

# The Problems with Many Corporate Audits

by Norman Wei

Many companies have policies in place that specify the frequency of their internal environmental audits. Once a year or every other year, a company does an internal audit or hire external auditors to do it.

When a company has a major chemical accident, investigative bodies such as the US Chemical Safety Board comes in and look into the causes of the accident. More often than not, these investigation bodies discover that internal audits had identified the root cause of these accidents.

And yet the facility still blew up and killed hundreds of workers. Why is that? Why didn't senior management pay heed to the warning signs highlighted in the audit reports?

There are basically several underlying reasons.

The first reason is that many corporate auditors look for "consistent" audits. They want to see consistency year after year. Yet, good audits are never consistent. At a recent conference of auditors, many environmental managers said they wanted the same old external auditors to do their audits every year in order to get "consistent" results. They didn't want to spend time explaining their manufacturing process to a new external auditor. They wanted someone who is very familiar with their operation.

These managers obviously have never heard of the term "familiarity breeds contempt". They are also perhaps a bit lazy. They get tired of explaining their manufacturing process to a new auditor every year. Some may say they are in effect just going through the motion of getting their annual audit done because their corporate policy requires it. They are not interested in having a new auditor with a fresh set of eyes to find ways to improve their process or fix any problems that had been overlooked before. They could have just photocopied the previous year's report and save themselves some money.

The second reason why audit reports are often ignored is how audits are perceived by plant management.

One of the many reasons auditors (mostly inexperienced ones) like checklists is that they provide a scoring mechanism in addition to helping them remember what they ought to know in the first place. They run through a list of 100 items on the list and when 80 are checked off, the facility gets a 80% score. And that's better than the 75% score they got the year before. So there is improvement! And a good reason for them to go out to the local pub and celebrate. They may even get a nice bonus at the end of the year because they have "improved"! It is for this reason that many facilities view an audit as an examination that they need to pass.

How often have we heard our clients say this "Whew..we passed another audit" as if it was a freshman 101 examination? They see the audit report as a report card. The problem with such reasoning is that it takes the focus away from FIXING the problems. Where is the incentive to fix problems if you "score" 90%? And what specifically are in those missing 10%? What if some of

the missing 10% include some very serious environmental issues?

And that's the main reason why so many audit reports sit on manager's book shelf collecting dust. It is the erroneous misconception that audit is not about fixing problems. They forget all about it after they have passed "the test". As mentioned earlier, there are numerous major environmental disasters that occurred because management ignored previous audit findings and allowed (knowingly or unknowingly) the manageable problems to fester into a major environmental catastrophe.

One of the largest sugar mills in the US was decimated as a result of combustion of fine sugar dust. An internal audit had identified the underlying problems. One of them was a malfunctioning dust collection system. No one took any action to correct it and the plant blew up soon after killing a number of employees and injuring hundreds..

Sometimes we get into the bad habit of testing just for the purpose of testing. The focus should always be on fixing the problem.

The completion of an audit is not the end. It is just the beginning.

The final reason is with the use of strict audit protocol. Such protocol places unnecessary restrictions on the auditors - especially the inexperienced ones. Strict protocol tells the auditors to look for very specific things. It places blinders on the auditors unnecessarily. That's where the excuse "it is not on my checklist or protocol" comes up most often. There should be broad outline and objective for the audit so that when an auditor walks past a badly corroded water tank next to a power substation on his way to complete the checklist elsewhere, he will have the good sense and "freedom" to include that in his report even though corroded water tank is not on his checklist or protocol. Because when the tank collapses and takes out the substation and the plant is out of commission for a week, there will be hell to pay and senior management will not buy the "it is not on my checklist" excuse.

**About the Author.** Norman Wei is an environmental consultant and trainer in Cape Coral Florida. He has trained over 3000 environmental professionals through his seminars on environmental compliance. He has just complete his book "A PRACTICAL Approach to Environmental Compliance - a blueprint for Environmental Managers" available on his website [www.proactenv.com/book.html](http://www.proactenv.com/book.html). His email address is [norman@proactenv.com](mailto:norman@proactenv.com).