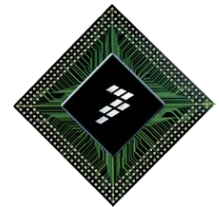


Audit Effectiveness – *Assuring Customer Satisfaction*

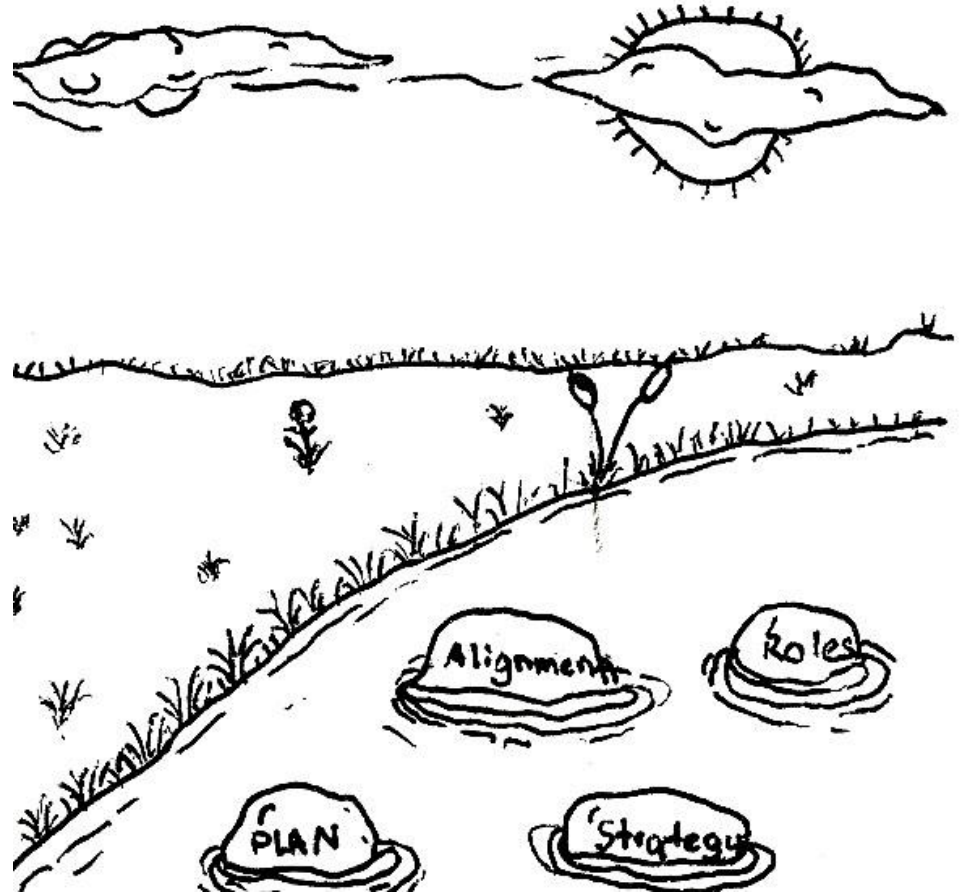
Pacific Northwest Software Quality Conference
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Agenda

- ❖ Introduction
- ❖ Audit Planning
- ❖ Auditor's Role
- ❖ Audits
- ❖ Strategic Alignment
- ❖ Audit Program Value
- ❖ Summary



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❖ Introduction

- ❖ Audits can be used to identify best practices
- ❖ Initial audits can provide a baseline for improvements

- ❖ Use different layers of audits
 - ❖ Group Level – Management and Product
 - ❖ Phase Gate - Lifecycle
 - ❖ Peer Review – Day to day

- ❖ Audit Planning
 - ❖ Select process to be audited
 - ❖ Determine the auditor(s) and auditee(s)
 - ❖ Scheduling – timing, availability, location
 - ❖ Kick-off Meeting
 - ❖ Introduce the group
 - ❖ Discuss the expectations
 - ❖ Discuss the purpose of the audit
 - ❖ Agree on area to be audited; projects involved
 - ❖ Discuss schedule
 - ❖ Discuss what will be done with the results
 - ❖ Obtain team approval!

