Business Process Auditing Toolkit

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1.   INTRODUCTION

About South East Training

South East Training is a network of experienced business consultants who provide a wide range of consultancy services, focused on employee development, to help our customers enhance their business performance. Visit us at www.southeasttraining.co.uk

South East Training is an Institute of Leadership and Management (ILM) approved provider of endorsed awards.

Business Process Auditing Toolkit

The Business Process Auditing Toolkit was developed by South East Training to provide both new and experienced auditors with a set of tools to help guide them through the complexities of the business process audit. These tools are the copyright of South East Training. However, you are free to use them on condition that you acknowledge both the ownership, © South East Training 2010, and the source, www.businessprocessauditing.co.uk, if reproduced.

Auditors attending the South East Training Business Process Auditing Course receive a printed copy of the Business Process Auditing Toolkit along with their participant notes.

South East Training is part of the businessballs community. Follow the link www.businessballs.com for more free resources. If you want to join in discussions about auditing or any of the other topics listed, click on the businessballs community link.

Business Process Improvement

As the recession deepens and managers at all levels are facing hard decisions about where to apply cuts in expenditure, South East Training is keen to help its customers make the right decisions for their businesses. Expenditure cuts applied in the wrong place can damage an organisation's capability to continue meeting its customers' expectations. A failure to provide the service that your customers have come to expect leads to poorer business results and possible long term decline. The goal, therefore, is to find a way to rationalise your business while continuing to provide excellent customer service, leading to future growth. The answer lies in improved Business Process Management.

However, Business Process Management activities can be time consuming and costly. When you embark on a Business Process Improvement project, how do you know if you are targeting the right areas? What confidence do you have that the improvement activity will provide a return on your investment? Business Process Auditing provides a solution by offering a low cost method for identifying where processes are failing to deliver economy, efficiency and effectiveness, allowing you to focus on critical issues.

Business Process Auditing

Unlike traditional forms of auditing that concentrate on assessing compliance with national standards or internal rules and procedures, Business Process Auditing focuses on evaluating the economy, efficiency and effectiveness of the business processes that are critical to meeting your strategic objectives. The Business Process Auditor is concerned with understanding how these processes operate and how they support the achievement of strategic goals.

The Audit Criteria

Business Process Auditing involves a structured investigation of your critical processes to assess their 'health' in relation to criteria that are important to your business. These criteria might include business strategy, corporate policy, business plans, departmental targets, past performance, current performance in other parts of the business or customer expectations. The choice is yours.

Economy, Efficiency and Effectiveness

The Business Process Auditor seeks to answer questions in relation to economy, efficiency and effectiveness, such as:

Economy

- Are we acquiring goods and services at the lowest possible prices whilst maintaining the required quality?
- Are we achieving Value for Money?
- Where else can we save money?

Efficiency

- Can we do this task, activity or process in a smarter way?
- Have we eliminated all the waste we can?
- Could we do this differently?
- Do we even need this process?

Effectiveness

- Do we know what our customers' expectations are?
- Are we meeting our customers' expectations consistently?
- Are we positioned to meet our customers' future needs?

Whilst Business Process Auditing does look at compliance as part of the investigative process, it is more concerned to determine if the business process under examination, whether defined or simply adopted as common practice, is fit for purpose in meeting the organisation's needs. In most cases, this means the auditor is evaluating the 3Es: economy, efficiency and effectiveness.

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South East Training Sites

South East Training's Easy Project Management website is aimed at those who are new to project management and who are daunted by the prospect of having to set up and manage a project. It provides a host of simple tools and techniques for managing projects of all sizes at work or at home.

www.easyprojectmanagement.co.uk

South East Training's Business Process Modelling website is home to the Business Process Modelling Toolkit, a free resource to help business process designers, analysts, auditors and line managers, and anyone else involved in business process management and improvement.

