Process Management Auditing
for ISO 9001:2008

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Foreword: The auditing world has changed – Are you ready?

The changes to ISO 9001:2000 now contained in ISO 9001:2008 are relatively minor in nature, but they have reinforced process management as a strategic approach to the management of organizations, both big and small. However, major events that happened as the 2008 version was being published, for example, the financial meltdown, have reinforced some key messages from ISO 9001. They have highlighted the failure of traditional compliance based auditing techniques to identify the risks being taken within management systems and individual processes. These techniques were not the only failures, but they contributed significantly to the overall outcome, the consequence of which has been a bill for $1,000,000,000,000 of aid pumped into the economy by the main G20 governments during late 2008 and 2009. In terms of corrective action that is some cost!

Of course, just like third party registration organizations, the large companies that failed had employed competent and knowledgeable people to carry out the audits, to report findings to the highest level, and who had the backing of people that counted. They had senior management, non-executive and executive directors who were very experienced. So what went wrong? Why was it that although the audits were being carried out, they didn’t highlight the risks that people were taking and get the message to those who needed to know to allow them to do something about it?

In short, the auditors were primarily focused on compliance and although systems and processes complied, it did not make them effective. It was their level of effectiveness that failed. It’s the level of effectiveness that we see and experience and that produces the outcomes from what organizations are doing. In the end, organizations are responsible for their outcomes and the effect they
have on the world around them, and their auditing should help them manage the risks surrounding this.

So what does this mean for us as auditors? For one thing, it means that we cannot just rely on compliance and the checking of records. More importantly, we have to understand how people work together to deliver these outcomes, their behaviour and the culture, as it is people who create risk not paper and computers. But how do we audit behaviour and aren't we already doing this? One of the key fallacies with the auditing industry is the number of organizations and auditors that promote themselves and believe that they are already assessing effectiveness – their marketing material is full of it. In reality this often only amounts to good compliance auditing rather than a real assessment of effectiveness. This is despite the best intentions of the auditors concerned and an industry trying to move beyond compliance. It is not their fault. It is the auditing process that has been followed for so many years that has failed and so far very few have really addressed this problem, but tried to base new methods on what has limitations – compliance auditing.

It is against this background that this book has been updated. It has been written to help auditors adopt sound auditing practices that work and to help them audit effectiveness as well as compliance. Auditing behaviours and culture, which is ultimately where we believe auditing will end up, requires advanced auditing skills that are outside the scope of this book. This book will, however, create the groundwork for them, as the principles covered here are the basis of these more advanced techniques. If you feel you would like to know how to audit behaviours then please email the authors who can provide case studies and examples of organizations that are already adopting the approach at:

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• We introduce the challenge that auditors face to develop the competences required to effectively audit against the new ISO 9001:2008 Standard and the ever increasing demands of business for auditing activity to add more value. We examine the opportunities available for the forward thinking auditor.

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• A quick overview of the process approach to ensure that we have a common understanding of the basic terminology before developing our auditing skills, knowledge and competences.

2. The requirements of ISO 9001:2008 – An auditor’s perspective 9

• The eight key principles of ISO 9001:2008 and the plan, do, check, act methodology are the basic techniques that form the foundation of the effective auditor. A clear understanding of these and how they can be applied to a business will help the auditor structure their auditing approach both at system and process level.

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• The primary role of a process management auditor is to discover to what extent the process is being managed and what effect this has on the achievement of business objectives. Before we can undertake any process management audit we must first appreciate how a management system works and the interactions that go on between the overall system, processes and procedures.
4. Auditing tools and techniques
• With the fundamentals that make up a management system understood, we now turn our attention to the detail of how you should actually conduct an audit starting with the tools and techniques that can be employed.

5. Planning and preparing a process audit
• Auditing is 80 per cent preparation and 20 per cent actual auditing, which sounds like a bit of an old wives’ tale until you actually carry out an audit and then you realize just how true it is!

6. Carrying out a process audit – Compliance vs effectiveness
• Starting with the managing director will help put the process and system into the context of the business that you are auditing. Once this often daunting step is completed it will feed the auditing of the process’ owners and teams in order to assess the effectiveness of the management system in relation to the business objectives.

