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CASE STUDY #1

Case Study: Auditing the Annual Charity Gala Event

Background

The "Hope for Tomorrow Foundation," a non-profit organization, is planning its annual charity gala event. The gala is crucial for raising funds to support the foundation's initiatives, including education programs for underprivileged children and healthcare services for low-income families. The event will feature a dinner, a live auction, and performances by renowned artists, attracting high-profile guests, including celebrities, philanthropists, and business leaders.

The foundation's board has recently faced criticism for alleged mismanagement of funds during previous events, so this year, they want to ensure complete transparency and adherence to the highest standards. To achieve this, they have engaged Claire, an internal auditor with extensive experience in non-profit organizations, to conduct a comprehensive audit of the event planning and execution processes.

Audit Objectives

1. **Compliance Check:** Ensure that all contracts with vendors (catering, venue, entertainment, etc.) comply with local laws, the foundation's internal policies, and ethical standards.
2. **Budget Review:** Verify that the gala's budget is being managed responsibly, with funds allocated appropriately, and that any deviations are justified and documented.
3. **Vendor Performance:** Assess whether vendors are delivering services as per the contractual agreements, including quality, timeliness, and adherence to agreed budgets.
4. **Data Privacy:** Ensure that the personal information of guests, donors, and participants is handled securely, in accordance with privacy regulations such as GDPR.
5. **Risk Management:** Identify potential risks that could disrupt the event, including financial, reputational, and operational risks, and recommend strategies to mitigate them.

Detailed Scenario

1. Integrity & Independence

- **Situation:** During the audit, Claire discovers that the catering service for the event is owned by the brother of one of the board members. Although the selection process appears transparent, the familial relationship was not disclosed during the vendor selection process.
- **Action:** Claire ensures that her audit remains unbiased and independent. She documents the conflict of interest, noting that while no favoritism was apparent in the selection, the lack of disclosure could lead to perceptions of impropriety. Claire recommends that the



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board establish clear conflict-of-interest policies and require full disclosure of any relationships in future vendor selections.

- **Outcome:** The board agrees to implement a more stringent conflict-of-interest policy, requiring all members to disclose any relationships with vendors before contracts are awarded.

2. Fair Presentation

- **Situation:** Claire's audit reveals that the budget allocated for the gala has been exceeded in several areas, particularly in the entertainment and decoration segments. The entertainment budget was exceeded by 30%, justified by the need to secure a last-minute, high-profile performer, while the decoration budget was overshot by 20% due to unforeseen design changes.
- **Action:** Claire provides a balanced report. She acknowledges the reasons for the budget overruns but emphasizes the importance of adhering to the original budget to maintain financial discipline. She suggests that the board establish a contingency fund for future events to accommodate such last-minute changes without exceeding the overall budget.
- **Outcome:** The board accepts Claire's recommendations, approving a contingency fund for future events and implementing stricter budget controls to ensure that any deviations are pre-approved and documented.

3. Due Professional Care

- **Situation:** The event coordinator, under pressure to meet tight deadlines, requests Claire to expedite her audit so that preparations can continue uninterrupted. Additionally, some board members are anxious about potential delays and hint that the audit should be more of a formality.
- **Action:** Despite the pressure, Claire insists on conducting a thorough audit. She schedules meetings with all relevant stakeholders, meticulously reviews all contracts, budget allocations, and vendor performance reports, and conducts site visits to ensure compliance with safety and quality standards.
- **Outcome:** Claire's insistence on due professional care uncovers several minor issues that, if left unchecked, could have led to significant problems on the day of the event. These include safety concerns with the stage setup and incomplete insurance coverage for some of the high-value auction items. The board is grateful for her diligence, as these issues are resolved well before the event.

4. Confidentiality

- **Situation:** Claire has access to sensitive information, including the guest list, which features high-profile individuals and major donors. A foundation staff member, not involved in the audit, casually requests to see the guest list, ostensibly to prepare welcome materials, but without proper authorization.



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- **Action:** Claire denies the request, explaining the importance of maintaining confidentiality. She keeps all sensitive information secure, only sharing it with authorized personnel who need the information for their roles.
- **Outcome:** The staff member understands the importance of confidentiality, and Claire's actions help maintain trust with the foundation's stakeholders. The board appreciates her adherence to ethical standards, particularly given the high-profile nature of the event.

5. Evidence-Based Approach

- **Situation:** Rumors circulate within the organization that the sound system vendor has a history of unreliability, though no documented issues are found in the vendor's previous engagements. Despite the rumors, the event coordinator insists on using the vendor due to their previous work for the foundation.
- **Action:** Claire relies on an evidence-based approach. She thoroughly reviews the vendor's past performance records, contract terms, and feedback from previous events. Finding no substantial evidence to support the rumors, Claire does not include the concerns in her final report but advises the event coordinator to monitor the vendor closely.
- **Outcome:** The vendor performs satisfactorily on the day of the event, reinforcing Claire's decision to rely on documented evidence rather than hearsay. The event proceeds without any major technical issues.

