

CLASH OF THE AUDITORS:
DIFFERING PERCEPTIONS OF PROPER AUDIT PRACTICES
By JP Russell
First Presented in 1996 at an ASQ Conference, updated 2015

ABSTRACT

Although auditing has been around for a long time, we still cannot all agree on the best performance practices. Different terms are used for the same meaning and, conversely, a single term may have several different meanings. This paper will explore the uncommon practices...the methods we don't agree on, and differences in auditing including audit program administration, preparing for the audit, conducting the audit, practices, reporting the results, and the follow-up activities.

These audit convention differences we are experiencing will either:

- continue to divide us and confuse our customers;
- be a springboard for understanding and unification of audit conventions;
- or, end in identifiable differences to be respected and established.

KEY WORDS: Auditing, Quality Audits, Management system audits

INTRODUCTION

Many auditors believe auditing is auditing is auditing...one size fits all. If this is true, we still have a lot of work to do to resolve many contrasting opinions.

The conflict between quality auditors may be a result of interpretation of standards and texts and the result of cultural and environmental influences. Interpreting the written word is difficult at best. Interpreting a law or theory in mathematics or other sciences is easier because it usually results in some measure or specified outcome (number). Only one mathematical answer is possible. Literature represents ideas subject to interpretation. Interpreting the written word is more difficult because the words have different meanings to different people and what the author intended may be unclear. The dictionary is not much help because it may give half a dozen definitions to the same word. When we attempt to understand text written 10, 100, or 1000 years ago, the situation is compounded due to word definitions changing over time. This becomes even more complex when texts are translated from one language to another.

Translating and interpreting text is an everyday practice. For example: every time Congress passes a new tax law, the IRS has the task of interpreting the intent of the law into tax codes and standard operating procedures.

Then, literature is interpreted to fit the situation. Some literature is interpreted for the answer wanted and expected regardless of the original intent. The end justifies the means. This is driven by either the interpreter or the customer of the interpreter. If the boss wants the auditors to stand on their heads, then this must be the right thing to do if it meets the customer requirements and does not violate some law or standard.

Resolving some of these issues is important partly for better communication between auditors but mostly for clarification for customers of the audit process. Customers need to understand exactly what type of service auditors can provide and how it will help them.

CLASH OF THE AUDITORS:
DIFFERING PERCEPTIONS OF PROPER AUDIT PRACTICES
By JP Russell
First Presented in 1996 at an ASQ Conference, updated 2015

TEN POINTS FOR RESOLUTION

The following represent ten major points that require resolution. These represent some of the issues raised in the development of the ASQ Auditing Handbook.

1 Separated or Integrated Auditing Department

Historically, audit departments were determined to function best if they were totally independent of the areas they audited. This is easy to accomplish for 3rd party audits, but more difficult for 2nd and 1st party (internal audits). Some organizations have created independent auditing groups reporting only to the head of the organization. This independence was believed to be necessary to ensure reports were free from bias. However, separating auditing groups/departments has come with a cost. The cost of independent departments has been a "we versus them" (the rest of the organization) culture, yet everyone is working for the same goal (achieve results, prosper). In many cases, auditors have been viewed as the police or even worse as a bunch of snitches.

Totally independent audit functions are not viewed as part of the management team. In-fact, they could be viewed as hindering the overall effort and a necessary evil. This promotes the perception of the audit function not having the same accountability and performance requirements as the rest of the management team. Some believe fostering alliances (working as a team) between the audit function and other departments is more effective rather than promoting total independence. How independent do internal audit programs need to be? How do we overcome bias in 1st and 2nd party audits...is it important?

2 What do we do, Compliance or Conformance or Performance Audits/ Assessments?

Significant controversy exists over whether as auditors we are doing compliance, conformance audits, or performance assessments. But, then again, what is the difference between a compliance, conformance or performance audit. There appears to be general agreement on the term "system audit" as it applies to a system, a process, or product/service as defined by ISO 9001:2015. No definition is given of compliance or conformance audit in ISO 9000. Certainly auditors conduct audits with the specified purpose of determining compliance/conformance to standards, laws and regulations with no interest in the organization's business objectives or with process capability. However, some auditors conduct performance assessment or examination, to determine compliance (conformance) to standards and objectives. The new management system standards (MSS) are performance focused.