www.businessprocessmodelling.co.uk

2.   THE BUSINESS PROCESS AUDITING TOOLKIT
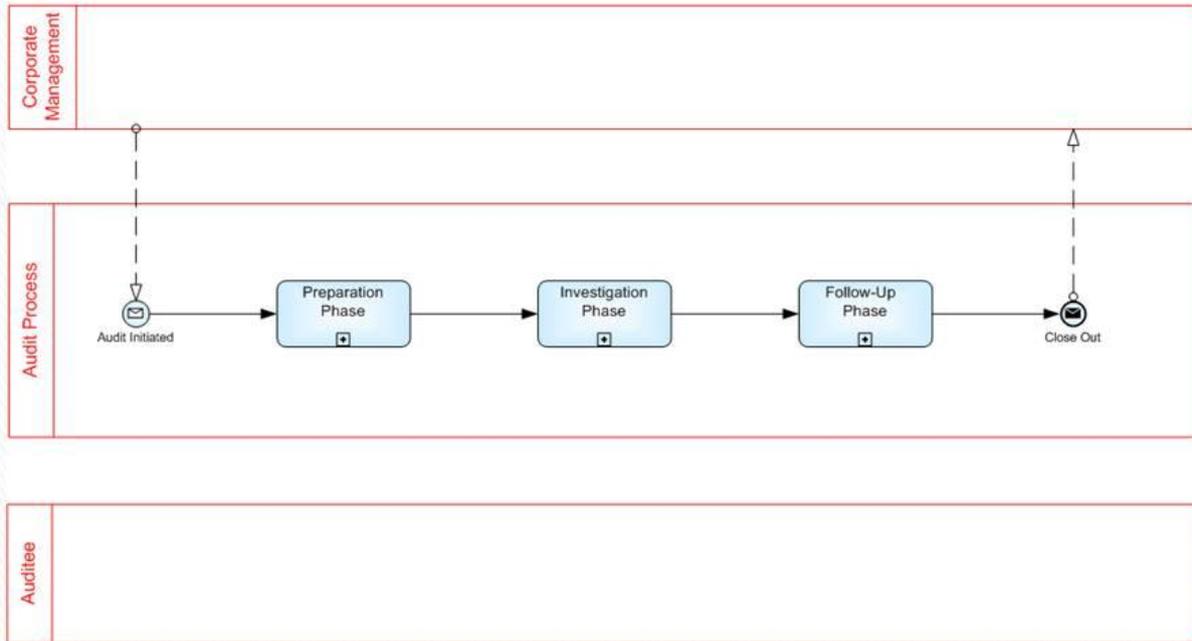
Preparation Phase

This section outlines the activities involved in preparing for a Business Process Audit from identifying which processes to investigate through to preparation of the audit checklists use as an aide memoire by the auditors.

Pre-audit activities include:
- Establish the purpose and scope of the audit
- Establish the audit criteria
- Nominate the audit team
- Obtain documents/information required for planning
- Establish the audit trail and sample
- Develop the audit programme
- Inform the auditee and confirm dates
- Brief the audit team
- Prepare checklists
- Prepare for the opening meeting.

Additional information is provided on the following pages.

- Pre-Audit Activities
- Audit Programme
- Audit Checklists

Investigation Phase

The audit investigation involves gathering evidence about the performance of the process. This section deals with the activities from the opening meeting, which marks the start of this phase, through information gathering and preparation of observation reports, to the closing meeting that marks the end of the investigation phase.

Activities during the investigation stage include:
- The opening meeting
- Audit investigation
- Audit team meetings
- Auditee wash-up meetings
- Documenting findings
- Closing meeting.

Additional information is provided on the following pages.

- Audit Investigation
- Opening Meeting
- Observation Statements
- Summary Statement
- Closing Meeting

Follow-Up Phase

This section outlines the activities undertaken by the auditors after the investigative phase, starting with preparation of the audit report through to assisting management with corrective action and eventual close-out of the audit.

Post audit activities include:
- Report writing
- Submitting the report and requesting a response
- Evaluating the response
- Assisting with the action plan
- Verifying corrective action has been taken and is effective
- Close out
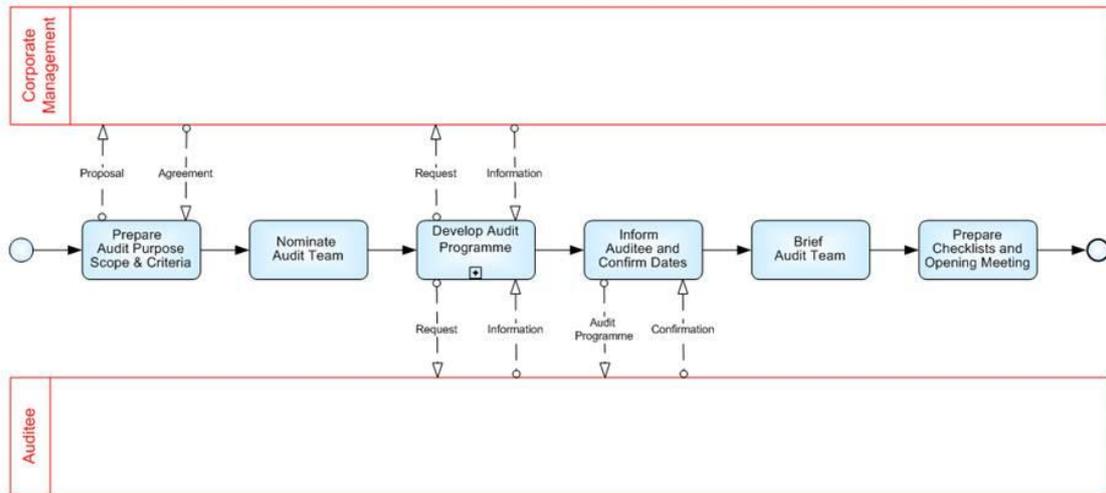
Additional information is provided on the following pages.

- Post Audit Activities
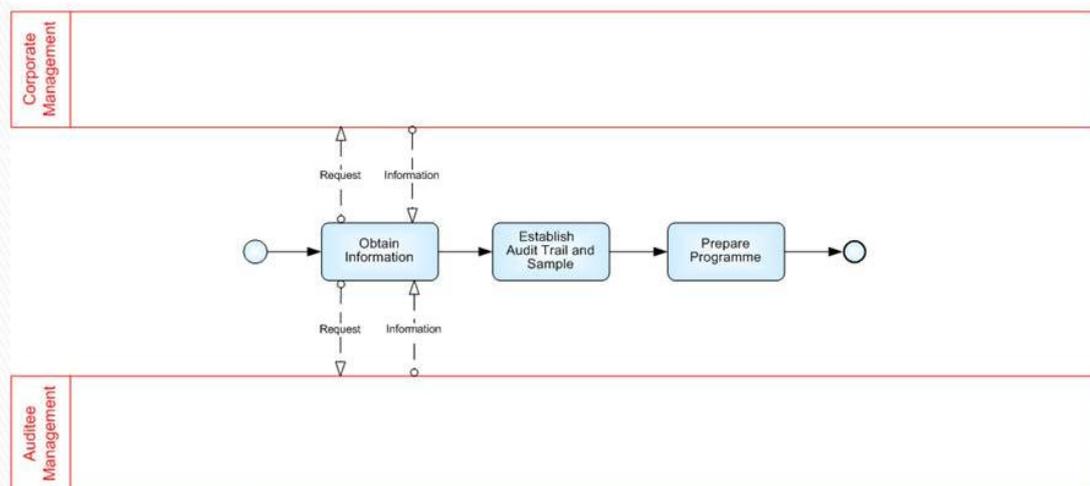- Audit Report
- Business Process Improvement Activities

