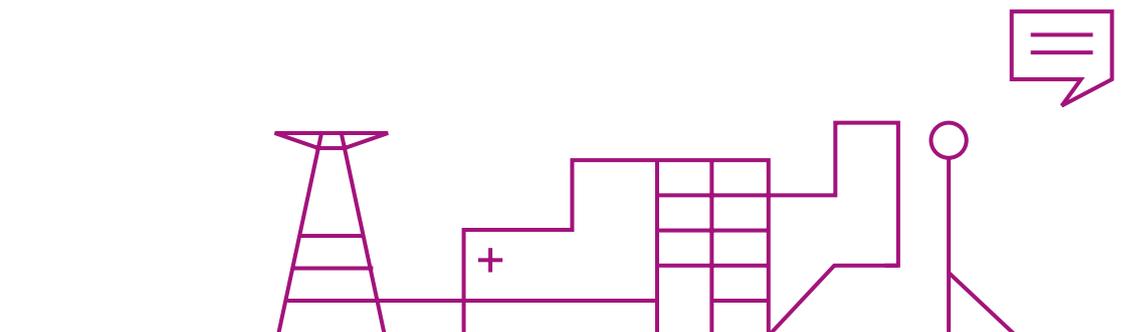


# The Value of Environmental Auditing

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An IEMA Briefing Paper

June 2020



# Executive Summary

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Environmental auditing has a critical role to play in ensuring that organisations fulfil their commitments to environmental management and performance. This may be especially valuable where management need to satisfy stakeholder expectations, are under scrutiny from regulators or rely on good environmental management to demonstrate the effectiveness and fulfilment of their environmental sustainability strategy.

In order to benefit from effective audits, managers need to ensure that they have competent individuals planning, managing and undertaking audits, and focusing on key areas where audits can add value. In addition, it is important that auditing is adequately resourced and is supported by senior management, who appreciate that environmental auditing contributes to overall organisational performance.

Good environmental auditing is based on effective planning, with realistic audit objectives and scopes that address key areas of risk. It is important that all parties appreciate the role of auditing in delivering improvement and are open and cooperative in the audits themselves. All staff have a role to contribute to the audit as a focus for identifying and contributing to opportunities for improvement.

Effective environmental auditing adds value by identifying areas for improvement in environmental management and performance, potentially delivering significant operational efficiencies, cost savings and enhanced compliance, in addition to creating greater environmental and societal value. They provide essential information to senior management on areas of risk, attainment of objectives and progress towards strategic goals. Their results can lead to greater transparency, enhanced stakeholder relationships and brand value.

This briefing paper explains how management can benefit from effective environmental audits and focuses on the roles of, both internal and external, auditing in adding value. It also examines the benefits that registered auditors, with demonstrated competence in auditing, can bring to the process.

At a time when the role of auditing and auditors in all disciplines, including financial auditing, are under scrutiny, ensuring that environmental auditing is carried out to the highest standard is in the control, and to the benefit, of all organisations.

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# Overview

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The purpose of an audit is to provide an independent, objective opinion that can be relied on by stakeholders. This applies equally to auditing of financial statements, carbon footprints and management systems, among others.

Auditing of an organisation's environmental management processes provides valuable evidence of the status of its environmental performance, compliance and the Environmental Management System (EMS) itself. The audit findings can be used as the basis for improvements at operational level and to provide an overview of the effectiveness of the organisation's approach to environmental management and governance.

Effective auditing can identify risks from poor management and control, which otherwise may result in environmental damage, excessive cost, damage to reputation and even prosecution. It can identify genuine opportunities for improvement, potentially by negating the risks, enhancing management processes and contributing to innovation and competitiveness. Positive audit findings can confirm to stakeholders that an organisation is exercising effective environmental management and governance and is genuinely pursuing a positive environmental and sustainability agenda. In order to be credible, the audit findings must be underpinned by an effective and well-resourced environmental management programme.

This briefing paper explains how environmental auditing can add genuine value, especially where senior management recognise its important role and embrace it as a key management tool. It explores the roles of senior management, environmental audit programme managers and environmental auditors in contributing to success and how both internal and external audits have an important part to play. It also considers what is a successful audit, exactly how they add value and how to improve audit effectiveness.

An important factor in audit programme effectiveness is adequate resourcing and support. Not only are competent auditors needed, but they should be given sufficient time to do their work, focusing on the priorities for the organisation's environmental and sustainability goals.

Also, anyone contributing to an organisation's environmental management needs to appreciate the importance of the audit process and participate in a positive manner. Senior management clearly has an important role in resourcing, supporting and communicating the importance of the environmental audit programme.

Case studies and feedback from senior managers illustrate exactly how *effective* environmental auditing can contribute to organisational performance and add value.

An audit is a snapshot in time. It is not possible to ensure that the entirety of an organisation's operations is audited at any one time. It is, therefore, imperative that management facilitate audits of its operations at a frequency, which delivers the optimum value.

