



Australian Government

Department of Agriculture

Exporter Supply Chain Assurance System Regulatory Performance Report

1 March to 31 May 2019

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1 OVERVIEW

The Exporter Supply Chain Assurance System (ESCAS) requires exporters to have commercial arrangements with supply chain partners (i.e. importers, feedlots, abattoirs) in importing countries to provide humane treatment and handling of feeder and slaughter livestock¹ from arrival through to point of slaughter. As ESCAS only applies to feeder and slaughter livestock, the statistics in the report refer only to feeder and slaughter exports. ESCAS does not apply to the export of breeder livestock. ESCAS is underpinned by the following key principles – animal welfare, control and traceability – whereby the exporter must demonstrate, through a system of reporting and independent auditing of their supply chains:

- animal handling and slaughter meets World Organisation for Animal Health (OIE) animal welfare standards (animal welfare)
- the exporter has control of all supply chain arrangements (including having agreements in place with supply chain partners) for the transport, management and slaughter of livestock, and that all livestock remain in the supply chain (control)
- the exporter can account for all livestock through the supply chain (traceability).

If issues arise, ESCAS requires exporters to address any non-compliance matters within their supply chains. This may be managed by undertaking additional steps or corrective actions at facilities (for example delivering training or upgrading infrastructure), removing non-compliant facilities from a supply chain, or not exporting any further livestock to a supply chain.

Additionally, the ESCAS regulatory framework enables the Department of Agriculture to assess information about reported non-compliances with ESCAS requirements and take regulatory action where appropriate. Reports are generally received through one of four pathways: self-reported by exporters, reported by third parties (for example animal welfare organisations or private citizens in an importing country), reported by industry, or identified by the department itself. Reports are assessed by the department using the [Guideline for the management of non-compliance](#).

In response to ESCAS non-compliance, the department may apply regulatory actions to an ESCAS, or in more serious instances to an exporter or an entire market. This may include cancelling an ESCAS, varying an ESCAS to remove facilities or apply additional conditions, or suspending or cancelling an exporter's licence. Regulatory action is applied based on the nature of the non-compliance, and any corrective actions implemented by the exporter is taken into consideration.

¹ 'Livestock' refers to cattle, sheep, goats, deer, buffalo and camelids.

2 PERIOD SUMMARY: 1 MARCH TO 31 MAY 2019

Below is a summary of the number of feeder and/or slaughter livestock exported, number of reports received, and number of assessments completed during this period (1 March to 31 May 2019).

2.1 Livestock exported

During this period, 700 157 livestock were exported under ESCAS arrangements. Thirteen countries imported these livestock. The number of species exported to each country is presented in Table 1.

Table 1 Summary of livestock exported - 1 March to 31 May 2019

Country	Buffalo	Cattle	Goats	Sheep	Total
Brunei Darussalam	70	1 958			2 028
China		4 604			4 604
Indonesia	565	156 514			157 079
Israel		20 931		17 000	37 931
Japan		4 320			4 320
Jordan		295		85 254	85 549
Kuwait		544		168 843	169 387
Malaysia	320	6 432	1 772	14 129	22 653
Philippines		4 297			4 297
Qatar		712		105 000	105 712
Sarawak		1 197			1 197
United Arab Emirates		319		44 000	44 319
Vietnam	151	60 930			61 081
Total	1 106	263 053	1 772	434 226	700 157

2.2 Reports received and completed

During this period, the department received a total of three reports of non-compliance with ESCAS requirements. These reports involved supply chains in Indonesia and Vietnam. A summary of reports received and completed is presented in Table 2.

Table 2 Summary of reports received and completed - 1 March to 31 May 2019

Report type	Outstanding reports as at 28 February 2019	Reports <i>received</i> in current period	Assessments <i>completed</i> in current period	Assessments remaining in progress as at 31 May 2019 ²
ESCAS	4	2	6	0
Self-reports ³	0	1	1	0
Total	4	3	7	0

² A summary of assessments in progress is provided in Section 6 of this report.

³ These reports were received within the required time frame, appropriate corrective action was implemented by the exporter and no regulatory action was taken by the department. A summary of these reports is provided in Section 5 of this report.

3 SUMMARY OF ESCAS NON-COMPLIANCE ASSESSMENTS

3.1 Overview of findings

An overview of findings for assessments completed in this period is provided in Table 3. A detailed summary for each assessment is provided in Section 4 of this report.

Table 3 ESCAS regulatory performance assessments completed - 1 March to 31 May 2019

#	Date reported	Type	Market	Species	Australian Animals involved	Exporter	Summary of issues	Non-compliance finding
144	October 2017	Animals Australia	Israel	Sheep	645	Wellard Rural Exports Pty Ltd	Animal welfare concerns	No non-compliance
155	May 2018	Department identified	Vietnam	Cattle	872	Livestock Shipping Services Pty Ltd	Loss of control and traceability, unknown animal welfare outcomes	Critical
162	August 2018	Animals Australia	Gaza Strip	Cattle	1	Livestock Shipping Services Pty Ltd	Loss of control and traceability with poor animal welfare outcomes	No non-compliance
163	November 2018	Self-report	Vietnam	Cattle and Buffalo	743	Purcell Bros Pty Ltd	Loss of control and traceability, unknown animal welfare outcomes	Critical
164	May 2019	Self-report	Vietnam	Cattle	61	North Australian Cattle Company Pty Ltd International Livestock Exports Pty Ltd	Loss of control and traceability, unknown animal welfare outcomes	Major
165	April 2019	Independent Observer	Indonesia	Cattle	7	Australian Rural Exports Pty Ltd	Animal welfare concerns	Minor

3.2 Actions taken in response to ESCAS non-compliance reports

A range of regulatory, corrective and preventative actions were taken in response to confirmed non-compliance during the reporting period.

