ISSUED:
20 NOVEMBER 2023

World of Auditing®

VALUE ADDED AUDITING

Volume 1

eBook

WORLD OF AUDITING
helps you increase the value to the business.

VALUE ADDED AUDITING

Volume 1

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World of Auditing®

When Did You Last Review Your Audit Program?

Christine is leading the internal audit organization of a major global company. She is in this role for seven years and is passionate about the job. Her team comprises twenty-three full-time professionals who audit the internal and external manufacturing plants against the company's quality standards. The audit processes get only a minimal revision every year. The stakeholders of the audit organization are overall satisfied. However, some share concerns that the value provided is not anymore up to their expectations. The company's quality performance indicators do not show the positive trend the board of directors would like to see. Auditors do not stay very long in the role as they feel that their job is repetitive and stressful.
Time for Christine to review the audit program? The last revision took place the year she started in the position. Meanwhile, the company grew, changed the product portfolio, launched many new products, and made increasing use of external manufacturers to cope with more innovation.
Let's look at the steps Christine took to revise the audit program and align it to the stakeholders' needs. Her efforts paid as the results achieved through the revision were impressive.

Understanding the context

Christine put lots of effort into understanding the context in which her audit organization was currently operating. She decided to focus on three key factors: the stakeholders, the external issues, and the internal ones.
She started by identifying which stakeholders were relevant to her organization. She focused on those that could be a risk if their needs and expectations were not met and those who could provide improvement opportunities. She organized a round of meetings and interviews with them to identify what needs and expectations they had. With this input, she defined the key ones that they should address. These interviews proved to be extremely valuable not only because they provided a lot of actionable information but also because it was the start of establishing an ongoing relationship with these stakeholders, like never before.
Christine then took a look at the external and internal issues that exist and which could affect her audit organization's ability to achieve its goals. She looked first outside her organization to things such as the evolving trends, the advances in technology that they could leverage, and how peers were doing by participating actively in a cross-industry collaboration community of audit professionals.
Christine then turned the focus internally by analyzing topics such as the evolution of the business in terms of complexity, the company's strategy, and the type of processes and products. Very importantly, she also analyzed the current levels of competence and knowledge of her team members. Having analyzed and understood the context, she determined which issues could result in risks and opportunities, and decided which

should be addressed with priority and how.

The audit organization's identity and objectives

Christine then focused on the audit organization itself. She took her audit team members through an exciting exercise. They looked together at the mission of their audit organization and at what they were aspiring to become. They did it for the first time. When all aligned on the vision and mission, they communicated the outcomes to their stakeholders. None of this was rocket science, but it helped the team go back to its values and why they were all together, putting so many efforts into supporting the company through auditing.

It also helped the stakeholders to understand better what the audit organization was and was aspiring to become. Christine ensured that all this was consolidated in the form of an audit organization's strategy that included a clear commitment to satisfy the stakeholders and promote improvement. Based on the policy and the strategy, clear objectives were defined and quantified for the audit organization so that all could be communicated and deployed for various audit functions and processes.

Processes, resources, and evaluation of performance

Audit processes were established already for a long time, so Christine and her leadership team decided to review them to ensure that everything was in place to satisfy the stakeholders' needs. They agreed after this in-depth review to assign a person responsible for each process. This person was tasked to manage, control, and improve his or her process as needed. For the first time, they defined checkpoints and performance indicators to ensure that the audit processes would deliver as planned.

Resources are critical to support all processes in the audit organization. The management team focused on identifying and reviewing all essential resources, including people, the audit organization's knowledge, and the infrastructure. On the people side, they worked together to develop specific processes to attract, develop, and retain audit professionals who can contribute fully to the audit organization.

Thanks to the exercise performed on all processes, the management team selected performance indicators and monitoring methods. They started soon to measure, analyze, and evaluate their performance so that improvements could take place.

Interestingly, they decided to initiate internal audits for their own processes. Doing it not only proved to be a key component for continuous improvement. It also was an example for the entire company. For the first time, the internal audit organization performed internal audits on their management system and processes. By doing so, they were leading by example.

The management team established a review process at regular intervals to evaluate the audit organization's progress towards achieving its strategy and objectives and the need to adapt them.

Understanding the context, focusing on the organization itself, reviewing the audit processes and resources, and evaluating the performance regularly to take actions had a significant investment return. These actions taken by Christine and her team were vital to realign the audit program with the needs and expectations of stakeholders and to ensure that the audit organization would deliver to its best.

