

# AUDIT ALLOCATION SYSTEM

## IMPLEMENTATION IN IVORY COAST AND GHANA

April 2020



**RAINFOREST  
ALLIANCE**



# AUDIT ALLOCATION SYSTEM

This document gives an initial description of the audit allocation system, which will be implemented in Ivory Coast and Ghana for UTZ Code of Conduct and Rainforest Alliance Sustainable Agriculture certificate holders' audits.

## 1. OBJECTIVES

The Audit Allocation system is a new approach that Rainforest Alliance will implement in Cote d'Ivoire and Ghana from June 2020 to strengthen assurance of our certification system. Under the allocation system, rather than certificate holders (CH) contracting independently with Certification Bodies (CB) to conduct audits, Rainforest Alliance will allocate the CB to the CH for the requested audit based on an assessment of the risk level of CH and the capacity and performance standard of the CB. The system will allocate UTZ audits to UTZ-approved CB and Rainforest Alliance audits to Rainforest Alliance-approved CB using the same set of risk-based criteria.

The objective of the Audit Allocation system is to ensure maximum credibility and quality of audit processes. This includes:

- Reduce compliance risks of CH by higher quality audits of groups with greatest risk
- Promote higher performance of CB and auditors by allocation of more audits to best performing CB
- Ensure quality of audits by enforcing standardized audit parameters

This will be achieved by ensuring that Certificate Holders assessed as high risk are audited by a CB with a high level of capacity. In addition, the allocation of CB to CH by Rainforest Alliance reduces the risk that ongoing commercial relationships between CB and CH lead to audits being less robust than they should be.

## 2. APPLICABILITY OF THE ALLOCATION SYSTEM

The Audit Allocation system is applicable for:

- All UTZ Code of Conduct certificate holders for audits taking place after June 1st, for certificates which will start after the small harvest of April 2020 (time extensions excluded).
- All Rainforest Alliance Sustainable Agriculture certificate holders, for recertification audits taking place after June 1st, 2020. Rainforest Alliance certified CH will not be required to have a CB allocated for surveillance audits within the 3-year certification cycle. However, Rainforest Alliance certified CH will have a CB allocated for a certification audit at the beginning of a new cycle.

## 3. PRINCIPLES OF THE ALLOCATION SYSTEM

Rainforest Alliance will allocate the audit to a CB based on a range of factors to make the best match between the CH's needs and the CB's capacity including:

1. Compliance risks level of CH
2. Performance level of CB
3. Availability/Capacity of CB to conduct audits and issue certificates/licenses



Audits will be allocated on an ongoing basis from June 2020 based on requests received from CH. The system will be constantly updated as new data on the current audit season becomes available.

In addition, Rainforest Alliance will mandate a set of standardized parameters for Audits to ensure quality and reduce price differences between CB due to poor auditing practices.

### 3.1 CH COMPLIANCE RISK RANKING

Certificate holders will be ranked into one of 5 risk categories ranging from 1, very low risk to 5, very high risk. The risk assessment will be determined from existing data held by the Rainforest Alliance on a number of factors, including

- Size of group
- % growth in the number of group members
- Estimated volumes
- Average yield
- Level and nature of NCs in previous audit reports
- Non certification or de-certification in the last 2 years
- Proximity to protected area (e.g. presence of producers in buffer zone)
- Complaints about the group received

### 3.2 CB PERFORMANCE RANKING

CB will be categorized according to three levels of performance using a star system – one star denoting acceptable performance and 3 stars denoting very good performance. The performance category for CB will be assessed based on data held by Rainforest Alliance related to the following criteria:

- Robustness of internal quality assurance, auditor training and performance management systems
- Performance of CB reported through CB monitoring activities
- Performance of CB in past CH audits using past audit reports
- Sanctions received in the relevant country
- Complaints received about the CB

The Rainforest Alliance reserves the right to cancel a certification body's authorization (for the scope of cocoa in Ivory Coast and Ghana) and remove them from the allocation system if fraud or corruption is detected at any time as well as CB that show repeated deficiencies in implementing a strong audit management system for the Rainforest Alliance programs. This applies to any form of misconduct the certification body is found to have actively engaged in, promoted, failed to identify and report when detected, or failed to verify remediation properly or in a timely fashion.

### 3.3 CB CAPACITY /AVAILABILITY

Rainforest Alliance has requested CB to information regarding their capacity and availability of auditors and certifiers to conduct audits from 1 June 2020. This information will be used to allocate audits. Information on availability of auditors will be updated on an ongoing basis to ensure that CB have adequate capacity to conduct the audits allocated to them.

### 3.4 STANDARDISED AUDIT PARAMETERS

Rainforest Alliance will mandate a set of audit parameters to ensure the quality of Audits and comparability of costs. These include minimum sample size for interviews, and minimum audit duration.



### 3.4.1 Minimum Sample Size

Rainforest Alliance will apply a standard formula to determine the minimum sample size based on the current standard sample size determination and adjusted for the compliance risk level. This means that CB will be required to sample a larger number of group members in groups with higher level of risk to provide a more thorough investigation of performance against the Standard.