3.   PRE-AUDIT ACTIVITIES

South East Training - Business Process Auditing Toolkit

Audit Preparation Phase

Develop Audit Programme Sub-Process

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Establish the Purpose and Scope

Which business processes you choose to audit can depend on numerous factors. The most common reason for selecting a process to audit is concern over its capability to deliver the process objectives. An increase in customer complaints or a failure to meet targets for quality or productivity might suggest the need for a systematic investigation. However, there may be other drivers, such as impending change in legislation or the availability of new technology, that give rise to questions about future process capability. In all cases, however, the principal purpose of Business Process Auditing is to assess the economy, efficiency and effectiveness of the process against pre-defined criteria.

With regard to scope, we, at South East Training, suggest that organisations audit processes 'end-to-end'. The most common causes of failure are interfaces between functions, sections or departments. It is only by examining the process from its initiation, for example by receipt of a customer request, through to completion that the audit team can gain a true picture of the health of the process.

Establish the Audit Criteria

Business Process Auditing is a comparative exercise. In all cases the business process auditor is comparing evidence of process performance against a set of pre-defined criteria. Selection of the audit criteria depends on the purpose of the audit. These criteria might include business strategy, corporate policy, business plans, departmental targets, past performance, current performance in other parts of the business or customer expectations.

Nominate the Audit Team

The size and composition of the team depends on the scale and complexity of the processes to be audited, and the amount of time available to the team. From time to time it may be necessary to include within the team auditors with specific technical expertise, such as IT, finance or health and safety specialists.

Obtain Information Required for Planning

In order to develop an audit programme, the auditors need an understanding of the processes to be audited. For organisations that operate management systems conforming to the International Quality Management System Standard ISO 9001, or similar, this might simply mean obtaining a copy of the quality manual and relevant operating procedures. However, many organisations have not documented their processes to the level required by such standards. This, then, requires the lead auditor to conduct some preliminary investigations to ascertain the sequence of activities within the process to be investigated. One option for the auditor is to conduct a business process mapping exercise. The resulting process map provides a template for production of the audit programme and the audit checklists.

Other documents the auditor might request at this stage are previous audit reports, customer complaints and performance statistics.

Establish the Audit Trail and Sample

In constructing the audit programme, the lead auditor needs to consider the most appropriate sequence for the investigation. One option is to follow the end-to-end process from start to finish, selecting samples on the way. Another is to select a process output, say a fulfilled order or completed project by way of a sample, and trace the process back to its origins. These are referred to as downstream and upstream approaches.

Develop the Audit Programme

The audit programme is a timetable stating which functions, sections or departments will be visited and when. The audit programme includes a statement of the audit purpose and scope and the names of the auditors. An example of an audit programme is shown on the Audit Programme page.

Inform the Auditee and Confirm Dates

Business Process Auditing is intended to be a part of a planned business process improvement activity. It is not a witch-hunt or policing activity aimed at catching people out. With this in mind, there is never an argument for the 'surprise' audit. Business Process Auditing is a collaborative activity involving the auditors and the auditees equally. For this reason, the auditee management is always consulted on the best time to conduct the onsite phase of the audit. It is usual to confirm the dates of the audit at least two weeks prior to the visit.

Brief the Audit Team

It is likely that, up to this stage, the planning has been solely in the hands of the lead auditor. If the audit team is composed of more than just the lead auditor, there is the need for a briefing session. This should cover the purpose and scope of the audit and a sharing of all the information collected in preparation of the audit programme.

Prepare Checklists

Audit checklists act as aide memoires for the auditors. They help the auditors maintain the pace and depth of the audit, ensuring nothing is forgotten and the full scope is covered. Having individual audit team members prepare checklists for their own part of the audit is a good way to help them become familiar with the processes or parts of processes they will be investigating. At South East Training we recommend that you do not use pre-defined checklist prepared for previous audits. Your checklists should be unique to your audit. Further information about audit checklists is included on the Audit Checklist page.

Prepare for the Opening Meeting

The opening meeting marks the start of the investigation phase of the business process audit. It is held on site, with the local management, and is chaired by the lead auditor. The audit team should have copies of the following documents available at the meeting:

- The meeting agenda
- The audit programme
- An attendance list

Further information about the conduct of the opening meeting is provided on the Opening Meeting page.

4.   AUDIT PROGRAMME

The audit programme should include:

- location of the audit
- purpose and scope
- dates
- starting time for the opening meeting
- timed programme of visits
- starting time of closing meeting
- names of the audit team.