Regulatory actions applied by the department this period included:

- Suspending exporters supply chains
- Suspending and removing importers and facilities from approved supply chains
- Conducting additional departmental control and traceability audits
- Applying additional monitoring, oversight and reporting conditions
- Requiring the development and implementation of revised Supply Chain Management Plans
- Requiring ongoing corrective procedures to prevent reoccurrence of non-compliance
- Applying additional discharge conditions to exporters supply chains

Corrective actions implemented by exporters this period included:

- Removing entities and facilities from their supply chains
- Updating contractual arrangements with supply chain partners
- Providing additional training to supply chain staff
- Placing additional staff at facilities for further oversight
- Scheduling additional independent audits
- Ceasing supply of livestock to importers, abattoirs and feedlots until issues were rectified
- Increasing the frequency of data checks to improve monitoring of traceability
- Terminating employment of supply chain staff involved in non-compliance

4 ESCAS REGULATORY PERFORMANCE ASSESSMENTS

4.1 GAZA STRIP

Background

There have been no ESCAS approved facilities in the Gaza Strip since early 2014.

Report #162: Cattle in the Gaza Strip – No non-compliance

Incident Report

On 23 August 2018, Animals Australia reported that Australian livestock were allegedly available for purchase and slaughter at an abattoir at Rafah in the south of the Gaza Strip.

Animals Australia provided video footage taken of cattle in the abattoir. They alleged that one steer had an identifiable ear tag.

Department Assessment

The department reviewed supply chain records and determined there have been no ESCAS approved facilities in the Gaza Strip since early 2014. As the name of the abattoir did not match any that have been the subject of previous ESCAS non-compliance investigations, and Global Positioning System (GPS) coordinates were not provided by Animals Australia, the department was unable to determine if the abattoir had been previously included in an exporters ESCAS, or had been the subject of any previous investigations.

ESCAS facilities in Israel would be the most likely origin of any Australian livestock in the Gaza Strip in the absence of an approved ESCAS facility within the Gaza Strip. Three exporters including Livestock Shipping Services Pty Ltd (LSS) had approved supply chains for cattle in Israel at the time of the Animals Australia report.

The department notified all three exporters of the Animals Australia report. Based on the evidence provided to the department, the animal with the alleged identifiable tag observed in the abattoir was not related to two supply chains and no further investigation was required by those exporters.

As the Animals Australia investigator identified, and the department subsequently confirmed through the supplied footage, the ear tag included the letters "LSS". The department therefore required LSS to investigate the allegations further.

The video footage provided showing the steer tagged with an alleged Australian tag in its ear, was insufficient to determine the exact tag details for identification. The department compared tag lists for consignments exported to Israel in the two years prior to the alleged incident. The identification format was not consistent with the ear tags currently (or the preceding two years) used by LSS.

As the initial footage appeared edited, the department requested the original unedited version be provided by Animals Australia. The requested footage was not supplied.

Additionally audio evidence was not provided by Animals Australia to support the claims that the investigator was advised that Australia-tagged cattle were available for purchase at the abattoir.

Exporter actions

The department provided LSS the supplied footage, and all other relevant information from Animals Australia, for LSS to conduct an internal investigation into the allegations.

LSS informed the department that the identification format of the ear tag in the footage was not consistent with the format of the ear tags they use for cattle exported to Israel. LSS provided the department with photo evidence of the identification format of ear tags they have been using for cattle exported to Israel since January 2014.

LSS also noted that the steer in the footage had two ear tags in the same ear which was not consistent with their cattle, which are only tagged with one tag per ear. LSS informed the department they found the video footage to be insufficient to properly investigate the allegations made by Animals Australia.

Department actions and conclusions

The department reviewed the information provided by Animals Australia and LSS. Based on this information the department determined that there was insufficient evidence to investigate further and as a result did not record a non-compliance against the LSS Israel cattle supply chain.

In assessing this matter against the [guidelines for management of non-compliance](#), no non-compliance with ESCAS and animal welfare requirements was recorded against the LSS Israel cattle supply chain.

4.2 INDONESIA

Background

The Exporter Supply Chain Assurance System (ESCAS) was implemented in Indonesia on 8 July 2011.

As at 31 May 2019, a total of 81 consignments of livestock have been exported by sea under ESCAS arrangements to Indonesia in 2019, including 243 602 cattle and 936 buffalo. Indonesia is the largest market for both cattle and buffalo in 2019.

As at 31 May 2019, there are 11 Australian exporters with approved supply chains to export livestock to Indonesia.

The department has previously published assessments of 14 reports relating to non-compliance in Indonesia. From these reports, 10 findings of non-compliance have been recorded against exporter supply chains or facilities. The assessments can be found at [Regulatory Compliance Investigations](#).

As at 31 May 2019, no further reports of non-compliance are under assessment for Indonesia.

Report #165: Cattle exported to Indonesia – Minor non-compliance

Incident Report

On 10 April 2019, the Department of Agriculture received notification from an Independent Observer (IO) regarding observations made during discharge of a vessel in Indonesia.

The IO reported that during discharge of a feeder cattle consignment exported to Indonesia by Australian Rural Exports Pty Ltd (Austrex) non-compliant handling of cattle was observed. The IO reported that during discharge, staff working at the port were seen to hit, kick and excessively prod cattle and included breaking the tails of two animals. On 16 April 2019, the IO provided an 8 minute and 42 second video of the incident to the department.

The department reviewed the information received from the IO and determined there had been non-compliance with Exporter Supply Chain Assurance System (ESCAS) animal welfare requirements during discharge.

Department assessment and actions

The department assessed the report and video footage provided by the IO. The department determined there was non-compliant handling during discharge of the consignment. The footage showed cattle repeatedly baulking in the unloading ramp, leading to non-compliant handling by various animal handlers including:

- Excessive use of a stick on seven cattle that were already moving freely down the ramp
- Kicking, hitting, potential tail breaking and excessively stamping on the backs of two cattle on the discharge ramp

On 13 May 2019, the department provided the footage to Austrex to review. The department required Austrex to undertake an internal investigation into the incident and provide a report including details of any corrective actions taken.