The sample size will be determined based on the Default farms sample size (DS) = square root (number of group members) and adjusted to determine the Risk-based sample size (RBS) as follows:

- CH Risk Category 5: RBS = DS x 1.25
- CH Risk Category 4: RBS = DS x 1.20
- CH Risk Category 3: RBS = DS x 1.15
- CH Risk Category 2: RBS = DS x 1.1
- CH Risk Category 1: RBS = DS x 1.0

### 3.4.2 Minimum Audit duration

Rainforest Alliance will apply a standard formula to estimate the minimum audit duration (MAD) based on the risk level of the CH to be audited. CB must comply with at least this audit duration.

The calculation of Audit Duration is based in part on a minimum number of interviews to be conducted according to the size and risk level of the CH, as shown in the table below.

#### Interview Duration Estimation (IDE):

Number of workers involved in the CH's scope	Minimum number of interviews	Minimum individual interview (MII)	Maximum group interviews (MGI)	Minimum number of files to be checked
Under 10	5	2	1 group of 3	5
11-50	8	3	1 group of 5	8
51-100	15	5	2 groups of 5	15
101-500	32	7	5 groups of 5	32
501-2000	50	15	7 groups of 5	50
2000 -5000	65	25	8 groups of 5	65
More than 5000	Square root			Square root

Interview duration is based on a standard estimate of Duration for individual interviews (DII): MII\*0.25hr, and Duration for group interviews (DGI): MGI \*0.5hr.

However, the estimation of the duration of interviews will be adjusted according to the CH's risk ranking where more time is allocated to the highest risk CH to ensure auditors compliance effectively.

- CH Risk Category 5: duration x 1.5
- CH Risk Category 4: duration x 1.4
- CH Risk Category 3: duration x 1.3
- CH Risk Category 2: duration x 1.2
- CH Risk Category 1: duration x 1.0



Minimum audit duration is therefore calculated taking account of Risk Based Sample Size and risk weighted audit duration.

## 4. PROCESS OF AUDIT ALLOCATION

Audits will be allocated on an ongoing basis from 1 June 2020 based on requests for audits received from CH.

Certificate Holders must submit all required data to RA at least 6 weeks prior to the desired audit time window, i.e. from when they are available to receive the CB. Certificate Holders may request to continue audits after June 2020 with their current CB with a clear justification e.g. the provision of additional certification services alongside RA/UTZ certification. RA will make the decision about whether Audit Allocation is necessary based on the risk ranking of the relevant CH and the performance category of the relevant CB.

Within 2 weeks following submission of complete and accurate data from CH, RA will:

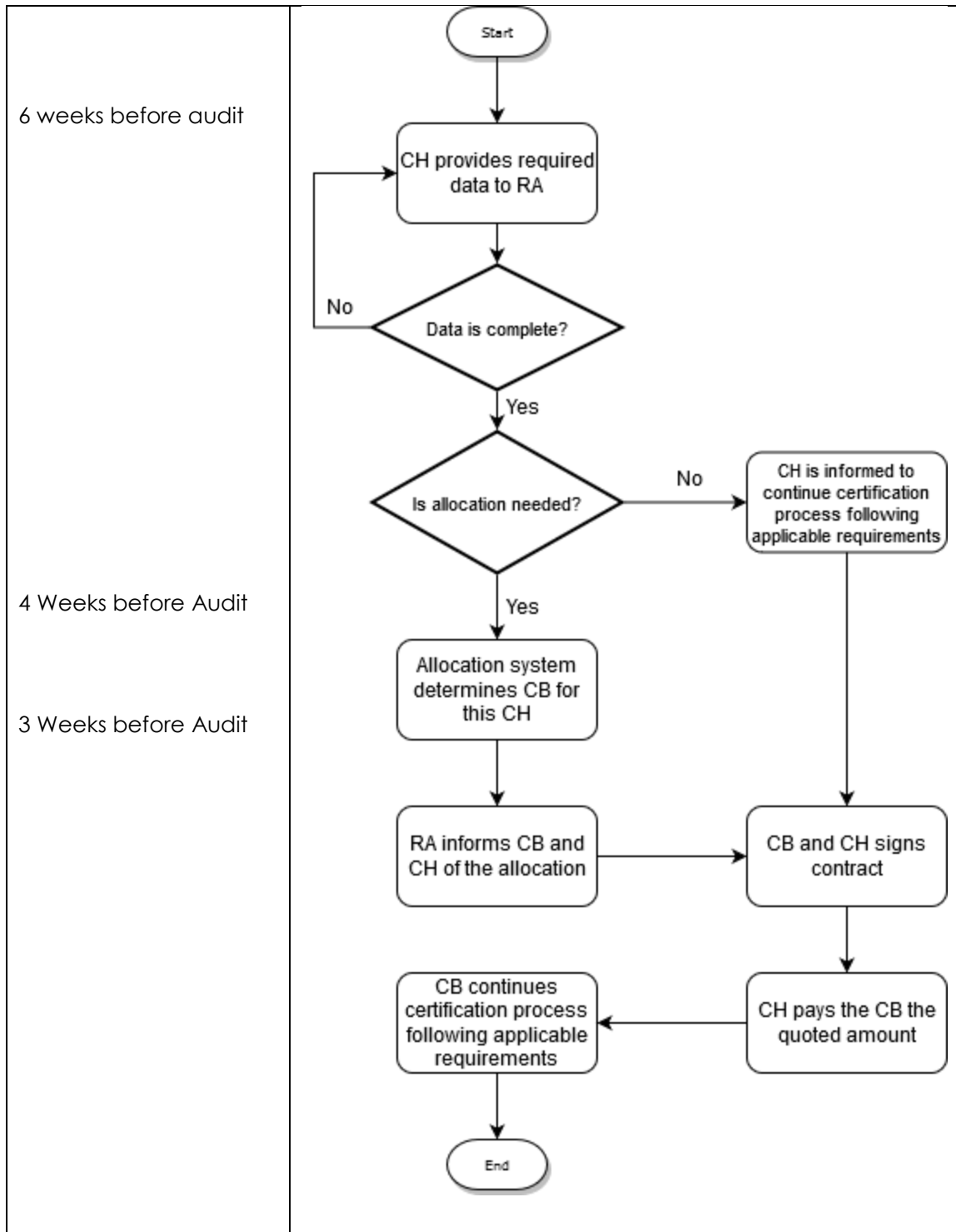
- a. update the risk score of the CH
- b. estimate the audit duration using a standard formula
- c. assign the CH to the selected CB based on appropriate performance category and availability
- d. define the audit period based on the desire from the CH and availability of the preferred CB Category.

