Internal Auditing

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Internal Auditing Whitepaper

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Internal auditing. Even the name brings negative feelings to most. All of us realize that internal audits must be done, but most organizations view them as a necessary evil, wasting time and resources. Why? Because most organizations are doing them incorrectly or more accurately, inneffectively. The results of most internal audits have little to do with helping an organization run leaner, better and more competitive. However, your internal audits can be dynamic, directly contributing to the competitive performance of your organization. Let me show you how that can be.

All management systems, quality, environmental, and health & safety, require organizations to perform internal audits. Internal audits are the organization's eyes and ears as to whether the system is operating as planned and accomplishing the planned objectives. Internal audits review nearly every aspect of the organization's operations. Internal audits provide vital feedback to the management as to whether their processes are working effectively, individually and cooperatively.

Registrars and their auditors have seen their own auditing processes evolve radically in the last year or two, moving away from auditing conformance to focusing on performance. They have done this by moving away from clause-based auditing to process-based auditing.

Clause-based auditing was primarily reviewing a clause in the standard and seeing that an organization had adequately documented and implemented that clause or requirement. In other words is the process conforming to the requirements of the standard?

Process-based auditing goes beyond clause-based auditing in that it focuses heavily on whether the process itself is performing effectively and interacting effectively with upstream and downstream processes. Process-based audits are not only looking to see if the process is complying with the standard, procedures, work instructions, etc., but does the process actually work to achieve its goals?

The automotive and aerospace industries led the way toward driving process-based audits, but now it has become the accepted method. This paradigm shift in the way audits are done was a difficult but mandatory transition for third-party auditors. Doesn't it make sense that if the registration audits radically changed, those same auditors are going to be expecting some radical changes in the way your organization performs internal audits?

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What's wrong with the way organizations perform internal audits today? Most internal audit programs never evolved as the management system matured.

In implementing a management system an organization develops procedures, flow charts, routers, work instructions, etc., to capture the infrastructure.   So initial audits would obviously focus most of their efforts on ensuring the "documented system" met the requirements of the standard. This was often done using a checklist that actually was the standard with check boxes or even the actual organization's procedures.

Eventually an organization evolves from development to implementation. At this stage the focus of the efforts is in implementing the documented system. Almost always the internal audits evolve with this development and the audits begin to focus on whether the actual practice matches that of the procedure or defined process. This is usually supported by check sheets or again by the actual procedures themselves. In this phase you often hear the expression "say what you do (procedures) and do what you say (actions)."

In the documentation and implementation stages of a management system's development, little if any audit emphasis is placed on effectiveness. How could a process be expected to be effective if it is not fully defined or implemented?   So in an immature system the emphasis is on whether a process is adequately documented and following the defined process.

Unfortunately in most organizations the internal audit process rarely evolves beyond this stage. But ask yourself, how many times is it necessary to audit a process to know that it is documented and being followed? The answer is certainly not in an endless cycle, year after year.

In a mature management system the internal audit process should have evolved so that process effectiveness is the primary focus of the auditing.

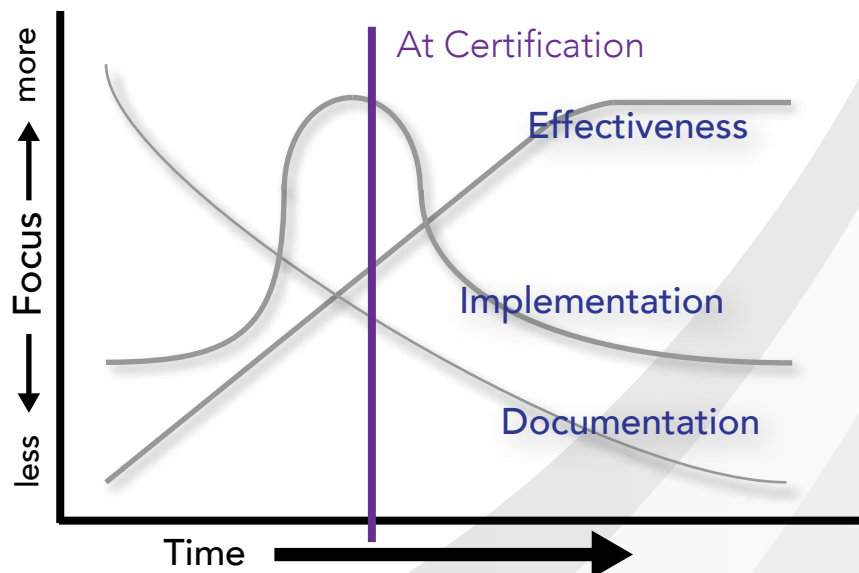The graphs below depict how this evolution should take place.