Exporter actions

On 15 May 2019, Austrex provided their investigation report to the department. Austrex reported the animal handlers involved in the incident were importer staff and stevedores employed by the port. Austrex provided the footage to their importer who also investigated the incident.

Upon reviewing the footage, Austrex identified several weaknesses in processes which resulted in non-compliant animal handling. These included:

- A lack of supervision of discharge by the importer's Animal Welfare Officers (AWOs)
- Staff being placed at inappropriate areas of the discharge ramp and truck ramps causing cattle to baulk
- The inability of the importer staff, stevedores, vessel crew and labourers to understand why the cattle were baulking

During discharge, the stockman was in the hold of the vessel checking on cattle as well as feed and water troughs and did not witness the incident. However, during a break in discharge the stockmen was notified by the IO of the issues that occurred.

Austrex immediately implemented a number of corrective actions to mitigate the risk of further non-compliances occurring during discharge. These included:

- Undertaking further training on ESCAS animal welfare standards and handling of cattle during discharge with the importer, stevedores and trucking company
- Creating 'cattle handling and animal welfare' guidance material and where practically possible brief the importer staff prior to each discharge of Austrex cattle
- Placing AWOs along the discharge ramp to handle the cattle, and ensuring all cattle handling during discharge is performed by importer AWOs who are trained in ESCAS animal welfare standards
- Increasing the on-board stockperson's oversight of the operations at the discharge ramp
- Requiring three Austrex-employed in-market supply chain staff to oversee discharge of their next consignment to Indonesia which discharged on 16 May 2019.

On 24 May 2019, Austrex reported the outcome of the additional training completed on 15 May 2019, and discharge of their consignment which discharged on 16 May 2019. Austrex reported the training was successful and the discharge was compliant with ESCAS animal welfare standards.

During the training session presented by Austrex and importer staff and attended by Austrex, importer, stevedore and trucking staff, the importance of animal welfare standards as well as compliance with ESCAS was reiterated to staff. The footage taken by the IO was shown to the attendees detailing the identified non-compliances. Footage of a compliant discharge was also shown for comparison.

Austrex reported that prior to discharge commencing on 16 May 2019, Austrex and the importer conducted a briefing about the correct handling and welfare of cattle to all staff who are involved in the discharge.

Prior to discharge commencing in order to improve welfare outcomes for cattle, the importer's AWO laid sawdust on the ramp to minimise slipping and placed cloth over all openings, to minimise

bulking during discharge. In addition, during discharge Austrex's supply chain supervisors and the importer's AWOs were responsible for the handling of cattle on the discharge ramp.

Austrex reported that there were no issues during discharge and it was undertaken compliantly.

Department conclusions

The department determined that non-compliance with ESCAS animal welfare requirements had occurred during discharge of the consignment of feeder cattle in Indonesia.

Austrex immediately took action to investigate and apply corrective action in response to the non-compliance. The department accepted the corrective actions implemented by Austrex and determined they were adequate to address the non-compliance.

The department placed a condition on Austrex's Indonesia cattle supply chain, requiring a discharge audit to be conducted by 7 June 2019 of a consignment of cattle to be discharged to the importer to verify the corrective actions had been implemented. No further regulatory action was taken.

In assessing this matter against the [Guidelines for management of non-compliance](#), a *minor* non-compliance with ESCAS animal welfare requirements has been recorded against the Austrex Indonesia cattle supply chain.

4.3 ISRAEL

Background

The Exporter Supply Chain Assurance System (ESCAS) was implemented in Israel on 1 September 2012.

As at 31 May 2019, a total of six consignments of livestock have been exported by sea under ESCAS arrangements to Israel in 2019, including 39 461 cattle and 43 719 sheep. Israel is the third largest market for cattle and fifth largest market for sheep in 2019.

As at 31 May 2019, there are three Australian exporters with approved supply chains to export livestock to Israel.

The department has previously published assessments of 14 reports relating to non-compliance in Israel. From these reports, eight findings of non-compliance have been recorded against exporter supply chains or facilities. The assessments can be found at [Regulatory Compliance Investigations](#).

As at 31 May 2019, no further reports of non-compliance are under assessment for Israel.

Report #144: Sheep exported to Israel – No non-compliance

Incident Report

On 26 October 2017, the Department of Agriculture received correspondence from Animals Australia requesting the department investigate a high mortality rate which occurred on a voyage of sheep exported by Wellard Rural Exports Pty Ltd (Wellard) to Israel in October 2016. The Master of the vessel reported that the voyage reached a mortality rate of 1.98 per cent as published in the department's [Report to Parliament](#). At the time of the voyage, the reportable level for sheep voyages of this length was 2 per cent.

Animals Australia also provided a report obtained from the Israeli government showing that a further 645 mortalities occurred after arrival in the Israel quarantine feedlot and requested the department investigate this as well.

Department Assessment

Based on departmental records, the consignment completed loading in Fremantle, Australia on 19 September 2016 and consisted of 26,479 sheep. 25,954 sheep were discharged at Eilat, Israel on 7 October 2016. The voyage resulted in a total mortality of 525 head (1.98 per cent).

As this mortality rate falls below the reportable level it was not subject to a separate shipboard mortality investigation. The department therefore limited the scope of this investigation to the mortalities in the quarantine feedlot in Israel. The department did however, assess preparation of the sheep in Australia and conditions on the voyage to determine if this contributed to the mortalities in the quarantine feedlot.

Preparation in Australia

There were 38 mortalities recorded at the registered premises from various properties of origin. An additional 124 sheep were rejected at the registered premises. The majority of rejects had eye problems, lameness and scabby mouth with small numbers rejected due to fractures, body condition and wounds. Weather conditions were mild with sporadic light rainfall.

Voyage

The on-board Australian Accredited Veterinarian (AAV) reported that water was available ad libitum with no issues in access for the stock to drink, delivery of water or cleaning of the troughs to maintain palatable water. A combination of both fodder and chaff was fed ad libitum and no metabolic or feed related problems were noted during the voyage.