Example

Audit Programme	
Location:	XYZ Fire and Rescue Service Headquarters
Purpose:	The audit is part of a planned programme of business process audits designed to provide senior management with information about the economy, efficiency and effectiveness of core business processes essential to Brigade performance and to support the Brigade's Performance and Review Team in their preparation of Best Value Performance Plans.
Scope:	The scope of the audit will include: 1) Planned and routine maintenance of fire appliances (including special projects) 2) The procurement of capital equipment 3) The management of major contracts
Dates:	10 November 2xxx
Audit Team:	Pat Kelly - Audit Team Leader Chris Balls - Auditor Sam Brookes - Observer
Time	**Activity**
09.00-09.30	Opening Meeting
09.30-10.30	Maintenance Function: • Roles and responsibilities • Documentation and records • Special projects
10.30-12.00	Visit to ABC Fire Station • Roles and responsibilities • Documentation and records • Special projects
12.00-13.00	Lunch and Audit Team Meeting
13.00-14.30	Procurement Function: • Roles and Responsibilities • Budget management • Documentation and records
14.30-16.00	Contract Function: • Roles and Responsibilities • Budget management • Documentation and records
16.00-17.00	Audit Team Meeting
17.00-17.30	Closing Meeting
Lead Auditor *Pat Kelly*	Date: 17/10/2xxx

5.   AUDIT CHECKLISTS

Benefits

Pre-planning the audit by preparing checklists is one of the techniques of effective auditing. The use of checklists:

- helps to ensure the audit sample is well balanced
- helps to ensure that the auditors are well briefed about the objectives and permits the lead auditor to evaluate the preparatory work carried out by other members of the team
- helps the auditors control the 'pace' of the audit
- is helpful where there is need to reassign part of the audit from one auditor to another
- provides a record of the specific areas and activities investigated during the audit.

Preparation

With the audit programme agreed the audit team must then decide what aspects of the processes and controls are to be examined in each area. This information is documented in a checklist. In doing this, the auditor is defining the sample of activities to be investigated at each stage. During the audit, the checklist will be used as an aide-mémoire to remind the auditor what to investigate.

Guidance points for the preparation of audit checklists are:

- Before preparing the checklists the auditor should become fully conversant with the objectives and scope of the audit, the audit criteria, the activities carried out in each area, and the controls for ensuring that requirements are met.
- There should be a separate checklist for each department or work area. It may be helpful to have more than one checklist for a single area where there is more than one process involved, e.g. training development and training administration.
- The number of items to be included in a checklist will depend on the time available for that part of the audit.
- The amount of detail included in the checklist should suit the needs of the auditor. The auditor may write out a series of questions, or simply list headings.

The level of detail on the checklist may be restricted by the amount of information available during the preparatory phase. Some auditees may not have defined their processes and controls, and therefore will not be able to provide adequate process descriptions. In such cases it will be necessary for the auditor to determine the sequence of activities during the audit and, possibility, even construct outline process diagrams in order to understand where the controls apply.

Formats

There are numerous different checklist formats. However, they tend to fall into three categories:

- **Bullet list:** A list of bullet points consisting of one or two words on each line which serve to remind the auditor of the points to be covered during the audit. This type of list is common with experienced auditors. The disadvantage with this type of checklist is that there may be difficulties if the checklist has to be used by another member of the audit team.
- **Questions for the auditor:** A list of questions to which the auditor requires answers. However, since these questions are often 'closed', i.e. requiring only a yes/no answer, these questions are not in a form that can be put directly to the auditee if informative answers are required.
- **Questions for the auditee:** A list of questions in a form suitable for putting directly to the auditee. These questions are generally 'open' in format, i.e. they cannot be answered with yes or no. Typically, these questions would be begin with what, how, when, where, who or why.

Checklist Example

The following is an example of the questions that might be asked by the auditor to determine the extent to which an equal opportunities policy has been implemented within a department.

Audit of the Equal Opportunities Policy - Checklist Questions for Interview with Department Manager

- Could you please explain what you understand by the term 'equal opportunities'?
- Please may I see where the equal opportunities policy is documented? (check existence and availability)
- Can you show me where the definition of equal opportunities is documented? (check existence and availability, check against own definition)
- Who has received copies of the policy statement (and equal opportunities definition) and when?
- What training or coaching in equal opportunities has been provided to staff?
- Could I please see the records of training/coaching? (check dates, content, coverage)
- What reference to equal opportunities is made during the induction of new employees?
- What special training in equal opportunities, if any, is provided for recruiting staff?
- Is there any special mention of equal opportunities in the recruiting procedure, if so, could you please show me where?
- How do you make sure that recruiting staff comply with the requirement?
- Etc.

Note that the checklist above includes not only the questions for the department manager, but where a document or record is requested, what the auditor should be looking for, e.g. check training records for dates, content and coverage of events.

Use

The checklists should be a good servant, never the master, of the auditor. The auditor may come across useful information, not referenced in the checklist, which could provide a valuable insight into the way the process operates. However, the auditor should only deviate from a checklist if time allows and the overall objective of the audit is not jeopardised. In general, if an audit has been well prepared, deviation from the checklist should not be necessary.

6.   AUDIT INVESTIGATION

Opening Meeting

The opening meeting marks the start of the investigation phase of the business process audit. It is held on site, with the local management, and is chaired by the lead auditor.

The meeting gives the auditors the opportunity to confirm the purpose, scope and programme for the audit, to explain the audit process and to confirm the availability of the interviewees. The meeting may also provide the auditor with an insight into the local management's attitude towards business process auditing and business process improvement in general.

Further information is provided on the Opening Meeting page.