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Internal Audit Focus Over Time

Focus (less → more)

1st Audit

Effectiveness

Implementation

Documentation

Time →
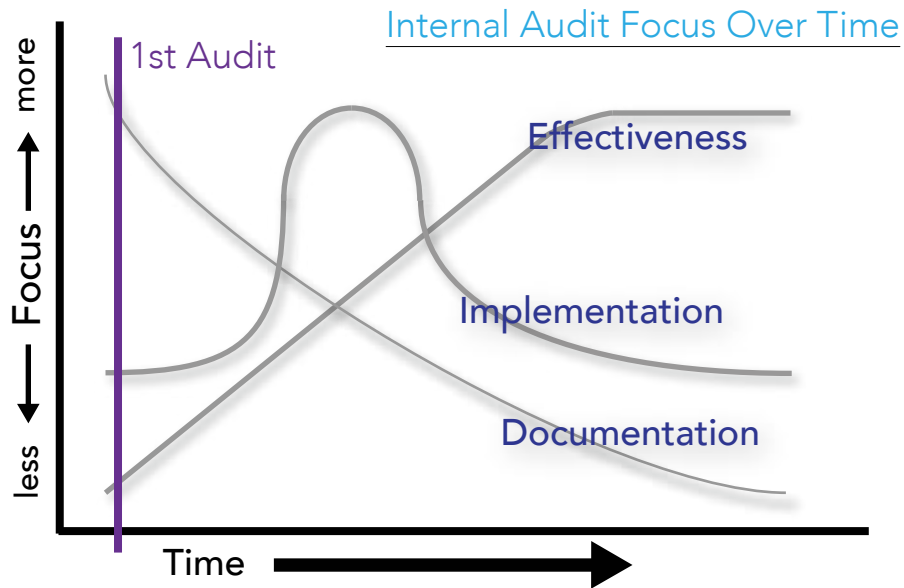
This graph shows the audit emphasis in a brand-new QMS just being set-up.

Focus (less → more)

At Certification

Effectiveness

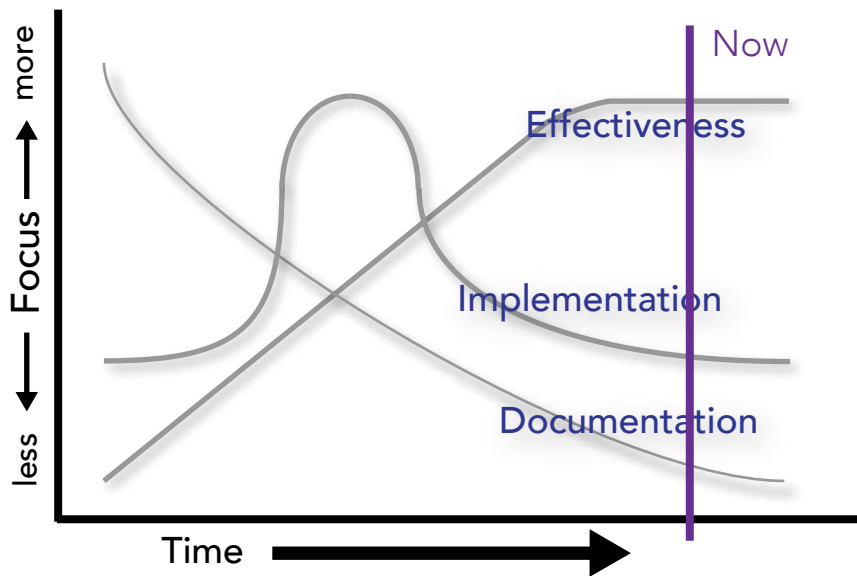Implementation

Documentation

Time →

This graph shows the emphasis in a typical QMS ready for initial certification

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This graph shows where the audit emphasis should be in a mature system.

So how do you conduct a process-based audit? The aerospace industry has defined a method for doing process-based audits in the standard AS9101 rev D. It calls it the Process Performance and Effectiveness audit. The name pretty well defines what it is all about.   AS9101 says, "The audit team should audit processes to a sufficient depth and detail to evaluate if the organization's processes are capable of meeting planned results and performance levels…."

Presenting the audit team a process flowchart and expecting it to answer their questions is not a strategy I would recommend. AS9101 gives an organization pretty good question to ask itself: "Have I assigned Key Performance Indicators (KPI's) to my processes and are we achieving those performance levels?"

You should be able to answer that question and prove it with company level data. That doesn't mean that you have to nail all the KPI's to pass an audit, but it does mean that you must be taking action with processes that are not yet achieving their KPI's.

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Key points the Process Performance and Effectiveness audits should be focusing on include:

- · Are processes identified and appropriately defined?
- · Are sequence and interactions defined?
- · Are responsibilities adequately defined?
- · Are relevant process controls defined?
- · Are there resources available to manage the processes?
- · Are the processes monitored, measured, and analyzed against planned results (KPI's)?
- · Are corrective actions being taken for processes not achieving the KPI's?
- · Is there evidence of continual improvement of processes that are achieving their KPI's?

The point of all this is that it doesn't matter that an organization has defined it processes or even that those processes meet the requirements of the standard if they are not functioning effectively. There is an inter-relationship between the process performance metrics and the process methods (procedures, work instructions, etc.). If a process is not achieving the desired performance metrics then in all likelihood the methods need to be adjusted.

An example: You are auditing the purchasing process in a mid-sized organization. The process is well defined and documented. You ask the process owner, the purchasing manager, how he knows the purchasing process is effective. Among other things he tells you that turn around time is important and in fact the target is 24 hours. Upon review you find that they are actually averaging somewhere in the range of 3-days. They may be following their procedures to a "T" and meet the requirements of the standard, but the purchasing process is not effective in meeting the organization's needs. The corrective action is almost certainly going to change the methods (procedures, work instructions, etc).

Process-based audits not only look at conformance but also focus on performance and give the organization's management a clear look at how the processes perform and interact.

Process-based internal audits begin with proper planning. Develop a matrix that relates the clauses and their application to your organization's processes. Having done this you will know which processes are responsible for what part of the standard. Decide whether that process has primary responsibility of secondary. For example most processes are secondary for training, but Human Resource would be primary; every process would be secondary to document control, but Quality might be primary, etc.

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Using the correct tool can facilitate the effectiveness of process-based audits. Simple check sheets with check-the-box entries will not work for this kind of auditing. Dragging around a half-dozen reference documents is not going to work either.   Using your process matrix developed above, merge it with the process turtles, SIPOC, or equivalent. Take lots of blank data sheets and record the process, objective evidence, etc.

Your resulting internal audit records are going to provide powerful change tools to your process owners and management. You are going to find that when you have to write up nonconformances they are meaningful and not frivolous like many done in the past. Management is going to sit up and take notice. This is going to be a most valuable contribution to your organization and it will change from what is viewed as a necessary evil to a very valuable exercise.

Knowing the information provided in this white paper will enable you to head your internal audits in a positive direction. What we have found over the last twenty years is that knowing the information and actually being able to implement what you know are two different things.   Knowing what internal audits should be doing for your organization and seeing those results are frequently worlds apart. That is where Eagle Force can make all the difference between success and failure. Because of the need to see better internal audit results with less hassle there is a growing trend in industry today to subcontract out internal audits.   Allow us to take that burden and convert it to an asset. Contact us today at www.eagleforceinc.com to find out how we can help you succeed.