Records of respiratory character and deck conditions were classed as normal, however the AAV reported that some sheep were affected by pneumonia and pleuropneumonia which contributed to the mortality rate. The symptoms were not isolated to any section or deck but were dispersed relatively evenly throughout the consignment. The affected sheep were initially treated with oxytetracycline and non-steroidal anti-inflammatory drugs (NSAIDs) which proved to be largely ineffective. These sheep were subsequently treated with tulathromycin and NSAIDs. The AAV noted that this treatment appeared to reduce the mortality rate, however over half of the mortalities occurred in the final four days of the voyage.

Wellard noted that the pre-export preparation, environmental factors and voyage conditions did not indicate that a pneumonic event could have been predicted.

Health and welfare in the Israel feedlot

The department provided Wellard with the details of Animals Australia's report and requested it to investigate its Israel sheep supply chain. Wellard stated information on the mortality event in the quarantine feedlot is 'sparse and limited' due to the time between the incident and Animals Australia's report being received on 26 October 2017 (12 months after the consignment was inducted into the quarantine facility) and the fact that Wellard had since closed its Israel supply chain. The Wellard General Manager for the Middle East and North Africa advised that as the supply chain had been closed, the commercial relationship between Wellard and their supply chain partners was no longer functional. Because of this, Wellard advised they could not obtain comprehensive records of the cause of the illness, mortalities or the treatments and care provided to the sheep at the facility.

However Wellard did provide documentation of testing undertaken by an independent veterinarian it had engaged in Israel while the consignment was in the quarantine feedlot. The veterinarian recorded that the sheep showed symptoms of diarrhoea and coughing. The pathology report indicates the test samples from the sheep in the feedlot had a parasite load of 440 eggs per gram of *Strongylidae spp.* Wellard noted that this result is a higher than expected, but unlikely to cause mortality.

Despite the parasite load, the independent veterinarian in Israel reported that the suspected cause of the mortalities in the quarantine feedlot was acidosis. Wellard have indicated that it disagrees with the veterinarian's assessment, because if acidosis was indeed the cause, it is likely that more

animals would have shown signs of illness. Wellard did not however pursue its disagreement with the veterinarian at the time.

Israel requires that imported livestock must be inducted into the Israeli government quarantine feedlot listed on the import permit. The quarantine feedlot involved in this report is listed on the import permit for this consignment. The Veterinary Services and Animal Health Department of the Israel Ministry of Agriculture (MoAg) provided the department with a brief statement outlining that based on the samples sent to their diagnostic institute, the main finding was ruminal acidosis and suggested that this may have been caused by an inappropriate diet. MoAg advised that the quarantine feedlot staff altered the fodder to contain more long fibres and fewer fermentable carbohydrates to address the problem.

The ESCAS animal welfare standards require that 'In the feedlot, feedstuffs and feed ingredients are of satisfactory quality to meet nutritional needs.' Specifically, the 'person responsible for the livestock should have adequate knowledge of ... the impact of ... diet composition and sudden dietary changes in respect to digestive upsets and their negative consequences (e.g. acidosis, bloat, liver abscess and laminitis).' Wellard advised that the Standard Operating Procedures (SOPs) in place at the quarantine feedlot were based on OIE and ESCAS standards.

The quarantine feedlot in Israel was last independently audited prior to the incident in February 2016 (eight months prior to the consignment being inducted into the quarantine feedlot). The auditor found the feedlot to be compliant with ESCAS requirements and noted there was 'sufficient and adequate feed' at the feedlot at the time of the audit. Subsequent independent audits provided by Wellard also noted the quarantine feedlot is compliant with ESCAS standards.

Exporter actions

The supply chain was closed at Wellard's request on 4 December 2017. The department will require Wellard to implement the additional actions it proposed to address this issue prior to reopening the supply chain including:

- Developing an improved anti-parasitic strategy if future shipments of young sheep are planned in the Australian spring.
- Providing written assurance that prior to applying to reopen exports of sheep to this market they will investigate the feed transition from ship to quarantine feedlot and apply best practice.
- Engaging a competent third party veterinarian to observe animals for a minimum of seven days post arrival (subject to MoAg approval).

Department actions and conclusions

Based on the advice provided by MoAg, the department concluded that the most likely cause of the mortalities in the quarantine feedlot was ruminal acidosis. The recovering pneumonia cases from the voyage as reported by the AAV and the internal parasite load may have contributed to general susceptibility and the subsequent mortalities encountered in the Israel feedlot.

No evidence was provided to suggest that the quarantine feedlot staff did not follow the SOPs or provided inadequate feed to the animals.

The department reviewed the information provided by Wellard and accepted that the corrective actions proposed by Wellard are sufficient and will require them to be implemented prior to reopening the Israel sheep supply chain.

In assessing this matter against the [guidelines for management of non-compliance](#), the department has not recorded a non-compliance with ESCAS animal welfare requirements against the Wellard Israel sheep supply chain.

4.4 VIETNAM

Background

The Exporter Supply Chain Assurance System (ESCAS) was implemented in Vietnam on 31 December 2012.

As at 31 May 2019, a total of 33 consignments of livestock have been exported by sea under ESCAS arrangements to Vietnam in 2019, including 90 560 cattle and 397 buffalo. Vietnam is the second largest market for cattle and third largest market for buffalo in 2019.

As at 31 May 2019, there are nine Australian exporters with approved supply chains to export livestock to Vietnam.

The department has previously published assessments of 45 reports relating to non-compliance in Vietnam. From these reports, 44 findings of non-compliance have been recorded against exporter supply chains or facilities. The assessments can be found at [Regulatory Compliance Investigations](#).

As at 31 May 2019, no further reports of non-compliance are under assessment for Vietnam.

Report #155: Cattle exported to Vietnam – Critical non-compliance

Incident Report

On 24 May 2018, the Department of Agriculture conducted an audit of Livestock Shipping Services' (LSS) control and traceability systems for their Vietnam supply chain. The departmental auditors identified several non-compliances with Exporter Supply Chain Assurance System (ESCAS) control, traceability, animal welfare and reporting requirements.