3 Audit or Assessment

Next, confusion is caused by the use of the words assessment and audit. Some auditors use both words for the same meaning while other auditors see a distinct difference. ISO 9000 and the CQA Body of Knowledge (BOK) indicate an assessment is something less than an audit. ISO 9000 refers to the conformity assessment process, yet system audits are conducted to determine conformity. The CQA BOK states an assessment is an estimate or determination of the significance, importance, or value of something. The definition would indicate an assessment is something different than an audit. Customers of the audit process may call them assessments, evaluations, reviews, surveys, or

CLASH OF THE AUDITORS:
DIFFERING PERCEPTIONS OF PROPER AUDIT PRACTICES
By JP Russell
First Presented in 1996 at an ASQ Conference, updated 2015

appraisals. And then, the terms certified auditors and assessors are used. Do auditors conduct audits and assessors conduct assessments?

Organizations use auditor, examiner, assessor or evaluator as a title for a job function. Some do not like the word auditor and refuse to use it because of its negative connotation. Some in our field feel strongly significant differences exist between auditor, assessor and examiner. But where are these differences defined and who is to tell an organization they can only use certain terms?

Assuming we can be called auditors, are we just plain auditors, or quality, environmental, safety, internal, system, or compliance auditors? To further confuse the issue, industry and subject matter classifications are very popular. Depending on what they are auditing, people classify themselves as quality auditors, environmental auditors, safety auditors, or software auditors.

Explaining who we are is very confusing to our customers. Should there be additional classifications for auditors?

4 Checklist, no checklist, or customized checklist?

The use of a checklist is a tool available to auditors for helping them to ensure all the important steps or actions are audited. Some auditors believe checklists are required, yet others view them as an option, and others view them as a hindrance to the free flow of the audit process. In some cases, the checklist is used as a tool to record results with checks and in many cases a score or grade of some type.

Should checklists be recommended? How can checklists best be used to support more effective audits, more professional auditing, and give the customer a value-added service?

5 Report all nonconformities regardless of the audit scope?

One past issue frustrating to customers of the audit process is when auditors stray from the original scope of the audit to report nonconformities/findings. For example: "All the nonconformities are in the distribution department, but the auditor was supposed to audit the manufacturing area." Yet, when an auditor sees an area with nonconformities, shouldn't they be reported? How can an auditor in good conscience look the other way? And, when the audit is to determine compliance to a law or regulation, isn't the auditor obligated to report any nonconformities? Some guidance would be helpful. How out-of-scope nonconformities should be handled may depend of the type of audit and its purpose.

6 Recommendations versus No Recommendations

ISO 19011 states recommendations can be included in the audit conclusion if in the audit plan. A recommendation can be to approve or to not approve and can be recommendations for improvement. Note that ISO 9000 defines improvement as an activity to enhance performance. The ASQ Auditing Handbook states if auditors make recommendations they should not recommend or specify how audit nonconformities or noncompliances are to be corrected. Some audit organizations believe auditors making

CLASH OF THE AUDITORS:
DIFFERING PERCEPTIONS OF PROPER AUDIT PRACTICES
By JP Russell
First Presented in 1996 at an ASQ Conference, updated 2015

recommendations is imperative as an aid to the auditee. Auditors can make good recommendations based on their audit and industry experience. Other audit organizations and auditors will not make recommendations because they believe making recommendations transfers ownership of the problem from the auditee to the auditor and creates a conflict of interest.

What is the best practice to follow? If the customer requires the auditor to make recommendations, how should this be handled?

7 Report What?

What should auditors report? There is a host of terms used to report the results of an audit, such as: nonconformity, nonconformance, defect, noncompliance, violation, concern, observation, improvement point, and finding. ISO 9000 defines nonconformity and defect. In addition the CQA BOK defines finding. What terms are most appropriate for the type of audit being conducted? Should there be one set of acceptable terms?

When reporting results some auditors report observations (facts), others report nonconformities specifying the requirement that was not fulfilled, and others report findings as conclusions based on the observations. Are all these approaches acceptable? What is the most appropriate to achieve the most effective audit?

8 Should potential nonconformities (concerns or observations) be reported along with verified nonconformities?

During an audit, the auditor may make observations based on experience, a potential nonconformity may exist. The observation may be out of the scope of the audit or the auditor may run out of time and cannot collect the necessary factual evidence to determine if the observation is a nonconformity or the organization is in conformance with the applicable standard. Should these potential nonconformities be shared with the auditee? Should potential nonconformities be written down in the report for the auditee to follow up? Some auditors believe potential nonconformities should be reported. Others suggest we should only report verified nonconformities because, for the most part, the customer (auditee) doesn't have time, and in many cases, doesn't care about the unverified nonconformities. One pitfall is the discussion of how the potential nonconformities could dilute the power behind the actual nonconformities reported.