Given the obvious benefits of environmental auditing, this Briefing Paper sets out the key success criteria for audits, and explains how to maximise their value and effectiveness. It highlights factors to consider in both internal and external auditing, including the benefits of using registered auditors. It expands on the guidance on auditing management systems in the recently revised ISO 19011, focusing specifically on adding value through the audit process. It should be noted that this Briefing Paper applies to any type of environmental audit, including of suppliers, compliance, single issues such as waste management or energy efficiency, information for corporate reports, etc., as well as of environmental management systems.

This Briefing Paper is intended primarily for those responsible for managing environmental audit programmes within organisations, but it is also of relevance to auditors themselves. The content of this paper can be used for auditor training purposes and for communicating more widely on the value of auditing. IEMA will be publishing in due course a shorter briefing document for senior management, to demonstrate to them the value of auditing and the need for their support.

# Key roles in successful auditing

Aside from environmental auditors themselves, senior management and those responsible for managing environmental audit programmes have important roles in the audit process.

## Senior management's role

Senior management has a crucial part to play in supporting the environmental audit programme (and obviously the EMS as a whole), by recognising the importance and value of auditing. They should:

- appreciate that audits contribute to the achievement of environmental and sustainability strategy, and to broader business objectives, as well as improving the effectiveness of the EMS;
- demonstrate their support for the audit process, emphasising the need for all functions to make time available, encouraging all staff to co-operate in the audits and ensuring optimal audit resources;
- allocate resources and time to consider and address audit findings, so that genuine opportunities are taken to improve performance and contribute to business goals;
- ensure that internal auditors are supported with resources, such as training to develop their audit competence and time to carry out the audit effectively; and
- where appropriate, support the integration of environmental auditing into other business processes, for example integrated auditing or corporate risk auditing programmes. Where this occurs, environmental issues should have an appropriate allocation of audit effort.

## Effective audit programmes

An organisation's audit programme should focus on priority areas, which may relate to performance improvement opportunities, compliance risks, stakeholder interests and other key areas of environmental management. In developing a robust environmental audit programme consideration should be given to the organisation's strategic, operational and environmental issues.

A single individual may possess all the competences for this role; however, the person responsible for managing the audit programme may need support from senior management and other functional roles, especially where audit programmes are integrated (e.g. combined auditing of health & safety, environment and quality).

## Competence and commitment

Environmental auditors require not only appropriate technical competence but also need to possess the personal behaviours that contribute to successful audits. This is explored in more detail in the sections dealing with internal and external auditing. Ideally, they will have a combination of knowledge, skills and experience in environmental auditing and be able to apply this to the auditee's activities. Also, auditors should develop good soft skills; being empathetic and able to communicate with individuals at all levels are important to effective auditing.

Auditors must be diligent and committed, genuinely striving to help improve environmental performance. They should be able to plan their audits so that they focus on priority areas, and be able to produce relevant, evidence-based findings. Also, they should be capable of presenting findings in a way that clearly explains the benefits of taking action, and be prepared to explain to senior management opportunities for adding value.



# What is a good audit?

A good audit is an audit that:

- meets the requirements of the commissioning organisation;
- is fully supported by the audited organisation; and
- is delivered in an impartial and objective way by a competent auditor.

However, this simple definition belies the need for a structure for the delivery of a successful audit.

In this section, we will look at the key factors that determine a good audit.

## Commitment

Each element of the delivery of an audit is crucial to its success. It requires commitment not only by the auditor but of all within the scope of the audit to fully participate;

- from top management, who may be looking for clarity from the audit for validation of the current environmental status of the organisation and as a basis for their future decisions;
- from middle management, who are seeking confirmation of their current environmental performance and identification of areas for improvement; and
- from operational personnel, who will benefit from better understanding their environmental roles and the benefits they can deliver to the business by acting as environmental champions.

## Clear audit objectives

The commissioning of the audit (which includes the scheduling of an internal audit programme) should provide clear objectives, framework and the parameters for the audit; is it intended to be a compliance audit against known legal obligations; is it an internal ISO 14001 audit; is it a due diligence audit, or is it an audit for another defined purpose. Likewise, clear understanding of the scope of the audit is essential. If only part of an organisation is to be audited, it is imperative to understand why that may be the case, and the limitations which that may create.

## Auditor competence

In delivering the environmental audit, the auditor needs to have a sound understanding of the operations of the organisation and its context: its interaction with the environment and vice versa, (that is, the organisation's vulnerability to external conditions, such as availability of raw materials, or difficulty in disposing of increasingly problematic waste), its environmental performance criteria and legal obligations. With rapidly changing environmental conditions due to climate change, it is imperative that the auditor is able to incorporate understanding of this externality into the audit.

## Responsibilities and participation

Equally important is for the audit to be based on a clear understanding of the structure and responsibilities within the organisation and the organisational culture. The audit should be capable of enabling discussions to fully understand environmental performance from all personnel, including the Chief Executive Office and G-Suite executives as well as other managerial levels and operative personnel. Internal auditors should not be precluded from, nor intimidated by auditing staff who are their seniors. Without this scrutiny it is not possible to audit the entirety of the management system and evaluate its effectiveness.