The departmental auditors identified that a significant number of livestock post-export movements and current location could not be accounted for. Review of control and traceability data from two feedlots identified nearly 1000 animals marked as:

- “in-transit” from the feedlot with no record or verification of subsequent receipt or slaughter at an ESCAS approved facility
- on-hand at feedlots which LSS in-market staff had earlier confirmed were empty, or holding many fewer animals than reported

The issue had been reported to LSS by one of their third-party control and traceability system providers (CTP) on 21 April 2018. However, this had not been reported to the department as required under ESCAS. As part of their ESCAS approval, an exporter is required to notify the department in writing within five working days of becoming aware, or receiving information that suggests non-compliance with ESCAS control, traceability, or animal welfare requirements has occurred.

While viewing live Closed Circuit Television (CCTV) footage from two abattoirs in the LSS Vietnam supply chain, the departmental auditors also identified issues indicating a lack of training and understanding of ESCAS requirements by abattoir staff, control and traceability system control room staff, and third party employed Animal Welfare Officers (AWO's). Abattoir staff were observed using

unapproved movement aids, moving and handling animals in a manner non-compliant with ESCAS requirements, and uncertainty around stunning and consciousness checks being competently performed.

As the issues observed by the auditors were not acted on by control room staff at the time, the auditors also raised concerns relating to the CTP's control room staff and their ability to identify and take action to rectify issues identified while monitoring CCTV feeds for compliance with ESCAS requirements.

When reviewing independent audit performance reports (IPARs) of audits conducted of facilities in the LSS supply chain, the departmental auditors also identified facilities reported as being audited on the same day, by the same auditor, which were separated by distances which indicated they could not have been audited in the reported time frame due to travel times.

Department actions

The LSS-Vietnam ESCAS was immediately varied by the department requiring them to cease supply to the supply chain while the matter was investigated.

A proposed management plan detailing how LSS were going to ensure that all cattle remaining in their supply chain were handled and slaughtered in accordance with ESCAS requirements was required. Additional conditions requiring any movement and slaughter of animals to stop were also applied to enable some intermediate control over the supply chain while LSS developed and implemented the management plan. Transportation and slaughter of remaining animals was not to resume until the department had agreed to the plan.

Control and traceability system data was required detailing the number and location of animals believed to be alive in the LSS supply chain, and a complete physical reconciliation of cattle in their supply chain be undertaken in order to identify the extent of the loss of control and traceability, and the actual number and location of cattle remaining alive in the supply chain.

The department also required LSS to provide auditor's notes taken during the facility audits, along with any other information or documentation which provided supporting evidence that these audits were completed as reported in the IPAR.

Exporter actions

LSS provided updated information relating to the extent of the loss of control and traceability to the department on the evening of the audit.

They reported a total of 163 cattle were identified in their control and traceability system as "in-transit" from Feedlot 1, with 709 reported as still on hand. However following an earlier site visit, LSS in-market staff had confirmed there were in fact no animals remaining at Feedlot 1. In addition, control and traceability data showed 310 cattle as being on hand at Feedlot 2, however LSS reported in-market staff had earlier identified less than 200 head remaining at the feedlot.

On 25 May 2018, LSS submitted their proposed management plan detailing additional actions and oversight to be implemented in order to allow slaughter of cattle remaining in the supply chain to resume. Immediate actions included:

- two LSS (Australian-based) employees would travel immediately to Vietnam to work with existing in-market staff and importers to:
 - complete the required physical reconciliation
 - develop and oversee the implementation of ongoing corrective actions
 - visit facilities that have held or slaughtered animals each week to verify movements
- an independent auditor and an exporter representative would supervise slaughter from the control room to observe and assess the competence of AWO's, abattoir and control room staff
- LSS and another exporter using the same control and traceability system would send a consultant to Vietnam to perform:
 - control room response staff training
 - targeted additional animal handling training at the abattoirs identified during the audit to have issues
 - additional animal handling training and accepted animal movement aids would be provided to approved supply chain facility staff and AWO's
- LSS and the other exporter would work together to develop a system to achieve consistency and continuity of training and maintenance programs through facilities operating under their joint CTP.

The department agreed to allow LSS to resume slaughter under the proposed management plan, requiring additional reporting detailing any issues identified and corrective actions taken to address them, additional monitoring and verification of movement records, the provision of reconciliation data for examination by the department, and further information and evidence of their CTP's documented systems and processes.

Exporter representatives arrived in market as proposed by LSS, completing the required physical reconciliation on 31 May 2018. The final number of cattle with loss of traceability was identified to be 872 head. These cattle were from four consignments totaling 14 787 exported to a single importer between May 2016 and May 2017.

LSS communicated with the importer and worked to match movement and transport records from the feedlots against abattoir invoices in order to determine the locations of the missing cattle. Through this process, LSS were able to determine of the 872 head:

- 471 were traced to approved abattoirs
- 401 were traced to feedlot mortalities or euthanasia
 - Of these, there were no formal veterinary reports for 278, and 84 of these had not been recorded in the control and traceability system

On 31 July 2018, LSS met with departmental officers and provided evidence of their movement documentation review and presented their findings. LSS reported that while looking into the matter they had identified several issues which contributed to the discrepancies with movement records including:

- Human error associated with the recording and matching of National Livestock Identification System (NLIS) tags (used prior to export in Australia) to the CTP tags (used for recording movements once in market)
- Human error associated with the manual recording and subsequent transcribing of tag numbers into computer databases
- failure to identify and replace lost or non-functioning tags
- dirty tags failing to be read
- informal reporting of feedlot mortalities and emergency slaughters
- the failure to record feedlot mortalities and emergency slaughters in the control and traceability system

Once physical reconciliations were completed and it was confirmed that no animals remained in the importer supply chain, LSS requested the importer and associated facilities be removed from their supply chain.

With regards to the issues identified with audit times and apparent inability to complete them as described, LSS approached the relevant independent audit company who stated there was actually two auditors performing the physical audits of the facilities included in this report. However, only the auditor finalising and signing off the report was identified making it appear they had completed the physical audits alone.