❖ Auditor's Role

- ❖ Use Plan Do Check Act (PDCA) to identify parts of the standard applicable to the process being audited
- ❖ Ask open-ended questions
- ❖ Interview should start with the process owner
- ❖ Obtain objective evidence by performing walkthrough reviews

❖ Audits

❖ Verification Audits

- ❖ Increase need for verification audits
 - ❖ Supply chain management, outsourcing, process or product complexity and sophistication, certified suppliers and operators.
- ❖ Auditor must understand the process/product being audited
 - ❖ Review the procedures, specifications and records
- ❖ Verification audits supports robust risk-management process
- ❖ Frequency of verification audits depend on degree of risk and performance history

❖ Audits

❖ Third-Party Audits

- ❖ The message “audit findings failures” is a perception that is difficult to change.
- ❖ Management must understand how audits benefit the organization.
- ❖ Management want to identify deficiencies and fix them permanently.
- ❖ Never ask who is responsible for the non-compliance, ask how the process or system failed.

❖ Audits

❖ Appreciative Audit – blend of ‘internal audits’ and appreciative inquiry’

❖ Appreciative inquiry

- ❖ What if revealing system effectiveness and best practices was just as likely as finding non-conformances?
- ❖ What if the act of asking audit questions began a process of change for the better?
- ❖ What if audit results became a key input to a CEO’s strategy plan?

❖ Appreciative Audits carry forward best practices and encourage improvements.

❖ Appreciative Audits can revive a tired internal audit program.

- ❖ Strategic Alignment
 - ❖ The internal audit program strategy should align with the company's strategy – i.e., Balanced Scorecard
 - ❖ Unfortunately this requires your company to have a formulated strategic plan, a robust scorecard of strategic indicators, goals and initiatives.
 - ❖ The auditors drive this alignment during the audits
 - ❖ Auditors must understand the organizations vision, mission, competitive strategy, current strategy, and initiatives
 - ❖ Some auditors may require training.

- ❖ Audit Program Value
 - ❖ Internal audits can help uncover improvement opportunities
 - ❖ Should provide insight and support to the organization's objectives.

- ❖ Audit Program Value should not be based on the number of non-conformities
 - ❖ Audit performance should be based on objectives that reflect the mission and organizational objectives and goals
 - ❖ Complaints related to delivery, rework, meeting commitments

❖ Summary

- ❖ Begin audit management by first planning it.
- ❖ Internal audits should be measured for effectiveness
- ❖ Assure you have the right auditors for the different audit types
- ❖ Align your internal audit program strategy with the company strategy.

| Audit element | Traditional internal audit | Appreciative internal audit |
|--------------------------------|--|--|
| Audit planning and preparation | <ul style="list-style-type: none"> ◇ In-depth review of process documents and requirements. ◇ Audits planned by business process. | <ul style="list-style-type: none"> ◇ Same as traditional audit, but audit participants informed of the appreciative intent of the audit. |
| Audit questions | <ul style="list-style-type: none"> ◇ Open-ended questions derived from process requirements. ◇ Questions worded to evaluate conformance to requirements. ◇ Question focus on the current situation. | <ul style="list-style-type: none"> ◇ Open-ended questions also derived from ideal scenarios. ◇ Questions crafted to get a "storytelling" response and describe an imaginary outcome in which the best of a process is revealed. ◇ Questions explore past and future situations. |
| Audit participants | <ul style="list-style-type: none"> ◇ Auditees usually limited to the process owner to encourage openness and confidentiality. | <ul style="list-style-type: none"> ◇ Internal customers and suppliers of the process being audited. |
| Audit evidence | <ul style="list-style-type: none"> ◇ Audit checklist used to record audit findings. ◇ Process records provide objective evidence | <ul style="list-style-type: none"> ◇ Digital recordings of audit interviews supplement traditional audit evidence. ◇ Internal customers verify process effectiveness reported by process owners. ◇ Lack of evidence of what is working reveals the ineffectiveness of a business process. |
| Process records review | <ul style="list-style-type: none"> ◇ Records review often done during the audit interview process. | <ul style="list-style-type: none"> ◇ Records review intentionally done independent of the audit interview to retain appreciative focus. |
| Audit findings | <ul style="list-style-type: none"> ◇ Audit findings are primarily nonconformances; a few opportunities for improvement. | <ul style="list-style-type: none"> ◇ At least half of the audit findings are best practices (strengths). ◇ Raise many more opportunities for improvement. ◇ Number of nonconformances tends to be the same as the number found during traditional audits. |
| Audit reports | <ul style="list-style-type: none"> ◇ Audit report focused on nonconformances. ◇ A short audit report with few findings is perceived to be a good outcome. | <ul style="list-style-type: none"> ◇ Additional affinity analyses required to group and report the abundance of audit findings. ◇ Audit reports become a new vehicle to share best practices throughout the organization. ◇ Audit reports more likely to be an input to the strategic planning process. |