The audit should be fully supported by those involved, with their full participation including open audit discussions, access to all relevant personnel, areas and documentation. Staff within the audited organisation should be given permission to be fully open and honest about the environmental performance of the organisation and not to feel threatened by the auditor's questions or the possibility of a negative audit finding being raised.

## Reporting the findings

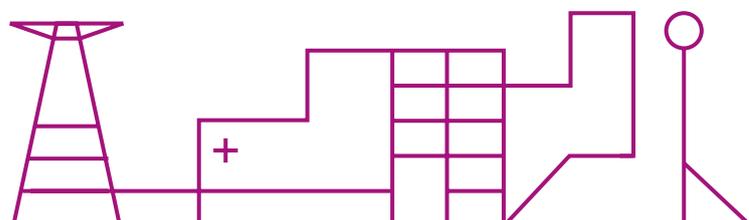
The audit report should identify where the audited requirements have been met as well as valid and meaningful nonconformities, where the requirements have not been met. It is essential that the audit provides clear evidence of the nonconformity, not only for all parties to accept their status, but to allow the audited organisation to fully understand its implications to allow for further investigation and identification of its resolution.

The conclusion of the audit should provide an opportunity for all participants in the audit and those involved in the operation of the organisation and its interactions with the environment to be present. The meeting should be an opportunity for the auditor to present an account of the audit for an open discussion of the audit and its findings, both where requirements have been met and where action is required.

The process should audit for outcomes: for example, what is the intention of the management system, and is this achieved?

*Auditing allows our business to demonstrate how we are protecting the environment by preventing or mitigating adverse environmental impacts, assists us in fulfilling our compliance obligations and enhance our environmental performance. Having a developed robust environmental audit plan implemented across the business allows us to achieve both financial and operational benefits that result from implementing environmentally sound alternatives. We can also ensure we meet our responsible business operations externally.*

*Arlette Anderson - Director of EHS, Gatwick Airport*



# How audits add value

Good, effective audits are a vital component of an EMS, ensuring that it achieves its “intended outcomes”. These outcomes will vary depending on an organisation’s context, including its own strategic direction, but as a minimum will ensure that an organisation meets its compliance obligations, achieves continual improvement and is successful in protecting the environment. More ambitious organisations will have broader sustainability goals, potentially involving partners in the supply chain and other stakeholders, which add to the complexity of the EMS. Auditing helps organisations to track whether they are fulfilling these aspirations.

**Environmental auditing, whether internal or external, can add value specifically by:**

- updating senior management on environmental performance, especially in relation to significant risks or implications for strategic issues;
- identifying actual failings or potential weaknesses in environmental management processes, before they can detract from environmental performance, and stimulating evaluation of the underlying causes to encourage genuine and lasting improvement;
- highlighting areas of non-compliance with legal requirements or other commitments (e.g. contracts with suppliers);
- establishing areas for potential improvement in environmental performance, which could lead to increased efficiencies, cost savings and enhanced compliance;
- confirming that the organisation has robust processes in place for ensuring compliance, resulting in better relationships with regulators;
- demonstrating to stakeholders that the organisation has effective environmental management processes and is achieving planned levels of performance;
- providing the basis for reliable and transparent reporting of performance;

- raising the awareness of relevant environmental issues and guiding them in improving their ability to apply environmental management processes; and
- demonstrating to external certification bodies, in the case of internal audits, that the organisation meets the requirements of ISO 14001 for auditing.

Effective environmental auditing ensures that the EMS is successful in delivering a range of benefits, including enhanced compliance; better performance leading to process efficiencies and cost savings; reduced rates of environmental incidents, thus avoiding consequent disruption and cost; enhanced stakeholder relationships; stronger brand value and fulfilment of organisational strategy.

*The European Bank for Reconstruction & Development (EBRD) relies heavily on audits and assessments to ensure projects are structured to meet the Bank's Environmental and Social Policy and Performance Requirements. Audits are an essential tool to assess the potential environmental and social liabilities and risks on site and the capacity of our clients when making investment decisions.*

*Debbie Cousins - Head ESD Operations, EBRD*



# Improving audit effectiveness

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Many of us have experienced good audits and, sadly, poor audits. Given those experiences, there are key steps which we can take to ensure that the delivery of an audit is positive, insightful and meaningful for all participants.

There are eight factors, discussed below, which can shift an audit from being poor to excellent and enable the audit to become an important tool for capturing the status of an organisation's interaction with the environment as well as to act as a starting point for transformative change to the effectiveness of the organisation's operations.

## Clear audit objectives

In order to maximise the effectiveness of an audit, the organisation, its management, its personnel and the audit team need to have a shared vision and commitment to the audit or a programme of audits.

Setting the audit objectives should not be left solely to the auditor or to the environmental manager or their team, although each can help to inform the process of setting the audit objectives. There needs to be active participation by all and embracing the most senior managers and all the relevant personnel.

From this active participation, the audit framework, parameters and its objective can be clearly understood by all, whether it is to understand the status of legal compliance; a due diligence audit for a merger or takeover; an internal audit in preparation for a certification body (CB) audit or for another defined purpose.

