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INTERNAL AUDITING

OF

MANAGEMENT SYSTEMS



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Audits – definition and principles

- The definition of audits
- ISO 19011
- OHSAS 18001, clause 4.5.5
- The principles of auditing
- Auditor roles and responsibilities



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AUDIT

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

ISO9000



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Auditing Management Systems

ISO 19011

provides guidance on:

- principles of auditing
- managing audit programmes
- audit activities
- competence of auditors



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Types of Audit

Internal Auditing(First Party)

- Performed by a Company on itself.

External

Supplier Auditing (Second Party)

- Performed by a Company on its Suppliers –Second Party

Third party Auditing

- Performed by an Individual, independent Organization
- For legal regulatory and similar purpose

➤ Audit can be ➤ System Audit ➤ Process Audit ➤ Product Audit



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Internal Audit

Definition:

- an audit by the organisation of its own systems and procedures

Objective:

- to assure maintenance, development and improvement of the system

Requirement:

- OHSAS 18001, clause 4.5.5



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Internal Audit

Audit programme and procedures to be established and maintained to:

- determination that the management systems:
 - conforms to planned arrangements
 - conforms to specifications / standards
 - is properly implemented and maintained
 - is effectively meeting policy and objectives

- review the audit results
- provide information to management



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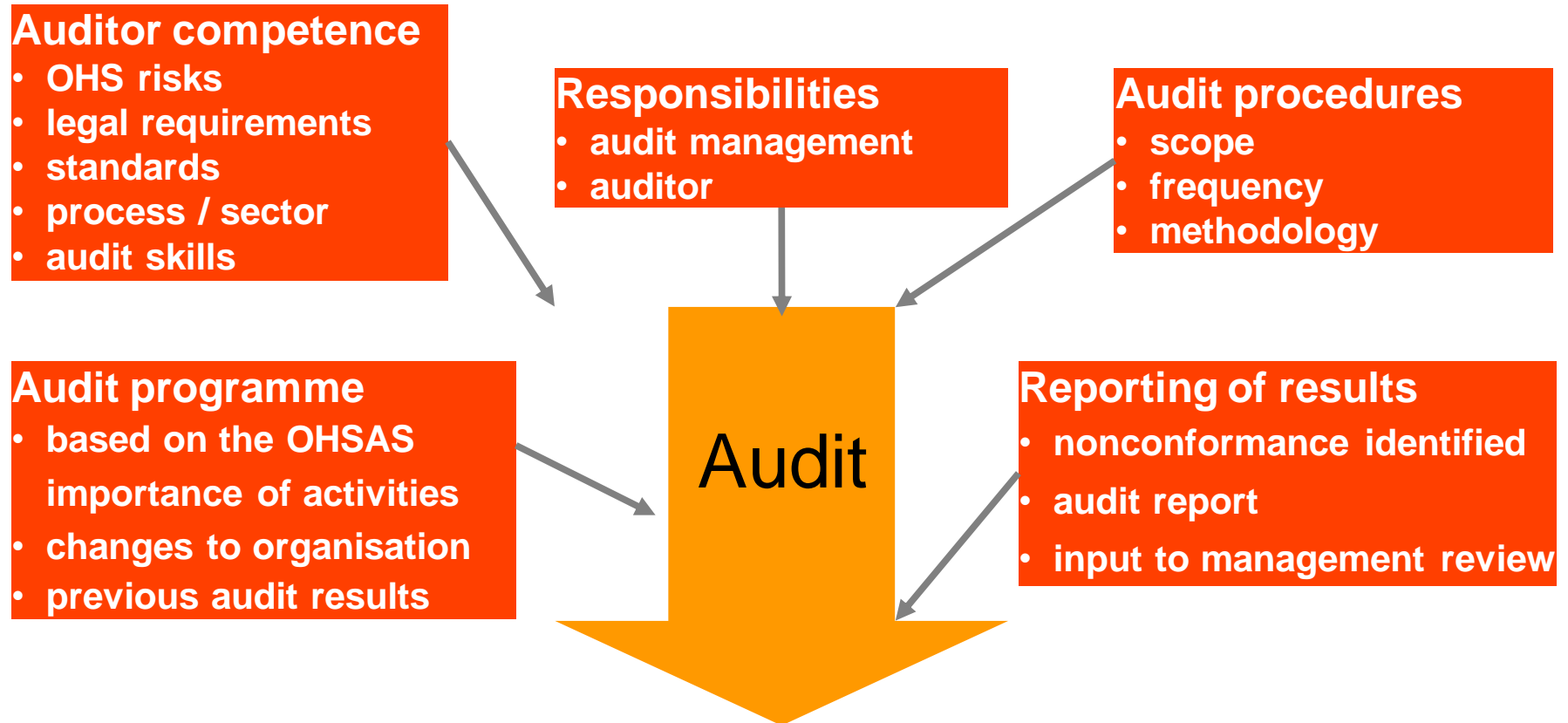
Internal Audit

