



Internal Auditing: Optimizing the Process

ISO 9001:2008

ISO 14001:2004

OHSAS 18001:2007

Agenda

- Internal Audit – Definition, Purpose, and Benefits
- Internal Audit Process / Phases – Optimization/Pitfalls
 - Planning
 - Audit Execution / Reporting
 - Corrective / Preventive Actions
 - Verification / Close-Out
 - Evaluation of the Audit Process

Internal Audits

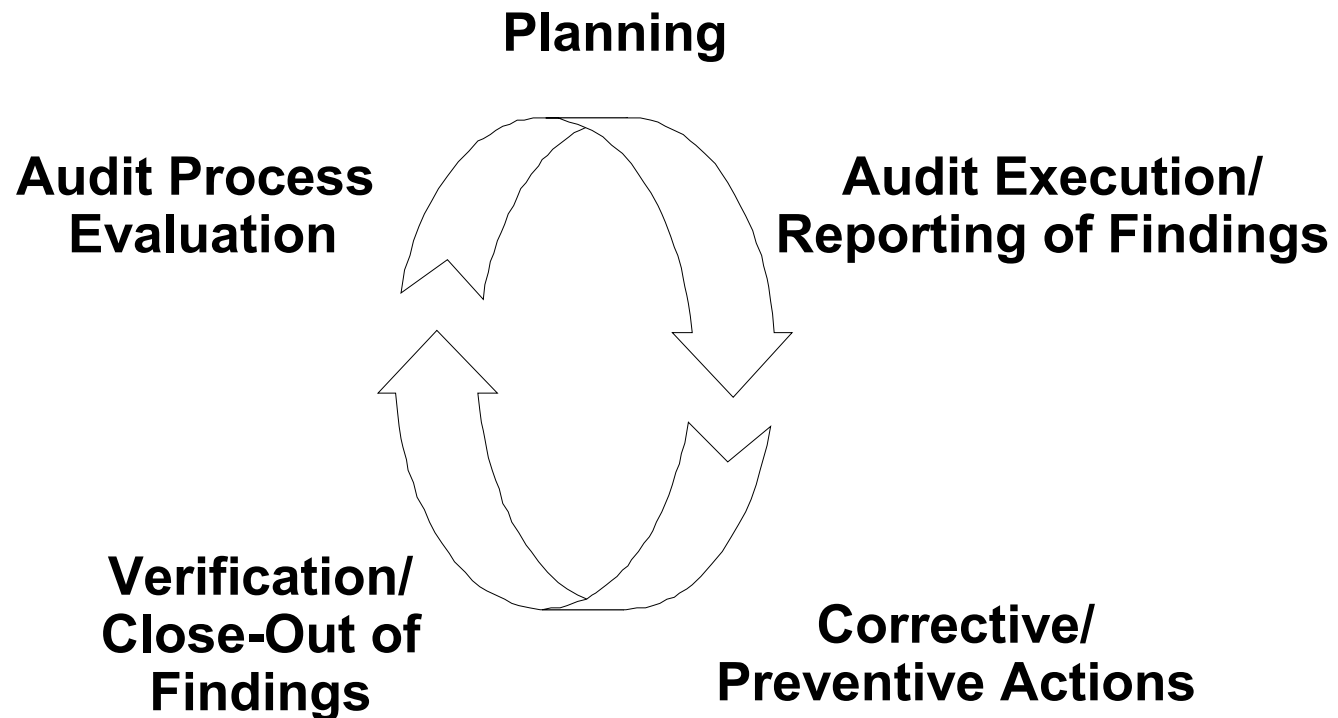
- **A Systematic and Independent Examination to determine whether management system activities and related results comply with planned arrangements and whether these arrangements are implemented effectively and are suitable to achieve objectives.**
- **The purpose of auditing is to collect Objective Evidence to permit an Informed Judgment about the status of the Management System for the purpose of Continually Improving (and Adding Value to) the workings of the system through corrective and preventive action.**

Benefits of an Internal Audit

- Identify areas for improvement
- Promote prevention vs. detection
- Opportunity to provide positive feedback
- Prepare for external audits

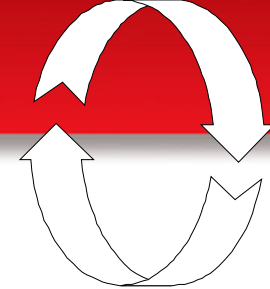


Internal Audit Process / Phases



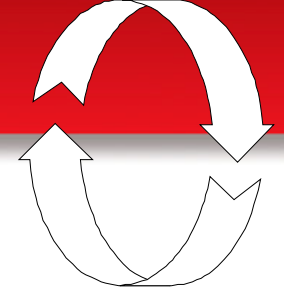
Which area needs most improvement?