Department assessment

The department determined that LSS did not have processes in place to monitor and verify control and traceability system data, enabling them to identify issues in a timely manner. The Supply Chain Management Strategy (SCMS) LSS had in place at the time outsourced a significant portion of the monitoring and verification processes to their third party CTP. As a result, discrepancies in movements of cattle in the supply chain were not detected for nearly two years until the departmental audit. Further to this, LSS' failure to act on advice from their CTP demonstrated an additional lack of responsibility and oversight.

The third party CTP's process of manually recording and transferring tag numbers into the control and traceability system significantly increased the risk of tag data being entered incorrectly (or missed all together) through human error and contributed to the significant number of animals without movement verification. Further to this, LSS' lack of reconciliation processes—during which missing or malfunctioning tags would be identified—and a lack of re-tagging processes added to the issue. The failure to effectively and consistently record and reconcile feedlot mortalities provided the opportunity for additional loss of traceability. Consequently, the department required LSS to develop and implement improved re-tagging and mortality recording and verification processes as part of a SCMS update.

That both CTP control room operators and AWO's on-site overseeing slaughter did not identify nor correct observed non-compliance called into question their understanding of ESCAS requirements, the effectiveness of training being provided, and their overall competency to perform the role. The department required LSS to maintain records and provide evidence of training performed as detailed in their management plan.

The apparent issues relating to the IPAR's raised questions around the authenticity of the reports being submitted to the department, the integrity of the audit company, and the department's willingness to accept audits conducted by them. The department reinforced the requirement to report IPAR activities accurately, and reiterated to all exporters the need for due diligence when receiving, reviewing and submitting IPAR's performed on their behalf. Departmental review of subsequent IPAR's performed by the relevant audit company have not identified further issues of a similar nature, and audit reports are being signed by the physical auditor.

LSS were required to perform a complete review of their existing SCMS, and to submit an amended version detailing both short and long term corrective actions to be implemented to address the specific issues identified. The SCMS was reviewed by the department and it was determined that adequate monitoring and verification processes were now in place, providing sufficient assurance that LSS had management and oversight of the supply chain. The department required animals remaining in the supply chain to be managed under the amended SCMS in order to determine the effectiveness of the actions implemented prior to considering to allow LSS resume supply.

Once all animals remaining in the supply chain had been slaughtered under the new SCMS and the corrective actions determined to be effective, on 3 November 2018 the department varied the LSS Vietnam ESCAS allowing them to resume supply to their Vietnam supply chain under additional conditions. These included supplementary reporting requirements, and a departmental SCMS audit to be completed within three months of slaughter commencing of the first consignment exported. The aim of this audit was to determine LSS' compliance with the SCMS, and the implementation and effectiveness of the corrective actions taken in response to the non-compliance.

Department conclusions

The department considered the information and evidence provided by LSS and determined that the loss of control and traceability had occurred as stated. Corrective actions taken to manage the immediate situation, along with long-term corrective actions implemented by LSS were considered sufficient to address the non-compliance in their Vietnam supply chain.

A departmental audit of the LSS SCMS was performed on 1 March 2019 with no corrective actions identified.

In assessing this matter against the [Guidelines for management of non-compliance](#), a critical noncompliance with ESCAS control and traceability requirements has been recorded against the LSS Vietnam cattle supply chain.

Report #163: Cattle and buffalo exported to the Vietnam – Critical non-compliance

Incident Report

On 12 November 2018, the Department of Agriculture received notification from Purcell Bros Pty Ltd (Purcell) regarding suspected non-compliance with Exporter Supply Chain Assurance System (ESCAS) control and traceability requirements in Vietnam. On 15 November 2018, Purcell confirmed that cattle and buffalo had been moved outside of the approved supply chains. For ESCAS purposes, cattle and buffalo have separate approved supply chains.

Purcell reported that between 8 and 11 November 2018, 543 cattle and 50 buffalo were moved from an approved feedlot to unknown locations. Purcell advised they were unaware of the location of the animals and that the feedlot staff had tampered with the closed circuit television (CCTV) cameras monitoring the facility.

On 2 December 2018, Purcell reported a further 11 head of cattle had left the approved supply chain and that there had been suspected tampering with the CCTV cameras again. Purcell repeatedly reported that no animal welfare concerns were observed at the feedlot.

Following additional measures (see below) Purcell confirmed that no livestock remained alive in either approved supply chain after 24 January 2019.

Exporter actions

After the initial loss of control and traceability was confirmed, Purcell required their Animal Welfare Officer (AWO) and export manager to remain at the feedlot at all times. Purcell also advised the department they would require their AWO to travel with all livestock to approved abattoirs from the feedlot. Purcell subsequently advised their third party traceability provider to monitor the CCTV footage from the feedlot at all times. Purcell internally suspended the importer and feedlot from their supply chains, notifying the department no further livestock would be exported to either the importer or feedlot.

Purcell proposed to undertake a full facility scan of the facility every two weeks. However as Purcell advised that all animals remaining at the feedlot would be processed within two weeks, the department requested Purcell to complete a full facility scan at least every two days. The department also requested Purcell to place further staff at the feedlot to monitor health and welfare of the livestock and any movements out of the feedlot. Purcell believed that by having an AWO at the feedlot at all times and their export manager conducting on site visits, there would be no further loss of control and traceability.

Purcell staff attempted to work with the feedlot owner (who was also the importer) to ensure livestock were managed and processed in accordance with ESCAS requirements. Purcell staff (the AWO and export manager) met with the feedlot owner on 16 November 2018 and proposed a new management agreement. The feedlot owner refused to sign the agreement, but gave verbal confirmation that the livestock remaining in the feedlot would be managed and processed in accordance with ESCAS. As part of the verbal agreement, the feedlot owner agreed that Purcell staff would approve any proposed sales of livestock and approve any movements out of the feedlot (with verification from the third party traceability provider) prior to any livestock leaving the feedlot with the aim of preventing further loss of control and traceability.

