



Internal audit training package

2 September 2004

ph 02 9232 1690
Level 7, 74 Castlereagh Street
GPO Box 4846, Sydney
fax 02 9232 1002
ABN 98 002 063 658
www.realisation.com.au

About this document.....	4
How to implement an internal audit programme	5
Identify a compliance manager	5
Identify the standards and legislation you need to comply with.....	5
Get management buy-in for the audit programme.....	5
Customise and publish the internal audit procedures.....	6
Implement a corrective action system.....	6
Customise the training materials	7
Choose auditors.....	7
Deliver the training	7
Start scheduling audits using the procedure	7
Lecturer's notes - introduction.....	8
What you will need.....	8
Lecturer's notes	9
Assessment method	9
Lecturer's notes	10
Warm up	10
Course objective	11
Topics	12
Compliance management.....	13
Process development	14
Process implementation	15
Desk audit	16
Site audit	17
Internal audit here	18
What might be auditable?.....	19
Basic idea	20
Possible results - yes	21
Possible results - yes, but	22
Possible results - no	23
Interpersonal issues	24
Rules of conduct - auditor.....	25
Rules of conduct - auditee.....	26
Benefits of internal audits - 1	27
Benefits of internal audits - 2	27
How site audits are scheduled.....	28
Mark up questions - 1	29
Mark up questions - 2	30
Prepare for audit.....	31
Record evidence.....	32
Framing checkpoints and questions (sequence of 11 slides)	33
Audit report	34

Corrective action	34
Practice procedure.....	35
Real audit	36
Other issues.....	37
End of course	38
Internal audit procedures	40
Internal desk audit	40
Scheduling internal site audits	41
Conducting an internal site audit.....	43
Internal site audit follow-up	45
New auditor assessment	46
Worksheet.....	47
Audit report cover sheet	48
Sample procedure	49
AQTF	50
ISO 9001	51
AS 3911.1-1992 / ISO 10011-1:1990.....	52
Index	53

Copyright © Realisation Consulting, Sydney, 2002-2004. This document is available for personal use only. It is not to be reproduced in any form, redistributed or sold without the express permission of Realisation Consulting. Any queries regarding the commercial availability or distribution of this document should be directed to Realisation Consulting.

About this document

This document contains all you need in order to successfully implement an internal audit system, including:

- a draft internal audit procedure, with the necessary forms
- an internal audit training programme, with slides, lecture notes and student handouts

Many of the materials are easier to use in 'soft copy', and we have provided these on our web site. You can download these materials at no extra cost

How to implement an internal audit programme

There are a number of steps that you need to complete in order to implement an internal audit programme.

Identify a compliance manager

The success of internal audit - and in fact any other quality-based activity - depends critically on who within your organisation you choose to run it. The person needs to:

- have excellent interpersonal skills
- be highly organised
- have the time to spend on this activity
- have a direct report to senior management

Compliance manager doesn't have to be a full-time role. Typical other jobs that fit well with it are:

- quality manager
- HR manager
- (in smaller organisations) office manager
- company secretary

Identify the standards and legislation you need to comply with

There are a large number of regimes that require internal audit, including:

- the ISO 9001 international quality systems standard
- QS 9000 and other ISO 9001-related implementations
- the ISO 14000 environmental systems standard
- Australian Quality Training Framework (AQTF)
- corporate governance requirements

Government legislation does not usually require you to have an internal audit programme. But often the only way to ensure that your organisation is complying with all of the relevant legislation is to use internal audit.

As a first step, you should simply list all of these standards and laws that you need to comply with.

Get management buy-in for the audit programme

The compliance manager will now have to go to senior management and explain the legislation and standards that need to be complied

with, and the importance and benefits of an internal audit programme.

It is vital to get senior management 'buy-in' for audit, as you will need it when line managers start to realise that their areas will be audited.

Customise and publish the internal audit procedures

The procedures at page 40 are a starting point only - they will have to be customised to fit your organisation. For the most part these customisations are minor (and are shown in bold in the procedures). However, there are a number of more fundamental changes that you might have to make, depending on the way your organisation operates.

For example, you may decide to do all of your internal audits in one hit once a year (or every six months, or whatever) instead of a rolling quarterly programme as specified in the procedure.

In practice, you will alter this procedure continuously (and, hopefully, improve it in the context of your own organisation) once it is in place.

The way in which procedures are published within your organisation is critical to their success in compliance management. There are any number of ways of effectively publishing this kind of information, which will depend on the size and technical infrastructure of your organisation.

Internal audit vs Internal process review

One customisation you may like to consider carefully is the use of the term "Internal process review" rather than "Internal audit". The word 'audit' has negative connotations for many people, implying a check for honesty, etc.

'Process review' puts the emphasis on assessment of the process, rather than the individual.

'Auditor' becomes 'reviewer'. 'Auditee' becomes 'reviewee'.

