



Internal Audit Guidelines

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Table of Contents

1. Purpose.....	4
2. Audit Planner and Tracker	4
3. Audit Preparation	5
4. Audit Checklist	6
5. Conduct Audit	6
6. Audit Reporting	7
7. Actions and Closure	7
7.1. Dos for the auditors	8
7.2. Don'ts for the auditors	8
8. Audit Metrics	8

1. Purpose

These guidelines help the auditors maintain quality and clarity in the audit process. These guidelines also help the Quality team to develop adequate plans to ensure that the processes are being followed across the organization as expected by management.

2. Audit Planner and Tracker

- Quality Manager discusses with the senior management to understand the focus areas of internal audit for this year
- Also identify the focus based on the feedback from customer, internal feedback, observations, data analysis and from the previous audit reports.
- Gather the list of projects and consolidated below information from each project
 - Project Name
 - Project Manager
 - Life Cycle
 - Current Status
 - Start Date
 - End Date
 - Tailoring
 - Major Expectations from project
 - Escalations
 - Criticality / Risk of the project
 - Customer processes
- This information will be used by the Quality Group to plan the calendar for the internal audits. Beginning of the year the calendar is prepared for the complete one year and this will be get updated
 - Any new projects
 - Change in audit focus
 - Inputs from management
 - Audit feedback
- Selection criteria for the internal audit
 - For long running projects the project is to be audited at least once in a Quarter
 - Smaller projects the project to be audited in that Quarter where it got closed
 - Every function to be audited once in a Quarter
 - Inputs from Senior Management
- Quality Manager will prepare the audit calendar for complete one year and the calendar includes the following fields

- Project Name
- Quarter
- Month
- Audit Date
- Auditor
- Focus of the Audit
- Life Cycle
- Any other details like tailoring etc., to be added in Remarks
- Quality Manager will notify the auditors about the audit dates after confirming their availability and send an invite in advance to the auditor and the auditee
- The calendar has to be updated for the following information
 - Audit Status
 - Actual Date of the Audit
 - Audit Results
 - # of Non-Conformances
 - # of Observations
- Quality Manager will also track the status of the audit results and ensures that the audit results are verified and closed with appropriate actions from the respective scrum master.

3. Audit Preparation

- The preparation phase may be formally carried out by the audit team, along with Quality group or may be informally carried out by the individual auditors.
- Understanding the background information of the project to be audited:
 - Objective of development project and scope of the project
 - Review management documentation such as PMP to understand the process followed
 - The Auditor should review the processes, standards to determine the applicable ePAL processes/ standards
 - The audit should prepare with the above details before going to the audit.
- In case of functions, the departmental processes are read and clearly understood. The interfaces between the departments, the service levels and the monitoring methods should be clear to the auditors.
- The Quality team may setup a meeting periodically to walk through the internal auditors on the recent ePAL changes and also the focus areas where the auditors wanted us to focus during the audit and the intention behind these focus areas.

4. Audit Checklist

- After understanding the project back ground and also the inputs from Quality team, auditor should define the areas that require the most careful and detailed attention.
- Based on understanding and scope of audit, auditor selects the appropriate audit checklist and updates as required before going for the audit.
- Generic checklists for various types of audits are available in the ePAL. The auditor will update the checklist based on the project life cycle, current phase and scope of the audit
- A checklist provides the auditor with a "road map" during the audit
- In developing the checklist, the auditor is careful not to overlook important information that appears to be obvious.

5. Conduct Audit

- As per the schedule, the auditor will visit the areas to be audited and conduct the audit.
- During the audit, the auditor will examine whether the activities of the area are conducted as per the processes defined in ePAL
- Some suggested methods for conducting the audit are as follows:
 - Examine the documents and records
 - Interview the persons
 - Study the processes followed.
 - For routine activities pick more than one samples randomly
- During the audit, the auditors will collect objective evidence to determine the effectiveness of the quality system.
- During the audit process the auditor has to check the records and it may not be feasible to check all the records. There is a need to select the sample during the audit. The auditor decides on sample sizes that can be accommodated in the respective audits. The sample sizes are balanced between completeness of coverage (some items from set of records) and depth of coverage (number of items from a specific record type)
- The auditor will update the observations in the audit checklist under Remarks section. The notes may include
 - The document name that got observed during the audit
 - Discussion content between the auditor and the project team
 - Inputs provided by the team
 - Observations related to potential process gaps
- At the end of the audit, the auditor will discuss about the audit observations along with potential Nonconformities.

6. Audit Reporting

- The observations noted during the audit can be categorized in any of the following two categories
 - Non-Conformance
 - Observation
- Non-Conformance – Deviation from the Quality Management System process or against the plans defined at the project level and it has an impact on the project outcomes.
- Observation – Potential issues observed in the project but not in all the sampled records. The impact of the issue is very minimal but if not addressed this may lead to a deviation and start showing the impact on the project outcomes.
- The auditor while documenting the results he will ensure that the content includes the following
 - ePAL process / Project Plan and their expectations
 - Deviation / Gap observed
 - Evidences that are observed
 - Impact of the Gap on the project
- The auditor reviews the audit report that are filled, to ensure that they are completely and correctly filled out
- Publish the report to the auditee and copy the Quality team for their information
- Any issues from the auditee will be addressed by the auditor; In case of any conflicts the quality team will help in addressing the conflicts amicably.

7. Actions and Closure

- Once the Audit Report is accepted the auditee will come out with the action plans to address the closure of results
- The action plan includes the following
 - Actions planned
 - Responsibility
 - Planned End Date
- The actions have to be agreed with the auditor before the team start working on them
- One agreed with the auditor the auditee will implement the actions as planned.
- The auditee will notify the auditor once the actions are closed to verify the implementation and effectiveness of the actions.
- The auditor will verify the implementation of the actions by sample documents checking and closes the audit observations. If not satisfied he will give his feedback on what is missing.
- In case the auditor is not available to verify the actions, the auditee will reach out to the quality function to help closing the audit observations.

- Quality Manager will update the audit tracker with the status of the non-conformance and observations periodically. The status includes
 - Action identified
 - Resolved
 - Verified
 - Closed

7.1. Dos for the auditors

- Create a formal yet conducive environment
- Be attentive to look for objective evidence
- Look for compliance of the processes, understanding of the processes by the team
- Look for Quality objectives are laid out, deployed
- Look for effectiveness of system by looking at the achievement of Quality objectives and continual improvement trends

7.2. Don'ts for the auditors

- Do not get biased. Audit to be always based on the objective evidence.
- Do not be a nitpicker, argumentative.
- Do not perform audit without preparation. This reduces credibility of auditor.
- Do not stick to the audit checklist alone. Be observatory and look for indicators.

8. Audit Metrics

Below are the measurements and metrics to be gathered and reported by Quality team to the management and also presented to the practitioners including project teams and auditors.

- Quarterly these numbers will be reported
 - Number of Non-Conformances
 - Number of Observations
 - Number of projects audited
 - Observations per project
 - Non-Conformances per project
 - Audits per person
- Quarterly Trends
 - Process Wise Non-Conformances
 - Process Wise Observations
- Yearly Analysis
 - Pareto Analysis (Observations and Non-Conformance Separately) - by Process
 - Line Chart - Number of Non-Conformance / Observations per project Separately