This review exercise resulted in having stakeholders much more satisfied with the value delivered by the audit function and in audit professionals proud to serve the company's goals through auditing.

The simple steps taken proved to have a considerable impact.

By Marc Cwikowski
September 17, 2020

Does Your Audit Programme Drive Continuous Improvement?

Does your organisation see its audit programme as a key enabler for continuous improvement? Is it directly linked to trends such as:

- The positive evolution of indicators like complaints and incidents?
- The absence of "surprises" during customer audits?
- The increase of best practices being identified and replicated?

If yes, then it is fantastic as your organisation is gaining value from the audit programme in place. Keep up the good work and adapt as needed to keep pace with the evolution of the business and the associated risks.
However, if your audit programme is not perceived as providing a positive return on investment or if there is room for improvement then you would need considering the implementation of actions in several critical areas. In order to improve, the management of an audit programme should indeed evaluate multiple aspects such as:

- Are the audit programme objectives being identified and achieved?
- Is the audit scope consistent with the audit programme's objectives?
- Is the risk-based approach to auditing appropriate?
- Are the audit criteria rightly defined to achieve the objectives?
- Is the performance of the audit team members appropriate?
- Are the audit reports driving actions?
- What is the feedback received?

Reviewing the overall implementation on a regular basis, identifying opportunities for improvement and applying changes to the audit programme when and where needed is of the upmost importance.

Are the audit programme objectives being identified and achieved?
What are you willing to achieve with your audit programme? Is everyone aligned with these objectives? Are they ultimately attained? These are three very important questions to answer.
The audit programme objectives need to take into account the needs and expectations of its customers / interested parties. These have to be established, aligned and communicated within the organisation in order to direct the planning and conducting of audits, ensure the audit programme is implemented effectively and allow to determine whether the objectives are achieved. Lack of clarity and alignment on objectives typically impacts negatively the performance of any programme.

Is the audit scope consistent with the audit programme's objectives?
A key question to answer is whether the scope of your audits allows to achieve the audit programme's objectives.
Not sampling properly the locations and / or the processes is an example of an issue that could prevent achieving your goals. Go back to your records and see whether there is a pattern indicating that your scope does not allow for an

appropriate evaluation. If this is the case then adapt and see how things evolve.

Is the risk-based approach to auditing appropriate?

Applying a risk-approach to auditing requires to keep it dynamic. You will need to answer on a regular basis key questions such as:

- Are certain products or services riskier than others?
- Which areas or processes have had critical audit findings in the past?
- Where is change happening? Are there any products, processes, services or departments that need a closer look due to change or turnover?

The answers to questions like these should trigger an agile adaptation of your approach and of how the audits are being performed.

Are the audit criteria rightly defined to achieve the objectives?

Defining the audit criteria in a way that facilitates their use by auditors is key. Using unclear, contradicting or not precise audit criteria is a recipe for audit programme's failure. Paying attention to the tools provided to the auditors is critical as they are – from experience – always impacting heavily the quality of the audit.

Is the performance of the audit team members appropriate?

Confidence in the audit process and the ability to achieve its objectives depends on the competence of those performing the audits. Auditors should continually improve their competence and the person managing the audit programme should establish mechanisms for the continual evaluation of the performance of the auditors and the development of their capabilities.

Are the audit reports driving actions?

An audit report should provide a complete, accurate, concise and clear record of the audit, and should as a minimum include the audit criteria, the audit findings, the related evidence, and the audit conclusions. Are your audit reports including the above as a minimum? What else do you include that provides value to the organization and which promotes continuous improvement? Do you have a report review process to ensure all the reports comply to your reporting requirements? The audit report is the end product of the audit and as such should receive the detailed attention it deserves. It should definitely facilitate the taking of actions to address the findings and the associated risks.

What is the feedback received?

Are you collecting the feedback from the audit programme's interested parties? This feedback guides improvements of the stakeholder's experience and can empower positive change in your audit organisation — even (and especially) when it's negative. Feedback is essential for a more effective contribution of the audit programme to the company's performance. To have an added value, the audit function has to constantly listen and grow but also rapidly change direction if needed and stay flexible in the ever-changing business environment.

What this article discusses is a list of areas one could investigate to ensure an audit programme drives continuous improvement. It is based on experience and does not constitute an exhaustive list. May this be considered as food for thought for you and your organisation.