Implement a corrective action system

If you don't already have one, you will need a corrective action system of some kind in order for your audit programme to work properly. This may range from the simple to the complex:

- an exercise book for collecting suggested changes, with columns for people to sign when they're implemented the changes

- a person nominated to receive suggested changes, and tasked with following them up
- a full-blown electronic corrective action system with workflow, etc

What you implement will depend on:

- the size of your organisation
- the standards that you need to comply with - ISO9001, for example, requires a comprehensive corrective action system

Customise the training materials

Having customised the procedure, you may have to customise that part of the training that deals with the procedure. You may also choose to add your company's logo.

Choose auditors

Auditor qualification is covered on page 42. Obviously, you will have to choose suitable potential auditors before you deliver the training.

Remember that audits have to be carried out by people who are independent of the activity being audited. For a large organisation, this might mean having one (or even more) people who do nothing but audit.

For a smaller organisation, you might have managers auditing each other's departments or processes (this is called 'peer auditing'). This has the added advantage of allowing them an insight into other parts of the organisation, which is of particular benefit in large organisations, too.

Deliver the training

The lecturer notes are given on page 8. Although the slides are available for download, the lecturer notes are not - you will have to use this book to help you deliver the training.

However, rather than read the lecturer notes verbatim, it would be better if you used your own words; it's a good idea to write your own set of bullet points for the lectures, based on the lecturer notes. You might like to do this after you have delivered the training a couple of times reading the notes verbatim.

Start scheduling audits using the procedure

Once you have done all of the above, you are ready to start your audit programme.

Lecturer's notes - introduction

These are the lecturer's notes for the one-day course "Internal audits". The object of the course is to teach participants how to undertake, and successfully complete, an internal audit.

To conduct the course you will need to:

- Make sure you read all of the lecturer notes and get familiar with all of the materials, in particular the procedure documents used for the practical exercises, and
- Compile the procedures and handouts necessary to complete the course.

What you will need

Before the course begins, you will need to check that you have the following:

- these lecturer notes
- overhead projector slides
- a copy of your organisation's policies and procedures document, or the ability to show the attendees the web page or document control system that contains the online version

For each attendee as they come in, you will need:

- pad and pens

And to hand out during the course, you will need for each attendee (and an extra one for yourself):

- a copy of the Worksheet on page 47
- a copy of your organisation's published version of the Internal audit procedures given on page 40
- a copy of the Audit report cover sheet from page 48, or your organisation's version of it, if it is different
- a copy of your organisation's corrective action form (see page 6)
- a copy of the Sample procedure on page 49
- during the course, you will get the attendees to form into pairs, and get each pair to start work on a real audit, which they will complete in the two weeks following the course; in order to get them started, you will need to schedule one audit for each pair, and print and bring to the course three copies of each procedure to be audited (one each for the pair of attendees, and one for you)
- a training evaluation form, if you use one

In the course room you will need:

- an overhead projector

- a whiteboard and marking pens

Lecturer's notes

There are two kinds of text in these notes - instructions to you (*in italics*) and text that you can read to the attendees. It is best to use these notes as guidance, and present the material in your own words - because listening to someone reading from a book can be dull.

Where you have to hand out something to the attendees, we've marked the paragraph like this:

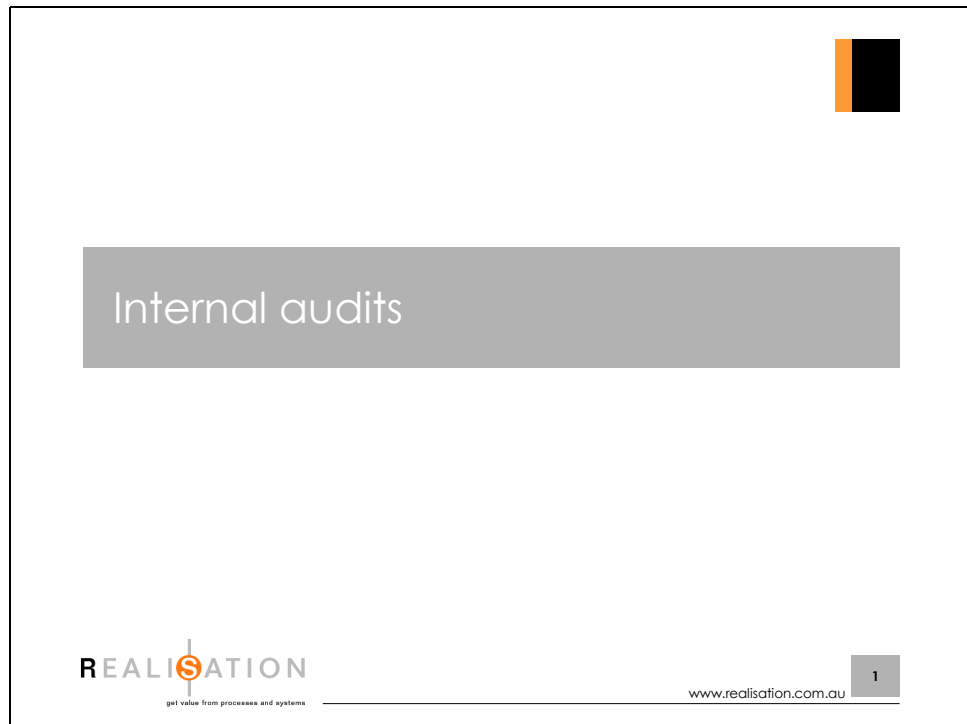
▣ *Give handout here*

Assessment method

The assessment method for the course is to have the auditors complete at least one audit, and then assess their performance on that audit. This is built into the audit procedures.