- **Planning**
- **Audit Execution / Reporting of Findings**
- **Corrective / Preventive Actions**
- **Verification / Close-Out of Findings**
- **Audit Process Evaluation**



PLANNING ELEMENTS:

- **Objective / Scope**
- **Audit Scheduling / Frequency**
- **Audit Team Selection**
- **Audit Strategy Selection**
- **Development of Audit Tools / Audit Trail Records**



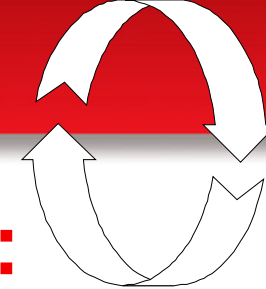
Define Audit Objectives & Scope:

Audit Objective (reason for conducting the audit)

- **Effectiveness of the Management System Implementation**
- **Management Priorities**
- **Commercial Intentions**
- **Need for Supplier Evaluation**
- **Customer Requirements**
- **Needs of Other Interested Parties**
- **Risks To The Organization**
- **Statutory, Regulatory, & Contractual Requirements**

Audit Scope (what is to be incorporated)

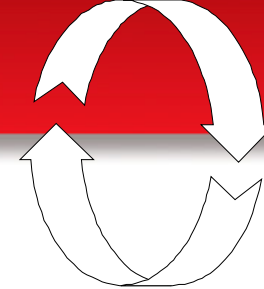
- **Criteria (standard, procedures)**
- **Boundary (organization, process, etc.)**



Audit Scheduling / Frequency:

Audit Scheduling / Frequency based on:

- **Importance of the quality / environmental / health & safety activity**
- **Results of previous audits**
- **Changes or modifications to processes**
- **Changes to customer requirements and/or changes to legal and other requirements**



Audit Team Selection:

Auditor Independence:

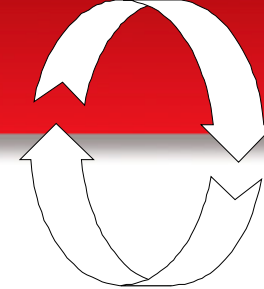
- **Free from bias / influences that could affect objectivity**
- **Independent of the Operation being audited**

Auditor Knowledge and Skills:

- **Knowledge of the most current Standard**
- **Knowledge of the management system**
- **Knowledge of auditing skills and techniques**
- **Competency in planning/organizing/directing audit activities**

Maintenance/Upkeep of Auditing Skills:

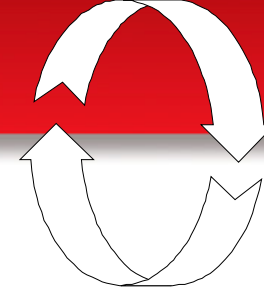
- **Frequency of Auditing Routines**
- **Refreshers/Upgrades with changes in Standards**



Audit Strategy Selection:

Audit by Element:

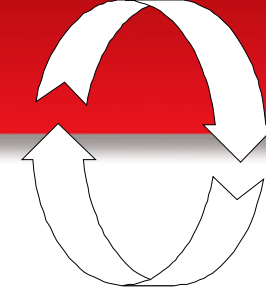
- **Positives:**
 - Easy to set-up.
 - Easy for new auditors to understand.
- **Pitfalls:**
 - Too focused on Standard and management system documents.
 - No audit “depth.”
- **Recommendations:**
 - Good for initial audit of your management system documentation and for an initial gap analysis with respect to the Standard requirements.



Audit Strategy Selection:

Audit by Department / Process:

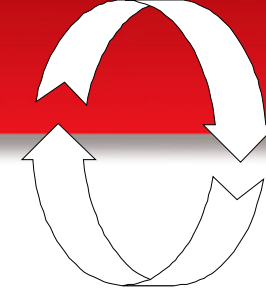
- **Positives:**
 - Provides good audit “depth.”
 - Provides for interlinkages in management system requirements within each department/process area.
- **Pitfalls:**
 - More difficult to set-up initially.
 - More initial training, planning, and tools needed for auditors.
- **Recommendations:**
 - Recommended audit strategy for evaluation of the full-functionality of the management system.



Audit Strategy Selection:

Random Sample Audit:

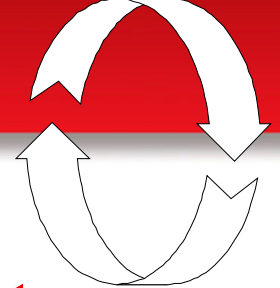
- **Positives:**
 - Can provide good “spot checks” for problem areas.
 - Good for follow-up verification of effectiveness of CA/PAs.
- **Pitfalls:**
 - Should be selectively used.
- **Recommendations:**
 - Good supplemental auditing approach to support problem areas and CA/PAs, rather than as the primary auditing technique.