## The role of the auditee

Once the audit objective has been defined, it should be communicated to all personnel that are within the audit scope. An important factor for improving the effectiveness of an audit is for all participants to be fully open and honest about their operations, environmental performance of the organisation and in sharing any documents to support the current status.

## Auditor competence

Clearly the competence of the auditor can have a significant influence on the effectiveness of the audit. The auditor has to not only have clear knowledge of the standards (such as ISO 14001 or bespoke requirements) that may be applied in the audit but also a sound understanding of the operations of the organisation; its interaction with the environment and vice versa, as well as its environmental performance criteria and compliance obligations. The auditor should be capable of understanding environmental interactions and their importance. An audit should not be constrained by focusing on legislation: it is possible to be legally compliant, yet be environmentally vulnerable. The auditor should be cognisant of this, and be capable of auditing accordingly.

## Auditor interactions

The auditor should have a clear understanding of the organisational culture, with the auditor being competent in facilitating discussions with all personnel throughout the organisation. It is important for the auditor to set the 'tone' of the audit by gaining the trust of the participants and asking appropriate open questions. The auditor should ensure that participants do not feel threatened by the auditor's questions or the possibility of audit findings being raised. Having good soft skills, including being able to put auditees at their ease, are essential for auditors to build a rapport with them. In addition to being able to ask pertinent questions, good auditors are good listeners, not only picking up on key information imparted by auditees but also demonstrating their interest. When interviewing senior management, auditors should be able to focus on more strategic issues, being able to discuss these using appropriate business management terminology.

### Audit coverage

Sufficient time should be programmed for the audit to ensure that all the audit objectives can be achieved, including visits to relevant locations and functions, discussions with personnel, and review of documents and records (and any sampling methodology that will ensure that the audit findings are statistically relevant). When multiple sites are involved it is important to ensure that across an audit cycle all sites and functions have been covered.

### Audit reporting

At the conclusion, a summary of the conduct of the audit should be prepared by the auditor to ensure that all participants have the benefit of understanding the progress made during the audit and the context of any findings and evidence to demonstrate where requirements have been met and where action is required. Action may vary, from a change in working practice, to a need for capital investment in a process in order to reduce risk.

The reporting may involve the use of video and photographs to illustrate the evidence seen during the audit in order to promote further understanding of the audit findings, when this is permissible.

### Organisational benchmarking

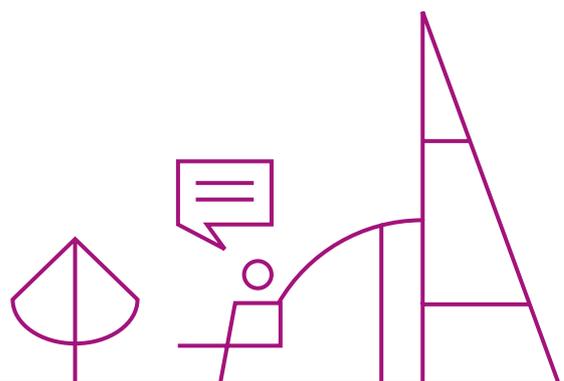
Benchmarking is a useful tool for assessing both the effectiveness of the audit and the performance of the organisation and its EMS, including benchmarking the performance of individual auditors as well as the environmental performance of individual departments within an organisation. The organisation may choose to benchmark against external standards, such as industry best practice, or against competitors.

Outcomes from benchmarking can be useful for audit planning and for highlighting areas of organisational performance, such as examples of good practice (which can be used to inform the audit opportunity log and actions that may need to be taken).

### Taking action

Finally, when all the audit objectives have been met and everyone understands the context of any findings, especially when organisational benchmarking has been carried out, relevant personnel should consider what actions can be taken to at least maintain or preferably improve their environmental performance. Where requirements are not being met actions need to be taken to address this.

Equally, and importantly, action can be taken to continually improve the audit process by identifying opportunities to learn lessons from the current audit programme by looking back over the above eight factors and making changes to the audit process.



## Remote auditing

When site visits are impractical and social distancing or isolation may constrain face-to-face contact, organisations are opting to carry out remote or virtual audits, utilising electronic communications, rather than postponing audits for an indefinite period. Although this approach is recognised as a legitimate component of audit practice, careful consideration should be given to its appropriateness and limitations when scheduling and planning audits.

ISO 19011, the standard providing guidelines for management systems, recognises that remote audit methods can be used for:

- undertaking interviews;
- conducting document review (with or without the participation of the auditee); and
- observing activities via surveillance means (potentially with an on-site guide).

Although these methods can be relied on to gather much of the evidence needed to fulfil the objectives of an audit, care must be taken in their application. When planning an audit using remote methods, consideration must be given to the feasibility of the audit and the risks to the achievement of the audit objectives.

This may require the modification of the audit objectives and scope. As with any audit, the report should provide information relating to the methods used and any limitations encountered, so that users of the report can have confidence in its findings.

