



# Risk-Based Auditing Strategies

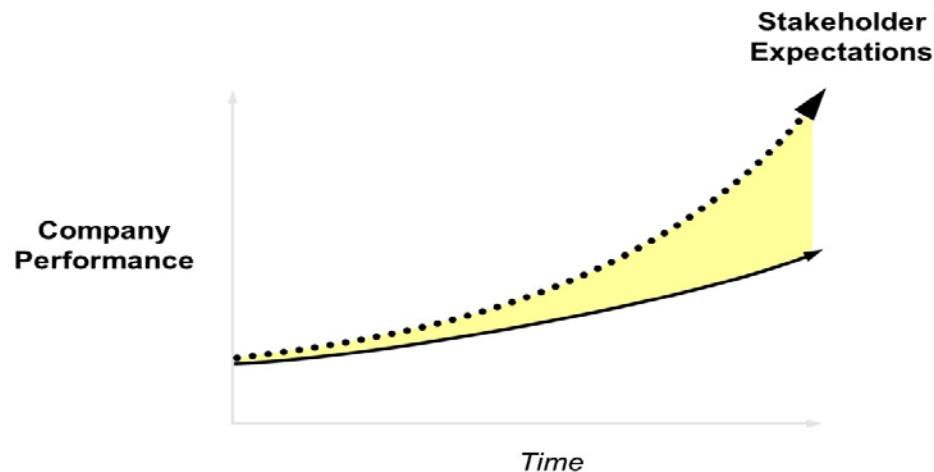
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# When the Audit Team Arrives



# Are Compliance Audits Important?

- Objectives
  - Establish a baseline of compliance
  - Facilitate corrective action
  - Improvement in overall environmental, health and safety performance
- **So, audits should be of great interest to organizations**
  - But generally they aren't, why?



# Common Perceptions

- Common Perceptions
  - Points out what you are doing wrong...
  - Focused on the minutia (“nit picking”)...
  - Added burden to workload for plant to answer repeat questions...
  - Auditor coming in to tear down our program (seagull auditors)...
- As a result management focuses on reducing costs
  - Audit less frequently
  - Decrease audit duration
  - Use less experienced auditors

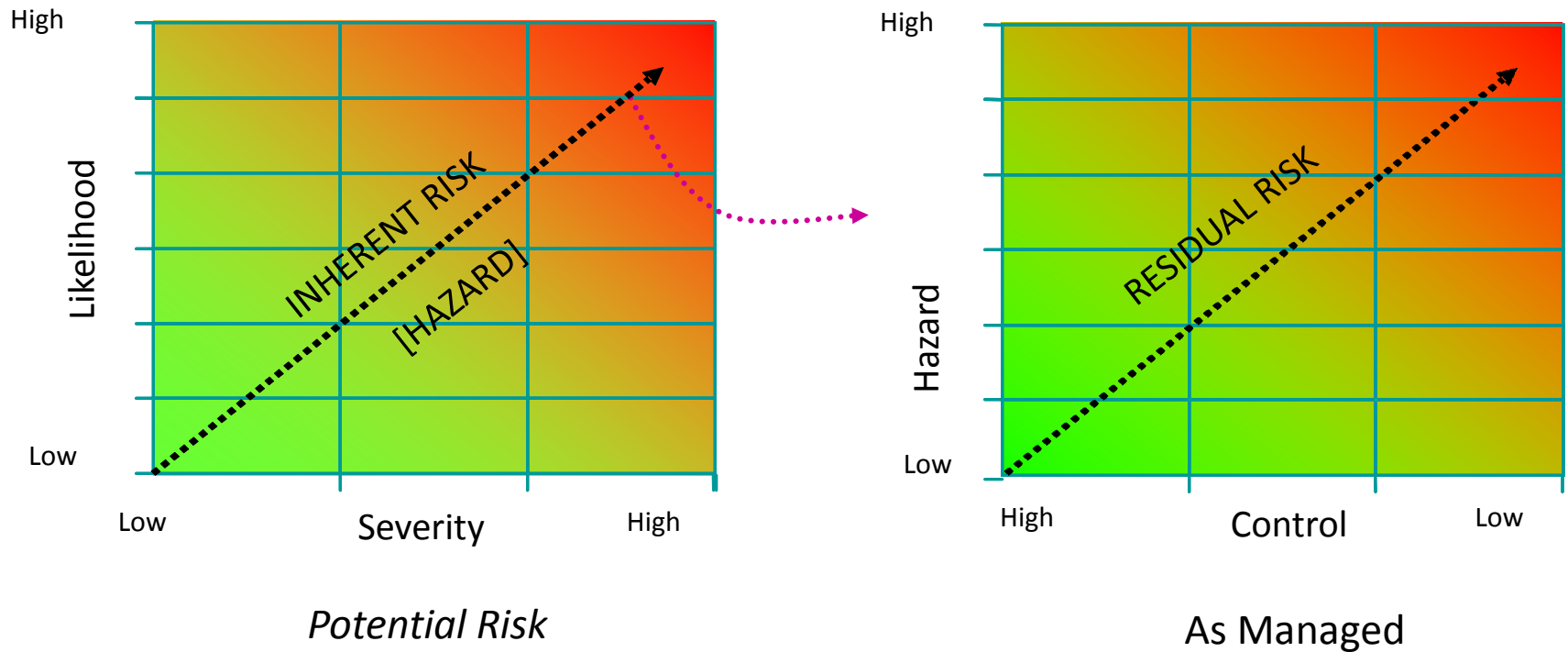


**Does this really make sense?**

# What if we change the way we think?

- Focus on risks to the business
  - Environmental impacts, regulatory non-compliance (fines), public perceptions, business disruption
- The auditors will not be able to identify ALL risks, but can identify failures that lead to breakdowns
  - Systems, culture, engineering controls
- Focus on identifying/recognizing consequences and effectiveness of controls
- Increase engagement with the employees who do the work

# Risk Assessment Concepts



So, how does this relate to compliance?