Development of Audit Tools:

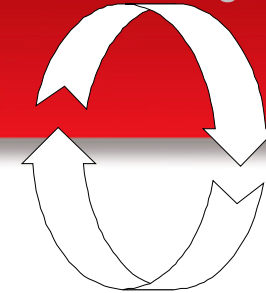
- **Audit Schedule**
- **Audit Checklists / Templates**
- **Supporting Tools for the Process Approach:**
 - Turtle Diagram
 - Cross-Reference Matrices
 - Process-Requirements Matrix





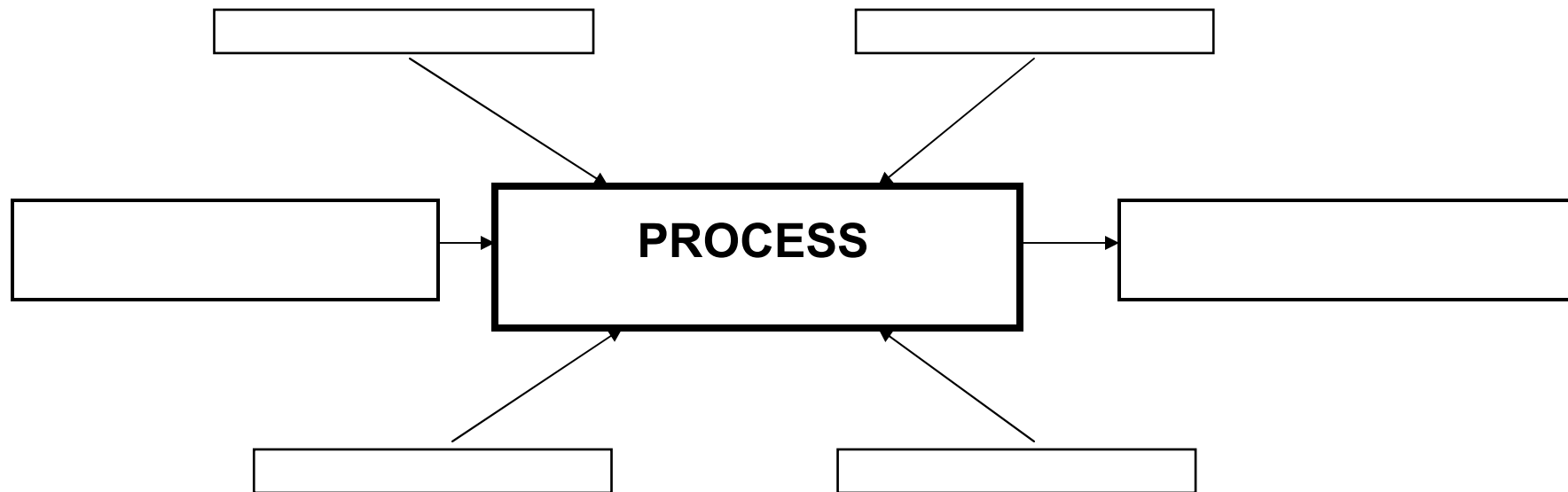
Supporting Information Needed for Planning Process Audits:

- **Learn/Understand the Process**
- **Identify the Interfaces with the Standard**
- **Identify the Process Interfaces**
- **Review Previous Audit Results**
- **Review Objectives and Monitoring Results**



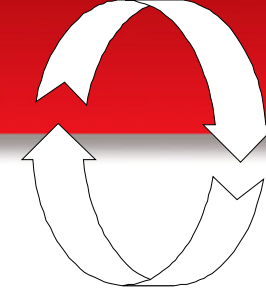
Development of Audit Tools:

Process Approach: Turtle Diagram



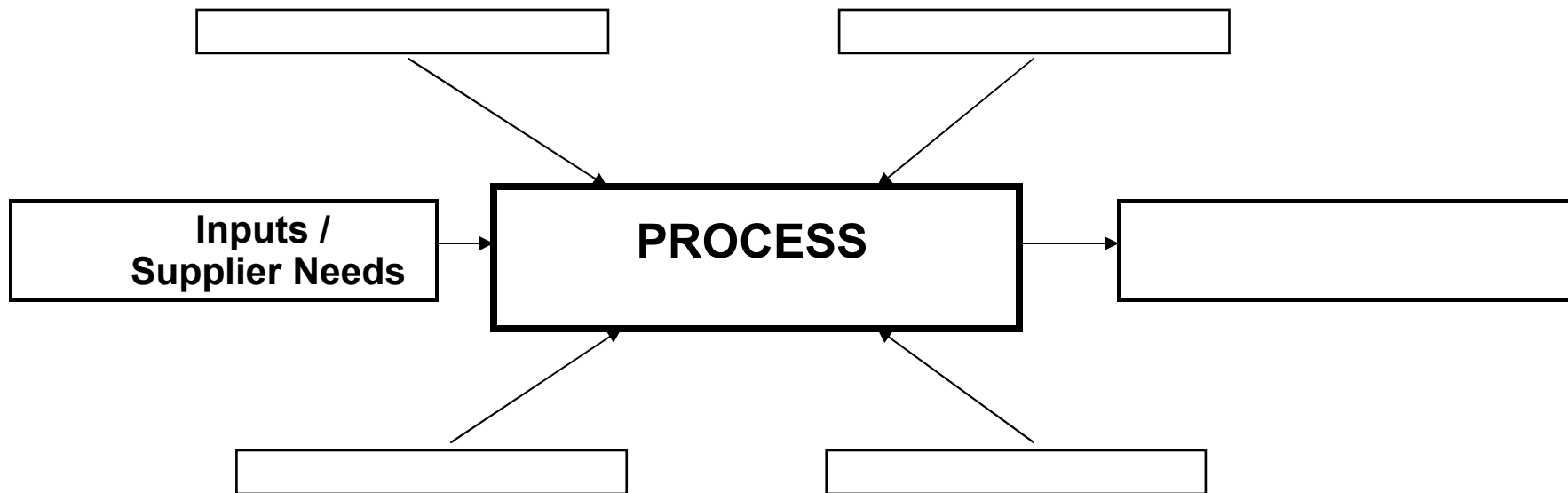
Process: A task or number of grouped tasks to be reviewed.

Example: Purchasing.



Development of Audit Tools:

Process Approach: Turtle Diagram



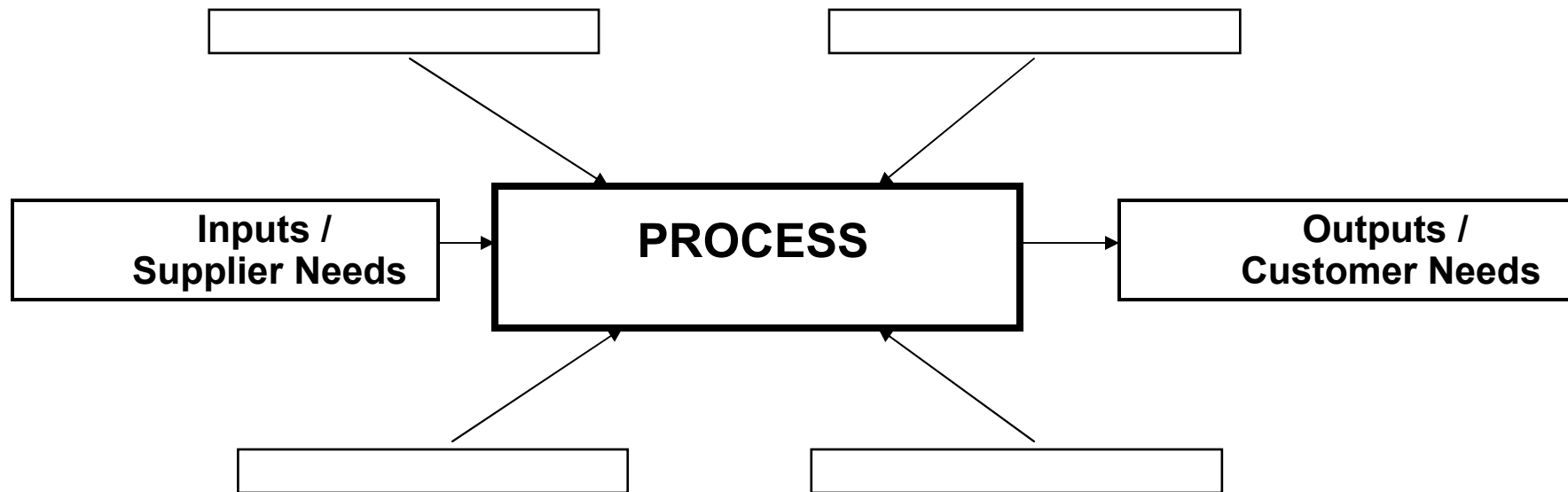
Inputs: What the process needs for the activity (information or product).

Example: What drives the purchase: quantity, type, specs, requirements, due date, budget.