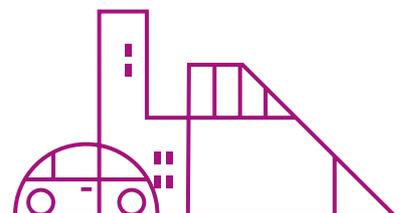
Organisations should weigh up the benefits of carrying out audits with potentially limited scope, as opposed to postponing them for an indefinite period. The former should provide at least some reliable evidence of performance status, rather than being completely in the dark.

It must also be acknowledged that remote auditing, used appropriately, can deliver benefits including reduced travel time, costs and carbon emissions. Potentially there will be a greater role in the future for these methods, especially as technology advances.

IEMA will be producing more detailed guidance on remote auditing.

*Effective auditing adds value to the Skanska business by not only confirming progress towards our strategic goals and ensuring we meet our legal compliance requirements, it also identifies areas of risk, areas for improvement and areas of good practice that can be shared. This not only leads to reduced environmental harm but also to better cost efficiencies and also confirms that we have effective governance processes in place which in turn enhances relations with our customers and stakeholders.*

*Adam Crossley – Director of Environment, Skanska UK*



# How to maximise value from external audits

External (3rd party) certification provides an independent assessment of the organisation to give confidence that the EMS:

- conforms to specified requirements e.g. ISO 14001;
- is capable of achieving its stated policy and objectives;
- is effectively implemented; and
- that the management system itself is fit for purpose.

The audit provides value to the organisation, its customers and other interested parties by checking that processes are in place, that they are appropriate and effective.

## Why have external audits?

Increasingly, customers and clients demand that organisations have an EMS in place which is certified by an accredited CB (Certification Body). The organisation should ensure that a CB is used which has accreditation from UKAS (United Kingdom Accreditation Service). Without this level of oversight, customers will not have certainty that the audit has been carried out to a satisfactory standard. Additionally, the organisation will have greater confidence that the audit is delivering the value which it seeks by having an external audit carried out, by an "accredited" certification body. Reputable CBs should aim to inspire confidence through being: impartial, competent, responsible, open, respectful of confidentiality, responsive to complaints and adopting a risk-based approach to the audit.

A good certification audit will normally uncover issues and learning points that are useful for an organisation, including status of environmental objectives, the improvement of risk management, strengthening of corporate governance and challenging of underlying organisational assumptions. The audit results feed into the organisation's planning and contribute to identifying improvement needs and activities.

## Engaging external auditors

To maximise value from their external audits, organisations should consider a selection process for the suitability of CBs to meet their requirements and select one that can demonstrate it has the necessary capabilities and can meet the organisation's criteria. This can extend to seeking assurances of the competences of individual auditors, as the auditor's expertise and knowledge of the organisation and industry sector is critical in that:

- it enables better communication between the organisation's management and the audit team; and
- it is critical to ensure that auditors identify relevant risks.

Organisations should look to ensure that their CB highlights areas of concern and challenge all tiers of management from a practical perspective, which is more likely to influence senior management. Potential liability concerns may restrict CB auditors from expressing frank views; potentially organisations could agree to limit the CB auditor's liability to provide more leeway to get more forthcoming, unsolicited opinions and views and frank feedback.

Although many organisations choose to have audits carried out by the same CB for all types of audits, in order to provide consistency, some CBs have strengths only in certain areas, which may not include environmental auditing. It is important to ensure that the CB understands the needs of the organisation with regards to its environmental risks. As already suggested, the organisation should verify the competence of the potential auditor to ascertain that this is the case. If potential risks have not been identified because the auditor is not sufficiently well versed in environmental issues, the financial saving from commissioning integrated audits could easily be lost if the organisation subsequently falls foul of the law or misses opportunities for improvement.

Organisations can bring in CB “technical experts” with specific areas of expertise – CB organisations will have this necessary competence available from their wide pool of auditors that visit a range of industry sectors. IEMA recommends that Environmental Auditors have Chartered Environmentalist (CEnv) and Full Member (MIEMA) status, to ensure that environmental understanding is of sufficient depth to enable a valuable audit.

### Effective relationships with certification bodies

The organisation should hold regular planning meetings with the CB which:

- look to plan future audits to focus on areas of risk/concern identified by the organisation;
- consider visiting all locations in the three-year cycle for a multi-site EMS certificate;
- review the number of audit days focused on environmental issues over the 3-year cycle- this is of particular importance when the environmental audit is part of an integrated audit; and
- target specific areas to improve processes to deliver tangible results.

The strategic review undertaken by the certification body prior to the commencement of the three-year certification cycle provides an opportunity to agree audit scheduling.

