

Making System Audits Effective



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This issue opens the seventh year of the QRC Newsletter. One of the few things that have not changed over those seven years is that, if your company is certified to an ISO Standard, you are required to conduct Internal Audits.

As ISO Systems are maturing, it is encouraging that there are Management Representatives who have been able to develop the ISO Internal Audit model into a powerful risk-proofing tool.

Unfortunately, many Management Representatives are still having trouble getting audits recognized as a valuable business resource.

Following the initial spotlight on Internal Audits as a requirement to “get certified,” attention fades and complications appear.

Typical problems are:

⊗ Managers are reluctant to release their people to conduct audits, because they have “more important work to do.”

⊗ Some Auditors retain an “ISO Police” mentality, souring the audit experience for the people the audits are intended to help.

⊗ Responses to Corrective Action requirements are delayed so long that they are almost futile.

These problems are so significant for some Management Representatives that their Audit programs have almost been abandoned.

Towards the end of 2004, QRC received an unusual number of calls from companies whose Certification bodies had threatened to, or already had, revoked their ISO 9000 Certification status.

The reasons were, overwhelmingly, that Internal Audit programs were either inadequate or non-existent.

Over the years it has become evident that, if management and employees see the value of an ISO requirement, the Management Representative and his/her team can expect support and compliance.

If this value is not perceived, indifference to the ISO requirement thrives.

In this Issue we share ways in which Management Representatives are effectively using the ISO Audit requirement to provide perceived value to the business needs of their companies. QRC has played its part in helping develop these solutions, but the main credit goes to the Management Representatives and their teams. These people have thought and acted innovatively and, as a result, have converted actual or potential indifference to Internal Audits into energetic cooperation.

Unlike Thomas Edison, who invented the light bulb, or Alexander Graham Bell and the telephone, Henry Ford didn't invent anything. What he did was to improve the way it was being done

Joe Griffith



CHOICES

Before choosing ways to improve an Audit program, it is necessary to accept that the rule that “one size fits all” does not apply. In fact, the tacit acceptance of this rule in the past has been the cause of many of today's Audit problems.

A Standard is “something accepted as a basis for comparison.” Accordingly, the job of a Certification Auditor is limited to comparing an organization's audit program with the requirements of the four paragraphs in Clause 8.2.2 of the ISO 9001 Standard.

The unintended consequences of this situation are understandable.

When the success of a potentially unpleasant activity is defined as measuring up to four paragraphs in a generic document, it is hard to make a case to invest resources to take audit programs beyond compliance.

Even the writers of the Standard seemed to recognize potential shortcomings of the four-paragraph requirement, referring to ISO 10011 for guidance on how to conduct Audits.

After working with many ISO teams to make Internal Audits a long-term asset, QRC has seen clear patterns emerge.

These patterns are directly related to system maturity.



CONFORMANCE AUDITING

▫ When a company is working on its initial Certification, the four paragraphs of the Standard are usually a big enough challenge.

The prime requirement for a quality management system, at this stage of its development, is to select a method of auditing that is consistent and effective and meets the requirements of the Standard. The most useful guidelines for such a method are found in ISO 19011: 2002. These guidelines replace ISO 10011 referred to above, and are prepared specifically for conformance auditing of ISO based systems.

Using these guidelines it is possible to:

- ◆ Plan audits successfully
- ◆ Audit consistently and effectively
- ◆ Evaluate the conduct of the Audits fairly
- ◆ Meet the requirements of the Standard

After Certification, as the system begins to mature (nonconformities have been discovered and effectively dealt with), auditing the same activities in the same way gradually becomes almost pointless.

The problems discovered by the chosen Audit method, have been corrected. New problems will occur and will need to be identified and dealt with. But these problems become harder to find using auditing methods that are now well known.

Deep-seated problems that have evaded discovery by the Audits will remain in hiding, to the harm of the organization.

To deal with this situation, it is beneficial to re focus the audits to operational as well as conformance concerns. This choice takes the company into "Value Added Auditing."



VALUE ADDED AUDITING

▫ Introducing Value Added Auditing into a jaded Internal Audit program is like the first sip of coffee in the morning.

