THE
QUALITY AUDITOR
PRIMER

> **WITH A LITTLE HELP FROM MY FRIENDS.**
>
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Acknowledgments

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CQA Primer Content Outline

WHEN YOU GET RIGHT DOWN TO THE MEANING OF THE WORD "SUCCEED," YOU FIND THAT IT SIMPLY MEANS TO FOLLOW THROUGH.

F. W. NICHOL

Audit Reporting & Follow-up

Audit Reporting & Follow-up will be reviewed in the following major topic areas:

- **Audit Reporting**
- **Audit Follow-up and Closure**

Audit Reporting

Audit Reporting is presented in the following major topic areas:

- **Report Development and Content**
- **Effective Reports**
- **Final Audit Report Steps**

Report Development and Content

The formal audit report is the product of the audit. This is a typed report which maintains the basic content of the draft report. The lead auditor (audit team leader) is responsible for the report content and accuracy, and for submitting the formal report in a timely fashion.

After arriving back at the "home" organization, the work on the formal audit report should begin immediately, while audit details are still fresh. A number of complications could arise concerning the audited organization, either political or product related, and the auditor could also face pressure from client management to alter the audit report and reflect more poorly (or favorably) on the auditee. Where a large contract is involved, the auditor could get pressure from auditee management to alter the report.

Report Development and Content (Continued)

Audit Report Ethics

It would be unethical to alter the substance of the audit report. Examples of this alteration would include:

- Presenting findings in the formal report which were not presented in the exit meeting or included in the draft report

- Changing an observation from one of low significance to one of finding status

- Reducing the impact of the report by changing the status of findings to observations.

Audit Report Timing

Another problem with formal report procrastination, is that the longer it is put off, the less interested the auditee management will be in pursuing corrective actions. Other, more pressing problems may preempt the recent audit so that when the report does come (say two weeks later) it has taken a backseat to other priorities. A late arriving formal audit report sends a signal to the auditee management that this is apparently not as important as was initially believed. To avoid any such scenarios, the formal report should be completed as soon as possible and mailed within one week.

Sayle (1997)[8] states that with the advent of new technology and modern telecommunication systems it is very possible to produce and distribute most audit reports within 24 hours of the completion of the exit meeting.

Preparing the Report

Once the report has been prepared, it may be reviewed for content and accuracy by the audit team. Team members may sign the report, but the report must be signed by the lead auditor (or audit team leader). Depending upon size of an audit organization, the audit authority (head of the auditing organization) may also sign the completed audit report. The report is usually submitted to the client. The client is typically responsible for attaching a cover letter and distributing the report. The distribution list is determined by the client.

Report Development and Content (Continued)

Preparing the Report (Continued)

There are many variations of the formal report format. Generic report examples are presented later in this Section. For those who wish to create their own standard company report formats, the following information is suggested content:

- **Cover sheet with a distribution list (consider an executive summary)**
- **Main body of report**
- **Findings and objective evidence**
- **Request for corrective action (where applicable)**

The Cover Sheet

The cover sheet should indicate the:

- **Title of the report (including the audited company name)**
- **Date of issue**
- **Distribution list**
- **Perhaps an executive summary of findings**

The Main Audit Report

The main audit report body should begin with one or two brief introductory paragraphs including the name of the auditee, location, audit purpose and scope, dates the audit was performed, audit team members and lead auditor; and any background, history, or functional information necessary for comprehension.

The audit report should also contain a statement about the tone of the audit. Was the audit cooperative, antagonistic, unsupportive, etc.? This statement is important because it may be useful to the client, auditee, and future auditors.

Each finding is listed, in order of importance, with the supporting evidence shown beneath it. Other audit evidence which do not support findings, may be included in a separate category. Any request(s) for corrective action may appear in the closing remarks, along with the date of expected response.

The signature of the lead auditor is a must. The signature of the client or audit authority is the report approval. Audit team signatures are optional.

Report Development and Content (Continued)

Request for Corrective Action

A request for corrective action is often presented in a separate, standardized form. In most formats, the lead auditor will fill out the identifying header information, the finding or discrepant condition area, and the response due date. A corrective action request form is shown in Figure 5.3.