9 Scoring the Audit?

Some audit organizations require auditors to provide a score or grade. One of the motivators for scoring is the customer wants a score to be able to gauge one organization or department versus another. An audit score also provides an easily understood reference. Other audit organizations believe audits should not be scored because the audited organization will strive to achieve a passing score rather than practice continual improvement. A specified audit score does not necessarily reflect one organization is more committed to quality than another. Audit scores can also detract from forging partnerships with suppliers because audits may be reduced to compliance type audits.

CLASH OF THE AUDITORS:
DIFFERING PERCEPTIONS OF PROPER AUDIT PRACTICES
By JP Russell
First Presented in 1996 at an ASQ Conference, updated 2015

Some scoring systems are very simple as to the percentage of standard requirements in compliance or they can be very complicated with criteria weighting each requirement's importance. Also, many audit score systems give partial credit for noncompliance with specified requirements.

Is scoring audits good practice? If so, how should it be done? What about grading the maturity level of conformity from reactive to proactive to continual improvement?

10 Follow-up the audit or don't follow-up the audit?

The CQA BOK has a section on corrective actions and follow-up. Yet many auditors end the audit with the audit report. In many cases, the audit report is turned over to a team or the auditee to take corrective action. The auditors never know if corrective action was taken (if the report was taken seriously) unless another audit with the same scope is performed on the same organization. In fact, some customers of the audit do not want the auditors to be involved in any type of follow-up because they tend to stifle the process.

Other audit organizations require the audit to not be closed out until corrective action is taken on the audit findings. The follow-up to an audit could be as simple as verifying the auditee did what they said they were going to do. Or, should auditors verify the corrective action was effective? Perhaps the auditor should develop the corrective action plan and turn it over to the auditee.

Is auditors doing follow-up audits good practice? If so, to what degree? Should auditors develop or suggest corrective action and then follow-up to see if the auditee did what the auditor recommended?

Other Issues to Resolve:

- When to use checksheets, log sheets and guidelines
- The difference between a document and record
- Who should be at the opening meeting?
- When should escorts and second persons be required?
- When is sharing audit results appropriate? Should the results be shared with the interviewee or only with the auditee representative, or at the closing meeting?
- Are auditees required to sign off on the nonconformities or corrective action requests or both?
- Must auditors have experience in the industry they are auditing or is experience in auditing the only significant factor?
- How does the auditor document findings which may divulge proprietary information or indicate fraud or other criminal or unethical activity?
- What are acceptable techniques for determining the importance of findings/nonconformities?
- When should auditors take or not take statistically significant samples based on commonly accepted sample plans?
- Is it all right to report positive findings as well as negative findings?

CLASH OF THE AUDITORS:
DIFFERING PERCEPTIONS OF PROPER AUDIT PRACTICES
By JP Russell
First Presented in 1996 at an ASQ Conference, updated 2015

CONCLUSION

Much has been done to determine the parameters for conducting audits as auditing has changed and matured over the past decades. However, we need to continue to evolve the profession to ensure we provide value-added services meeting customer expectations. The challenge of the future, therefore, is to analyze the differences to establish identifiable conventions for specific situations and/or industry sectors.

REFERENCE LIST

ASQ/ANSI/ISO 9001-2015: Quality management systems-Fundamentals and vocabulary, 2015, Milwaukee, American Society for Quality (ASQ)

Certified Quality Auditor (CQA): ASQ Certification, 2012, Milwaukee, American Society for Quality

ASQ/ANSI/ISO 19011-2011: Guidelines for auditing management systems, 2011, Milwaukee, American Society for Quality

ABOUT THE AUTHOR

J.P. Russell is managing director of QualityWBT Center for Education providing online training for standards, auditing and improvement tools www.QualityWBT.com. He is also an American Society for Quality (ASQ) fellow, ASQ-certified quality auditor, voting member of the American National Standards Institute/ASQ Z1 committee, member and secretary of the ASQ Standards Committee, member of the ASQ Z1 auditing committee and member of the U.S. technical advisory group for International Organization for Standardization technical committee 176. Russell is a recipient of the Paul Gauthier Award from the ASQ Audit Division, two ASQ testimonial awards and author of several ASQ Quality Press books about auditing, standards and quality improvement. His QualityWBT.com site also features the JP Russell Library and Auditing Forum.