- ◆ Auditors have a new challenge.

- ◆ Auditees are asked to respond to inquiries beyond the standard questions to which they have become accustomed.
- ◆ Measures of conformity to a Standard are now supplemented by measures of performance.

For example:

◆ Management is traditionally asked about the Management Review Meeting. It will now be asked how it links its strategies to the Quality Policy to create objectives that meet published guiding principles.

◆ Customer satisfaction questions now include identifying methods of cooperating with customers to understand future needs. Measuring performance in a Value Added Audit means measuring against "plans and objectives." Value Added Auditing therefore reinforces the need for verifiable plans and objectives that previously may have been cosmetic.

The benefit of this change is quickly felt. The impact of effective Value Added auditing is changing a conformance-focused activity (Internal Auditing) into a business development activity that also insures conformance.

As the business develops its objectives, it is also moving into the next stage of audit maturity. It is ready to consider the risk proofing qualities of "Process Auditing."



PROCESS AUDITING

▫ With Value Added audits identifying performance successes and weaknesses, in addition to conformance, a brighter light is shining on the operation.

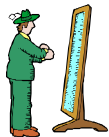
The organization, with the help of its Auditors, is developing a factual and timely measurement of performance against real objectives.

Process Auditing focuses on the business impact of accepted performance levels. Every process has an input, an output and a goal. This means that for every process there is a supplier, a customer and a measure of satisfaction.

Process Audits are interested in the satisfaction of internal customers with the performance levels of their internal suppliers. This new audit criterion often brings surprising results.

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Realistic risk proofing is now achievable. Risks associated with failure to meet the expectations of a customer of the process become part of the definition of that process. As a result, when an audit finds that a process does not meet its goals, there are known consequences of this failure. Because these consequences (risks) are specified in the process definition they can be included in the Audit Report. As a result, management is made aware of the consequences of poor performance, not only as a conformance issue, but also as a direct impact on the safety of the business. If the Management Representative and his/her team can get an audit system this far, the next stage in developing the maturity of the system tends to be management driven. A typical response mechanism of managers is that they always want more of something that gives them better control of their business. As the Process Audits identify areas of the business that may be at risk, how can management quickly confirm this information and decide what should be done? This takes the system to a Self-Assessment mode.



SELF-ASSESSMENT

ISO compliant audits require that an auditor cannot audit his/her own work. If an area has been reported as being “at risk”, why can’t management “commission” a business evaluation of the area by a member of management, or even a specialist in the processes in the area? This is a Self-Assessment. Management (or the process specialist) asks focused business questions based on the risk potential reports of the Process Audit. The audit program is now part of the business system. The audit team has identified the risk. People with a direct knowledge of the area research the extent of this risk. Corrections are given more urgency by the direct involvement of affected managers. Auditing is no longer a “necessary evil.” It is an indispensable partner in the process of identifying and dealing with risks.

Man who waits for roast duck to fly into mouth must wait very, very long time
Chinese proverb



MANAGEMENT AWARENESS

For Management Representatives, and their teams, who can show the scars of too many battles over lack of people to conduct audits and the absence of reactions to audit findings, the above scenario may seem, to say the least, optimistic. But there is one important part of this scenario still to come. To successfully develop Audit programs from conformance indicators to indispensable tools, it is necessary to provide Management with awareness of this possibility. Companies train their Management Representatives to organize audits and report audit findings. They train their auditors to conduct audits in a professional and consistent manner. Few companies train their Managers to make the best use of audits and audit findings. How many managers offer informed input at the audit planning stage, so that the audits will be more useful to them in running the business? Management need to be trained how to use Audits to keep informed about the health, as well as conformance, of the business. Companies pour a lot of resources into conducting Internal Audits that will result in conformance to an ISO Standard. Few companies invest in teaching management how to use these audits to protect their business. ISO conformance requires that Top Management examine audit results and the status of Corrective Actions in periodic Management Review meetings. This approach hardly creates a sense of urgency regarding audit findings. Training managers in the business potential of audits is important in gaining their attention and support. Involving an informed and involved management in the Audit program will make it an essential risk-proofing contribution to protecting the health of the business.