Development of Audit Tools:

Process Approach: Turtle Diagram



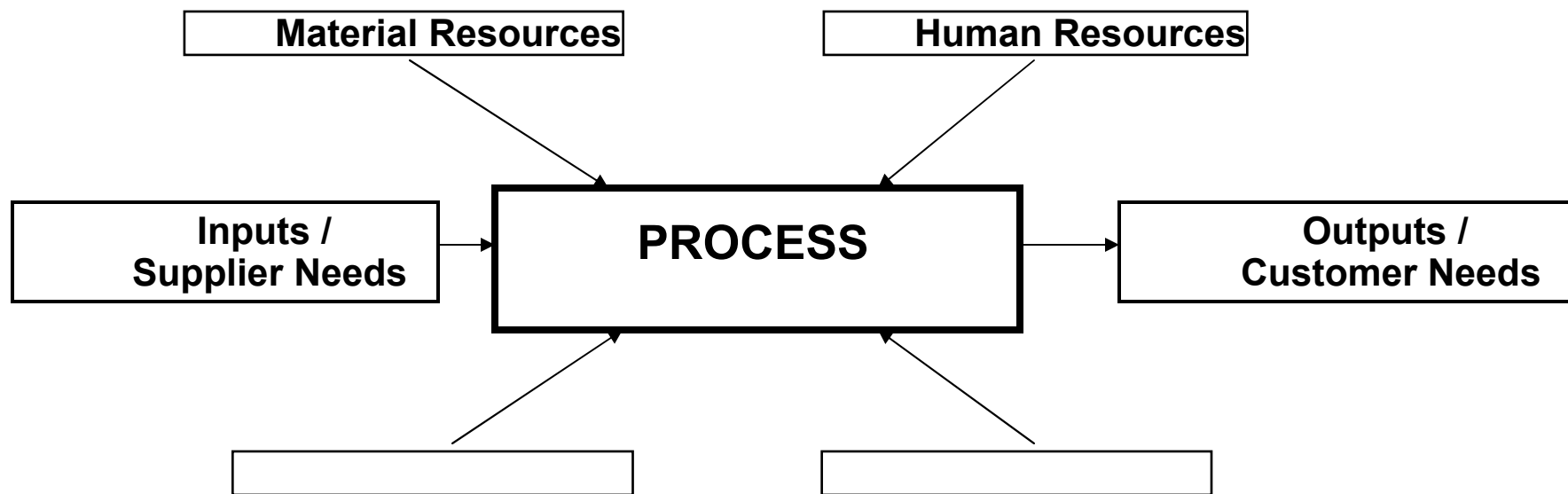
Outputs: These are the results of the process.

Examples: The desired product or service is delivered when needed.



Development of Audit Tools:

Process Approach: Turtle Diagram



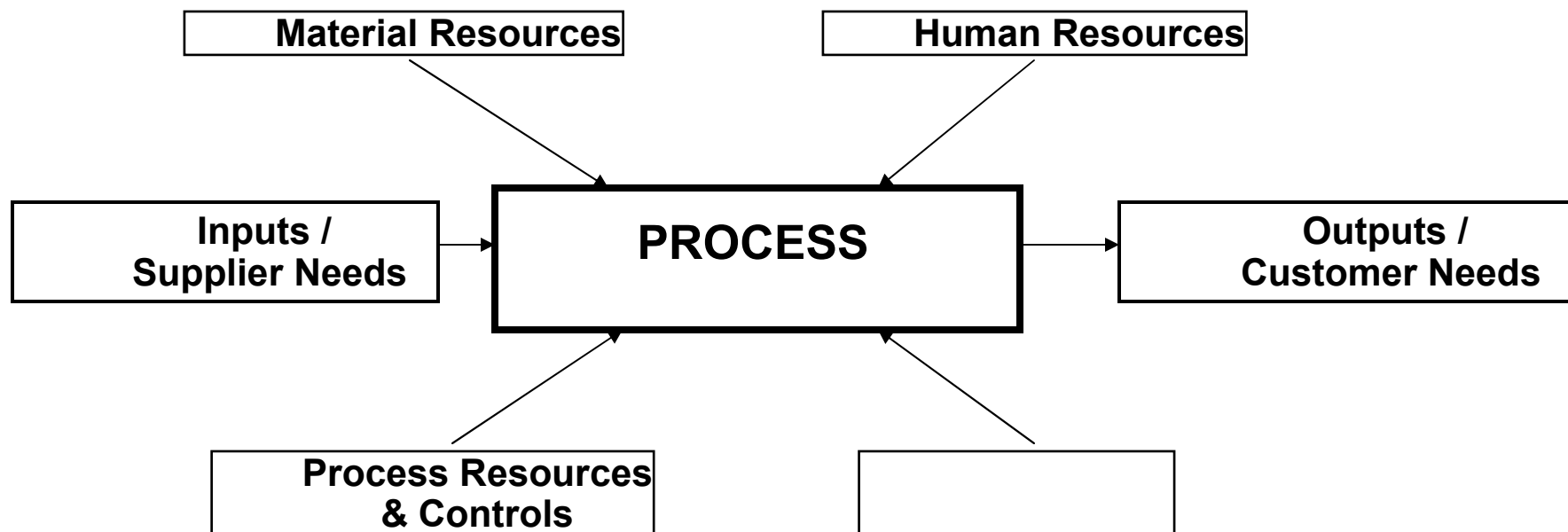
Material & Human Resources: Items used or consumed in the process activity
– could be people's time, machine time, money, etc.