Audit Investigation

The purpose of the investigation phase is to obtain objective evidence of the effectiveness, efficiency and economy of the processes and their controls. This evidence may be found in the form of:

- oral statements
- documents
- records
- the auditor's own observations.

It is up to the auditor to make sure the evidence collected is:

- relevant to the purpose of the audit
- accurately documented in the audit records
- verifiable.

The auditor collects evidence mainly through interview but it is essential that the auditor confirms oral statements by asking the auditee to verify the facts. This might be provided in the form of documents or records that support the statements. In some cases, where there is no documentary evidence, it may be necessary for the auditor to ask the same question to several interviewees for corroboration.

Audit Team Meetings

During the course of the investigation phase, the audit team meets up to share information and take stock of how the audit is progressing. Evidence obtained in one area may be pertinent to the investigation in another, particularly if the team is looking at different parts of the same end-to-end process.

Auditee Wash-Up Meetings

If the audit extends over more than one day, as most do, it is normal to have periodic meetings with the auditee representative to share any evidence obtained during the investigation. This has two purposes. Firstly, it ensures that there are no surprises for the auditee when it comes to presentation of the findings at the closing meeting. Secondly, it allows the auditee the opportunity to provide an explanation for any deficiencies identified and/or correct any factual errors in the evidence. This helps the auditor ensure the accuracy of the findings.

Documenting Findings

The auditors document each finding as a separate observation statement for presentation at the closing meeting. These statements form the basis of the corrective action that the auditee management should initiate as soon as the audit has been completed. It is important that the statements are factually correct, point to the reason for the deficiency if this is known and provide a conclusion. They should also include the evidence that has led the auditor to raise the issue as a deficiency.

Further information is presented on the Observation Statements page.

The team also produce a summary statement for presentation at the closing meeting. This provides an overview of the audit and its findings.

Further information can be found on the Summary Statement page.

Closing Meeting

The closing meeting marks the end of the investigation phase of the business process audit. Again, it is held on site, with the local management, and is chaired by the lead auditor.

The purpose of the meeting is to relay the results of the audit investigation to the local management and gain a commitment from them that actions will be taken to address the issues identified. Observations should have been declared to the auditee representatives when they were found, so there should be no surprises at this meeting. A formal report, incorporating the results presented at the meeting, will follow at a later stage.

Further information on the closing meeting is provided on the Closing Meeting page.

7.   THE OPENING MEETING

The opening meeting marks the start of the investigation phase of the business process audit. It is held on site, with the local management, and is chaired by the lead auditor.

The meeting gives the auditors the opportunity to confirm the purpose, scope and programme for the audit, to explain the audit process and to confirm the availability of the interviewees. The meeting may also provide the auditor with an insight into the local management's attitude towards business process auditing and business process improvement in general.

This meeting should normally take no longer than 15 minutes.

Suggested Agenda

Introductions	Introductions of all present at the meeting and completion of an attendance list. The list forms part of the audit record.
Purpose	Explanation of the purpose of the audit and, if necessary, a statement about the authority for conducting it.
Scope	Confirmation of the scope of the audit.
Programme	Review of the audit programme. The auditors should confirm that personnel with an understanding of the processes to be investigated will be available for interview. Further information about audit programmes appears on the Audit Programme page.
Guides	The introduction of personnel who will guide the audit team from one location to another as required.
Responsibilities	Identification of audit responsibilities, e.g. which auditors will audit which areas? Who will agree the observation statements for the auditee?
Documentation	Confirmation of the status of documents, e.g. policy statements, procedures, protocols, used by the auditors to prepare the audit.
Communication	With whom the audit team should communication in the event of a serious problem being encountered during the audit, such as a failure of personnel to co-operate with the audit team.
Logistics	Confirmation of arrangements such as: • meeting place for the audit team • access to photocopier, telephone, etc., if required • any special Health and Safety requirements • lunch arrangements • transport • time and place for the closing meeting.
Auditee Response	Response to any information offered, or questions put, by the auditee management.

8.   OBSERVATION STATEMENTS

Business process deficiencies identified during the course of a business process audit are written up in the form of observation statements that are presented to the auditee management at the closing meeting. These statements form the basis of the corrective action that the auditee management should initiate as soon as the audit has been completed. It is important that these statements are factually correct, point to the reason for the deficiency if this is known and provide a conclusion. They should also include the evidence that has led the auditor to raise the issue as a deficiency. The observations statements <u>do not</u>, however, include suggestions for rectifying the problem. It is up to the auditee management to determine the corrective action.

The Format of Observation Statements	
Observations should be structured to include: • The audit criteria • The requirement • Your observation (state your evidence) • Why there is a problem • The cause of the problem (if known) • Your conclusion.	Your conclusion should refer to one or more of the following: • Existence: There is an absence of a necessary system • Compliance: Failure to comply with the defined system • Effectiveness: Failure to achieve objectives • Economy: A cheaper option for achieving the same outcome exists • Efficiency: Outputs do not justify the inputs (a more efficient way exists)
Tips on Completing Observation Statements	
Avoid the following phrases: • The audit team looked at…. • The audit team identified that…. • During the audit it became clear that…. • The audit team understands that…. • The audit team considered…… ………..just state the evidence you have!	Reconsider your findings if you are tempted to use any of these phrases: • The audit team could not identify….. (Were you looking hard enough?) • There appears to be….. (You are not certain) • It seems that….. (You are not certain) • Anecdotal evidence suggests that…. (You don't have the evidence) • This obviously means/is because/makes….. (Auditor opinion) ……..re-examine your evidence or withdraw the observation statement!