At least 4 weeks prior to the defined audit period, Rainforest Alliance will allocate a CB following the principles set out above.

At least 4 weeks prior to the actual audit date, the CB shall give a quote to the CH and cc the Rainforest Alliance.

At least 3 weeks prior to the actual audit date, the CH will make partial payment to the CB to enable the CB to cover at least out of pocket expenses of auditors before the audit takes place.

The application and allocation process is set out in the chart below



## 5. CONTRACTING OF AUDITS BETWEEN CB AND CH

Once the CB has been allocated to the CH for the requested Audit the normal contracting and payment processes apply. Rainforest Alliance has no involvement in the pricing model or contracting arrangements of CB and does not set fee levels or service costs. The definition of standardized parameters for audit duration and interview sampling is intended to promote a level playing field for CB to operate in market conditions.



Once the CB and the CH have signed a contract, the normal payment process between the CB and the CH continues including a percentage of payment upfront to ensure the CB can cover costs for Auditors expenses during the audit process.

## 6. CONTRACTING OF FREELANCE AUDITORS

Rainforest Alliance allocates audits to a CB. The CB takes full responsibility to train, approve and monitor performance of its staff and all auditors who conduct audits on its behalf. Freelance auditors are individually responsible for the quality of audits they perform. RA reserves the right to refuse individual auditors where there is clear evidence of conflict of interest, insufficient experience or poor performance.

## 7. PLANNING AND CONDUCT OF AUDIT

CB will plan and conduct the allocated audits in the normal way with the following exceptions:

Rainforest Alliance reserves the right to intervene in the audit planning process and request changes to improve audit quality, if the proposed plan does not conform to Rainforest Alliance guidance in terms of audit team composition, sample size and sample composition or audit duration.

For CH in high risk categories, RAINFOREST ALLIANCE reserves the right to not disclose the exact audit date – but to communicate a time window for the audit, and to require the CB to conduct the audit as an unannounced or semi-announced audit during that period. For UTZ CH surprise audits can be conducted whenever the Certification Body deems this to be necessary based on a risk assessment, provided that the certification decision for the latest audit has already been pronounced and communicated.

If a CB receives information during the audit that may change the scope of the audit/certification the audit team should follow commonly accepted practice to transparently communicate to the client prior to the audit the necessary steps to be taken. This means the CB may change the audit scope, increase the sample size, increase service fees, and take other required actions where applicable and justifiable. The CB must inform RA of any changes of this nature as soon as it is known.

## 8. SUBMISSION OF AUDIT REPORT AND CERTIFICATION DECISION

The draft audit report must be submitted to the Rainforest Alliance Maximum one week after the last day of the audit.

## 9. GRIEVANCES AND COMPLAINTS

A CH may refuse an audit from a specific CB or Auditor with a clear justification such as conflict of interest or past poor performance. In this case Rainforest Alliance will make every effort to allocate an alternative CB.

Rainforest Alliance has a grievance procedure for complaints. Any complaints related to the operationalization of the Audit Allocation system should be sent to [wacooa@ra.org](mailto:wacooa@ra.org) . Any complaints will be investigated and addressed appropriately.