Investing resources in auditing has a value. Maximising it for the benefits of all is key.

By Marc Cwikowski
August 6, 2020

How Audits Add Value and Enhance Governance

Every year, hundreds of thousands of food safety audits are conducted around the world. Probably a lot more. Does anyone believe that companies spend so many human and financial resources simply because they have to? Is food safety auditing a low-value-added activity that only assesses compliance because enterprises must in order to do business?
It undoubtedly adds value and enhances governance!
Our experience shows that value is created when certain conditions are met. We have worked with the audit organizations of leading food and beverage companies as well as external audit organizations for several years and have concluded that value creation occurs when they consistently do seven things:

1. They regularly monitor, analyze, evaluate, and review the context in which they operate in order to identify all stakeholders, determine their needs and expectations, and assess the potential impacts on the audit organization's performance.
2. They develop, implement, and communicate the mission, vision, and values of the auditing organization.
3. Their leadership establishes clear goals and fosters an aligned culture within their organization.
4. They identify and manage the resources necessary to achieve their objectives. People, financial resources, organizational knowledge, information, technology, and externally provide resources being just a few examples.
5. They manage their audit process with rigor and agility, beginning with the development of audit program objectives and the audit program itself and continuing with reporting and audit follow-up.
6. They set performance goals for themselves and then analyze and evaluate their results.
7. Finally, they use performance evaluation to encourage continuous improvement and innovation through learning.

This is how audits add value to the business, but successful audit organizations go above and beyond. They recognize that food safety auditing entails more than simply determining compliance. Leading audit organizations leverage their capabilities to create more value to the business. Here are three examples of how they do it. They do so by:

- Playing an important role in mergers and acquisitions as well as supply base decisions through due diligence audits.
- Performing pre- and post-launch audits to help the innovation cycle.
- When issues arise, deploying their expertise to the front lines of problem solving.

Let's start with due diligence audits and some uncomfortable truths… CEOs in the food industry understand that providing safe food and protecting consumers is their primary challenge and focus. Meanwhile, most companies devote less than 2% of their due-diligence efforts to food safety issues, according to a 2018 SSAFE

document co-published with Accenture on how to manage food safety in mergers and acquisitions. Another study conducted in 2019 by Deloitte revealed that half of survey respondents' mergers and acquisition deals failed to generate the value they expected, with 23% attributing this to insufficient due diligence. All of this indicates that food safety auditing is an important part of mergers and acquisitions, and that there is still room for improvement.

A best-practice food safety due diligence process, according to the SSAFE document, should enable early risk awareness, the right level of expertise, clear checklists and documentation, facility visits, and a seat at the decision-making table for food safety leaders. The process, as detailed in the guidance document, should be divided into three stages: pre-selection, due diligence assessment, and decision.

- Pre-selection: This is the preliminary stage, which is frequently based on financial and commercial considerations. Best practices suggest that the most appropriate and experienced food safety resources should be aware of the due diligence's intent.
- Due Diligence Assessment: Choosing expert, senior resources to conduct food safety due diligence is critical. These resources should request and review food safety documentation from potential acquisitions using detailed, end-to-end, and tailored checklists. They should also visit the potential acquisition's sites to see the facilities for themselves and compare conditions to expectations. The formal report on their food safety findings should focus on major risks. and incorporate associated business impacts with costed mitigation actions.
- Decision: Food safety leaders should sit at the decision-making table in order to explain and convey the severity of their findings and to assist business leaders in understanding the likely impact on future operations.

Leading audit firms leverage their expertise and add value to the business by participating in the various stages of the due diligence process. Food safety audits definitely help to improve governance in this area.

Here's a second example of how leading audit organizations leverage their capabilities to add value to the business: they conduct evaluations both before and after the launch of a new product or initiative. They use their food safety audit resources to perform a health check on the Stage and Gate process and its four major phases: Discover, Define, Design, and Deliver. They can do it ahead of time to ensure that food safety is indeed designed in and, if necessary, take appropriate actions to improve the robustness of the processes and the product. A pre-launch preventive review aims to achieve this. They can also do it after the product has been released in order to improve it further or in response to market issues. Leading audit organizations include pre- and post-launch reviews in their standard processes and audit trails.