The audit findings may be addressed singularly or collectively. Either way, there are advantages in having the finding and the corrective action listed on the same form. This consolidation aids in tracking the activities, and is helpful in the performance of follow-up verification of corrective action. All critical issues or corrective action requests should include some form of unique identification (such as an alphanumeric code).

Audit Report Content Summary

The type of audit, company relationships and audit stage will all affect the report content and organization. However, the following details are typically included:

- The name of audited organization
- The audit location(s) and date(s)
- Audit report, file or reference number
- The contract, order, product, etc., of concern
- The audit objective and scope
- The audit standard(s) or criteria
- The tone of the audit
- Key personnel contacted during the audit
- The audit team leader and audit team members
- Any prior audit(s) and related information
- An identification of key working papers used in the audit:

  - Checklists
  - Contracts
  - Flow charts

  - Procedures
  - Quality manuals
  - Work instructions

- The results of the audit, both good and bad
- Any corrective action requests and response dates
- Any major negative findings and supporting observations
- Any overall audit position statement regarding system effectiveness
- Appropriate internal and external distribution lists
- The signature of the lead auditor (other auditors' signatures are optional)
- The signatures of the client and/or audit manager

Audit Report Content Summary (Continued)

According to ISO 19011 (2018)[4] the audit report should provide a complete, accurate concise and clear record of the audit, including:

- **The audit objective**
- **The audit scope**
- **The audit client**
- **The audit team leader and members**
- **The dates and places of audit activities**
- **The audit criteria**
- **The audit findings and related evidence**
- **The audit conclusions**
- **Any unresolved opinions between the audit team and auditee**

As appropriate, the audit report may include or refer to the following:

- **The audit plan and time schedule**
- **Auditee representatives**
- **A summary of the audit process (any uncertainties or obstacles)**
- **Confirmation that audit objectives were achieved**
- **Any areas within the audit scope not covered**
- **A summery covering the audit conclusions and supporting findings**
- **Any good practice identified**
- **Any recommendations for improvement (if specified in the audit objectives)**
- **Agreed follow-up action plans**
- **A statement of the confidential nature of the contents**
- **A report distribution list**

(ISO 19011, 2018)[4]

Audit Report Example

Audit Report

File Number_____

Audited organization _____

Location _____

Dates _____

Product, purchase order, project _____

Auditing organization _____

Prior audits _____

Audit objective/scope: _____
_____

Checklists or documents used:
_____

Principal contacts

_____   _____
_____   _____

Date of exit meeting _____

Audit team members (and credentials, if appropriate)
_____
_____

Results
_____
_____
_____

Major findings (attached):
(ID numbers) _____

Corrective action (attached):
(ID numbers) _____

Audit position statement:
_____
_____

Distribution list:
   Client
   Auditee   _____
   Attachments   **Lead auditor**

Figure 5.1 Audit Report Form

Audit Finding Form

Audit Finding

Audit# _____
Finding#_____
Date _____
Page ___of____

To: _____
From: _____

Nature of finding (auditor)
_____
_____
_____

Supporting documentation (auditor)
_____
_____
_____

Action required (auditee)
_____
_____
_____

Scheduled action completion date _____

Auditee signature _____ **Date** _____

Review (client/auditor)

Signature _____

Date _____   **Approved** [   ]   **Disapproved** [   ]

Figure 5.2 Audit Finding Form

Corrective Action Request Form

Corrective Action Request

Audit # _____ CAR#_____
Date _____ Page ____of____

To: _____

From: _____

The following condition is brought to your attention for corrective action. Please indicate the cause and corrective action in the spaces below including scheduled completion dates. Please sign and date your response and return this form to the sender within ___ working days.