# Example – Wastewater Discharge Permit

- What are the consequences?
  - Not having a permit
  - Not meeting permit limits
  - Unauthorized discharges
- What controls do we have?
- How effective/reliable are these controls?
- Will employees be more engaged if:
  - A) you cite the applicable regulatory requirement?
  - B) you have a discussion about consequences and controls?





# Example Risk Rating

## Inherent Risk

Topic	Hazard	Consequences of Failure	Uncontrolled Significance Rating (0 - 3)						Uncontrolled Likelihood Rating (1-5)	Uncontrolled Risk Rating	Current Controls
			H&S	Env	Bus.	Brand	Legal	Total			
Spill Prevention Control and Countermeasures Plan	Discharge of oil to surface water	Environmental impairment, regulatory fines, business disruption, negative press	0	3	1	3	2	9	5	45	SPCC Plan, secondary containment, integrity testing, inspections, training, emergency response

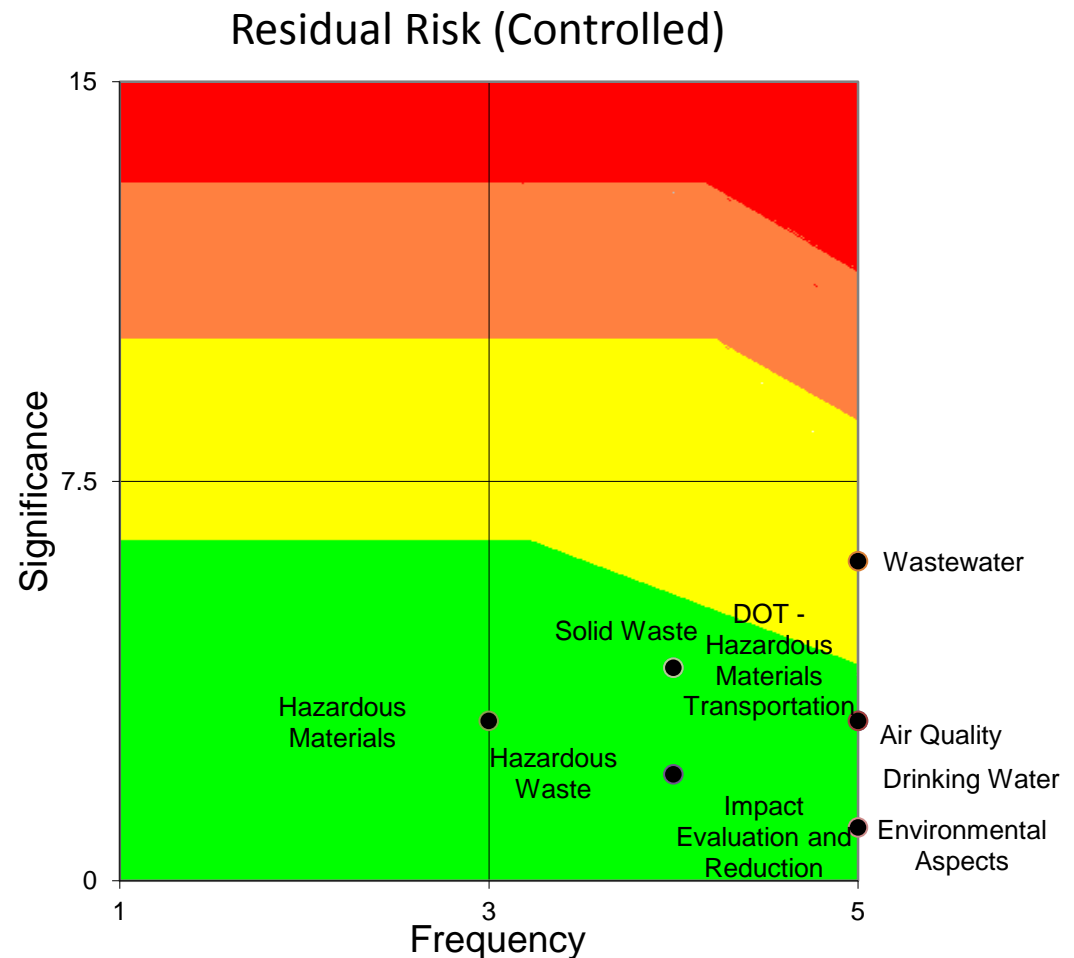
## Residual Risk

Observations on Controls	Controlled Significance Rating (0-3)						Controlled Likelihood Rating (1-5)	Controlled Risk Rating	Recommended Action
	H&S	Env	Bus.	Brand	Legal	Total			
Cracks in containment, weekly inspections indicated no deficiencies, annual training not provided, spill kits not stocked	0	2	1	2	2	7	4	28	Increased accountability for personnel tasked with conducting inspections, establish crack repair program, conduct employee training, add spill kits to inspection checklist



# Risk Communication

- Risk mapping – effective tool for communicating risks
- Holistic view of risks, not just a laundry list of regulatory findings and action items





# Benefits of Risk Based Audits

- Review EHS program and effectiveness of controls, not just compliance verification
- Identifies what is working well (not just problems)- balanced review
- Aligns resources with higher risk topics
- Hindsight (lagging indicator) vs. Insight (leading indicator)
- Provides site personnel with skills to drive SH&E performance after the audit
- Audit viewed as a more collaborative process



Thank you

## Questions?

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