At the meeting, Purcell staff directed the feedlot owner to cease moving livestock out of the approved supply chain and to ensure staff would not tamper with the CCTV cameras in any way. The feedlot owner denied that any livestock had left the approved supply chain and when the AWO questioned him about tampering with the cameras, he said the camera outages were due to bad weather in the area and power outages.

Purcell advised that the AWO was on the premises at the time of the second instance of animals leaving the supply chain (2 December 2018), but did not notice the animals leaving the feedlot. Purcell again reported that the CCTV cameras 'went offline' during this period. The movement of animals from the feedlot was not approved by Purcell and was picked up by their third party traceability provider. The third party traceability provider sent staff to the feedlot to conduct a reconciliation of the remaining animals.

The managing director of Purcell travelled to Vietnam on 4 December 2018 to meet with the feedlot owner to discuss the requirements of ESCAS and to investigate where the livestock that had left the supply chains had gone. The feedlot owner reiterated that all cattle and buffalo had been processed in approved facilities and none had left the supply chains, but was unable to provide any evidence. At the conclusion of the meeting, Purcell received verbal confirmation from the owner that they agreed to process the remaining cattle through approved facilities.

During this visit, Purcell's managing director noted that the feedlot staff were resistant to having too many Purcell staff monitoring the facility and feedlot staff had turned hostile towards his staff. Additionally, the feedlot owner seemed to have complete disregard for ESCAS requirements despite verbal advice to the contrary. Purcell's AWO remained at the feedlot until no livestock remained alive in the supply chains.

On 9 January 2019, Purcell advised that all remaining cattle had been slaughtered. All remaining buffalo had been slaughtered by 24 January 2019, leaving no livestock alive in the approved supply chains.

Department assessment and actions

Purcell exported their first and only consignment (this consignment) to Vietnam in July 2018, with 1,067 cattle and 99 buffalo discharged. Prior to approving the consignment, the department required Purcell to provide a supply chain management plan that indicated how Purcell where to manage ESCAS (animal welfare, control and traceability) arrangements in Vietnam. This document was assessed and approved by the department prior to the consignment being approved.

When assessing Purcell's supply chain applications in June 2018, the department compared the information provided by Purcell to departmental records, including GPS coordinates, location data and supply chain records. The information provided by Purcell did not match any departmental records, and the department ascertained that neither the importer nor feedlot had been previously approved. Due to previous reports of non-compliance in Vietnam, additional reporting and audit conditions were placed on both Purcell supply chains.

On 15 November 2018, the department suspended the importer and feedlot from Purcell's supply chains following confirmation that livestock had left the approved supply chains. The importer and feedlot were not approved for any other exporters at the time of the non-compliance.

The department required Purcell to provide daily updates on the incident, to identify any further loss

of control and traceability. The department also required Purcell to provide regular reconciliations of the consignment to verify the information being provided was accurate. At times, Purcell did not supply the requested information as per the requested timelines.

The department requested Purcell provide an end of life processing report from the third party traceability provider on 24 January 2019. The report (based on RFID ear tag scans) showed there had been no movement of livestock out of the feedlot after 24 November 2018. Purcell's AWO provided a report of his observations, however Purcell could not reconcile the AWO report against the third party traceability provider's report.

Purcell were unable to provide any evidence that the 105 livestock remaining in the feedlot after 24 November 2018 had been processed in approved abattoirs or in accordance with ESCAS requirements. The total loss of traceability with unknown animal welfare outcomes was 743 head (644 cattle and 99 buffalo).

The department required Purcell to attend a meeting with departmental staff on 4 February 2019 to discuss the incident and the actions taken by the exporter in relation to the loss of control and traceability. The department requested Purcell to provide further information regarding the loss of control and traceability as well as the unknown animal welfare outcomes. Purcell was unable to provide any further information regarding traceability or animal welfare outcomes.

Department conclusions

The department determined that non-compliance with ESCAS control and traceability requirements had occurred for 743 animals (644 cattle and 99 buffalo). This equates to 100 per cent of the buffalo and 60 per cent of the cattle in Purcell's supply chains. As the location of the animals cannot be determined, the animal welfare outcomes for the 743 animals that had left the supply chains remain unknown.

Purcell took action to investigate and apply corrective action in response to the non-compliance, however these actions were insufficient in addressing the non-compliance as animals continued to leave the approved supply chain. In response to the critical nature of the non-compliance and insufficient actions taken by Purcell, the department required Purcell to cease supply to both their cattle and buffalo supply chains.

In assessing this matter against the [Guidelines for management of non-compliance](#), a *critical* non-compliance with ESCAS control and traceability requirements has been recorded against the Purcell cattle and buffalo supply chains.

This incident will be taken into account when considering any applications for the importer or feedlot to be reapproved as well as any applications by the exporter to export to markets with ESCAS.

Report #164: Cattle exported to Vietnam – Major non-compliance

Incident Report

On 2 May 2019, the Department of Agriculture received notification from North Australian Cattle Company Pty Ltd (NACC) regarding non-compliance with Exporter Supply Chain Assurance System (ESCAS) control and traceability requirements in Vietnam.

NACC reported 40 of its cattle were inducted into an abattoir within their supply chain between 21 and 23 April 2019, but were only able to verify slaughter of 11 cattle, via their third party control and traceability provider. NACC and their third party control and traceability provider were unable to confirm the whereabouts of the remaining 29 cattle.

The department requested all other exporters, who had the abattoir in their approved supply chain, to investigate and determine whether their supply chain had been affected by non-compliance.

Following these enquiries, on 10 May 2019 International Livestock Export Pty Ltd (ILE) reported that 80 of its cattle were inducted into the same abattoir between 26 and 30 April 2019. Their third party control and traceability provider (the same one used by NACC) observed slaughter of 48 cattle, but were unable to confirm the whereabouts of the remaining 32 cattle.