Organisations should agree with their CBs approaches for:

- audit practices:
  - allowing the auditors to take photographs to use in reports or at closing meeting;
  - undertaking unannounced audits? Some auditees particularly value unannounced audits as they show the operation of the organisation as it is at any time. An organisation which has confidence in its operations may welcome these. However, not all CBs offer them;

- audit reports (one of the key deliverables of the audit) which:
  - ensure that NCs (nonconformances) clearly state the problem and that the CB liaises with organisations to close them out. For this to happen it is imperative that NC statements are clear and understood by all parties, so that auditees can more readily identify root causes and develop appropriate corrective action plans;
  - provide non-conformances (NCs) which first address shortcomings within the EMS. Only then should they seek to raise an NC against the standard (ISO14001, EMAS, etc.), if appropriate;
  - report positive findings as well as NCs: OFIs (opportunities for improvement) and potential NCs (such as a near miss, or areas which have been audited and there is doubt that the EMS is working as effectively as it could, but currently there is no evidence of a nonconformance);
  - are provided for each location (if desired), if multiple locations are visited. Ideally the same auditor will have audited each site, otherwise comparison between sites becomes less meaningful (alternatively, an audit protocol may be established to ensure consistency in approaches and findings by different auditors);
  - develop with the CB a summary document for Senior Management (if desired) outlining good points, internal control weaknesses and responses from management;
- other supporting services (where appropriate, and recognising these may incur additional fees):
  - provision of nonconformity logs and trend analysis;
  - an on-line portal accessible by the organisation for certificates, reports, NC tracking, etc. and;
  - provision of legislation updates, guidance on development of standards, emerging environmental issues, etc.

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Periodic rotation of audit firms / auditors could bring benefits - a fresh perspective would be obtained as well as ensuring the independence of the audit. This has to be considered with the potential that a proper understanding of the organisation may be hampered if rotations are done too frequently.

### **Integrated audits**

If the organisation operates several management systems or has an integrated management system, there are arguments for and against combined / integrated CB audits. In favour of an integrated audit are the opportunities to reduce the number of audit days, and possibly give a better assessment of the organisation's management systems through a holistic view. However, if having an integrated audit, the points in paragraphs above are important regarding auditor competency; collectively the audit team must possess all the competencies needed to achieve the audit objectives.

An integrated audit does not necessarily mean one auditor on site for several days: it may be more appropriate to have several auditors (collectively competent in all the disciplines of the integrated audit) on site for a shorter time. The organisation should remember that the point of the audit is to identify risks to the organisation. It is therefore imperative that the audit reflects the organisational risks through the time spent on the various elements of an audit.

### **Valuing external audits**

It is important that the organisation has the proper attitude to all external audits. If the organisation sees getting through an audit without mishap as their main aim, rather than taking the audit as a potential light on vulnerable areas, their attitude to the audit itself, as well as the auditors will deliver little value to the organisation.

As already referenced, an organisation which values the audit will expect a thorough audit to be carried out by a competent auditor, in order to highlight any areas of risk and vulnerability in order for the organisation to be able to take appropriate action. If the audit has been given insufficient time, environment does not have the appropriate balance of time within an integrated audit, or has an auditor who is not environmentally competent, the audit will not provide value and will lead to wasted time and resources.

Ensuring that Senior Managers participate constructively in CB audits demonstrates senior management commitment and highlights the importance of the EMS to Senior Managers. Within ISO 14001, the ability of the organisation to demonstrate leadership is a requirement. However, leadership should take place throughout the organisation. Decisions taken at board level need to be translated by senior management to ensure effective implementation. Their involvement in internal and external audits enables them to facilitate appropriate communication of issues, both upwards and downwards, within the organisation as well as being able to ensure that funding is channelled to areas of elevated risk.

Organisations should use audit reports and their findings to facilitate organisational learning between senior managers, staff and across departments and sites. For example, learning which operational areas have the best audit outcomes, and how their practices can be shared with poorer performing areas.

### **External audits and stakeholders**

Robust external audits can have tangible benefits with regard to relationships with regulators and other stakeholders, by providing assurance of the integrity of the organisation's environmental management processes. Potentially, this can result in reduced scrutiny by stakeholders such as investors and customers.

# How to maximise value from internal audits

Internal auditing is critical to establishing good internal controls and strong process; it avoids the organisation drifting into nonconformity and identifies need for corrections at an early stage. Organisations which have an external certification to ISO 14001 have a requirement to carry out regular internal audits. These audits have the function of ensuring that the organisation does not become complacent between certification visits. Also, internal auditors have an intimate knowledge of the organisation and its processes, and so should be able to dig deeper than external auditors.

## Auditor competence

The internal audit competence process must define the knowledge, skills, experience and qualifications of persons undertaking internal audits, for both auditing and environmental knowledge. In some circumstances, auditors will need little more than an understanding of the audit criteria (e.g. the requirements of the applicable process control or procedure). However, in many cases more advanced competence is needed, potentially demonstrated by professional qualifications or standing, e.g. IEMA registered auditor; at a minimum Practitioner, or preferably Full Membership (PIEMA or MIEMA) or higher; Chartered Environmentalist (CEnv); and attendance of an IEMA-registered auditor course. This needs to be cross referenced with the organisation's training requirements, to ensure that internal auditor competence and capacity are maintained. Failure to do so presents a risk in its own rights.

## Resourcing audits

A pool of internal auditors should be set up for the organisation where the organisation is of sufficient size. This requires senior management backing and commitment. Where this is not possible, the organisation could seek out other organisations with whom reciprocal arrangements can be set up. Alternatively, many small organisations employ independent auditors to oversee their internal auditing requirements. When this is the case, auditor competence should be verified, as described in earlier sections.