Here's the third and final example of how leading audit firms use their capabilities to add value to the business: they bring food safety auditors to the troubleshooting table. When it comes to problem solving, an auditor can be an important multidisciplinary team member. When food safety issues arise, corrective measures must be implemented to address the underlying cause (s). When engaged in troubleshooting activities, experienced food safety auditors have the ability to make a difference at all stages of a corrective action program, not just where they have traditionally done so. Individuals involved in troubleshooting learn from the case, and auditors are well positioned to share the knowledge gained with the larger community while auditing other organizations.

Food safety auditing is a critical program that creates value; it is an activity that should go beyond simply evaluating compliance, and it is a key driver for continuous improvement. This, however, can only be accomplished if the audit program is properly designed, focuses on the important aspects, and is continuously improved.

By Marc Cwikowski
November 3, 2022

Internal Audit Organizations: Understanding the Context is Critical

Understanding the context is often a prerequisite for success.

There is an absolute need for internal audit organizations to understand the context in which they operate, the company's strategy, its processes, the challenges and opportunities, and its evolution. The internal audit function needs to put its efforts where things matter to deliver value and achieve success. Deploying resources in areas where the business strategies and processes are not supported would be a waste of energy. Not deploying audit resources where topics are strategically or operationally critical would be a mistake.

There are three essential factors for internal audit organizations to consider to understand the context in which they operate. They need to understand who their stakeholders are and what are the external and internal issues.

Identifying its relevant stakeholders

An internal audit organization should determine which stakeholders are relevant. One question is critical: which ones present a risk to success if their needs and expectations are not met and provide opportunities to enhance the value delivered? Answering this allows the organization to identify needs and expectations, determine which ones to address, and install processes to fulfil them. Establishing an ongoing relationship with stakeholders is also a way to understand each other and the objectives being pursued.

Understanding the external issues

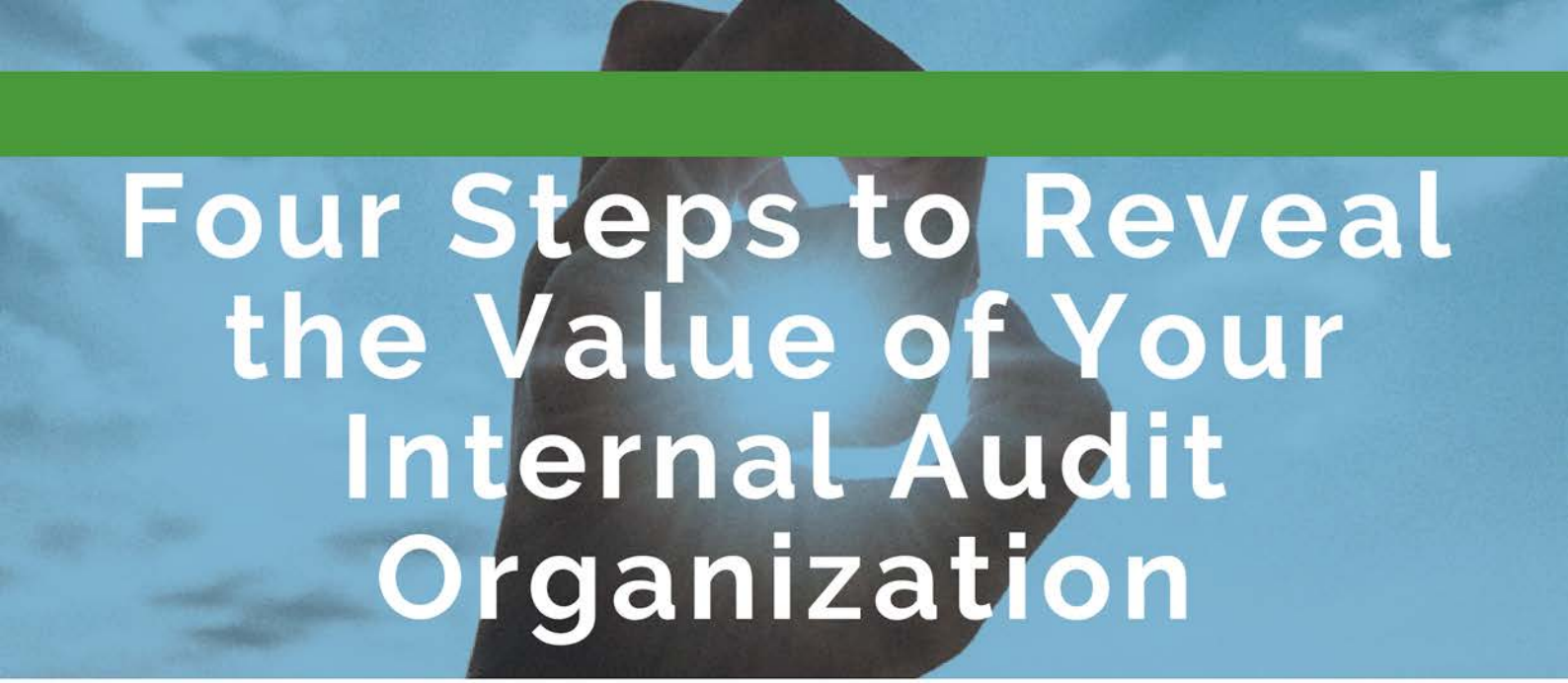
External issues exist outside of the internal audit organization and can affect its ability to achieve its goals and to provide value to the full. They include regulatory requirements, social, economic and cultural factors, and innovations and advances in technology. The pandemic we are going through is an example of an external issue with which audit organizations had to cope.