Both exporters advised they were unable to determine or verify the location of their missing cattle. ILE reported that the abattoir staff were suspected of tampering with the closed circuit television (CCTV) cameras monitoring the facility between 30 April and 1 May and 7 and 9 May 2019.

Exporter actions

NACC:

NACC reported that their third party control and traceability provider required their staff to visit the abattoir on 26 April 2019. The third party control and traceability staff advised no Australian cattle remained at the facility.

When visiting the facility on 26 April 2019, the staff of the third party control and traceability provider checked the facilities Radio Frequency Identification (RFID) scan data to check for data regarding the 29 cattle that were unable to be located. The data from the scanner showed that on three occasions the scanner recorded two National Livestock Identification System (NLIS) tags at the same time and on eight occasions there was only a one minute time difference between the slaughter of two animals.

Staff from the third party control and traceability provider downloaded the NLIS (RFID) data from the facility scanner to their computer system, to compare the CCTV footage of the approved slaughter box at the times the tags were scanned. All 29 RFID tags were scanned prior to the abattoir's usual operating hours and were unable to be matched to cattle being slaughtered in the approved box.

NACC staff as well as staff from their control and traceability provider visited the facility again on 28 April 2019. During this visit, the importer's Animal Welfare Officer (AWO) stated he had collected multiple ear tags on numerous occasions to scan all tags at the end of the slaughtermen's shift instead of at the time of slaughter. The AWO also stated the abattoir would operate outside of standard hours to meet customer demand.

The AWO provided cropped photographs of the bodies of the 32 slaughtered cattle, however no identification tags or heads of cattle were in the photographs. NACC and its third party control and traceability provider were unable to determine whether the cattle in the photographs belonged to NACC. As the photographs were cropped and identification tags unable to be seen on cattle, the department was unable to verify the cattle belonged to NACC or confirm that animal welfare standards were met during slaughter. The standard operating procedure for the importers AWO's, requires photographs to include the head and identification tag of slaughtered animals.

NACC and its importer immediately suspended the abattoir from NACC's supply chain. The importer terminated the employment of the AWO. NACC confirmed there were no other concerns or issues at other facilities within its Vietnam supply chains and NACC were unaware of any connections between the abattoir owner and AWO to other facilities in Vietnam.

ILE:

On 10 May 2019, following departmental enquires with other exporters with the non-compliant abattoir approved in ILE's supply chain, ILE reported through evidence provided by its third party control and traceability provider that 32 cattle delivered to the abattoir between 26 and 30 April 2019 were unable to be traced.

ILE reported the CCTV system at the abattoir went 'offline' on two occasions. The first occasion was between 30 April and 1 May 2019, the second was between 7 and 9 May 2019. ILE reported that the staff at the abattoir were suspected of unplugging the system and tampering with the CCTV cameras.

On 17 May 2019, ILE provided the department with a verified slaughter report from their third party control and traceability provider for cattle inducted into the abattoir. ILE's third party control and traceability provider could only confirm the slaughter of 48 head took place at the approved abattoir. Following enquiries with its importer, AWO and information held on RFID scanners, ILE provided a slaughter summary for the unaccounted 32 head of cattle, stating the cattle had been slaughtered in a slaughter box next door to the approved facility.

The report included photographs of tag numbers on the RFID scanners as well as photographs of slaughtered cattle. The photographs of the slaughtered cattle were cropped and identification tags were unable to be seen. Therefore, the department was unable to verify the cattle belonged to ILE or confirm that animal welfare standards were met during slaughter.

ILE's animals were exported to a different importer to NACC's animals. ILE's importer also terminated the employment of its AWO immediately on confirmation of non-compliance within the abattoir.

Department assessment and actions

At the time of the non-compliance, the abattoir was approved in the supply chain of five exporters, including ILE and NACC. On 2 May 2019, the department required all exporters to cease supply of further livestock to the abattoir. All exporters except ILE confirmed they had no animals remaining in the abattoir.

The department requested ILE representatives conduct a site visit to verify whether any of its cattle remained at the abattoir. ILE reported that a site visit was unable to be conducted as the abattoir

staff had turned hostile towards the third party control and traceability provider. However ILE's importer was able to enter the abattoir on 11 May 2019 and confirmed no ILE cattle remained.

Once it was confirmed there were no Australian animals remaining in the abattoir, the department removed the abattoir from all exporters' supply chains.

The department requested both ILE and NACC provide slaughter summaries from their third party control and traceability provider on 13 and 14 May 2019. Neither exporter was able to reconcile the verified slaughter numbers against animals inducted into the facility. The third party control and traceability provider was unable to confirm whether the slaughter of the 29 NACC cattle and 32 ILE cattle took place within the approved abattoir.

Department conclusions

The department determined that non-compliance with ESCAS control and traceability requirements had occurred for 29 cattle within the NACC supply chain. As the location of the animals cannot be determined, the animal welfare outcomes for the 29 cattle that left the supply chain remains unknown.

The department determined that non-compliance with ESCAS control and traceability requirements had occurred for 32 cattle within the ILE supply chain. As the slaughter location of the animals cannot be determined, the animal welfare outcomes for the 32 cattle that left the supply chain remains unknown.

Both NACC and ILE took action to investigate and apply corrective action in response to the non-compliance. The department suspended the abattoir from all exporters' supply chains.

In assessing this matter against the [Guidelines for management of non-compliance](#), a *major* non-compliance with ESCAS control and traceability requirements has been recorded against the NACC Vietnam cattle supply chain and ILE Vietnam cattle supply chain.

This incident will be taken into account when considering any applications for the abattoir to be reapproved.

5 ESCAS ISSUES IDENTIFIED AND ADDRESSED BY EXPORTERS

An exporter provided a report to the department regarding the below market. The report complied with the department's ESCAS self-reporting requirements. The report was received within the required time frame, appropriate corrective action was implemented by the exporter and no regulatory action was taken by the department.

Table 4 ESCAS Issues Identified and addressed by exporters - 1 March to 31 May 2019

#	Market	Species
33	Indonesia	Cattle