## Developing expertise

Staff acting as internal auditors can enhance their skills (develop audit expertise and environmental understanding) and develop their understanding of the organisation, in the following ways:

- by developing as in-house "issues" experts who have a sound understanding of legal requirements in their area e.g. waste and emissions;
- once a team has been identified, it would be useful, where capacity allows, to assign mentors for "trainee" auditors to develop the trainees further before allowing them to conduct audits alone;
- by visiting different parts of the organisation during the audit plan, the audit team get to establish an understanding of the wider organisation and often provide 'cross-fertilisation' insights and different perspectives into operations and processes; and
- if permitted by internal protocols, internal auditors can play an active role in developing improvement actions. The auditor's understanding of the nonconformity and its root cause can be useful in determining an effective response. Also, by participating in this way, the auditor can gain valuable experience, as well as acting as a mentor to other staff.

The role of the internal auditor in raising awareness and improving competence of staff should not be underestimated. The audit process acts as an important communications medium, in which the auditor can discuss potential improvements with staff, encourage them to better understand their roles and the value they can add through contributing to environmental management.

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## Adding value

The internal auditor, with their holistic view of the organisation, can be of great value and help spot risks before they become issues or incidents. If the internal auditor is sufficiently skilled in management systems and auditing them appropriately, the role of an external auditor, if deployed, can then be maximised. Rather than becoming trapped in the minutiae of an EMS, the external auditor can take a much broader view of the organisation, to add value. Likewise, the reverse is true. Poor internal auditing will mean that an external auditor spends time pursuing audit trails which may not be where the areas of greatest vulnerability are to be found.

## Improving the audit process

Where the audit team is sufficiently large, time spent in discussion around common areas which are identified can then contribute to the next stage of the process in conjunction with the auditees and those in charge of planning the audit schedule. This may be developed into learning packages for staff working across the organisation. Valuable discussion can determine whether an appropriate close out of a nonconformity (NC) requires better training, greater resource allocation, or simply the re-writing of an inappropriately written procedure.

The organisation should ensure its audit programme is controlled centrally, reports collated centrally with findings and trends identified using all those raised across the organisation. This function may sit with a specific audit department. Regardless, it is imperative that audit cycles give sufficient emphasis to environmental issues, and that NCs reflect the importance of the environmental risks to and from the organisation.

Also, it is important to ensure that audits are not just a 'box-ticking' exercise where the auditor simply seeks "yes/no" answers to questions on a pre-set checklist. These pose further risk to the organisation, as it means that not all areas are considered. Many audit trails have been missed by organisations seeking to derive consistency by having a predetermined set of questions, only to have questions which miss root cause.

## Promoting the internal audit programme.

Approaches to promoting the internal audit programme can include:

- considering unannounced or short notice audits to gain a better appreciation of "business as normal" as opposed to visiting audit locations that have had long notice of the audit, allowing staff to prepare for it;
- adopting a scoring methodology for the audits, publishing these and a summary of the results in internal reports – this fosters a competitive atmosphere within the different parts of the organisation and their managers;
- having a page on the organisation's internal (and potentially external) website highlighting the internal audit team's work gives value to both the audit process and the auditors. It communicates to the organisation that the audit and its findings are taken seriously;
- communication of preventive action should have a clear narrative within the organisation, and to its supply chain, demonstrating that the organisation is keen to act responsibly with respect to its environmental obligations;

- comparing internal audit findings with the organisation's "unplanned" events and looking for correlations can identify trends. This can lead to better focused improvement plans;
- ensuring that the outputs, findings, recommendations of the internal audit programme feed into the organisation's Management Review. Top management should provide resources to ensure that there is appropriate close out of NCs. The internal audit team should ask for feedback from each management review in order to ensure that environmental issues have been given as much standing as other areas of risk; and
- using the findings from the internal audit programme with their associated improvements to feed into external reports, such as Pre-Qualification Questionnaires (PQQs) to show to stakeholders that the organisation has the in-house capability and commitment to good environmental performance including demonstrating meeting legal compliance.

### Supply chain auditing

Finally, the internal audit team can apply its expertise to supply chain (2nd party) audits, sharing their skills, knowledge and practice with the supply chain to encourage each other to develop.

Typical 2nd party audits include:

1. **Supplier audits** – to improve relationships, suppliers can highlight their innovations, clients convey their objectives / targets better, enhanced collaboration, etc;
2. **External provider audits** – for assessing conformance to sector wide pre-qualification schemes, chain of custody schemes, such as Forest Stewardship Council (FSC).



# Benefits of employing or engaging registered auditors

## Registration schemes

Auditor registers are maintained by various professional bodies, including the Institute of Environmental Management and Assessment (IEMA) and International Register of Certificated Auditors (IRCA), which require auditors to be evaluated against a range of criteria including technical knowledge, understanding of auditing practices and relevant experience. Registered auditors will have a number of attributes which enable them to be deemed to be qualified for the task they are to undertake. Registered auditors work through a hierarchy of requirements in order to become registered, thus demonstrating a commitment to become a registered auditor.

