Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, CQI, and other administrative processes.

Internal auditing encompasses every aspect of the business from finances to how a toilet is cleaned. Certain areas can be audited by administration relevant to that area, such as the Safety Officer or Compliance Officer. However, certain areas may require an objective external third party vendor to perform the audit. This usually comes in the form of an inspection.

To clarify, inspections are a “do” and audits are a “check”. An inspection is typically something that a site is required to do as a compliance obligation. An audit is the process of checking that compliance obligations have been met, including that the required inspections have been done. For example, an audit of a manufacturing process wouldn’t just inspect the product, it would ensure that required inspections had already been performed on the product.  An audit’s purpose is to assess the overall compliance with internal policies, various regulations, and other compliance measures.

In simpler words, inspections are mostly observations, a review of sorts to inspect a particular product or service. This review is performed to ensure that the product or service works to specification. An audit, however, deals with a more thorough examination of the entire process. This includes the process that goes into building the product or service. Audits look at the overall process that led to the product or service, as an end result.

Inspections are required by law or a certifying organization, while audits are usually voluntary. Businesses can use audits to augment Risk Management and CQI, and ensure that their business practices are now just effective, but above the standard.

Inspections, as we mentioned earlier, are more a review of the product or service itself. Inspections generally have a more defined frequency and schedule. They can be performed daily, weekly, monthly or even annually. The focus of an inspection is to check a specific end state. It could be that a product is safe to use, or it is being maintained correctly or something else. Inspections usually follow a predefined checklist and can be done by anyone in the company, or even by a third party if you want.

Audits are more formalized. They are used as a tool to assess whether your product or service follows a written management standard. Audits also check whether the process of creating your product is reliable and effective. For example, if you have a service, audit checks if you are delivering quality services and not just reporting business based on quantity.

Audits may use employee interviews, data collection, and observations of your work environment to produce a report on the overall performance of your company. Unlike inspections which may be carried out just to see the quality of the product or service, audits might be conducted with a different goal in mind. For example, a company looking to expand or reduce its workforce might request an audit. Like inspections, audits can be done by an employee as well as a third party.