Examples: Purchasing Agent, Money, Computers, Material Planning Software.



Development of Audit Tools:

Process Approach: Turtle Diagram



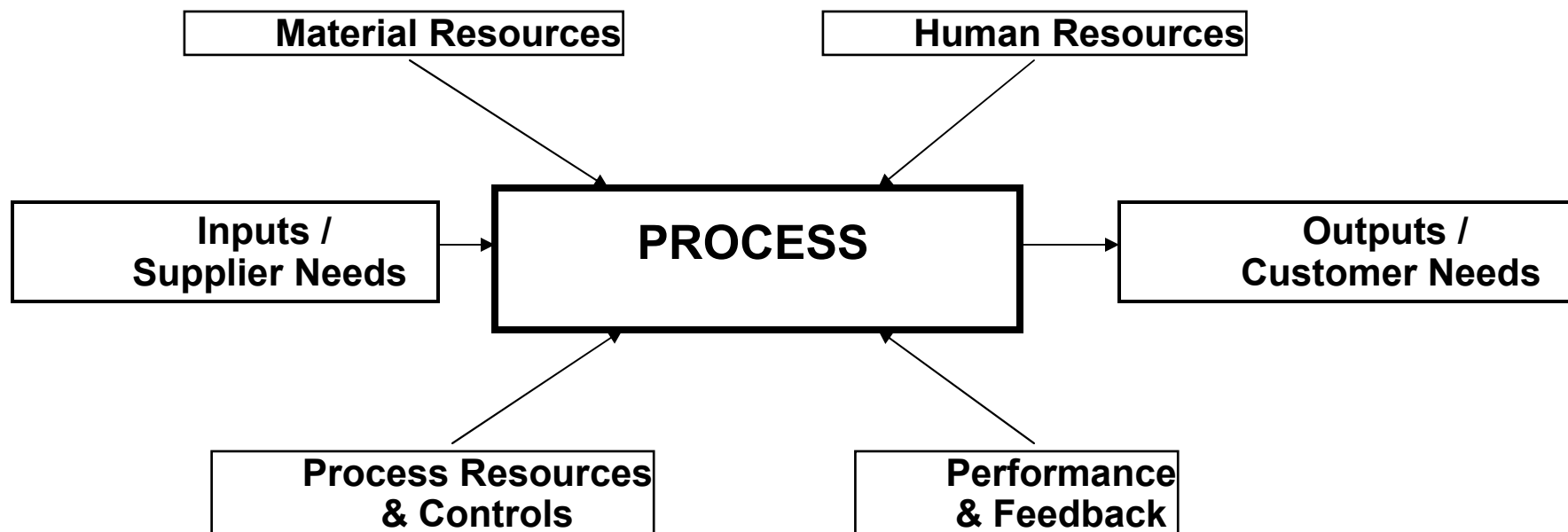
Process Resources & Controls: Items used to control the process (procedures, WIs, forms, computer logic) to convert inputs into the proper outputs.

Examples: Material Req'mts Planning Software, Purchase Req's, Inventory Analysis.