Understanding the internal issues

Internal issues exist within the organization. They include size and complexity, activities, strategy, type of products or services, performance, resources, level of competence and organizational knowledge, to name a few. These factors vary all the time. It is critical to monitor and evaluate them to take action as needed.

A successful internal audit organization identifies the needs and expectations of all relevant stakeholders. It analyzes them, evaluates and reviews them. It also installs processes for the monitoring, review and evaluation of external and internal issues. Very importantly, it takes action on these insights for the benefit of all. As the context of the internal audit organization is ever-changing, considering and addressing the three factors described is foundational for success.

By Marc Cwikowski
April 26, 2021



Four Steps to Reveal the Value of Your Internal Audit Organization

Having robust audit processes in place and very competent auditors is key for sustained success. Even when this is the case, demonstrating the value of an internal audit organization is however not an easy task. I have seen many leaders struggling with this. To be honest I tried hard myself with the notion during my professional career. Only using feedback from stakeholders is not enough.

Being able to demonstrate the return on investment is absolutely crucial and nowadays more important than ever. Failing to do so can have long-lasting damages including on the morale of audit professionals. It can eventually have a bad impact on the credibility of the internal audit organization or potentially worse, it can trigger questions on its reason to exist.

Internal auditing is sometimes only perceived as a function uncovering issues that are not having a negative impact so far, or even which potentially will never have one. Such a limited view makes it very difficult for stakeholders to understand the return on investment. The following 4 steps help internal audit organizations to reveal their value.

Understanding the big picture and aligning efforts

There is always the first step to take. Understanding the big picture is a pre-requisite. There is an absolute need for leaders of internal audit organizations to fully understand the company's strategy, it's processes, the challenges and the opportunities being faced, and the evolution of these. The internal audit function needs to put its efforts where things matter. Deploying resources in areas where the business strategies and processes are not supported would be a waste of energy. Not deploying audit resources where topics are strategically or operationally critical would be a mistake.

To illustrate this, a company active in the food and beverage business has an absolute necessity and a duty to keep its promise as it relates to food safety. It is then evident that the scope of internal auditing for such an enterprise has to encompass food safety. If the strategy of the same company is then moving towards additional efforts and requirements in the area of sustainability, it makes sense for the internal audit organization to consider enlarging its scope to cover the sustainability matters and standards also. This might seem obvious but having a mismatch between the internal audit activities and the company priorities is unfortunately not something exceptional.

If a company wants to improve in specific areas then for sure it has to consider the internal audit organization as a key element for doing so. The audit scope should then cover these areas adequately. With this in mind, grasping the company strategies to align the efforts should be a prerequisite for internal audit leaders. It will be up to them to understand where to put resources in a balanced way and spend them wisely. No alignment, then no value created nor perceived as a result.

Selecting the right metrics

A second step to take for an internal audit organization would be selecting the right metrics. The ones to measure, analyze and evaluate the performance so that ultimately, the processes and the entire internal audit organization can be improved, and the value provided to stakeholders maximized.

Selecting performance indicators related to audit processes (e.g., time to issue an audit report or calibration of auditors) is very important but the internal audit organization should not forget to select the ones that mirror the benefits provided to stakeholders and the business. Here again, an alignment between the metrics and what matters for the company is key for success. In our previous food and beverage company example, being able to link the reduction of recalls to the audits performed is a clear demonstration of the value of the internal audit organization.