Discrepant condition
_____
_____
_____

Auditee Portion

Root cause
_____
_____
_____

Action to correct observed discrepancy (and similar discrepancies)
_____
_____
_____

Action to prevent recurrence
_____
_____
_____

Scheduled completion date _____

Signature _____ **Date** _____

Review   **Approved** [   ]   **Disapproved** [   ]

Signature _____ **Date** _____

Figure 5.3 Corrective Action Form

Items Not Included in the Audit Report

Equally important, as the items included in the formal audit report, are those items which should be excluded:

- **Any confidential or proprietary information**

- **Any subjective opinions**

- **Any recommendation, unless required by the client**

- **Normally, minor deficiencies that are discovered, acted upon and corrected during the audit are not included**

    A record of the corrected minor deficiencies should be maintained in the working papers in the event of subsequent audits.

- **Generally, more than six or seven major findings**

    The objective is to make the supplier better. Assist the auditee by identifying the significant few items critical to the client. If corrective action is not forthcoming, then another supplier can be located.

- **Names of individual employees associated with specific findings (if necessary for clarification, the title or position of the employee may be included)**

- **Nit-pick items (the trivial many)**

- **Emotional or argumentative statements**

- **Any items not presented in the draft report or the exit interview**

The CQA student can refer to Sayle (1997)[8] for additional, but different, items that should not be included in the audit report.

Noteworthy Accomplishments

Arter (1994)[1] suggests that noteworthy accomplishments should be reported in the final audit report. He states that individuals, groups, departments, etc. are expected to perform well, but those that are doing an exceptional job should be commended in writing. This includes a description of the situation and how it affects program quality.

Effective Reports

Effective audit reports should include background information, executive summaries, prioritized results, graphical tools (where appropriate), and a timeline for auditee response and/or corrections.

Prioritization of Audit Results

During the audit analysis phase, before the construction of the audit report, the auditor will need to organize and prioritize the audit results. Observations, findings, and/or conclusions should be ranked by importance and arranged in some logical sequence. Since most managers are programmed to think in terms of "first things first," one of the best arrangement techniques is to list reported findings or conclusions from most significant to least significant.

Often, an executive summary is presented on the first sheet of the report. This "bullet sheet" shows only the findings, listed in order of importance. The auditor may include a list of the audit evidence, which does not support findings, on this sheet, as well. Details are included in the main body of the report.

There may be reasons for reporting audit results in other formats, but auditors can assist management by prioritizing needed corrective action. Often, the criticality of the observation is important. A risk benefit or Pareto analysis may be helpful in prioritizing and compiling the audit results.

Criticality

There are several ways to consider the criticality of a nonconformance or noncompliance. In the case of product audits, the anticipated monetary loss may be known (or can be determined). In the case of process or systems audits, the use of a demerit system may be helpful in weighting the relative reporting priority.

Risk Benefit Ratio

Russell (2000)[7] looks at risk benefit ratio based on the auditor's perspective. He states that the risk of reporting an area of concern (based on sample size) should be compared to the benefit to be gained (or not lost) if the concern has merit. Another perspective is that of auditee's management. If a nonconformity or noncompliance is reported in a weighted format, an objective or subjective assessment can be made of the risk of being able to fix the noncompliance within a reasonable time frame at a reasonable expense. Thus, any reported deficiency can be evaluated using a number of bases. Money, safety, and potential customer loss constitute recognizable bases.

Pareto Analysis

The construction of Pareto charts is reviewed in Section VII of this Primer. The completion of Pareto analysis is very helpful in organizing the audit report and assisting management with the selection of the more serious problems (at which to direct corrective action resources). The Pareto method assumes that there will be segregation of the significant few from the trivial many. In many cases, the Pareto chart is constructed based upon the number of event occurrences. However, criticality (or potential safety or economic loss) factors might result in a different Pareto alignment. Consider the following audit report results:

	Deficiency Description	Occurrences
A	Critical test equipment overdue for calibration	1
B	Inadequate training of employees	1
C	Marginal internal auditing	1
D	Marginal procedures	12
E	Obsolete drawings in use in manufacturing	3
F	Problems with record retention	8
G	Unauthorized changes on controlled documents	4
H	Questionable criteria for inspection judgments	2
I	Inadequate corrective action	1
J	Unidentified material in stockroom	6
K	Employees not following procedures	2
L	Nonconforming material mixed with good	2

