Internal Audit



Requirements- 9.2 Internal Audit

9.2.1 Conduct internal audits at planned intervals to provide information on whether QMS/EMS



a) conforms to:

- company own requirements for its QMS/EMS
- ISO9001 and ISO14001 requirements

b) is effectively implemented and maintained

Requirements- 9.2 Internal Audit

9.2.2

a) Plan, establish, implement and maintain audit programme including frequency, methods, responsibilities, planning requirements and reporting.

Shall consider

- **importance of the processes**
- **Changes affecting organization**
- **results of previous audits**



Requirements- 9.2 Internal Audit



b) Define audit criteria and scope for each audit

c) Select auditors and conduct audits to ensure objectivity and impartiality of audit process

d) Ensure the results of the audits are reported to relevant management

e) Take appropriate correction and corrective actions without undue delay

f) Retain documented information as evidence of implementation of the audit programme and audit results

ISO19011:2011 Guidelines for auditing management systems

- Principles of auditing
- Managing an audit programme
- Performing management systems audits
- Guidance on evaluation of competence of individuals involved in audit process including person managing audit programme, auditors and audit teams
- For internal and external audit

ISO19011:2011 Guidelines for auditing management systems

Audit - systematic, independent and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which the audit criteria are fulfilled

Audit criteria - set of policies, procedures or requirements used as reference against which audit evidence is compared

Audit evidence - records, statements of fact or other information which are relevant to audit criteria and verifiable

ISO19011:2011 Guidelines for auditing management systems

Audit findings – results of the evaluation of the collected audit evidence against audit criteria

Audit conclusion – outcome of an audit, after consideration of the audit objectives and all audit findings

Auditor – person who conduct an audit

Auditee – organization being audited

Observer – person who accompanies the audit team but does not audit

Guide – person appointed by the auditee to assist the audit team

ISO19011:2011 Guidelines for auditing management systems

Audit programme – arrangements for a set of one or more audits planned for a specific time frame and directed towards a specific purpose

Audit scope– extent and boundaries of an audit

Audit plan – description of the activities and arrangements for an audit

Conformity – fulfilment of a requirement

Nonconformity – non-fulfilment of a requirement

Type of Audits



External Audit

- Third Party Audit
  - Audit by independent auditing organizations e.g. regulators, certification body
- Second Party Audit
  - Audit your supplier or audit by your customer

Internal Audit (First Party Audit)

- Audit your own company

Type of Audits

Combined Audit

- Two or more management systems (e.g. QMS and EMS) are audited together

Joint Audit

- Two or more auditing organizations cooperate to audit a single auditee

Six principles of auditing

- Integrity (honest, diligent, responsible impartial, firm etc)
- Fair presentation (obligation to report truthfully and accurately)
- Due professional care (exercise due care and make good judgement)
- Confidentiality (security of information)
- Independent (impartiality and objectivity)
- Evidence-based approach (verifiable audit evidence e.g. samples taken)

Six principles of auditing

These principles help to make the audit an effective and reliable tool in support of management policies and controls, by providing information on which the company can act in order to improve its performance

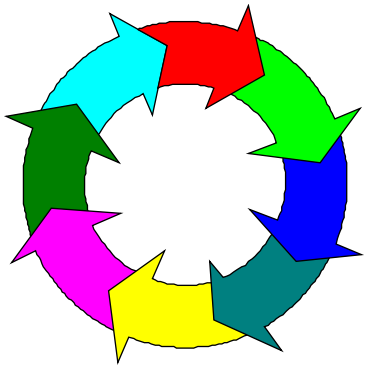
Internal Audit

- A self-diagnostic tool to check compliance within organization.
- An internal assessment to compare practice (audit evidence) with prescribed requirements or procedure (audit criteria).
- Main objective is to look for objective evidence to support compliance.
- To be conducted as least one cycle per year.

Effective Audit

- Requires top management commitment & support.
- Pool of independent & competent Internal Auditors.
- Consider importance of the processes, changes affecting organization and results of previous audits
- Step up audit on area of weakness.
- Cover all projects, requirements and procedures.
- ISO 19011 Guidelines for auditing quality and environmental management systems.

Audit Cycle



- Prepare Audit Programme
- Appoint Audit Team
- Do desk top study & prepare checklists
- Prepare Audit Plan
- Inform Auditee
- Conduct Audit

Audit Cycle (cont'd)

- Raise Nonconformity Report
- Follow up & Close out findings
- Prepare Audit Report



Audit Programme

- To cover all processes and the IMS requirements.
- Audit Planning :
  - Audit by departments & projects.
  - Audit by processes or procedures.
  - Audit by requirements of Standards
- Review and Approve Audit Programme.

Assigning Auditors

- Ensure Auditors are competent.
- Independent on the area of audit.
- Lead Auditor :
  - Prepare audit plan.
  - Assign duties.
  - Lead the audit team.
  - Submit audit report.



Audit Plan

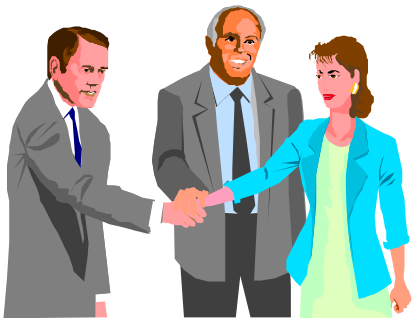
- Main purpose is to :
  - Assign duty to the audit team members.
  - Notify the Auditee.
  - Keep the Management informed.
- Should be given to auditee in advance

Working Documents

- IMS Manual and Procedures
- Certifying Standards eg ISO9001
- Audit checklist:
  - list questions to ask.
  - to record objective evidence observed.
  - to note nonconformity.
- Prepare forms for reporting NCs, observation or Corrective Action Request (CAR).

Start & End of the Audit

- Opening meeting.
- Introduce Audit Team.
- Confirm Plan.
- Collect Evidence.
- Raise NC report.
- Auditors discuss.
- Present findings.
- Closing Meeting.



Collecting Evidence

- Interview auditee.
- Observe process.
- Verify procedure.
- Check status of forms used.
- Check records.
- Check status of materials & equipment used.
- Check root cause of NC identified.



Audit Techniques

- Based on sampling
- Follow the audit trail, i.e. the flow of process.
- Backward auditing, i.e. start tracking from end results.
- Check missing / grey areas between procedures.

Classification of NC

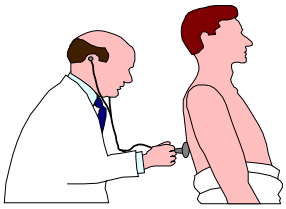
- Major NC
  - Lack of implementation.
  - Lack of Control.
  - Repeated minor NCs.



- Minor NC
  - A single lapse in procedure.

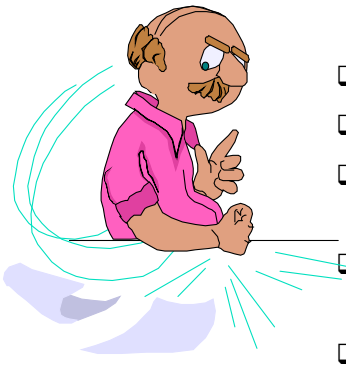
Observation Report

- Any matters required management attention.





Good Auditor



- Understand certifying standards and IMS requirements
- Familiar with processes
- Able to identify NCs
- Able to identify root cause of problem.
- Able to identify potential problems.
- Able to identify improvements or savings.

Auditor Qualification

- Preferably at least from the supervisory level.
- Basic understanding of the industry & company activities.
- Good understanding of the requirements of ISO 9001/14001 standards.
- Gone through some formal training in conducting an Internal Audit.

Auditor's Personal Attributes

- Good communicator.
- Experience.
- Polite & humble.
- Positive attitude.
- Open-minded.
- Tactful.
- Diplomatic.
- Sound judgement.
- Good presenter.



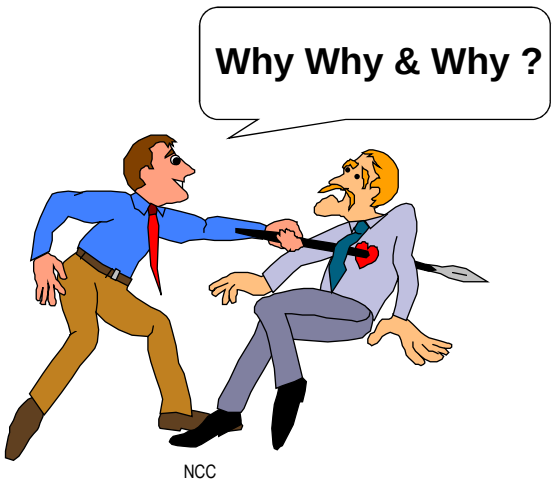
Communication Skills

- Style & tone of questioning.
- Structuring of question.
- Body language.
- Facial expression.
- Listening.



Structuring of Questions

- When
- Why
- Where
- Who
- What
- How



Type of Questions

- Open Question
  - e.g. How do you ?
- Closed Question
  - e.g. Do/Have/Why did you .....?
- Offensive Question
  - e.g. Did you do this ..... ?
- Clarifying Question
  - e.g. Can you show me ..... ?

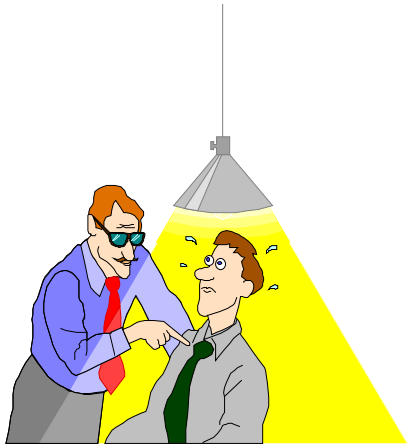
Questioning Techniques

- Always start asking open question to let the auditee talk.
- Use closed or clarifying questions to confirm or verifying sparingly.



DON'Ts

- Be sarcastic.
- Be negative.
- Be side-tracked.
- Argue, criticise or swear.
- Purposely find faults.
- Be late.



DON'Ts

- Offer opinions or solution.
- Be impatient.
- Believe everything.
- Be unprepared.
- Compare auditee with others.



Art of Communication

- Ability to create co-operative atmosphere.
- Maintain eye contacts.
- Be interested.
- Clear, calm, polite & reassuring.
- Never talk down.
- Listen patiently.
- Occasional nod for recognition.
- Plan your thoughts & re-phrase question if it is misunderstood.

During the audit .....

- Remain focus on the audit scope.
- Always direct questions to those performing the task.
- Exercise objectivity.
- Collect & analyse evidence.
- Investigate on the root cause.
- Do not nit pick.



Golden Rules in raising NCs

- Always state what you observed only.
- Do not try to imply or insinuate anything.
- Always back up your findings with evidence i.e. to state clearly what you see and note clearly the facts presented.
- Get the auditee's supervisor to agree on the finding.
- State deadline for rectifying NCs.
- Do not withdraw any NCs raised !

Closing Out

- Auditee's responsibility to rectify NCs.
- Rectification Action :
  - Investigate.
  - Propose solution.
  - Implement.
  - Inform Auditor to verify.
- Auditor to close out NCs or conduct follow-up audits.

Audit Report

- For submission to the Management.
- Content :
  - Scope of audit
  - Audit Team & Auditee's Representative
  - Audit date
  - Audit results
  - List / attachment of NCs