

Auditing is not solely about compliance, at least not if it is going to add value.

According to Tim O’Hanlon, a Director with Eurospan Developments Limited, auditors need to demonstrate their understanding of business management by focusing on value adding auditing and not just on raising insignificant non conformities.

If the auditor is to be taken seriously as a professional business person, the focus of his/her work must be on issues that make a significant contribution towards product conformity, the enhancement of customer satisfaction and the achievement of financial and non financial results.

Starting with the controversial

For all the criticism that ISO 9001 has received over the years, there must be a person or persons responsible and indeed there are. There are two bodies who cannot look the business world in the eye without feeling singularly embarrassed – the senior managers in the audited organisations and the auditors.

Senior managers have not taken the deployment of quality management systems seriously; they have never accepted the value that systems can bring to their business; they believed that they could con auditors during the on site assessments and they believed that documented procedures just got in the way of doing business in a flexible manner.

Auditors avoided raising major non conformities because they wanted to avoid conflict with senior managers for fear that they would not be able to handle the challenges that came their way and instead raised irrelevant non conformities that created the illusion that they were doing their jobs.

The Paradigm shift – setting a new example

In the ASQ Press publication “Quality Systems audits for ISO 9001: 2000 – Making compliance value added” we see the next five years of auditing being challenged to realize a paradigm shift in approach. The emphasis must be on genuine improvement, aligned with business objectives not on trivial non-conformities – this change is required both by auditors and management representatives within the auditee organizations.

Resources cannot be devoted to quality, environmental and safety audits separately but these must be integrated, requiring extensive training of auditors in the new areas of expertise

The methods of auditing cannot concentrate on conformity alone but must pay greater emphasis to effectiveness and continual improvement. Auditors must spend less time examining how things are done and more time on why they are done and how they are integrated with other business processes.

The calibre of auditors must improve and go beyond the standard of mediocre former Quality Managers. For this to happen, certification bodies will have to be prepared to spend more money to get the right people.

There is no reason why the external auditor cannot lead a team of internal auditors in a more rigorous audit of the system twice per year. This requires the trust of both parties but it does offer an excellent approach for improving the overall effectiveness of the audit process.

Improving the value adding contribution of audit reports

It is clear that to gain acceptance of the new approach to auditing auditors and auditees must agree on a strategy.

It is suggested that audit checklists focus on the following matrix

	Safety	Customer	Product Quality	Environment	Costs	Knowledge	People	Efficiency	Other Business Objectives
Plan									
Do									
Check									
Act									

With this approach, the auditors will focus their questions on systematic issues e.g.

Has the activity been planned, based on all available data and information, including benchmarking references?

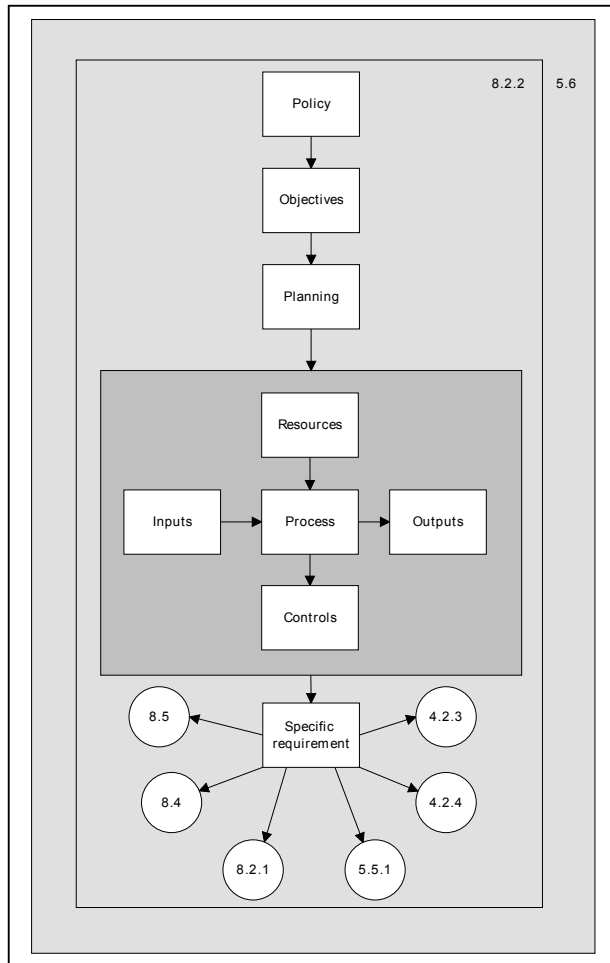
Is there evidence that the plan has been deployed consistently throughout the organization?

What measurement and learning activities are used to determine the effectiveness of the plan and the extent of deployment?

Is there evidence of improvement based on measurement and learning activities?

These questions can then be placed in the context of the business objectives e.g. safety, customer satisfaction, product quality, environment, costs, knowledge management or the other business objectives defined by the organization based on the needs and expectations of their stakeholders.

The modern approach to developing checklists will be based on the following flow chart



Checklists need to link the process under investigation with overall policy and strategy (5.3/5.4.1)

Checklists must then address how the organization develops its plans (5.4.2)

Questions must then focus on the specific process under investigation (7)

Following on from questions about the specific process, additional questions about generic requirements of the standard.

Finally evidence of audit (8.2.2) and review (5.6) need to be verified.