Some Examples

Example 1 - Ineffectiveness

Manual note ABC, Version X, states that firefighters should return defective radio equipment to ICT so the cause of failure can be determined.

Four Firefighters at Fire Stations A, B and C, stated that although they had completed Hazard Reports (HR 1,2,3, 4) regarding the perceived failure of radios to operate as expected, they had not returned the equipment to ICT claiming they were unaware of the requirement. This has made it impossible to determine whether or not the equipment 'failures' were due to the environment in which they were being used or due to battery charging issues.

The lack of communication of the requirement in manual note ABC to impound and return defective radio equipment to ICT has led to ineffectiveness in the system for equipment fault analysis and repair.

Example 2 - Inefficiency

The Training Centre Bookings Schedule showed that 50% of all courses over the last 6 months and 85% of all courses over the last month (May 200X) scheduled to run at the Training Centre had to be cancelled owing to a lack of participants.

The XXXX Borough Commander stated that despite staff being nominated for training 6 months in advance of the advertised date, the Training Department did not notify participants of their attendance on courses until two weeks prior to the start of any event, which did not leave enough time for participants to make the necessary arrangements to attend. Records for cancelled courses BA12, BA13 and BA14 all scheduled for May 200X confirmed his statement.

The Training Manager stated that the delays were due to both the Operations Department and HR having to approve the nominations prior to scheduling.

The process for booking participants on to training events is inefficient, leading to an uneconomic use of training facilities which are under-utilised.

## 9.	SUMMARY STATEMENTS

The summary statement is prepared for presentation at the closing meeting and provides an overview of the audit and its findings. The statement is normally read out prior to presentation of the observation statements. However, some auditors prefer to present this afterwards as it helps move the meeting to a conclusion. Whilst the auditors do not change the wording of the observation statements for inclusion in the audit report, it is permissible to alter the text of the summary statement as long as this does not affect the overall conclusion.

An Example Summary Statement

Example Summary Statement

The audit was conducted as part of a planned programme of process audits designed to provide senior management with information about the economy, efficiency and effectiveness of core business processes essential to Brigade performance and to support the Brigade's Performance and Review Team in their preparation of Best Value Performance Plans.

This audit, conducted between 10-14 November 2XXX, investigated three processes with the purpose of evaluating their compliance with existing procedures and regulations, and evaluate their economy, efficiency and effectiveness against defined audit criteria included within both internally and externally published Brigade documents.

The processes evaluated were:

1. Planned and routine maintenance of fire appliances
2. The procurement of capital equipment
3. The management of major contracts

The auditors made 14 observation, 3 of which were regarded as major.

The auditors concluded that, in general, adequate controls were in place to ensure the economy, efficiency and effectiveness of both the maintenance function and the capital procurement process. The 8 minor observations raised in these areas dealt mainly with deviation from documented procedures and, in some cases, the absence of appropriate documentation. Despite these deficiencies, staff interviewed seemed aware of process requirements and performance in all areas met or exceeded targets. It is noted that the Brigade Management System is in the process of being rewritten and that some of the deficiencies may be addressed by the revision.

Review of the management of major contracts gave rise to 3 major and 3 minor observations. The 3 major observations relate to:

1. A failure to communicate requirements effectively to contractors
2. A failure to monitor contractor performance standards adequately
3. A failure to progress corrective actions in a timely fashion resulting in unacceptable delays and overspend.

The 3 minor deficiencies relate to inaccuracies and omissions in the process relating to the recording of contractor competences and certification.

Urgent action is required to correct the deficiencies identified in this area and their consequences. Further, system controls need to be updated and implemented to ensure that similar deficiencies are prevented from occurring in future.

The audit team would like to thank all the managers and staff involved in the audit for their willingness to assist throughout.

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10. THE CLOSING MEETING

The closing meeting marks the end of the investigation phase of the business process audit. Again, it is held on site, with the local management, and is chaired by the lead auditor.

The purpose of the meeting is to relay the results of the audit investigation to the local management and gain a commitment from them that actions will be taken to address the issues identified. Observations should have been declared to the auditee representatives when they were found, so there should be no surprises at this meeting. A formal report, incorporating the results presented at the meeting, will follow at a later stage.

The lead auditor should try to limit the meeting to 30 minutes.

Suggested Agenda

Introductions	Even though introductions were made during the opening meeting, it is likely that the closing meeting will be attended by personnel who were not at the opening meeting and, therefore, this should be included as an agenda item. The attendance list forms part of the audit records.
Thanks	The lead auditor should thank the auditee management for their assistance and any hospitality received.
Purpose and Scope	The lead auditor should briefly restate the purpose and scope of the audit.
Sample	The auditors should explain that the audit involved the investigation of only a limited sample of the organisation's activities, and the implication of this for the management: they should be reminded that as well as any issues identified by the audit, there may be other similar issues in areas audited, or in other areas. The auditee management should look for and correct such deficiencies, as part of their business process improvement activities.
Findings	The observation reports should be read in full without deviation from the written text or interruption. Copies of the written statements should be handed over to the auditee. This can be done either before or after they have been presented orally. Handing them out after presentation prevents the auditee reading ahead. An explanation of the categorisation of the deficiencies should also be given. Further information about observation statements appears on the Observation Statements page.
Summary Statement	The main conclusions to be drawn from the audit should be stated in a 'summary statement'. It should be explained that this statement may be modified when the auditors have had more time to consider the significance of the findings. Further information about summary statements appears on the Summary Statement page.
Clarification	The auditee management should be given any explanations they request to clarify the observation reports. However, there should be no debate about the facts or their significance.

