

Internal Audits: Making Them Happen

a two-part series

Internal audits are a powerful tool for improving your firm. Here are some practical suggestions for conducting your own successful internal audit.

BY PAT THOMASHEFSKY

PART 1: PREPARATION

TO PARAPHRASE A COMMON SAYING, "QUALITY IS NOT A SPECTATOR SPORT." It doesn't just "happen" one day. Forward-thinking managers see internal audits as more than just a tool for certification standard compliance—rather, they see internal auditing as one of the most important tools in the continuous process-improvement arsenal.

Internal audits are done best when they follow a simple defined and documented process that ensures that all aspects of your quality management system are covered

and that good records are maintained. If you apply project management principles, an internal audit has a beginning, a work phase, and an output. As with any project, planning is also an important phase.

Time is always a concern, so why not delegate the task to different members of separate departments, or process owners, rather than have the management representative be the only one involved? There is also no requirement that the entire audit be performed all at once.

So let's begin!

The seven items for successful audit planning are to define, develop and prepare the audit objective(s), scope, resources, criteria, and audit plan. Understand and evaluate the written documentation and prepare the working papers.

1. Defining the audit objective.

An audit can be performed for conformance to requirements and/or for performance improvements. As management, you often assign projects to your people. In doing so you make sure they know what it

To Outsource or Not To Outsource?

You may consider sub-contracting the internal audit process to an outside consultant. So, let's look at the pros and cons of contracting the internal audit service versus using your own people.

CONTRACTING SERVICES	USING YOUR OWN PEOPLE
Outside consultants have little or no interest in the success of the organization. (They may act like "hired guns" or be seen as such.)	Your people are stakeholders in the success of your organization.
They have limited ability to uncover opportunities for improvement within your company. Their focus is generally on conformance rather than performance.	People within your organization assessing other departments will naturally be looking for improvement opportunities within their family. Their focus is generally on performance rather than conformance.
They typically have a modest, if not steep, learning curve about your organization.	No one knows your systems as well as you do even across departments.
A contractor may be flexible and work around your schedule.	Time and resources are limited within your organization.
They are already trained in audit science and have a working knowledge of the requirements. (This assumes you have already employed your sub-contractor selection and evaluation process as required.)	Training is required to efficiently and effectively carry out an internal audit.

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is you expect as an output. It is also important that when the responsibility is assigned an equal authority for identifying areas of strengths and weaknesses is given. When you assign the task of performing the internal audit, it also makes sense to identify what it is you expect as an output. In doing this, there is no doubt what is expected.

A typical audit objective reads something like this:

“The purpose of this audit is to verify that the process involved conforms to requirements and to identify opportunities for improvements.”

2. Defining the audit scope.

Just as it is important for management to define objectives, it is equally important to set boundaries for the responsibility and authority given to the auditors.

A typical scope statement is:

“The scope of this audit will be training activities throughout the organization.”

3. Defining the audit resources.

People are the most valuable asset to any organization. It takes qualified individuals to carry out a meaningful audit. Assign the audit to qualified individuals. Choosing the right people with the qualities to be good auditors is important.

Characteristics to look for when choosing internal auditors:

- ✓ Active listening skills.
- ✓ Ability to ask clear and coherent questions.
- ✓ Project and time management skills.
- ✓ Ability to get along with people.
- ✓ Good, compelling writing skills.
- ✓ Task-oriented and organized.

Auditing is a skill, and as with most skills, it is something that can be learned. Train your auditors; it is a worthwhile investment that will yield many benefits. If you are looking for training resources, the Internet is full of them, but if quality is your focus, the American Society for Quality (ASQ) is one of your best bets. ASQ offers both self-paced courses and in-house training. Learn more by visiting the links below:

→ www.asq.org/training/formats/classroom/index.html

→ www.asq.org/training/formats/web-based/titles.html

One online course, “Basic Principles Used in Auditing,” is even free for ASQ members.

Thomas J. Peters offers a good mind-set

towards the costs of training:

“If your company is doing well, double your training budget; if your company is not doing well, quadruple it.”

4. Defining the audit criteria.

This is the basis for the audit. The auditors must have a set of requirements to which gathered evidence will be compared. They can be broken down into these categories:

→ **Why**—Externals to your company such as customer requirements, standards, codes, specifications, and regulations.

→ **What**—Your system equipments and your internal policies and objectives.

→ **How**—Process requirements within your organization, written within your procedures and work instructions.

5. Prepare and distribute the audit plan.

This is an important step. This is not the same as the audit schedule. The schedule can be made up in advance and shows when the audit(s) will be conducted during the year. The audit plan consists of the following information:

- Purpose
- Scope
- Auditor or team members
- Criteria
- Start and stop times
- Who is expected to attend

Communicating this information will benefit everyone involved.

6. Review, study, and understand the documents.

The auditor should understand the company’s policies and objectives. Review and understand the processes and the interaction of the processes. These should be described in the company’s documentation. The auditor should also have access to the external requirements.

7. Prepare the work papers.

The various tools that are used to gather and record the objective evidence during the audit are called work papers. Note taking is important when it comes time to write the audit report and findings. We have put together examples of these work papers on our web site:

www.qmconline.com/resources

On a final note: there are many approaches and techniques that can be effectively used to carry out an internal

audit. A proven approach is to view your quality management system as a system of linked processes. The first steps the auditor should take are:

- ✓ Develop a business process overview.
- ✓ Identify the organization’s quality-affecting processes.
- ✓ Look at the links between processes.
- ✓ Determine if the processes are integrated to form a system.
- ✓ Determine whether basic processes are covered.

There are basic processes that cover most organizations and standard requirements:

- ✓ Top management involvement
- ✓ Management of the quality system
- ✓ The improvement process
- ✓ Process and product development
- ✓ Supplier management
- ✓ Control of outsourced processes
- ✓ Resource management

You need to understand the inputs, outputs, activities, and process control, along with the owner of each process. It is also helpful to ascertain whether each process has a plan-do-check-act methodology.

Does it sound like a lot of work? It may be at first, but the return on investment for a well-conducted internal audit is well worth the effort. Sometimes it appears we keep going over and over the same things: customer satisfaction, process improvement, workplace environment, technology use, and financial understanding. However, each time we start from a higher position. Says Hermann Hesse: “We are not going around in circles, we are going upward. The path is a spiral.”

Stay tuned—in part two of this series, we will focus on conducting and reporting the internal audit. **MSC**

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