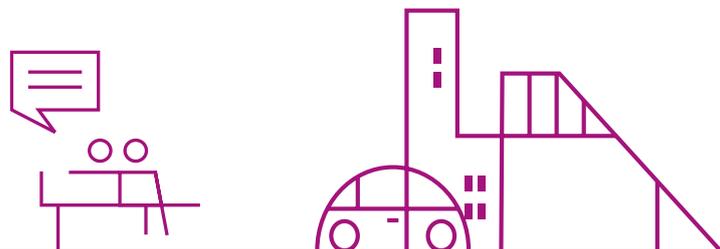
## Compliance with a code of conduct

Registered auditors are required to work to a "Code of Professional Conduct" including requirements for the integrity and confidentiality of the audit delivery, which provides a greater level of confidence in the auditor integrity. The process of gaining registration and audit experience can often be valued by an employee within an organisation as investment in their future as much as that of the organisation. The IEMA Code of Professional Conduct is available [here](#).

## Benefits of Continuing Professional Development (CPD)

All registered auditors are required to maintain their CPD records, which are verified by the registration body. The CPD requirements go beyond recording the extent of completed audits and include documenting measures taken to keep abreast of new and developing legislation and emerging environmental issues. This process ensures that registered auditors maintain their competence against a changing social and political world.

Being part of a wider network of auditors through a registration scheme allows the auditor to benefit from networking, knowledge sharing and updates in specific auditing techniques.



# The role of Certification Bodies and UKAS in delivering value and quality

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Certification Body (CB) auditors should maintain their CPD as well as updating their knowledge. Although the CB has a requirement for its auditors to be 'current' in their understanding of the issues which the auditor is to audit, the environmental auditor has additional need to be cognisant of many broader issues if they are to deliver an audit which has value to the organisation. Internal auditors and environmental managers are, often, Chartered Environmentalists, holding a highly responsible role within an organisation. A CB auditor should be able to converse with the internal environmental staff about matters of national as well as international environmental importance. Having an audit carried out by a CB auditor who is also registered or possesses a recognised level of membership from a relevant professional institute offers greater certainty that all possible issues have been covered and understood.

## Accredited certification bodies

Accredited CBs must demonstrate they have appropriate environmental competencies in accordance with ISO/IEC 17021-2 within their auditor base for the certification of management systems standards, such as ISO 14001. The onus is on the commissioning party to ensure that they have confidence in the auditor. Registered auditors will have sector specific knowledge, which can be checked via CVs, references and recommendations, etc., to deliver focused audits in specific areas (e.g. ensure legal compliance and or identify improvements).

Stakeholders (e.g. clients, customers, investors), often have a greater focus on environmental issues; using registered CB auditors will give them a level of assurance that the organisation in which they have an interest are taking matters seriously and are being audited by competent, registered auditors. This assurance becomes increasingly important as supply chain audits become more prevalent, with the intention of exposing risk in the supply chain before it becomes a problem.

## Role of UKAS

UKAS plays an important role through its accreditation of the certification bodies. Accreditation requires CBs to have a robust system for ensuring that their auditors have the requisite competencies and for maintaining and enhancing their knowledge and understanding. This accreditation should provide the commissioning party with the assurance that the CB they employ, and the auditor within that CB, has been trained to deliver the organisational need for open, transparent and competent auditing. Additionally, UKAS requires accredited CBs to adhere to standards for certification, which apply a risk-based approach to determining the amount of time needed to plan and conduct audits.

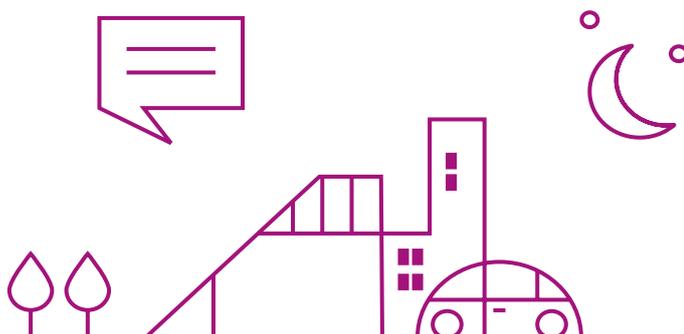
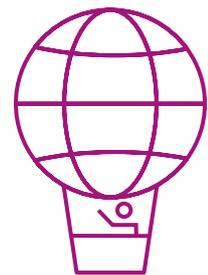
There are non-accredited bodies that provide certification services. However, these organisations are not subject to UKAS scrutiny and stakeholders may place less reliance on the certificates issued by non-accredited bodies.

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## About IEMA

IEMA is the professional body for everyone working in environment and sustainability. We're committed to supporting, encouraging and improving the confidence and performance, profile and recognition of all these professionals. We do this by providing resources and tools, research and knowledge sharing along with high quality formal training and qualifications to meet the real world needs of members from their first steps on the career ladder, right to the very top.

We believe that together we can change perceptions and attitudes about the relevance and vital importance of sustainability as a progressive force for good. Together we're transforming the world to sustainability.

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