7. Identifying and reporting findings – Moving beyond compliance
• What are the objectives of your audit report? A straightforward enough question, but how many auditors actually ask themselves this before they write and present their report?

8. Assessing improvements
• The auditor’s role is not to identify how improvements should take place or what the organization should do. It is to provide information to management on areas of risk or where opportunities for improvement exist with an explanation that outlines the potential impact on the organization if these are addressed.

9. What personal attributes do auditors need?
• Auditing is a skill and like any other skill needs practice to hone it. It involves an ability to evaluate or learn from the experience, subsequently changing the auditing style or approach to add more value to the activity.
10. Conclusion and the way forward

- In this book we cover the basic principles of auditing, and these need time and practice to be effective for the reader to truly understand the principles involved. In other words reading the book without the practice will not build competence. We outline ways in which auditors can further build their competence in order to add more value to organizations.

Appendix 1. Example auditor questions

- This appendix seeks to provide some example questions based on the approaches used. The examples are grouped by the relevant ISO 9001:2008 clause for ease of reference, together with questions that could be asked to demonstrate compliance along with those that seek to test effectiveness.

References
Introduction

Has something changed?

2008 saw the release of the new ISO 9001:2008 Standard and started the clock ticking for organizations already registered to its 2000 predecessor to make the transition to the new Standard. At the same time the clock also started ticking for auditors to become competent to audit against this new Standard. Although only a relatively minor change from the 2000 version, the fact is that many organizations and auditors have not fully implemented the intention of the 2000 version. This new update therefore allows this to be reviewed, and any shortcomings to be addressed without the need to also address other significant changes.

There was a mixed response to the issue of ISO 9001:2000 from both businesses and auditors alike. Businesses welcomed the new version of the Standard and as a result questioned the role internal and external auditors should play. The update emphasized the need for more added value to the service auditors generally provide. Auditors on the other hand also welcomed the new Standard but unfortunately many have not noticeably changed their approach to the audits they conduct. The 2008 version adds more pressure on them to do so.

The result of this difference between expectation and practice is a virtual stand-off between auditors and business that has left people feeling confused and in many cases extremely frustrated.

This book is aimed at people who wish to cut through this confusion and gain a better understanding of the overall approach required for process management auditing using ISO 9001:2008.
This book attempts to explain:

- what business should expect from auditors;
- what auditors should expect from business;
- the actual role of an auditor in today's process driven business environment; and
- the key competences required to audit process management.

For those who fully adopted the need to audit both compliance and effectiveness, and the reporting of business risk as a result of it, this book will hopefully give them some additional tips. For those who have not, this will be the start of a learning experience that should make them a much more valuable resource to their organizations. It will also help them to secure their own future as a valuable resource to support the effective delivery of business goals.

**Auditors and the business – A partnership?**

So from what has been said so far, you can already see that the relationship between auditor and business must really be seen as a partnership, if the true value to the business is to be realized. When this relationship is working effectively there is the potential for the 'auditor–business' relationship to become a powerful tool to drive the business towards the achievement of its objectives. It should not be about the auditors telling the business what it already knows.

The two key factors for this win–win partnership to succeed are:

- a competent auditor; and
- strong business leadership willing to learn and to improve the organization.

If either of these two factors are missing then the value of auditing to the business is significantly reduced (see Figure I.1).

**Challenges facing auditors and businesses alike**

ISO 9001:2000 and hence ISO 9001:2008 have radically changed, the implications of which have had significant impact on businesses and auditors alike.

The fundamental shift towards process management and away from procedural compliance requires a completely different approach when it comes to auditing. It also requires a significant change in the associated competences of an auditor if they are to audit process management effectively.

Businesses need to understand the importance ISO 9001:2008 places on the senior management to lead an organization from the front through objective
setting, key process identification, allocation of process ownership, performance monitoring and improvement.