Numbers refer to clauses in ISO 9001:2000

When the audit report is prepared, based on this type of analysis, it can highlight the systematic weaknesses i.e. either in design of the system, the deployment of the system, the measurement and learning techniques used or the absence of evidence of a systematic approach to continuous improvement and then can illustrate the impact of the non-conformity in the context of the business objectives e.g.

- ...this is a potential safety hazard (safety)
- ...and this will affect customer satisfaction (customer)
- ...this has resulted in higher reject levels (product quality and cost)
- ...this has a potentially harmful effect on the local water supply (environment)
- ...this has reduced the margin on the product by 2% (cost)
- ...not providing this knowledge to sales personnel has had a negative impact on the launch of the new product (knowledge).

This combination of cause and effect is well illustrated in “After the Quality Audit: Closing the Loop on the Audit Process” Second Edition *Russell, J. P. and Regel, Terry* (ASQ Press). In which they highlight the “reason” and the “pain” as being the basis for audit reporting.

The logic of using this type of questioning and reporting is consistent with the approach of the European Quality Foundation for Quality Management in which the approach used is called RADAR (Results; Approach; Deployment; Assessment and Review). The capacity to place non-conformities in the context of the business objectives and the impact on stakeholders identifies the actual or potential consequences of the problem. This is a necessary factor in value adding reporting.

Auditors, in preparing their final report, can use the following matrix to organise their findings.

Requirement of ISO 9001:2000	Non Conformity	Opportunity for improvement	Impact on effectiveness of the system, process or product	Objective Evidence	Specific clause of the standard	Person who agreed the finding	Actual or potential Consequences of this finding for the business
4							
5							
6							
7							
8							

The impact for the internal auditor

Whilst it is necessary for the third party auditors to realign their focus from mere compliance to adding value, it is equally important that the internal auditor becomes more competent in the application of the internal audit process; indeed the process itself may require rethinking.

To optimise the use of resources it is probably sensible to integrate the internal audit processes e.g. environmental, safety and quality. However, for an internal auditor to be competent in such a spectrum of disciplines, an extensive education and training programme will be required. After all the audit process is the same, it is the subject material that changes. Selling the need for internal auditors to top management can be tough; getting people to “volunteer” to be auditors can be tougher! However, if it is “sold” on the basis of organizational and individual development, exposing more people to more aspects of the business – a persuasive case can be built. Most internal auditors are part time; by definition, they are part time something else – their real job. It is important that those performing internal audits gain some recognition for their efforts e.g. if there is an appraisal process, the internal audit programme manager should have an input to the auditor’s appraisal as well as the auditor’s line manager or principle process owner.

More consideration needs to be given to the frequency of audits. Too often some arbitrary frequency is selected without consideration of the impact of the activity upon the business or the results of previous audits.

The following methodology is used in some organizations to determine audit frequencies.

	1	2	3	4	5	
	Impact on business 5= critical 1= minor	Previous audit results 5=many NCRs 1=no NCRs	Turnover of staff 5=High 1=Low	Complexity of processes 5=High 1=Low	Total Columns 1x2x3x4	Frequency >200 = 5 times per year 150 – 199 = 4 times per year 101-149 = 3 times per year 51-100 = Twice per year <50 = Once per year
Process A	5	5	3	3	225	5
Process B	2	2	3	2	24	1
Process C	4	3	3	2	72	2

The evaluation of the audit process should consider the overall nature of non-conformities to determine if there are systematic errors e.g.

- Lack of training
- Procedures not updated
- Organizational changes
- Poor communications
- Disciplinary issues
- Accessibility of information
- Lack of resources
- Equipment capability

Consider the desired outcome when a non-conformity is detected – corrective action. When a non-conformity is classified as “Major” something gets done about it. When it is called “Minor” it may or may not get resolved. If the desired outcome is the same, why categorise the non-conformities as major or minor for internal audits?

When the management review process considers these generic classifications efforts can be made to address the systematic weakness, rather than the isolated series of incidents. This can be easily handled by using a database.

Measuring the effectiveness of the audit process

Working as a consultant with BMW has allowed the author to witness the radical change in an organisation regarding their demands upon auditors at first hand. As Ceri Davies, Quality Systems and Metrology Manager explains

“Like many organisations BMW Motoren Hams Hall, England had measured the effectiveness of their audit process by

- Adherence to the audit schedule
- Number of non conformities raised
- Cycle time to complete corrective action

It became clear that these were measures, which whilst creating data, did little to improve the effectiveness of the internal audit process. Based on review and learning activities the audit process is now measured by the value adding contribution it makes to the business and via the actual perception of auditees within the management team.

Third party auditors are now seen as partners who can identify areas of improvement – they are not expected to recommend solutions only to highlight the opportunities. Few non conformities exist because of the integrity of the internal audit process. Thus there is a serious expectation that the auditor who comes on site has a solid appreciation of how a business operates. The auditor has to demonstrate a level of credibility not previously demanded”.

About the author

Tim O’Hanlon has been working internationally as a trainer and consultant on Quality related subjects for 15 years. He was a Lead Auditor with SGS Yarsley after implementing quality management systems in several organisations as QA Manager.

He has an MBA and PhD in Quality science and has acted as a senior assessor for the UK Excellence award for 5 years.

Tim is the author of the ASQ Quality Press publication “Quality Audits for ISO 9001: 2000 – Making compliance value added”

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