Development of Audit Tools:

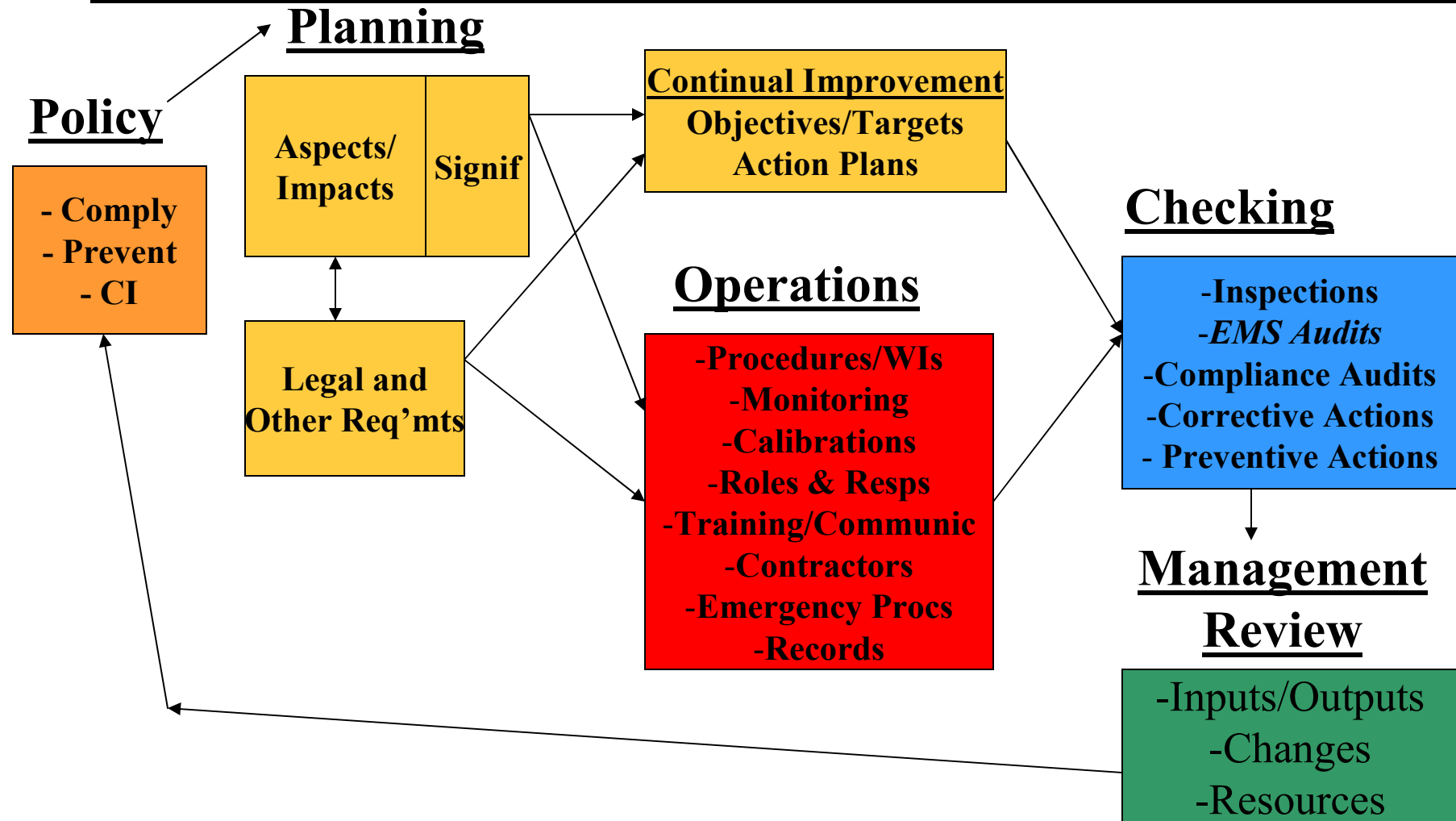
Process Approach: Turtle Diagram

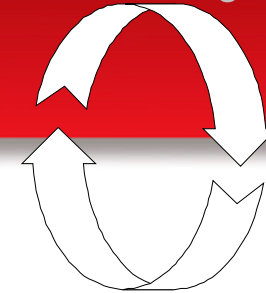


Performance & Feedback: Mechanisms and metrics used to monitor the process.

Examples: Supplier Performance, Dollars Spent, On-Time Delivery, Recv Inspection Info.

EMS / OHSMS Model / Principle Elements





Development of Audit Tools:

Process Approach: Cross-Reference Matrices

[illegible]



Development of Audit Tools:

Company: Widgets World		City: Detroit		State/Prov.: Michigan								
Company-Defined EMS department Or process		Top Management	Environmental Department	Assembly	Painting	Stamping	Maintenance	Engineering	Emergency Response Team	Wastewater Pretreatment	Powerhouse	Purchasing
		ISO 14001:2004 Requirements										
4.1	General Requirements											
4.2	Environmental Policy											
4.3.1	Environmental Aspects											
	- Scrap Metal / Plastics											
	- Air Emissions											
	- Hazardous Waste											
	- Wastewater											
	- Potential Fire/Explosion											
	- Potential Spill/Release											
4.3.2	Legal and Other Requirements											
	- Air Permit											
	- Hazardous/Universal Waste											
	- Wastewater Permit											
	- Storm Water Permit											
	- SPCC Plan											
	- Refrigerants											
4.3.3	Objectives, Targets, and Management Programs											
	#1 - Increase Metal and Plastic Recycling by 10%											
	#2 - Reduce Electrical Energy Consumption by 10%											

