Go beyond checking compliance boxes

Why most internal EHS audits fall short

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1 It’s about more than regulatory compliance

Internal EHS audits are great at ensuring regulatory compliance. But there are **hidden EHS threats that go beyond regulatory compliance** checklists that can have far-reaching negative effects.

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What’s in your data? >

2 Data → information → knowledge

To improve productivity, save costs, **minimize risk** and avoid fines, EHS Managers first need to get complete data from their internal audits. Then, the **data** needs to be translated into **information**, which will feed the **knowledge** to drive decision-making.

Does your company have a defined risk tolerance?

Risk tolerance is the amount of risk an individual or organization is willing to take. If everyone in an organization doesn't have the same definition of **risk tolerance**, creating **risk competence** is impossible.

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What's the purpose of your audit? >

3 Scope the internal audit

One purpose of an internal EHS audit is to demonstrate compliance. **But, if the audit exists only to cover the basics, it fails to provide the data necessary to get a comprehensive look at enterprise-wide risks.**

Risk competence involves:

- Individual perception of risk
- General acceptance of certain attitudes and beliefs about risk
- Top-to-bottom application of what is known in order to identify and control risk
- Enterprise-wide commitment to the same rules, procedures and risk "norms"

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Use retrospective analysis to be proactive >

4 Keep your eyes on the road ahead, not the rearview mirror

Internal EHS audits tend to be a retrospective compliance analysis that **does little to help EHS Managers be proactive about risk**. However, audits need to demonstrate compliance while also providing a valuable look at an organization's **risk competence**. Only then can you **take proactive steps to stay ahead** of compliance and risk.

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Look for surprises >

5 Find what's *not* obvious

Many organizations have internal EHS audit processes that are only updated to include new regulatory compliance rules. These decisions are usually out of an EHS Manager's control, so contributing to what the audit includes may not be a reality.

However, EHS Managers can help to **make audit data more meaningful** by applying systems thinking during the audit process.

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Where to start looking for risk >

6 Don't be afraid to go deep with data

To use an internal EHS audit to expose possible risk, question *everything*. Once audit **data** is available, the only way to turn it into **information** is to question it.

First, ask yourself…

- *What do I know?*
- *What do I think I know?*
- *What do I not know?*

…and *then* start asking questions about your organization's internal EHS audit results.

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Post-audit questions to ask >

7 Depending on your industry, questions could include:

- Did the audit assess critical operations and compliance vulnerabilities? Have there been any operational changes that may trigger new permits or modification of existing pollution controls?
- Are spill control plans actionable and will they be effective in the event of a spill? Have there been any drills to validate the plan?
- Are pollution controls capable of managing process upsets? What is the margin of control should an upset occur?
- Are fire control systems in flammable liquid storage areas properly installed and maintained? How is water from sprinkler systems contained and managed in the event of a fire?

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The hazards of a shallow audit >

8 What you don't know can close a plant…

A chemical storage and blending company required upgrades to its spill control plans. Although the facility was not subject to oil spill planning, it was covered by an individual storm water permit. **No one had identified responsibility for the facility's Storm Water Pollution Prevention Plan (SWP3) implementation.**

The SWP3 specified regular mechanical integrity inspections. However, there were no documented internal tank inspections. Because no one had responsibility for the spill program, the **tank inspections were not performed, ultimately leading to a major release that forced the plant to close.**

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Another cautionary tale >

9 Don’t assume you know the source of the problem

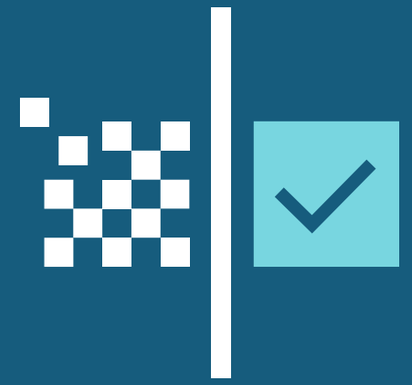
A flavor and fragrance manufacturer needed to address odor complaints from the community and minimize financial regulatory penalties. The manufacturer didn’t know why their control devices were insufficient and planned to just **stop making certain products to “fix” the issues — which would critically impact their business earnings.**

Additional testing and expert consultations revealed previously unknown chemical reactions that caused significant reduction in control device efficiency. This information was used to make operational adjustments and install a new control device that would **mitigate odor issues *without* eliminating the manufacturing of products.**

10 Don’t mistake data for information

Proactive precautions

If an audit reveals that production stopped even for a short period at one facility, it likely cost millions—or even billions. **Don’t just document it! Prevent it from happening again.** Analyze the data to get the information you need to monitor and fix the problem to keep production moving and avoid future production hiccups.