Withdrawals (not to be included on the written agenda)	If, during the closing meeting, evidence is provided to show that a finding is in error, it should be withdrawn immediately and an apology given. If the evidence is too large or complex to be reviewed during the closing meeting, its consideration should be left until after the meeting.
Acknowledgements	The auditor should ask the auditee management to sign each report acknowledging their understanding. If the auditee refuses to sign the reports, they should nonetheless be left with them.
Audit Report Availability	State when the report may be expected and explain briefly the response expected. Further information about audit reports appears on the Audit Report page.
Auditee's Response	The auditee management may wish to make a brief statement to the effect that they have noted the findings of the audit and will take such corrective action as is necessary as quickly as possible.
Departure	As soon as the essential business of the meeting is completed the auditors should thank the auditees again for their courtesy and depart. Prolonging the meeting risks reopening the issues raised earlier.

11.   POST AUDIT ACTIVITIES
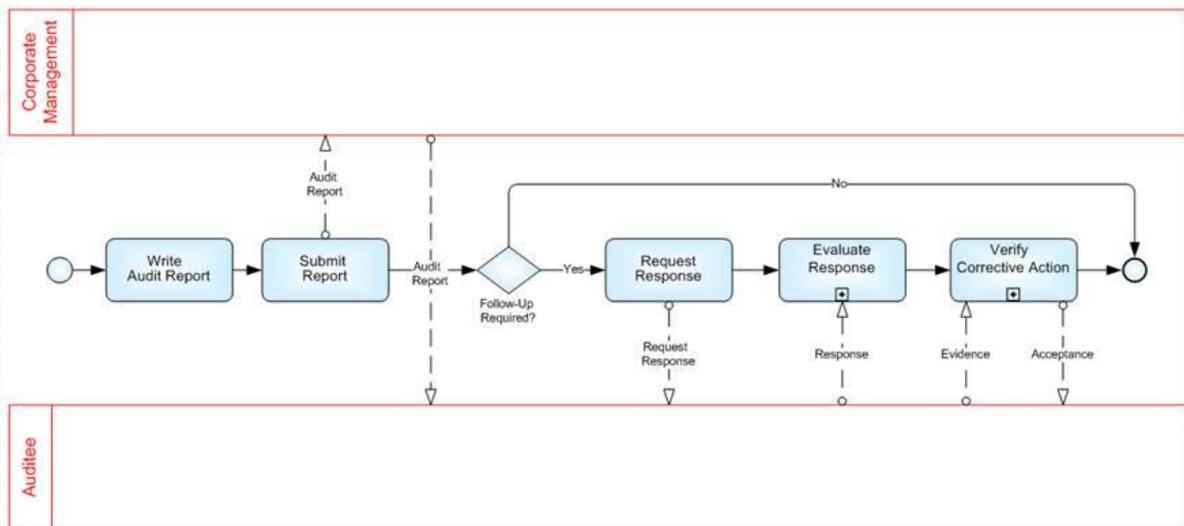
Report Writing

The audit report is normally available within two weeks of the closing meeting. Although organisations differ in what they want to see within the report, it should always include the findings as they were presented at the closing meeting and should be signed by the lead auditor. It should be a true record of the audit. It is worth remembering that in some public organisations, the audit report may become a 'public document'.

Further information on audit reporting is available on the Audit Report page.

Requesting a Response

The report is submitted to the auditee management via the 'client', i.e. the function or department that commissioned the audit. In most cases, the client requests a response from the auditee. The response might consist of a simple commitment to rectify problems identified by a certain date or might take the form of a fully developed action plan.

Evaluating the Response

At South East Training, we recommend that the auditor is involved in evaluating the auditee's response to the report. Their role is to ensure that the auditee has correctly interpreted the findings and to make a judgement as to whether or not the proposed corrective action is an appropriate response to the deficiencies observed.

However, we strongly advise against the auditors making recommendations for corrective action or owing the action plan. The responsibility for ensuring the economy, efficiency and effectiveness of the process under investigation lies with the process owner. By making recommendations or taking ownership of the plan, the auditors take on responsibility for the health of the process.

Assisting with the Action Plan

Any further involvement of the auditors will depend on the nature of the corrective action proposed and the auditors' related technical expertise.

It is possible that the auditors' findings result in the process owner initiating a process improvement project, involving a more in-depth analysis of the process characteristics. In this case, the auditors' first hand knowledge of the deficiencies may be of value to the project team.   The danger of involving the auditors at this stage, however, is they would lose their independence and could not then be involved in the next step. Further information on improvement activities is included on the Business Process Improvement Activities page.

Verifying Effectiveness of the Corrective Action

Verifying the effectiveness of the corrective action may involve observing or sampling a part of the process to see that problems identified during the audit have been rectified, or it may involve a reaudit of the process. Whoever conducts the verification activity should be independent of the process and the corrective action taken.

Close Out

Close out is achieved once all parties are satisfied that no further corrective action in relation to the audit observations needs to be taken.

12.   AUDIT REPORT

Content

The audit report should include the following:

- Title, Dates, Audit Team
- Executive Summary
- Purpose and Scope
- Audit Criteria
- Key Personnel Interviewed
- Introduction / Context
- Findings
- Conclusions
- Acknowledgements
- Signature of the Lead Auditor

At South East Training, we advocate <u>against</u> the auditors including recommendations in the report. The responsibility for process improvement lies with the business process owner. The auditors' independence from the process and the corrective action may be compromised if they are seen to be taking ownership of the solutions. However, the client may choose to add recommendations. If this happens, the report should make clear that these have been added by the client rather than the auditors.