Having fewer consumer complaints related to the quality of raw materials due to an effective supplier audit and development program is another demonstration of value and success. Expressing in a tangible way how the audit function contributes to risk reduction is key.

Going the extra mile

An internal audit organization could and should — in my opinion — go the extra mile, beyond its normal duties. Using the expertise of auditors to deliver training or participate in specific projects for the benefits of the company is a great example of providing additional value. I remember getting out of my audit function for several days to perform a post-launch review in collaboration with R&D. This has been a great personal experience and a value-adding one for the company. I was able to demonstrate that my skills and expertise could be valued in other areas than the typical audit program. I learned also a lot myself from the experience. As a result, the internal audit organization was perceived as a true partner going out of its normal duties for the benefit of the business.

Typical other adding-value examples are using the expertise of auditors of the internal audit organization to provide training to the field or to participate in trouble-shooting projects. Going the extra mile is always remembered on all sides of the audit desk.

Communicating two-ways

It is of the utmost importance for the internal audit organization to keep track of its performance and accomplishments and to communicate regularly on them. Communicating them at the highest level helps and in my experience, is something internal audit organizations are not always very good at.

Providing value is crucial but communicating on it, is equally important. Internal audit organizations may benefit from benchmarking with other departments that excel in doing so.

Asking for feedback from stakeholders is another key element for internal audit organizations. The information collected is always extremely useful, whether it is positive or negative. Involving stakeholders not only shows that their opinion matters but also it involves them in shaping, re-shaping and improving the way the internal audit organization operates and serves the business.

Engaging stakeholders helps to get feedback for continuous improvement but is also an important way for the internal audit organization to convey the value it provides.

Understanding the big picture and aligning efforts, selecting the right metrics, going the extra-mile and two-ways communication is not rocket science but not taking one of the steps can prevent an internal audit organization to demonstrate its value to the full.

Doing a great internal audit job AND ticking all the four boxes helps.

By Marc Cwikowski
September 8, 2020

Make the Most of Your Multiple Internal Audits

Many organisations have their own plants perform internal audits, with a scope that may include manufacturing, warehousing and / or distribution.
This is often thanks to these companies implementing their own management system standards or internationally recognised ones for which internal auditing is a requirement. This is absolutely perfect and key to continuously improve the processes and systems in place. Internal audits are indeed an effective tool for determining the levels of conformity of the organisation's management system to its criteria. They provide valuable information for understanding, analysing and improving the organisation's performance.
There is an area though where organisations could do even better and more for their sustained success. When having multiple plants whether locally or globally, not many companies have a process in place to review all internal audit reports in order to identify trends that can require organisation-wide corrective actions or opportunities for improvement. This is a missed opportunity for the entire enterprise to learn, share and improve as one.
Organisations should encourage improvement through learning and collaboration. Internal and external audits outputs are examples of multiple inputs to learning. In order to foster the latter, the organisation should definitely consider multiple factors including its own culture, top management's support, maintaining systems for sharing the knowledge acquired through audits, and, rewarding sharing initiatives.

What is said in the room often stays in the room
At a basic level of management system's maturity, internal audits are usually performed reactively in response to problems, recalls, customer complaints, etc. The collected data are at this stage mostly used to resolve problems with products and services.
It is often when organisations start to implement management systems that internal audits are performed on a regular basis, in a consistent manner, by competent personnel who are not involved in the activity being examined, and in accordance with an audit plan. Problems, nonconformities and risks are identified and analysed comprehensively to determine weaknesses in the management system. At a more advanced stage of maturity, internal audits do even start to focus on the identification of good practices as well as on improvement opportunities.
However, it is not frequently that outputs of the internal audit programme are shared outside the audited organisation. They are mainly kept confidential and for internal use only. The same is valid for results of external audits performed by customers or certification bodies. While not sharing them externally without a specific purpose can be understood, I came during my career across several situations where sharing internal audit results was not recommended or even not allowed by the management of the organization. This was in fact creating a counter-

productive culture of secret which was preventing the entire organization to learn as a whole.

The entire organization learning from its internal audits.