A big mistake many organizations make is **mistaking data for information.** But data is just data; without context and analytics, data is useless in helping you find potential risk and how to identify and prevent problems.

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How to turn data into information >

11 Uncover information you can use to mitigate risk

Once you have audit results, look at the data through a risk lens and understand the implications at a business-unit level. **Observe and document any potential risk gaps.** This is the only way to start defining your organization's risk threshold and create risk competence.

To help turn data into information, ask:

- Are our procedures the same across the enterprise?
- If different locations produce different products, do they follow the same safety procedures?
- Are there similar patterns for different facilities or business units?
- Have we compared each facility to see what they all have in common so we can streamline processes?

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There's information that doesn't make it to the audit >

12 See with your own eyes

Systems thinking is an integral part of risk-based auditing. Procedures may be in order and meet regulatory requirements, but implementation may be a different story. **Time spent on the shop floor is invaluable to the audit process.** Employees on the shop floor can offer perspectives that lead to better audit outcomes. Information from these employees can also provide additional insights into potential environmental and business risks.

Observing and documenting at facilities can expose how each facility and employee could have different definitions of risk tolerance, including:

- *Process and environmental controls may be over-ridden to meet deadlines*
- *Spills and leaks may go unreported because "it's not that bad, happens all the time"*
- *Operating procedures are ignored because they don't reflect how the work is actually done*

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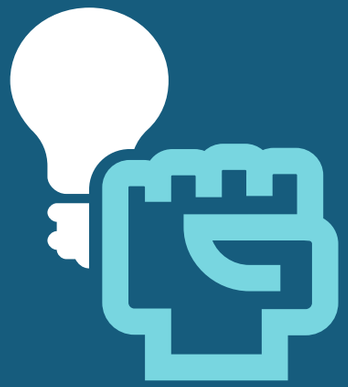
How to turn information into knowledge >

13 When you have knowledge, take action

Once you have real information, **turn it into knowledge** and take action to make the changes each facility needs to minimize all risk.

Easier said than done, right? You don't want to step on anyone's toes. You don't want to go over anyone's head. And you certainly don't want to ruin a work relationship because someone feels railroaded. **If you use the right approach, none of that will happen.**



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Make mitigating risk personal >

14 Use communication to be a change agent

Show how risk competence benefits *everyone*. Make it personal. **But make it a conversation, *not* a missive.** Share the observations you documented, and ***truly listen.*** And *then* start the conversation about how to enact change.

Whether you're talking to a floor supervisor or someone on the executive team, make sure you **take a partnership approach** to help everyone understand how they can **personally benefit** from a more comprehensive audit.

Comprehensive internal audits can:

- Save costs
- Improve productivity
- Minimize risk
- Establish risk thresholds and risk competence
- Avoid violations, fines, stopped production and lawsuits

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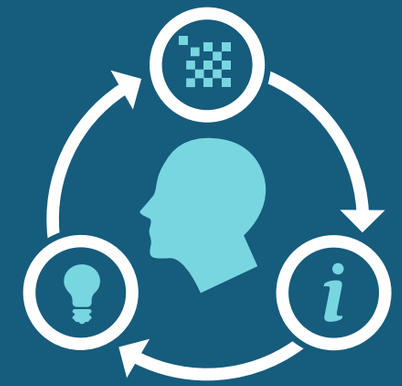
Get a new perspective >

15 Fresh eyes can help with the *data → information → knowledge* process

As an EHS Manager, your plate is full. Just the thought of how much work goes into **maximizing your internal audit can be a little overwhelming.** Plus, you might be worried that you won't ask the right questions, or might miss something that's not obvious.



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You don't have to do it alone >

16 Industry experts will find what's *not* obvious

The comprehensive, objective eyes of a third party can help you know **what questions to ask, what to look for, and what internal audits overlook** so you can:

- Bring risk management into your internal audit
- Start or continue the conversation about risk tolerance
- Communicate the importance of risk competence in a company's DNA

Talk to seasoned professionals >

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17 Listen to the voice of experience

Many organizations do not have the expertise needed for conducting an audit—or their resources are already too stretched. External auditors can bring fresh eyes and experiences that are valuable to an audit.

At Haley & Aldrich, we look beyond the obvious to protect your people, operations and reputation in a changing world. **Our commitment to professional excellence helps our clients operate more efficiently to save costs, improve profits and avoid fines.**

Contact me at compliance@haleyaldrich.com to learn more about how I can help you to maintain regulatory compliance and develop a risk competence genuine to your operation.

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