Tips for Completion of the Report

The audit findings should be presented exactly as they were at the closing meeting. It is possible that the auditee has already started to take corrective action by the time they receive the report and would not be happy if they were to see the findings had been changed.

As with the observation statements, avoid the following:

The audit team could not identify….. (This suggests you weren't looking hard enough)

There appears to be….. (You are not certain)

It seems that….. (You are not certain)

Anecdotal evidence suggests that…. (You don't have the evidence)

This obviously means/is because/makes….. (This suggests 'auditor opinion', which is not objective).

13.   BUSINESS PROCESS IMPROVEMENT ACTIVITIES

Business Process Improvement

The steps involved in changing a business process follow the sequence below:

1. Identify and Prioritise Opportunities for Change

It is during this first step where Business Process Auditing is most useful.

Business Process Auditing provides a quick and relatively cheap way of identifying processes that would benefit from improvement. The technique also helps the Business Process Improvement team identify exactly where, within the selected process, they should concentrate their efforts.

This targeted approach saves both time and money.

Information about the Business Process Auditing Course is available on the South East Training Business Process Auditing page.

2. Establish Measures of Performance

Once having decided what aspects of a business process we need to change, the next step is to establish a target performance for the process. Objectives need to be realistic, so it is often useful to have some sort of framework (such as SMART) for setting those objectives. The most important requirement is that any performance objectives should be consistent with the higher level business objectives.

3. Define and Validate the Current Process

As with any journey, it is impossible to plan a route to your destination unless you know your starting point. The same is true for the process improvement journey. Once we have set an objective for the process, we need to find out exactly how far away we are from reaching that goal and what obstacles stand in our way. The approach we advocate at South East Training is to construct an 'as is' process map. This means creating a business process diagram exactly as the process operates at the moment, complete with exception paths and any anomalies.

This diagram provides us with a blueprint for subsequent analysis.

Further information on Business Process Mapping is provided on the South East Training Business Process Mapping and Business Process Modelling Notation (BPMN) courses.

4. Solicit Commitment and Support

The following step involves the Business Process Improvement team in collecting data about the performance of the process. This can be intrusive and resource intensive. It is good practice, therefore, to solicit commitment and support for the change activity from the process owner and those involved in its operation. This can be achieved by explaining why you believe improvement is necessary and what help you need from them in collecting the data necessary for process analysis. The Business Process Improvement Team needs to be careful, however, not to suggest options for change at this stage.

5. Collect, Collate and Analyse Data

Techniques for collecting, collating and analysing data depend on what it is you need to know about the process.

Data collection methods might involve interviews, focus group meetings, questionnaires, observation, measurement or testing.

Data collation involves displaying the data in a format suitable for analysis. Techniques for quantitative data range from simple tally charts to frequency plots and scatter diagrams, while affinity diagrams and flowcharts can be used for display of qualitative data.

Useful analysis techniques include tools such as Pareto Analysis and Ishikawa (cause and effect) diagrams.

6. Select Options for Change

The process analysis activity is likely to throw up a number of options for change. Some may be mutually exclusive. This requires the Business Process Improvement team to make choices. A number of techniques are available to assist this process including nominal group technique, multi-voting and paired comparison. Options for change should also be validated to ensure stakeholder acceptance and risk mitigation.

7. Re-Define the Process

Once the Process Improvement Team has settled on the changes that are required, the next step is to illustrate the revised process in a new Business Process Diagram. This provides a blueprint for revision of the process.

8. Plan Implementation

Simply redefining the process will not have any impact by itself. Implementation may involve activities such as automation of parts of the process, reallocation of responsibilities, introduction of new technology, retraining or even outsourcing. As with any change initiative, this needs to be planned.

9. Gain Approval for Your Plan

It is good practice at this stage to take your plan to your stakeholders for comment. This involves explaining to them why you feel the changes are necessary, the options you have considered and the one(s) you have chosen, and the process you have followed in reaching that conclusion. Their feedback can then be incorporated, giving a higher probability that the plan will succeed at the approval stage.

10. Evaluate Success and Close

Once your plan has been implemented and the changes made, there is a need to confirm realisation of the benefits you predicted. This is where Business Process Auditing can again be used.

These ten steps provide the framework for the South East Training Business Process Improvement course. Further information about this course can be found on the South East Training website by following the Business Process Improvement link. Also visit:

www.businessprocessmodelling.co.uk

www.easyprojectmanagement.co.uk

14.   BLANK FORMS

The following blank forms are included:

- Audit programme
- Internal Audit Checklist
- Observation statement
- Summary statement

Audit Programme

Location:	
Purpose:	
Scope:	
Dates:	
Audit Team:	

Time	Auditee	Activity
		Opening Meeting

		Audit Team Meeting	
		Closing Meeting	
Lead Auditor		Date:	

Internal Audit Checklist			
Area/Topic Audited:	**Prepared by:**	**Date:**	**Page of**
Item	**Questions**	**Reference**	**Notes**

Observation Report

Area Audited:	Report No:
	Date Issued:

Reference Documents:

Observation:

Auditor:

Summary Statement	
Area Audited:	Date of Audit:
Auditor:	Date: