able to move to fully remote**, even after the pandemic. A few standards indicated that most, if not all, of the audit could be done remotely. Where remote audits identify risks, these can then be followed up by an onsite audit as soon as it is possible. In only one case did the system note that risks of fraud in the supply chain require that on-site CoC audits should be carried out.

## 4. Auditor competence, calibration and consistency

Sustainability systems recognise that carrying out remote auditing requires auditors to have a new skill set. This includes remote interviewing techniques, proficiency with communication technologies and other soft skills. Additionally, assurance bodies and auditors are required to learn new assessment methodologies and procedures. **Given the novelty of these procedures, there is the potential for a high degree of variability in how the procedures are implemented in practice and, potentially, in how decisions on compliance are made. This requires calibration** between auditors and CBs to ensure a sufficient level of consistency.

There is an important **role for scheme owners to share guidance with CBs and their auditors, and the potential for different systems to align on this guidance**. New guidance noted in interviews could include what can be audited or not in a remote setting, how to manage quarantine, what to do when the auditor is part of a COVID-19 high-risk group and how to use interpreters in remote audits. One standard noted they are starting to see delays in booking audits, because of their dependency on a limited pool of auditors that have the remote auditing skills, in addition to scheme-specific knowledge.

**Sustainability systems are starting to strengthen calibration between auditors and CBs**. This starts with training of auditors on the skills noted above. A couple of systems have then organised calibration calls with practicing auditors. Others have arranged with their oversight body to carry out a review of how their CBs are responding and where more alignment is needed. This includes reviewing how the auditing options have been implemented and asking the clients to fill in a survey. One standard instructed their CBs to provide feedback so

that they can update the procedures accordingly, while also planning CB workshops to compile the challenges they have encountered.

## 5. Oversight

A couple of particular challenges and one opportunity were raised in conjunction with the oversight role. First, on the positive side, oversight providers are able to play a role in quality control and measuring uptake of new practices by the assurance bodies. **Oversight bodies are starting to assess how effective and consistent different assurance providers have been** in implementing new assurance practices. However, a few standards noted **the additional challenge of coordinating remote oversight with remote assurance audits**. An example is the challenge of virtual witness audits, particularly where the assurance provider is on site and the oversight body is virtual. One solution suggested is for the oversight body to work with other accreditation bodies based in the country or region so that these local resources can be deployed where international travel is restricted.

## 6. Worker interviews

By far the most common issue raised with remote auditing practices has been the inherent limitation of these approaches to replicate on-site worker interviews or the broader ability to see and engage with workers that comes with on-site audits. Technology solutions are certainly a partial solution and numerous standards mentioned online communication platforms like Zoom and use of phones or 360 degree cameras (section 9), but most initiatives also concluded that these are a poor alternative to being in-person. **Most critical social issues, from worker interviews to visual observation of health and safety issues cannot be assessed to a sufficient degree remotely**. The soft skills (the eyes and ears) of the auditor are lost in a remote situation. An auditor on the ground adds things you can't get on a camera; **context matters and that's hard to establish remotely**.

There are specific challenges with virtual worker interviews, some of which can be overcome by technology. Unless 360 degree cameras (e.g. GoPro) are in use, it is hard to know if the person being interviewed is alone or is being coerced; there are privacy concerns with online interviews, such as what happens to the recording and who has access to it; and many workers are not comfortable speaking freely through virtual tools as they, likewise, don't know who's on the other end. A number of initiatives have put alternatives in place for auditing of social issues, such as partial audits (section 7) and the use of local auditors or experts as the eyes and ears of the audit team on the ground (section 8).

## 7. Partial or provisional certification

In recognition of the limitations of remote audits to adequately address all issues in an assessment, **quite a few sustainability systems have put in place alternatives to full certification**. For partial or provisional certification, the approaches taken range from being explicit which criteria could not be audited (and will presumably be audited in the next in-person audit) to allowing for a qualified or partial certification status that holds until such time as an in-person audit is possible to check full compliance.

One system notes that any material risk with an immediate impact in the environment or community (e.g. waste or water) cannot be assessed remotely. Some schemes have policies in place that state while a remote audit is possible one time, the next audit should be on site. One standard has developed a shortened audit that covers the critical criteria of their programme. Enterprises qualifying under this approach can only

communicate a different (provisional) status from the regular 'certified' status. Another standard has modified their reporting database to include an 'unable to rate' column. The assurance provider takes a decision on a case-by-case basis whether the enterprise qualifies for a provisional certification, which would last up to 12 months or until the auditor can assess those 'unable to rate' criteria on site. Similarly, another standard allows for a provisional 1-year certificate based on a remote audit versus the typical 3-year certificate. The takeaways from these examples are that **schemes can become more intentional and explicit about which issues can be assessed virtually and which require in-person verification, enabling the audits to become more focused**; and that **provisional certification should be distinguished in some manner from regular certification status**.

## 8. Hybrid approaches

A related area of experimentation is with hybrid approaches, where we are seeing different combinations of remote and on-site auditing. The **parts of the audit that can be done remotely, like document reviews and interviews with management, are done remotely, with alternative methods in place for the remaining parts**. These hybrids range from hiring an existing local auditor, even if they are not working with the standard, to the concept of having a non-trained auditor with some expertise in social or sector auditing going onsite for the audit and being overseen by a virtual lead auditor trained in the standard. One risk with the former approach is that if the assurance body doesn't know the local auditor or they aren't formally part of the system, the assurance body has less basis on which to trust the independence and integrity of the auditor.

The other way this manifests is for **part of the audit to take place virtually with the proviso that the on-site part takes place within a set period of time**. This ranges from within 10 days of the remote audit taking place to up to 6 months. One standard is proposing that CBs are able to merge 2020 and 2021 audits but that sampling needs to be increased for the 2021 audit as a result.

## 9. Technology and ways to capture data differently

The use of technology is a broad topic and one where the majority of schemes are just starting to experiment. There are some technologies such as the use of virtual communication platforms like Zoom that are fairly ubiquitous, and others such as 360 degree cameras that a couple of standards are experimenting with. Overall, **technology has made it possible to conduct significant portions of the assessment process remotely, but for certain issues that require more interaction and insight from individuals working in certified enterprises, technology may not be able to bridge the gap between on-site and remote audits**.

Given some of the limitations of different technologies, in an ideal world, different data sources such as remote data, observations and interviews would be compiled and triangulated (assessed together) to provide a more well-rounded picture of performance. The idea of continuous data collection gained momentum this year, particularly for agricultural standards where audit periods were linked to the harvest season. If on-site audits are not feasible during that season, alternative means of collecting data are required. Additional touchpoints through the year are useful, particularly where there is a remote audit and an intention to go on site later. A couple of standards are running pilots on **different ways to capture data to see if they can broaden the range and types of data feeding into their assessments**.

**Sustainability systems use a wide range of communication technologies, even within individual systems, to respond to their users**. One standard employs phone calls, Facetime, Skype, WhatsApp, and Teams as appropriate. Apps like WhatsApp can create more informal engagement opportunities for workers to reach out

with status updates. For field visits, one standard has auditors using google earth (satellite imagery) to help them with guiding the client holding the camera (and maps). Some systems are experimenting with the use of GoPro cameras as video tours also for CB monitoring, but one standard noted that where there is good connectivity and a data plan, using video on a smartphone is easier and the data can be shared instantly and more easily (where GoPro video files can be very large).

Among the range of challenges with the use of technology are:

- Limited access to technology by clients (no phone or internet) or limited familiarity with the use of technology
- Limited bandwidth and dropped calls or poor connectivity
- Use of interpreters or translators alongside virtual interviews, with some experimentation of the Zoom live interpreter function
- Remote connections prone to confidentiality issues and breaches
- Technology (phones) are not allowed in some parts of enterprises, particularly manufacturing facilities

A consideration coming out of these experiences is that **sustainability systems need to be flexible in their approaches, employing different tools as needed and adapting to the limitations that different locations and contexts impose**. One standard also noted a concern that we should not rush into using new technologies and data sources, without a balanced consideration of what we are losing from less focus on traditional auditing approaches.

## 10. Risk assessments

There are a number of ways in which assessments of risk are integrated by sustainability systems. These include assessing risk to the auditor or audit team as a determinant if on-site audits are possible; how assessing an enterprise as being a high risk of non-compliance influences whether remote audits are allowed; focusing assessments more narrowly on issues that present higher risks; and finally, getting better at using existing data to inform an assessment of risk.

**Nearly all systems have policies in place for when remote audits should take place and some systems are categorising COVID risks at a country level as a means of determining whether to conduct remote audits.** One initiative has developed a site suitability assessment, in which the enterprise needs to meet a set of essential parameters beyond COVID risk in order to qualify for a remote audit, such as having the appropriate technology in place for virtual communication. Another initiative is asking CBs to do a risk assessment based on IAF guidelines for remote auditing, if they are seeking an exception to carry out a remote audit in a specific instance.

**A few standards have risk matrices that make use of existing data** such as past audit results, grievances and complaints, where the enterprise is located, how transparent those clients have been, and how well they understand the compliance process and what they need to do. Looking to previous audit results can also inform where to focus the audit, following up on any previous non-conformities.

Many sustainability systems do not yet make good use of other sources of data, with a couple noting the challenge of feeling confident in the reliability of the data to inform risk categorisation. **Standards are only**

**starting to integrate external datasets into their risk categorisation and there was a call from a couple of systems to explore collaboration between ISEAL members on this issue.** A caution was raised that introducing external data sources such as the US Dept. of Labour country risk statistics has the potential to discriminate against single enterprises by giving a blanket rating to a whole country.

In terms of how the results of a risk assessment are used, beyond whether to audit or not, one standard is considering a different auditing approach for low-risk enterprises, with the potential that they would only need remote audits with 360 degree cameras. Another is looking at extending the certification cycle for low-risk enterprises that may not need an audit every cycle.

### 11. What comes next?

It is too early to tell whether remote auditing practices are delivering the same level of assurance as traditional audits, though a few initiatives are starting to assess this. Among the activities underway, one standard suggested to use data from previous years' onsite audits to compare with the results of remote audits. Similarly, another standard is **comparing current year non-compliances with previous non-compliances to assess consistency of findings.** There was a call from two standards that **guidance or common practices on when and how to assess the impacts of new measures would be useful, particularly how to assess the risk that audit results may not be accurate.**

Sustainability systems have been transitioning from short-term responses to longer-term solutions and are considering what approach to take going into 2021 and post-pandemic. **A few standards noted that onsite audits are still the preferred choice, both by their clients and by their assurance bodies, and that they are likely to go back to these when possible. Others suggested that the path forward is to do as much remotely as possible, with on-site supplementing where necessary.** A couple of standards proposed that where enterprises present a lower risk and have a long history with a standard, the systems may use risk assessments to decide whether an on-site audit is necessary every cycle or to extend the validity of certificates. Another standard suggested they would continue to make remote auditing approaches available for their members but that this would be optional, with members able to choose remote or on-site. Finally, one standard is considering how they can shorten the in-person audit to focus only on critical criteria, anticipating they will get more value from this than from the large amount of data they would traditionally collect from full remote audits.

### 12. Sharing guidance

There were a lot of suggestions for areas where standards would like to learn from each other, many of which are captured above. For example, **it would be useful to share guidance that standards or assurance bodies develop for how to conduct remote audits. In addition, some members suggested it would be useful to develop shared guidance or common approaches on how to address specific topics.** These included:

- Statistical analysis of differences in the performance of remote auditing from on-site auditing
- A collective approach to worker voice and worker interviews
- Good practice for hybrid approaches
- Different approaches for different phases or intensities of lockdown



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## Annex 1 – List of Sustainability Systems Interviewed

1. Aluminium Stewardship Initiative
2. Aquaculture Stewardship Council
3. Better Cotton Initiative
4. Bonsucro
5. Fairtrade International
6. Fair Trade USA
7. Gold Standard
8. Linking Environment and Farming
9. Marine Stewardship Council
10. Rainforest Alliance
11. Roundtable on Sustainable Palm Oil
12. Sedex
13. Social Accountability Accreditation Services
14. South African Standard for Sustainable Agriculture
15. SCS Sustainably Grown
16. Sustainable Agriculture Initiative Platform
17. International Organic Accreditation Service