Rather than measure just information retention, this directly measures whether the student is able to apply what they've learned to their work situation¹.

¹ Kirkpatrick Level III

Warm up

If you do not already know the participants, begin by introducing yourself and explaining who you are.

Ask each person to write their name in the middle of an A4 sheet and to fold it so that it sits upright and can be read by you from the front of the room.

Possible warm-up questions:

- Have you ever been involved in internal audit before?
- Have you ever worked in a company that had ISO 9000 or other quality certification?
- If you have, what was your experience: positive or negative?²
- Do the participants know they have been asked to train as internal auditors?
- What areas of the organisation does each participant work in?
What sort of tasks do they do each day?

² If anyone has had a negative experience, explain that the way in which internal audits will be carried out in this organisation will be different to the way they had come across. Encourage them also to criticise your presentation at any point (this way you can deal with their fears and concerns as they come up). Good luck.

Course objective

Course objectives

A practical understanding of how to plan and conduct an internal site audit

An insight into the benefits of internal audits

REALISATION
get value from processes and systems

www.realisation.com.au

2

Explain the day's activities by first reading out the course objective.

Briefly explain the background to the introduction of internal audits in the organisation (whether it has a QA system in place, whether it has certification or not, the status of documented procedures and so forth).

Topics

Topics

- Outline of compliance management**
- How to prepare for an audit**
- How to carry out an audit**
- How to do an audit report**

REALISATION
get value from processes and systems

www.realisation.com.au 3

Briefly go through each of the topics to be covered.

Emphasise that the day is meant to be a practical approach to auditing, and that we will focus for most of the day on the practical skills of auditing.

It is useful for participants to know what will be covered during each part of the day. If you have planned coffee breaks or a lunch recess, tell the participants roughly when these are likely to occur. However, do not be too rigid about this because sometimes it's necessary to extend a session or shorten it depending on feedback, questions or responses from participants.

(Sample ends here ...)

- Ambiguity, 37
- Appointments, 31
- AQTF, 5, 50
- AS 3911, 52
- Assessment, 9, 46
- Audit report, 34
- Audit report cover sheet, 34, 44, 48
- Auditor assessment, 46
- Auditor training, 7, 42
- Basic idea, 20
- Benefits, 27
- Brief, 42
- Checkpoints, 43
- Clause number, 41
- Company logo, 7
- Company secretary, 5
- Compliance management, 13
- Compliance manager, 5
- Copyright, 3
- Corrective action, 6, 34, 40, 42
- Customer, 40
- Customisation, 6, 40
- Desk audit, 16, 18, 40
- Document control systems, 41
- Download, 4
- Due date, 29, 43
- Evidence, 32, 43
- Exercise, 24
- Follow-up, 45
- Frequency, 18
- Handouts, 9
- How I feel about being checked up on, 24, 47
- HR manager, 5
- Improvements, 14, 38, 44
- Independence, 42
- Internal audit procedures, 28, 40
- Interpersonal issues, 24
- Interpersonal skills, 5, 28, 42
- ISO 10011, 52
- ISO 14000, 5
- ISO 9000, 10
- ISO 9001, 5
- Jargon, 37
- Language, 26, 37
- Legislation, 40
- Management experience, 42
- Matrix, 41
- Multiple procedures, 45
- New auditor assessment, 46
- Objectives, 11
- Opinion, 30, 35
- Peer auditing, 7
- Personal knowledge, 37
- Policies, 19
- Possible results, 21
- PowerPoint, 4
- Practice procedure, 35
- Procedures, 19, 40
- Process, 19
- Process development, 14
- Process implementation, 15
- Publishing, 6
- QS 9000, 5
- Qualification, 42
- Quality manager, 5
- Questions, 30
- Random samples, 32
- Report, 34
- Risk assessment, 42
- Rules of conduct, 25, 26
- Sample procedure, 35, 49
- Scheduling, 7, 28, 41
- Site audit, 17
- Slides, 4
- Soft copy, 4
- Standards, 40
- Supplier, 40

Sweep, 40
Table, 41
Tag, 41
Tender, 49
Training, 14, 42
Typos, 38
Unclear language, 37

Unit of activity, 19
Verification, 45
Versions, 40
Warm up, 10
Who to interview, 31, 43
Workload, 29, 42
Worksheet, 47