

Performance Based Auditing

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Performance Based Auditing

What is Performance Based?

Why is it different than Compliance Based.

Does it add value?

Why do groups struggle with the concept?

Performance Based vs. Compliance Based

The processes for planning and performing compliance based and performance based audits are compared. While there are many similarities, there are differences including:

- The audit team itself (primarily quality personnel vs. cross functional teams with subject matter experts)
- The planning for the audit (reviewing compliance requirements vs. clarifying performance objectives and criteria)
- The approach (verifying evidence of compliance vs. reviewing actual performance)
- The questions asked (“Show me evidence to support...” vs. “What do you do to support a process, performance objective, etc.”)

Scheduling Audits

- A performance based audit cannot be effective without witnessing or observing the activity, independent of when the activity is being performed such as;
 - Night shift or on weekends,
 - Sometimes the activity, such as performing routine scheduled maintenance, is only performed during a portion of the work year.
 - Emergency repairs, are not scheduled in advance, but witnessing these activities is important to the effectiveness of the audit.
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Performance Based - Execution

- For a compliance based audit, subject matter experts (SMEs) would be helpful as technical specialists supporting the audit. For a performance based audit, they are indispensable.
 - While the quality professional may play an important role in organizing and leading the performance based audit, the SME is the audit team member most qualified to evaluate the process or activity being observed and to identify potential issues.
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Performance Based - Goals

- The goals of a performance based audit are to provide insights and information to the managers of the areas being audited to help them improve their programs (tell the managers something they do not know about the implementation of their program).
 - Identify the associated performance objectives and criteria. How does management know if they are successful in these areas? What are the criteria used to determine this success?
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Planning – Compliance Based

- Identify the key requirements to include in the audit.
 - Identify how these key requirements are implemented via procedures. Do the procedures, if implemented as documented, correctly satisfy the identified requirements?
 - Develop a clear understanding of the procedures and plan and how best to verify the steps indicated therein.
 - The planning should include what documents to review that would provide evidence of compliance, which individuals by title to interview, and what questions to ask these individuals.
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Planning – Performance Based

- Generate flow diagrams of these activities. Include data flows and timing information.
 - Perform a barrier analysis of these activities. Identify those steps or areas that might be weak areas or might have the potential to result in problems.
 - Review any available data for these activities that might indicate potentially weak areas (e.g. performance statistics).
 - Determine how these activities support or have the potential for a negative impact on the POCs.
 - Using these diagrams and analyses, look for unnecessary steps, wasted actions, or missing steps.
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Performance Based - Performing

With the detailed planning that should have been performed earlier, the key steps involve:

- Observing work in progress. Does it match the procedure? Are there unclear steps or are there alternative methods that are more effective than those indicated in the procedure? Can you observe factors that might impact the effectiveness of the process?
 - Performing drills or simulated activities when the actual work cannot be observed in normal mode.
 - Interviewing the individuals who actually perform the work. Ask them how the process works, what they do if it isn't working, how it can be improved, who their customer is and how do they know if they are satisfying their customer.
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Performance Based – Performing, Continued

- Performing surveys or conducting focus groups of customers or employees involved in the process. However, before doing this, get the concurrence of the manager of the audited area.

Don't stop with the identification of a problem. Continue pursuing further. Why did the problem occur? What is the cause of the problem? What could be done to prevent the problem?

Documenting the Audit – Compliance Based

The compliance based audit should identify the following:

- Areas of strength – where the process or program is especially strong either because it exceeds the requirements or is performed in an especially cost effective manner.
 - Findings – noncompliances. If the culture permits it, related noncompliances may be rolled up into one finding so that a more comprehensive picture of the process or program is given, e.g. “the distribution subsystem of the document control system needs improvements as identified by following:” followed by a list of all nonconformances found.
 - If the culture supports it, a list of opportunities for improvement that were identified during the conduct of the audit. (suggestions/recommendations)
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Documenting the Audit – Performance Based

The performance based audit report has a different focus. It should contain the following:

- An executive summary – While the report is primarily written for the manager of the audited organization, we have found that short executive summary as the first part of the report is extremely valuable. This summary quickly sets the tone for the rest of the report and quickly tells the reader whether any major concerns were identified.
 - Findings – noncompliance's. Issue these when the observed performance does not meet the requirements)
 - For each performance objective and criteria identified at the start of the audit, the report should provide a summary. How well is the POC being met? What opportunities for improvement exist? Don't repeat information that may be found later in the report. Instead provide a reference.
 - Areas of strength – identify any areas that were especially strong and in which changes should not be made. Identify any portions of the organization that are especially effective.
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Documenting the Audit – Performance Based - Continued

- Areas for improvement – Identify areas for which improvements should be made. The motivation for improvements could be:
 - To better meet the customers' needs or increase customer satisfaction.
 - To make the process or activity more robust or effective.
 - To save dollars and time
 - To prevent future problems
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Summary

- Compliance Based auditing and Performance Based auditing have a stated purpose and outcome. There is a time and place for each.
 - During a performance based audit using subject matter experts adds credibility to your team (everyone learns from each other).
 - When you move to performance based start by doing a few pilot audits – gage the reaction – seek to improve, before you commit to do every audit as performance based
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Wrap up

- What is Performance Based?
 - Why is it different than Compliance Based.
 - Does it add value?
 - Why do groups struggle with the concept?
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Questions?

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