Learning and improving from internal audits should not be limited to the audited organization itself. There are examples of companies having put robust systems in place to promote learning and improvement from internal audits beyond the borders of the audited organizations.
One global company I worked with created a network of internal auditors performing audits at manufacturing plants. These very competent people were meeting on a regular basis to exchange the findings, including good practices detected during audits. These individuals were then playing the role of ambassadors when coming back to their own organization and were sharing all the knowledge acquired. Because the internal audit process was consistent across the entire organization, auditors could leverage easily the outputs of the multiple audits taking place. The network of internal auditors became rapidly known within the company as a great source of knowledge. Internal auditors were often asked to share and present on audit findings for the purpose of learning and improvement. The audited organizations had no fear of sharing their internal audit results with sister companies as the return on investment through learning was very high.

Being open and transparent always pays

Promoting a culture of transparency with regard to internal audits can even have benefits beyond expectations. The example of this global company collaborating with their suppliers on the topic of internal auditing is a very good one. They helped their suppliers to develop the internal audit capabilities, to calibrate auditors on requirements, and to encourage the sharing of internal audit results with them. Through this process and a relationship based on trust and transparency, they were able to go more easily through the Covid's hectic times during which performing supplier audits was made impossible. Reviewing the internal audit results and discussing them with suppliers made the process of remote auditing much more easy and effective. How many organizations would be ready to do the same and share their internal audit results not only internally but also externally? Not too many in my opinion.
Reaching such level of maturity takes time and efforts. Top management should demonstrate leadership and commitment within the organization by promoting a culture of trust, openness and learning from successes and failures. Only then can learning be embedded as routine activities across the whole organization, including through the sharing of internal audit reports and results.

A culture shift might be required to succeed

Top management should understand the barriers in its culture which prevent the sharing of internal audit results across the organization. They need to assess the need to change it and then communicate the change internally so that the process of learning can start and be deployed to its full. Audited organizations and their management need to understand that sharing helps and when working together, the company as a whole will go further and stronger. For this to happen, top management needs to support and reward sharing initiatives.
Is your organization ready to share its internal audit results? What changes do you need to implement? Are you willing to try and collect the low-hanging fruits?

By Marc Cwikowski
November 3, 2022

The Secrets of the Search for Audit Best Practices

"Benchmarking provides an inventory of creative changes that other companies have enacted" said John Langley. This is a great definition of an effective continuous improvement process which is unfortunately often under-used or not used to its full.

One of the most important things I learned during my professional career is that being open and looking outside for inspiration and ways to improve your organisation's performance is key for success. Searching for industry best practices is a proactive process that leads to superior performance when approached on a partnership basis in which all parties can expect to gain from the information sharing. From experience, this goes well beyond the world of auditing but can obviously be applied to it with potential tremendous successes and benefits.

Ideally, benchmarking should be a continuous process of measuring against the best, setting goals based on the findings and tracking progress toward achieving the benchmarks. Through benchmarking, companies find examples of superior performance and analyse the processes and practices driving it. Organisations then improve by tailoring and incorporating these best practices into their own operations — not by copying, but by innovating and recreating.

Why would you embark your audit organisation upon benchmarking?

Audit organisations willing to evaluate and improve their performance, and embrace change in a proactive rather than reactive manner, see benefits in using benchmarking. The process can be used at any time and for various scopes such as policies, strategies and objectives, processes, products and services or even their organisational structure.

Organisations may consider different types of benchmarking such as internal (benchmarking of activities and processes within the organisation) or competitive (benchmarking of performance or processes with competitors) or even generic (by comparing strategies, operations or processes with unrelated organisations).

From experience in conducting and participating in benchmarking studies, including companies far outside the particular organisation's field of activity, helps to learn and innovate, and is definitely a way to shake things up and make real change.

What makes benchmarking successful?

There are several factors for your audit organisation to consider to ensure benchmarking brings full value:

- There is first a need to define the scope of the subject for benchmarking as well as the process for selecting benchmarking partners, including the associated confidentiality rules.
- Determining the indicators for the characteristics to be compared, and the methodology for data collection and analysis, will be a second pre-requisite.
- When data are collected and analysed, there will be a need to identify the performance

gaps and the associated opportunities for improvement.
- Implementing the defined improvement plans, monitoring their deployment and ensuring learning is captured will be final steps to consider for success.

Successful benchmarking will depend on various factors that include a strong support from top management, a companywide acceptance, the methodology used to apply benchmarking and the rigour by which improvement plans are implemented. Adhering to the benchmarking process as described above is key to success but far from being enough. An active commitment to benchmarking from management is essential. This includes:

- A willingness to share information with benchmark partners
- A willingness to change and adapt based on benchmarking findings, and
- An openness to new ideas and creativity in their application to existing processes.

