Remote Audit Practices and Alignment

Findings from Interviews with Supply Chain Companies – November 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 8 supply chain companies that are part of the IDH baskets of standards in floriculture (FSI) and in fresh fruits and vegetables (SIFAV). The purpose of these interviews was to assess and integrate their expectations in managing assurance under crisis conditions and in remote auditing protocols. 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.

Topics

1. Contact with sustainability standards

Most companies are in touch with standards systems on a quarterly basis, unless schemes undergo a standard’s revision – in which case companies and schemes are in touch on a more regular basis.

When suppliers experience issues in getting certified – be it due to COVID or for other reasons – schemes and supply chain companies increase their levels of communication and meet in focus groups discussions. Created by IDH, the FSI basket of standards has allowed for more and better communication between supply chain companies and standards but also between schemes.

2. Increased efficiencies

Overall, companies agreed that COVID broke the existing paradigm and that increased online verification came with opportunities and limitations.

One of the potential opportunities linked to remote auditing practices lies in the increased efficiencies of audits. Offsite document checks can allow for more efficient controls and trust building between the certification body (CB) and the auditee. Indeed, increased online verifications requires more commitment from the auditee, who is asked to assemble and share all supporting documents with the CB ahead of the audit.

Companies noted that in the case of food safety, online audits have to be split in different ways (processes on the farms, post-harvest and pack house processes all warranting their own considerations). But in all cases more pre-audit work could be done in terms of online records checks, resulting in less time spent on site during the audit and still achieving the same level of confidence in the results.
Additionally, it was noted by one company that various learning opportunities for the auditee are embedded within offsite document checks, such as increased computer skills, more exposure to various audit tools, and ultimately the opportunity to transition towards a more effective document management system. Companies advised standards to leverage these efficiencies and maintain desk audits beyond COVID-19, through hybrid approaches, and to avoid falling back into old patterns which are less efficient and less empowering for the auditee.

It was also noted by a couple of companies, that COVID bringing a forced transition to remote auditing, is starting to set a new precedent for data sharing and transparency. Over time and once schemes are becoming more pro-active with sharing data, the need to collect and check for data through audits will be reduced. Going a step further, all data in the assessment can then be parametrised and sorted out which is the key to building trust to getting more compatibility between standards. For example, SMETA’s (SEDEX Members Ethical Trade Audits) Virtual Assessment tool, helps to increase interoperability between standards by having a single data entry point for companies to show compliance with common elements across a range of standards, enabling each standard to focus more on their unique added value.

However, the efficiencies mentioned may not always be realizable. Poor IT infrastructure and language barriers can lead to poor communication and extra administrative burden for the auditee to upload documents in the right format.

3. New applicants

While sustainability standards allowed for remote audits of some form and certificate extensions for certified entities, 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.

This poses a problem to supply chain companies that are part of IDH. For examples, FSI members aim at buying 90% of their volume from the basket of FSI standards. Yet, due to COVID, a few members are not meeting the 90% commitment since some of their biggest non-certified suppliers were aiming to become certified in 2020 and have not been able to. This creates an obvious tension between expectations of supply and demand and has led to situations where stop-gap solutions need to be implemented, for example by selling products to markets where standard compliance or certification is not required.

For most companies however, the main problem resides with new suppliers with whom commitments have been made for supply of the next season, as standards have so far failed to come up with policies regarding certification assessments for new producer groups. As a result, companies have worked to collect all supporting audit documents from groups wishing to be certified and, up until now, buyers have accepted this as proof enough. However, it was stressed that the situation is viable so long as suppliers do not begin the harvesting season. This might change as suppliers enter the harvesting season.

Companies agreed that standards need to be more practical for growers to find a solution through which they can continue to sell their products.

4. Trust

There was a strong sentiment of trust amongst all companies, that growers with a track record of being certified are likely to continue to respect social practices. As a result, remote worker interviews should be sufficient to
monitor practices during COVID. Additionally, in instances where a producing company has long-standing relationships and trust with buyers, a simple phone call to update them on the situation was, in some cases, good enough.

Most companies have mainly steady suppliers, which is why they feel confident working with them through the pandemic. Companies feel less reassured when their steady suppliers change their own supply chains to add farms for more production volumes.

The question of trust was also raised regarding remote worker interviews. There was a feeling that even with 360 degree cameras, the relationship still needed to be built with workers in order to get the full picture of what is happening on the ground. In-person audits were seen as an important form of knowledge transfer that could help to build trust.

5. Hybrid approaches and technology

Generally, most companies see a great opportunity in hybrid approaches as they allow for flexibility and the possibility to bring in remote auditors with different skill sets as needed during the audit. Overall, there is a feeling that COVID will be beneficial for standards in the long run, forcing them and the audit process to become more agile and efficient. Of course, some limitations were mentioned, such as the challenge for auditors to perform remote audits when they are not familiar with the local context or the country’s regulations.

One company warned that COVID had a timeline and that there was a risk of investing too much effort into technology to carry out remote worker interviews and for which results will be deceptive as, ultimately, remote auditors are bound to where the person on the ground wants to take them.

6. Due diligence

The FSI landscape is evolving and due diligence requirements can now vary between high risk countries and low risk countries. High risk countries typically being developing countries with low wages, where modern slavery legislations in developed economies provide the basis for companies and investors to identify high-risk factors and sectors. But we are also seeing a shift towards paying more attention to social risks in low risk countries as the Modern Slavery Act and the Responsible Business Conduct Act have shown. Recent attention has been focused on the need to assess and address the risks of human trafficking, forced labour, servitude and slavery in the supply chains of businesses based in or outside of the UK and carrying on business within it.

As a result, the majority of the companies are increasing due diligence obligations on their supply chain partners as a way to tackle social risks in their supply chains. They suggest that standards integrate company due diligence data into their decision frameworks to inform an assessment of the risk and to enable remote audits to focus on areas of higher risk.

What comes next?

Supply chain companies that are part of the IDH baskets of FSI and SIFAV are in regular contact with standards at a very high level to discuss strategies, but also on more specific topics through focus groups. During our conversations, companies stressed that there was a lack of consistency in how certification systems have been responding to the pandemic – with the exception of the flower and plant sector. Some standards have issued
policies regarding certified producers but took a while before rolling out policies for smallholder groups, while other standards quickly proposed remote audits to prolong certification. Yet, companies agreed that despite a lack of alignment, most standards are doing the same thing — remote audits via various digital means and, for the majority, only for current certificates holders. The only real challenge remains the on boarding of new applicants.

Companies are mainly concerned about the extra burden imposed upon growers by the pandemic, including such basic aspects as availability of workers to harvest, and recommend that standards align in order to allow for growers to sell their products more efficiently in the face of crisis situations such as the one we are currently facing.
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Annex 1 – List of Supply Chain Companies Interviewed

1. Fyffes
2. Nature’s Pride
3. Fair Fruit
4. Dole
5. Bakker
6. Eosta
7. Afriflora
8. Dutch Flower Group