Auditors have to understand how a business operates and, if they are to be effective as auditors in this ‘new world’, how to gather information about the organization’s effectiveness and how their findings need to be reported to add value to the business. Often the failure of auditors to understand this basic requirement is the prime reason why they can fail to meet expectations (see Figure I.1).

The challenge for auditors to understand how businesses operate and how they, as auditors, can add value, is one that auditors must rise to if they are to continue to support businesses effectively. Many will have to set aside old values and beliefs about auditing compliance based systems, change the way they look and view objective evidence and look to learn new skills in order to become competent process management auditors.

![Figure I.1 The auditor–business relationship](image-url)

Figure I.1 The auditor–business relationship
1. Putting the process approach into context

What is a process-based management system?

This book will not make any attempt to describe in detail process-based management systems as other books within this series cover this in more depth than we could hope or want to do here. However, a quick overview is appropriate to ensure that we have a common understanding of the basic terminology.

What is a management system?

A defined framework of key business processes working together to achieve the stated business objectives, and customer and other stakeholder needs.

The example in Figure 1.1 is taken from a real organization and describes, at a high level, the processes that go to make up its overall business management system. It is pertinent to the organization itself and uses a language and layout that can be easily understood by customers and staff alike. Typically this would be described in the organization’s quality manual.

The process, a definition:

An activity or series of joined-up activities that convert(s) an input into an output (adding value through the process).
If the business management system identifies what processes the organization needs, then process definitions or process maps define the mechanism/activities the organization is required to complete in order to achieve its stated objectives to fulfill customer and stakeholder needs. See Figure 1.2 for an example of a process map.

**Figure 1.1 Example management system**

Process management, a definition:

*The effective control of a series of activities that converts inputs into outputs whilst both adding value and continually improving its performance related to the outcomes required.*

Put another way, if we are to manage a process effectively we need to plan and implement its delivery using the appropriate equipment, knowledge, etc. and measure its performance against targets. These performance measures are based on the purpose of the process and by measuring against these we can identify gaps in performance, which can form the basis for improvement activity. The
aim is to analyse the actual results achieved (compared against the target), to learn from the information and trends created and to use information as a basis for actions for change or improvement. More details on process management and indeed systems thinking can be found in books 1 and 2 of this series (for details on these, see the References chapter at the end of this book).

As a process management auditor we need to test how effectively this is taking place!

![Diagram: Example process map]

**Figure 1.2 Example process map**

**Auditing a process-based management system**

Prior to any attempt to carry out a process management audit you must first understand the principles of the process-based management system and the context in which processes are managed.

Processes do not operate in isolation, they are linked together to form an overall management system. This management system provides the framework for the organization to:

- understand customer and stakeholder needs;
- understand the constraints, regulations and other influences placed on the business;
• develop its business plan and/or objectives;
• define and implement its core and support processes;
• establish its key performance indicators or measures; and
• analyse its performance and make improvements in order to achieve its business plan and/or objectives.

As an auditor you have to understand these principles in order to carry out a successful audit and maximize the value of your audit report to the organization. The principles above relate to a system and are tested by carrying out a ‘systems management audit’. In this book we are concerned with ‘process management audits’ and therefore the principles are at a lower level but still follow the same general approach, to:

• understand the purpose of the process;
• understand inputs and outputs and the objectives of the process;
• define the steps or activities of the process;
• establish process efficiency and effectiveness measures; and
• analyse process performance and make improvements based on this.

What the organization wants

An auditor should not be under any illusions that the organization is only looking for an audit report containing detailed findings on the organization’s compliance to ISO 9001:2008. They are most certainly not, as there is much more that they now expect.

What the organization really wants is a report from the auditor describing the impact on the organization of the findings in relation to compliance with ISO 9001:2008. In other words the organization’s viewpoint is that:

• business comes first and the Standard second;
• the auditor is using ISO 9001:2008 as a management tool, a guidance document that describes activity; and
• findings against the Standard need to be interpreted into organizational language and their impact highlighted.

The audit report is for management use as information to help highlight improvement opportunities and to identify risks to the business. The management are more likely to respond positively to your report if it is business focused, as they can clearly see the benefits to the business on making any improvements recommended.