What questions might be relevant to benchmark audit organisations?

Here are examples of questions that an audit organisation might find useful to use in benchmarking audit programmes, protocols and practices:

1. **What is the mission of the audit organisation / programme?**
   - What is the role or purpose of audit in your organisation?
   - Who is (are) the customer(s) of your audit program?
   - What are the customers expectations?
   - How are these expectations aligned with the business needs?
   - Was there an evolution of the mission in the last years? Which and why?
   - How do you see the mission of your audit program / organisation evolve in the future and why?

2. **What is the scope of the audit programme?**
   - Which facet(s) of your management system are being audited and what is the rationale?
   - Who are the auditee and why?
   - Are there any exclusions and why?
   - Was there an evolution of the scope of the audit program in the last years? Which and why?
   - How do you expect the scope of the audit program to evolve in the future and why?

3. **What is the audit standard?**
   - Which standards are the locations being audited against and by whom?
   - Is compliance to applicable legal requirements included and how?
   - Was there a significant evolution of the audit standard in the last years? Which and why?
   - How do you expect the audit standard to evolve in the future and why?

4. **What is the process to plan audits?**
   - What risk aspects or data sources do you take into consideration in evaluating the risk profile of a facility?
   - What are the drivers for doing an audit / what criteria do you use to decide who and how often to audit?
   - What is your risk based audit planning framework? How agile is it?
   - Was there an evolution of the audit planning process in the last years? Which and why?
   - How do you expect your risk based audit planning framework to evolve in the future and why?

5. **How are gaps identified?**
   - How is the auditor preparing for the audit? What are the information sources?
   - How are gaps identified during an audit?
   - If using a checklist approach, what is it and what benefits and disadvantages do you see in using it?
   - If another approach is used, what is it and what benefits and disadvantages do you see in using it?
   - Was there an evolution of the approach used in the last years? Which and why?
   - Are you planning to change your approach in the future and if so why and how?

6. **How is risk evaluated / measured?**

- When gaps are detected, are risks quantified (scored) or qualified (risk rated) and if so how?
- What are the benefits and disadvantages of the methodology used?
- Was there an evolution of the methodology used in the last years? Which and why?
- Are you planning to change the methodology used in the future and if so why and how?

7. **How are audit findings / risks reported?**

- What audit findings are being reported? Are you only focusing on gaps or do you also consider best practices? Why?
- What is the methodology used to rate the audit findings? What are the benefits and challenges?
- How do you handle repeat findings?
- What is the methodology used to rate the overall audit outcome? What are the benefits and challenges?
- What is the methodology used to rate the overall location status when audit results per facet of the management system differ? What are the benefits and challenges?
- Was there an evolution of the methodologies used in the last years? Which and why?
- Are you planning to change the methodologies used in the future and if so why and how?
- How and to whom are audit results communicated?

8. **How and to whom are audit results communicated?**

- Do you report audit outcomes externally ? Do you see this coming and why?
- Are there any consequences or rewards implications of the audit result? If so which and what are the benefits and challenges?

9. **How is auditor's competence / capability ensured?**

- What are your auditor qualification criteria? What are your training and calibration programs?
- Are you using specialised auditors or generalist (multi-facet) auditor? What are the challenges and benefits?
- Are you using full time auditors (dedicated) or part time job / internal or external or a mix thereof? What are the challenges and benefits?
- What is the auditor profile used (e.g., talent pipeline versus end of career)?
- How do you ensure calibration amongst auditors?
- Was there an evolution in the last years? Which and why?
- Are you planning to change something if so why and how?

10. **How is the information actioned after the audit and what is the role of the auditor?**

- What happens after the audit and who is responsible for what at all levels?
- What are the challenges and benefits of the current approach?
- The above questions are just examples and are provided as such to seed for more. The questions you will be using should depend on the scope and objectives of the benchmark project and need to be carefully selected to suit the needs of the audit organisation and of its benchmarking partners.
- There are multiple benefits in benchmarking your audit organisation and they are all leading to superior performance. Do not hesitate to organise a benchmarking project and ask your peers to participate. Say yes if you are invited to participate to one. You will definitely not regret it!

By Marc Cwikowski
July 28, 2020

ISSUED:
20 NOVEMBER 2023

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