- **Audit programme to be based on:**
 - the OHS- status & importance of activities
 - previous audit results
- **Procedures to cover:**
 - scope
 - frequency
 - methodologies
 - competencies
 - responsibilities
 - requirements for conducting audits
 - reporting results
- **Audits to be conducted by personnel independent of activity being examined**

Internal audit process



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Mgmt. Systems properly implemented / maintained / effective?

Planned arrangements followed? Requirements of Standards met?



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Principles of auditing

- ethical conduct
- fair presentation
- due professional care
- independence
- evidence



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Principles of auditing

The planning and preparation of audits

- The audit process
- Planning the audit
- Preparing for the on-site audit
- Pre-audit contact with the auditee
- Document review
- Audit checklist



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The audit process

comprise:

- planning an audit
- conducting a document review
- preparing the on-site audit activities
- conducting the on-site audit activities
- reporting the audit
- completing the audit
- conducting audit follow-up



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Audit objectives

Include:

- determining the extent of conformity to audit criteria
- evaluating compliance with legal and contractual requirements
- evaluating the effectiveness in meeting objectives
- identifying areas of potential improvement
- providing added-value to the business objectives of the organisation



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Audit scope

Describes extent and boundaries of audit including:

- physical locations
- organisational units
- activities
- processes
- duration



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Audit criteria

Includes

- applicable standards
- policies
- procedures
- regulations
- legislation
- management system requirements
- contractual requirements
- industry/business sector codes of conduct



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Audit plan

should include:

- objectives
- audit criteria and reference documents
- audit scope
- dates and places where audit will be conducted
- identification of processes, units, sites, activities
- estimated duration of audit activities



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Pre-audit contact with auditee

To

- establish communication channels
- notify proposed timings
- request documentation and records
- make appropriate arrangements



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Document review

Documents:

- relevant documentation and records
- previous audit reports

Purpose:

- to acquaint auditors with the processes to be audited



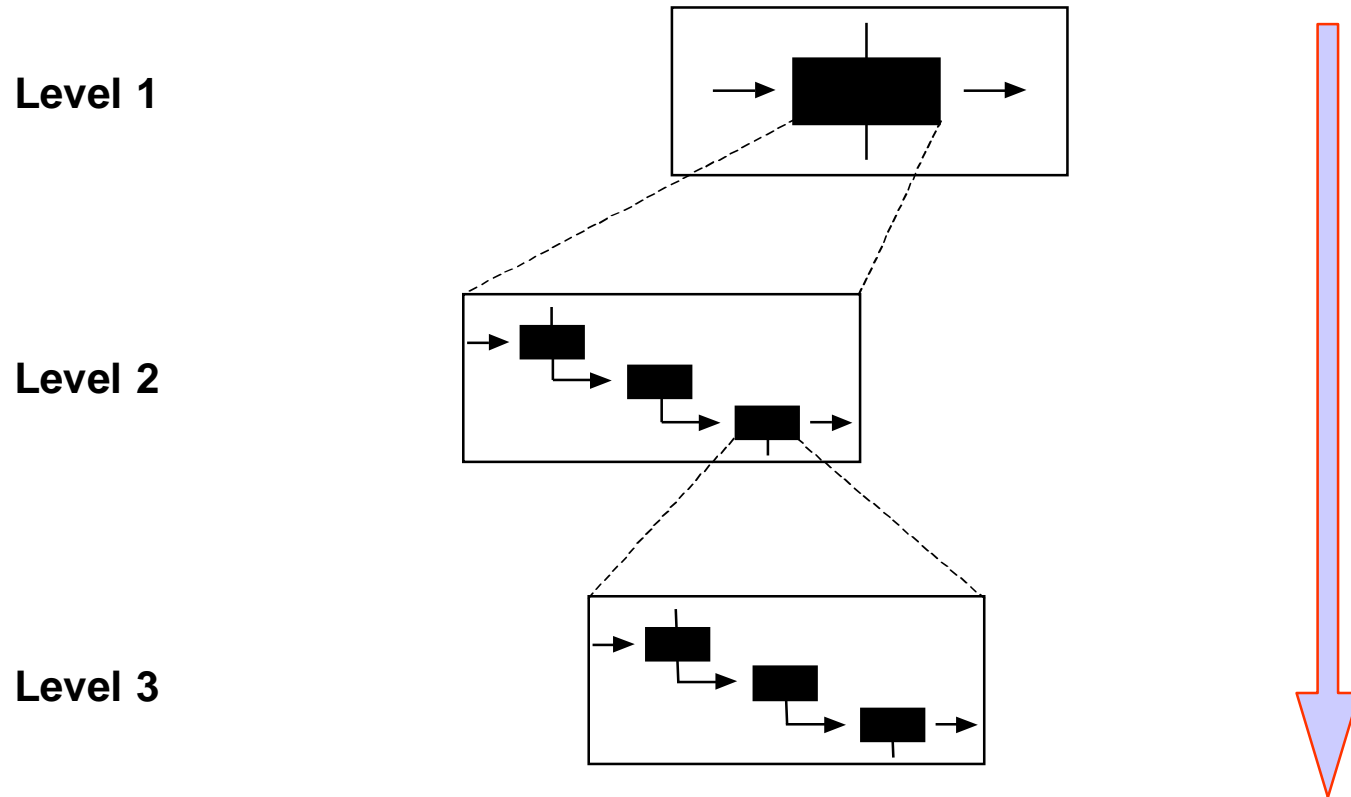
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Process review

Visualised by:

- mapping the processes
- developing flow-charts
- develop personal checklists from procedures or other documentation

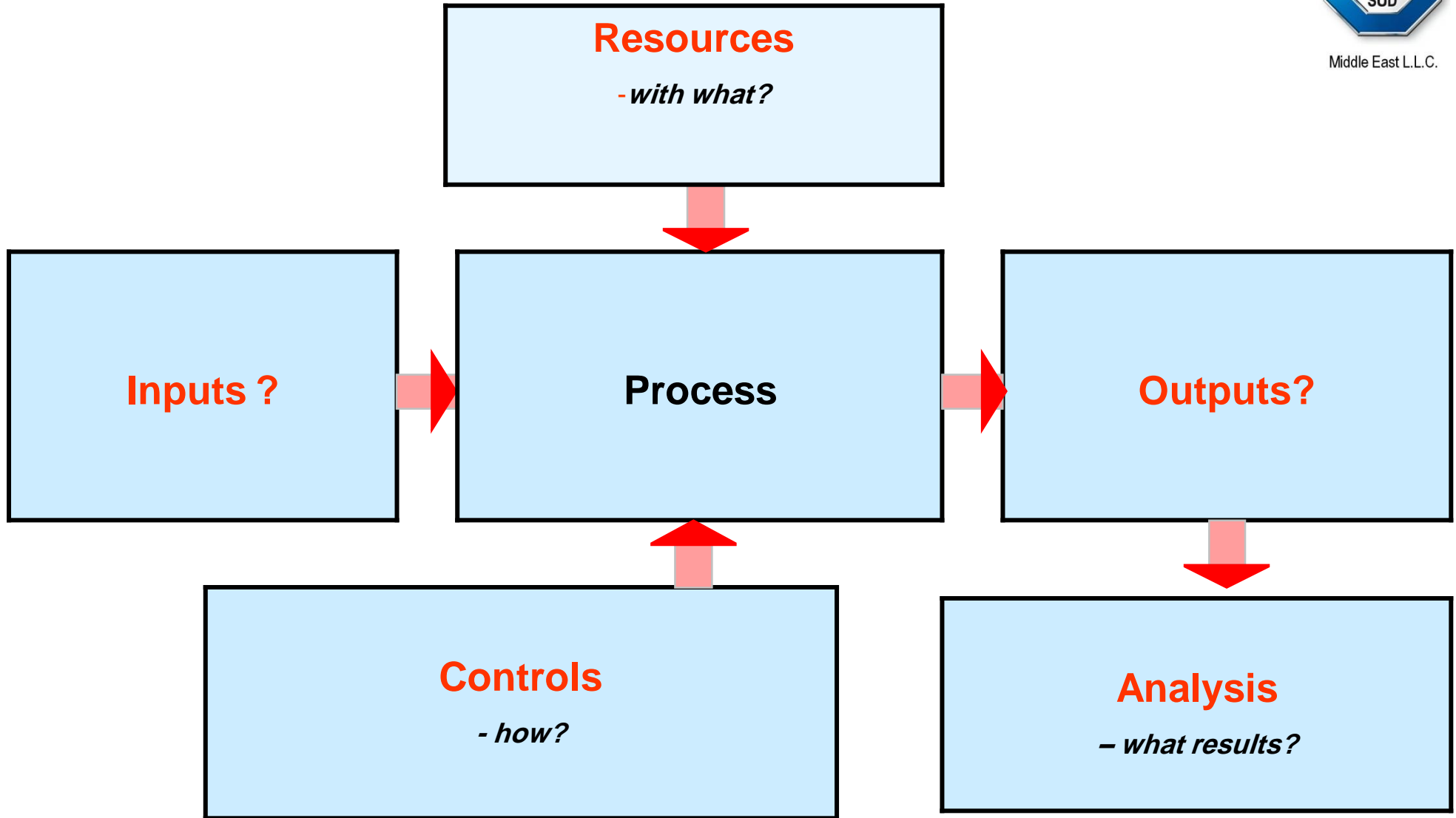
Mapping a process



Analysing the process - key issues to consider



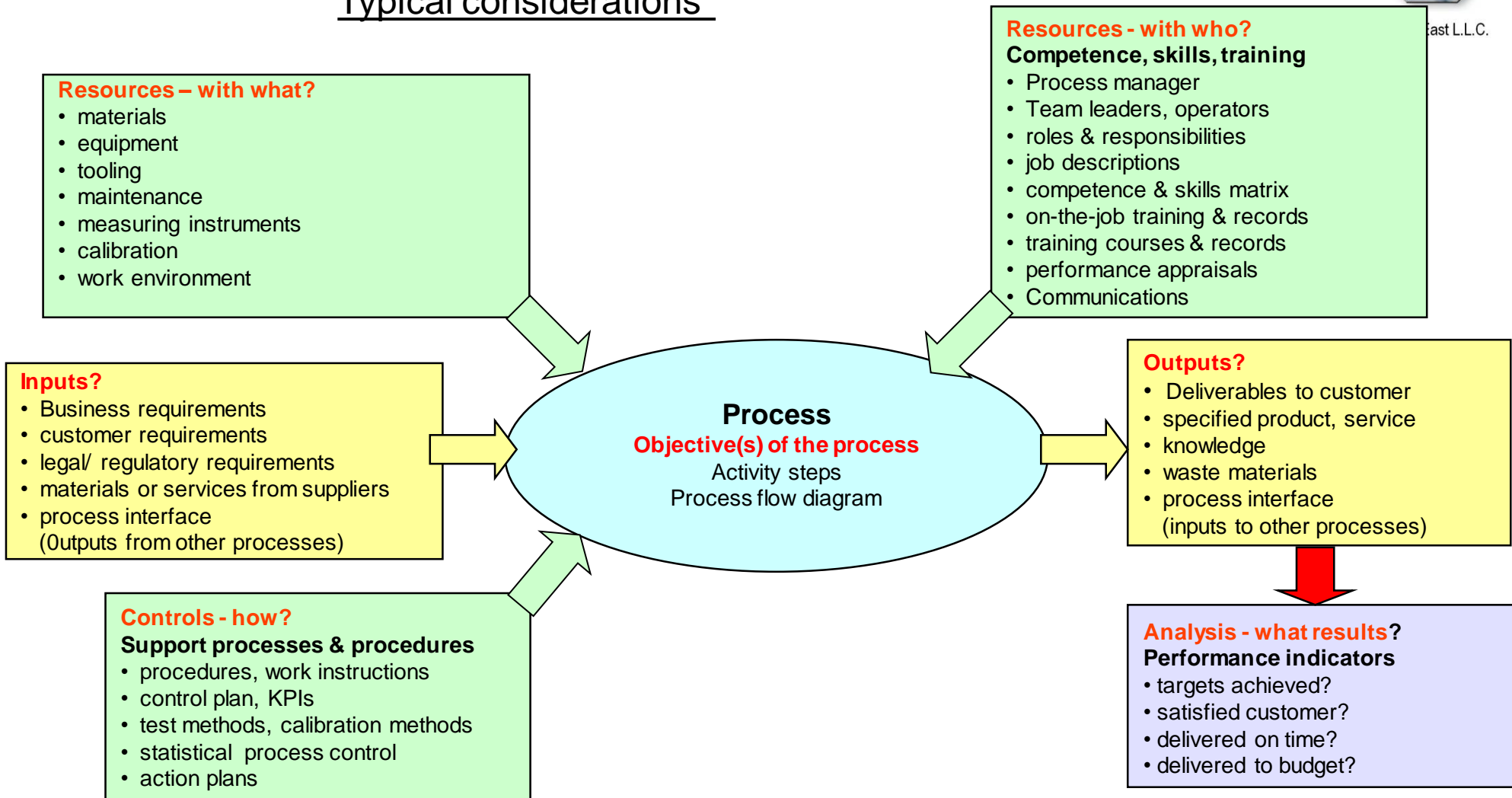
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Preparing for the audit - constructing a "Turtle Diagram"



Typical considerations





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Audit checklist

Purpose

To:

- ensure audit objectives and scope are met
- every part of the audit is completed
- provide guidelines for auditor



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Audit checklist

Advantages

- aid to preparation
- indication of duration of audit
- aid to control depth and pace of audit
- aid to ensure that all planned arrangements are covered
- means of recording responses by auditee



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Audit checklist

Disadvantages

- may stifle initiative and analysis

- significant areas may be omitted



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Preparing a checklist

Consider

- the processes taking places
- relevant procedures
- documents in use
- records
- requirements of Standards
- requirements of the quality management system



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Adequacy Checklist: *Example OHSAS*

#	Clause No.	Audit Elements	Observation	Remarks
	4.5.2.1	<p>Consistent with its commitment to compliance (see 4.2c), the organization shall establish, implement and maintain procedure for periodically evaluating compliance with legal requirements.</p> <p>The organization shall keep records of the periodical evaluation</p>	<ul style="list-style-type: none"> -Procedure - legal Register -Frequency of evaluation -Legal compliance documents 	
	4.4.7	<p>The organization shall establish, implement and Maintain a procedure (s):</p> <ul style="list-style-type: none"> -To identify potential situation -Response to emergency situation <p>The Organization shall respond to actual emergency situations and prevent or mitigate associated adverse OH & S Consequence</p>	<ul style="list-style-type: none"> -Procedure -Identification of emergency situation (thru risk assessment) - response mechanism to identified situation -Mitigation action 	



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Compliance Checklist: *Example OHSAS*

#	Activit	Look At	Look For	Sampl	Time
1	Management Review	Minutes of Meeting	<ul style="list-style-type: none"> • Meeting Agenda • Points discussed • Action Plan, Responsibility. Target • Follow-up comments • Records 	2 Samples	30 mts
2	Operation	Risk Assessment Register	<ul style="list-style-type: none"> • Hazards & Significant Risk • Objective & Programs • Operation Control • Monitoring • Calibration • Maintenance • Training (Workers & Sub contractors) • Emergency Situation • Legal Compliance • Communication, Consultation & Participation • Incident Investigation • NC, CA & PA • Roles & Responsibilities 	7 Samples	4 Hrs



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Workshop (Audit Plan & Checklist)



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On-site audit activities

- Information gathering
- The opening meeting
- Conducting the audit
- Questioning techniques
- Controlling the audit



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Information relevant to the audit is obtained from

- People
- Processes
- Equipment / tools/ materials
- Documentation

Information



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May be obtained from:

- interviews
- observation of activities
- documents
- records
- data summaries
- measurement processes and programmes
- reports from other sources: customer feedback, vendor supplier ratings
- interaction between functions, activities, processes



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Audit evidence

Records, statements of fact or other information relevant to the audit criteria and verifiable

ISO 9000:2000



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Audit findings

The audit evidence will be:

- identified
- documented
- recorded
- evaluated against audit criteria to determine audit findings



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Opening meeting

To

- enable auditors to introduce themselves
- confirm audit purpose, scope and method
- establish communication,
- encourage co-operation, honesty, openness
- confirm reporting arrangements



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The auditor's approach

- meet the area representative first
- always talk to those performing the task
- explain the purpose of the visit
- be calm, polite, reassuring
- never “talk down” to people
- speak clearly and carefully



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Interviews

Considerations

- people from different levels and functions
- normal working hours and place
- put interviewee at ease
- explain purpose and reason for note taking
- summarise results
- compliment where appropriate
- thank auditee



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Conducting the audit

- examine audit evidence
- ask open-ended, close-ended & clarifying questions (depending on the situations).
- refer to checklists
- take notes

Ask - Look - Listen



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Questioning techniques

Six Important Words

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



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Control the audit

DO NOT

- Do not be side-tracked
- Do not be led or misled
- Do not get “bogged down”
- Do not let auditee dictate the pace of the audit
- Do not make assumptions or presumptions



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Control the audit

DO

- be prepared
- be punctual
- insist on person questioned answers for themselves
- as little talking as necessary
- avoid misunderstandings
- keep questions clear and concise
- be polite and calm
- give compliments



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Be aware of:

- aggressive auditees
- timid auditees
- missing people
- missing documents
- pre-prepared samples (choose your own)
- special cases
- local issues and cultural customs
- emotional blackmail



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Audit reporting and follow-up

- Auditor's review
- Audit findings
- Corrective Action Requests (CARs)
- Observations
- The audit report
- Presenting the findings
- Follow-up and close-out



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Audit review

- study or compare notes
- review checklists
- list findings
- decide on nonconformities and observations
- write Corrective Action Requests (non-conformities)
- compile audit report



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Audit finding

An audit finding may be:

- nonconformity
- observation



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Nonconformity

The non-fulfilment of a requirement

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A nonconformity

May be a failure to:

- comply with the Standard
- implement a process or other documented requirement
- implement a legal or contractual requirement

No requirement = no nonconformity



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When to write a finding statement

Best practice:

- overview facts verbally
- agree nature of nonconformity
- make notes
- prepare draft



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A finding statement

Includes

- description of nonconformity
- example of audit evidence
- summary of requirement



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Example of a finding statement

02 No's Fire Extinguisher is not found tested in warehouse no 03, Jebel Ali Free Zone, Dubai-UAE since last one year.

For example: Fire Extinguishers no's FE-WH-01 and FE-WH-02.

Requirements-All fire extinguishers must be tested every six months(JAFZA legal requirement)



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Case Studies (Non – Conformances)



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Corrective Action Request (CAR)

A Form used to:

- report nonconformities
- classify nonconformities
- record acceptance of nonconformities
- record actions to correct nonconformities
- record auditor acceptance of corrective actions taken



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CARs contain

- the applicable function, process or procedure
- Standard and clause number
- auditor's name
- finding statement
- acceptance by auditee



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Audit report

Should include

- agreed audit objectives and scope
- audit criteria
- date and location of audit
- duration
- summary of audit findings
- positive as well as negative findings



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Closing meeting (1)

Internal audit

- informal
- constructive
- system improvement



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Closing meeting (2)

- present all findings and evidence carefully, and precisely
- be prepared to support and justify findings
- do not be drawn into arguments
- if an error transpires, apologise; alter or withdraw if necessary
- do not accept a "quick fix" to CARs



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Audit completion

- all activities in the audit plan have been concluded, including distribution of audit report



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To resolve the nonconformity

Management should:

- take immediate action to correct nonconformity
- identify root cause of problem
- develop corrective action to prevent recurrence
- implement and monitor corrective action



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Processing CARs

Audit Management:

- approve proposed corrective actions
- monitor progress
- arrange follow-up internal audit

Auditor:

- review new or revised documentation
- evaluate effectiveness of proposed corrective actions



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Follow-up and “close out”

Follow-up:

- determination of implementation of corrective action

Close out:

- verification and acceptance of corrective action



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CAR status log

Shows status of:

- CARs (from first-, second-, third-party audits)
- follow-up action
- 'close-out'



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Method of follow-up and close out

- review documentation
- visit audited area
- audit evidence of implementation
- verify effectiveness of corrective action
- record details
- sign-off CAR



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Continual improvement

Management review should consider:

- corrective actions in respect of CARs
- preventive actions
- the analysis of data from audits, customer feedback, process performance, product conformity
- recommendations for improvement



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Auditor competence and certification

- Personnel characteristics of auditors
- Auditor competence



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Auditor personal attributes

An auditor must be:

open minded

observant

tenacious

self-reliant

honest

diplomatic

perceptive

decisive

fair

discreet



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An auditor must be competent

In audit techniques including:

- OHSAS terminology
- OHSAS management principles
- auditing tools
- Observing organisational situations
- Interpreting legislative, contractual and other relevant requirements
- product, services and operational processes

details set out in ISO 19011



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Auditor's responsibilities

- review all relevant information
- prepare work documents
- comply with and communicate audit requirements
- stay within audit scope
- collate audit evidence
- document nonconformities
- report audit findings
- verify corrective actions taken in response to nonconformities
- retain and safeguard all audit documents



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Thank You