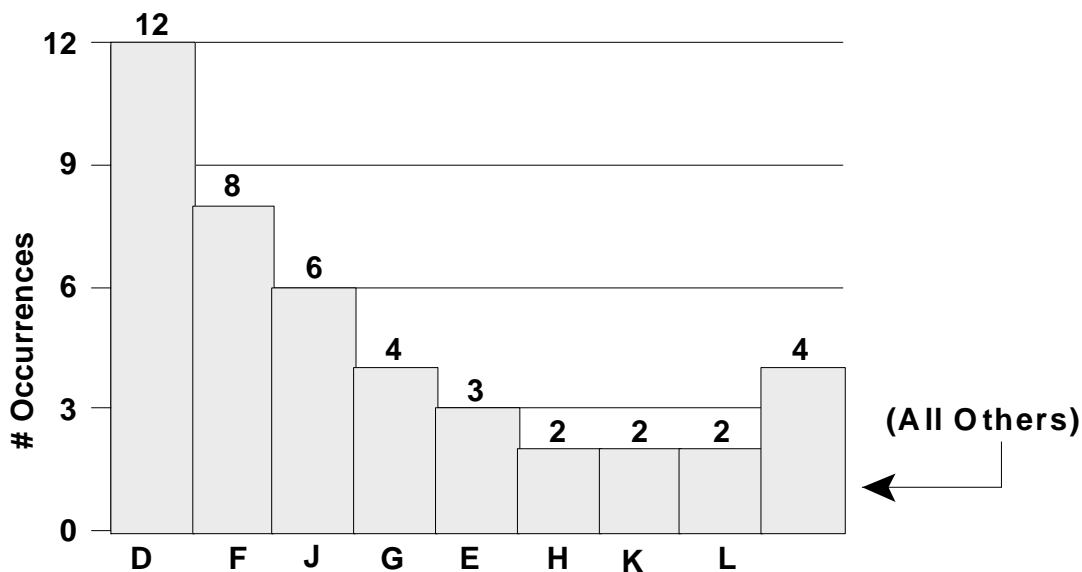The traditional Pareto diagram based on occurrences would look like so:

Figure 5.4 Audit Occurrence Pareto Diagram

SECTION VI

1. d	41. c		
2. a	42. c		
3. c	43. d		
4. d	44. b		
5. b	45. d		
6. c	46. d		
7. c	47. d		
8. a	48. b		
9. d	49. b		
10. d	50. d		
11. b	51. c		
12. a	52. c		
13. c	53. b		
14. d	54. a		
15. c	55. a		
16. a	56. b		
17. a	57. b		
18. b	58. b		
19. b	59. c		
20. b	60. d		
21. c	61. d		
22. c	62. d		
23. d	63. d		
24. c	64. c		
25. c	65. a		
26. c	66. b		
27. d	67. b		
28. c	68. b		
29. b	69. a		
30. c	70. a		
31. a	71. c		
32. c	72. b		
33. b	73. d		
34. a	74. a		
35. d	75. d		
36. d	76. b		
37. d	77. a		
38. a	78. d		
39. a	79. a		
40. b	80. d		

SECTION VII

1. c	33. c
2. d	34. b
3. c	35. c
4. a	36. a
5. a	37. c
6. c	38. a
7. a	39. c
8. d	40. c
9. c	41. a
10. c	42. c
11. a	43. a
12. d	44. a
13. d	45. d
14. b	46. c
15. b	47. c
16. c	48. a
17. d	49. c
18. b	50. c
19. d	51. c
20. c	52. a
21. b	53. d
22. b	54. a
23. c	55. c
24. d	56. d
25. a	57. d
26. c	58. a
27. d	59. c
28. a	60. c
29. c	61. c
30. c	62. a
31. c	63. b
32. c	64. b

SECTION VIII

1. d
2. b
3. a
4. c
5. a
6. a
7. b
8. c
9. c
10. a
11. b
12. b
13. a
14. b
15. c
16. a
17. d
18. a
19. d
20. d
21. d
22. b
23. b
24. b
25. d
26. c
27. c
28. a
29. b
30. a
31. b
32. d
33. c