Full Screen
Close Full Screen



Audit Execution / Report of Findings:

- Following the Process / Clear Record Trails
 - Need to use specified checklists and documents.
 - Need to record the 'audit trail.'
- Identifying Observations as well as Findings
 - Need to identify problems (for corrective action) as well as potential problems (for preventive action).
 - Want to identify any other improvements.
- Timeliness / Resources
 - Want to keep to the audit schedule.
 - Want to identify if additional resources are needed.



Audit Execution / Report of Findings:

- Report Back to the Process Audited
 - Provide specifics of audit findings and observations to the audited process.
 - Set up the corrective and preventive actions that that process is responsible to complete.
- Report Through Management Review
 - Provide trends (audit schedule and resource needs, trends in findings, trends in observations, etc.).
 - Allow for discussion of potential issues and recommendations for improvement.
 - Engage management commitment to resolving corrective and preventive actions, if needed.



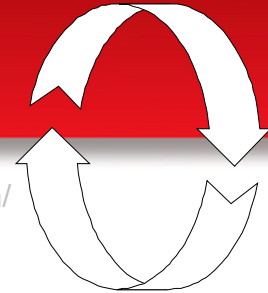
Corrective / Preventive Actions:

- Focus on Both Corrective and Preventive Actions!!!
 - Use observations to improve the EMS.
 - Don't lose that good preventive action information.
- Assignment of CA/PA to Proper Responsible Party
 - Assign the CA/PA to the problem owner and hold that party responsible for identifying the root cause and long-term corrective/preventive action.
 - Reinforces the roles, responsibilities, and authorities within the EMS.
 - Helps to better build 'buy-in' to ownership within the EMS.



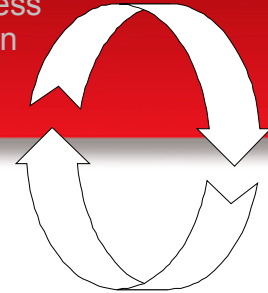
Corrective / Preventive Actions:

- Long-Term Action, as opposed to just a “Quick Fix”
 - Problem Description
 - Short-Term Containment (Quick Fix)
 - Root Cause
 - Long-Term Corrective Action
 - Verification



Verification / Close-Out:

- Independence in Review
 - Verifier independent of root cause and corrective action.
 - Consider using original auditor who identified the issue.
- Depth of Verification
 - Review the outputs of the corrective action. Conduct a mini-audit or follow-up interviews, if warranted.
- Timeliness / Resources
 - Keep up with the timeliness of responses.
 - Identify if additional resources are needed to ensure timely closure of CA/PAs.



Audit Process Evaluation:

- **The ability of the team to implement the plan**
- **Conformity with the plan and schedule**
- **Feedback from management, auditees and auditors**
- **Process Improvements /
Cost Reductions**
- **Loss Avoidance**



Audit Pitfalls To Avoid

- **Avoiding audits altogether**
- **The “We’re not ready” syndrome**
- **Lack of management involvement**
- **Not using checklist / tools from the planning phase**
- **Poorly written non-conformances**
- **Long turnaround time on non-conformances**
- **Poor root cause analysis and long-term corrective action**
- **Biased auditing**

Excellent Audit Team

- **Extensive full-time audit staff**
 - 10+ years of experience in auditing
 - 13+ years in industry experience
- **Certificates respected around the world**
- **More than 95% of QMI customers rate their auditor:**
 - Very Knowledgeable, A Clear Communicator
 - Objective, consistent and responsive



More Resources

- Product managers for aerospace, automotive, etc.
- State-of-the-Art tools like QMI Direct
- Educational Opportunities
 - Customer Learning Sessions
 - Webinars
 - QMI Brief e-newsletter, published 3x per year
 - www.qmi-saiglobal.com



Training & Improvement Solutions

Internal Auditing Courses

- ISO 9001, EMS, Aerospace, FDA

Related Training Courses

- Process Mapping
- Skills for Success for the Management Representative
- Corrective and Preventive Action

Standard based and Business Management System Training

- Integrated Quality and Environmental Management Systems Internal Auditor Training
- Fully Integrated Business Management Systems

Business Process Improvement Training

- Six Sigma and Lean (Executive Overviews, Green and Black Belt courses)
- Process-based Auditing for Business Improvement

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