Final Report & Recommendations

Claire's final report highlights several key findings:

- **Strengths:** The event planning is largely compliant with the foundation's policies, and the budget, while exceeded in some areas, is well-documented with justified reasons.
- **Areas for Improvement:** The lack of a clear conflict-of-interest policy and the need for better budget controls are highlighted as areas needing attention. Claire also recommends implementing a more rigorous vendor selection process to mitigate potential risks in future events.

The board takes Claire's recommendations seriously and plans to implement them in future events. The successful execution of the charity gala, supported by Claire's thorough audit, helps restore confidence in the foundation's governance, ensuring continued support from donors and stakeholders.

Learning Outcomes

This case study illustrates the practical application of ISO 19011's auditing principles in a real-world scenario, emphasizing the importance of maintaining integrity, independence, fair presentation, due professional care, confidentiality, and an evidence-based approach throughout the auditing process. By adhering to these principles, auditors like Claire can ensure that audits are conducted with the highest standards of professionalism and contribute to the continuous improvement of organizational processes.



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CASE STUDY #2

Case Study: Establishing an Audit Program at the Riverview Community Center

Background

The Riverview Community Center is a bustling hub in a small town, offering various activities ranging from youth sports leagues and art classes to senior fitness programs and educational workshops. The center has always prided itself on providing a safe and welcoming environment for all its participants. However, recent minor incidents—like a child getting a minor injury during a sports activity and complaints about the cleanliness of the art rooms—have prompted the center's management to take proactive steps to ensure that all operations are running smoothly and safely.

To achieve this, the management decides to establish a comprehensive audit program. This program will systematically evaluate different aspects of the community center's operations to ensure they meet safety standards, regulatory requirements, and the center's own quality benchmarks.

Audit Program Objectives

1. **Ensure Safety:** Verify that all activities and facilities comply with safety regulations to prevent accidents and injuries.
2. **Improve Quality:** Assess the quality of programs offered, ensuring they meet the community's expectations and the center's standards.
3. **Maintain Compliance:** Ensure that all activities and processes comply with relevant local regulations, including health and safety codes.
4. **Enhance Efficiency:** Identify areas where resources can be used more effectively, such as energy consumption, staffing, and equipment maintenance.

Steps to Establish the Audit Program

1. Define Objectives and Scope

- **Objective:** The primary goals are to ensure participant safety and maintain high-quality standards across all activities. This includes preventing accidents, ensuring that facilities are clean and well-maintained, and that instructors are qualified and effective.
- **Scope:** The audit will cover all major activities at the center, including:
 - **Sports Programs:** Safety of equipment, instructor qualifications, and injury prevention protocols.
 - **Arts and Crafts:** Cleanliness of facilities, availability and safety of materials, and instructor effectiveness.



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- **Educational Workshops:** Curriculum quality, instructor qualifications, and participant satisfaction.

2. Develop an Audit Schedule

- **Frequency:**
 - **Safety Audits:** Monthly, due to the high risk associated with sports activities and the need to ensure equipment is regularly checked.
 - **Quality Audits:** Quarterly, focusing on the effectiveness of programs and participant feedback.
 - **Compliance Audits:** Annually, ensuring that the center adheres to all relevant regulations.
- **Timeline:** A detailed calendar is created, with each audit scheduled at the beginning of the year. The management ensures that there is no overlap, allowing enough time for each area to be thoroughly audited.

3. Select and Train Auditors

- **Selection:** The center selects a mix of internal staff and external experts. Internal auditors include the head of safety for the sports programs and the facilities manager. External auditors are brought in for an unbiased review of the educational workshops and overall compliance.
- **Training:** All auditors receive training on the center's specific needs, the relevant safety regulations, and how to conduct thorough, unbiased audits. The training includes mock audits to practice the process.

4. Create Audit Checklists

- **Checklists:** Detailed checklists are developed for each area of the audit. For example:
 - **Sports Programs:** Equipment safety, emergency response protocols, instructor certification, participant-to-staff ratio.
 - **Arts and Crafts:** Availability of safety gear, cleanliness of rooms, proper storage of materials, adequacy of supplies.
 - **Educational Workshops:** Instructor credentials, curriculum relevance, participant engagement, and feedback mechanisms.
- **Criteria:** The checklists are based on local safety codes, best practices in community program management, and internal policies aimed at maintaining high standards.

5. Conduct the Audits



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- **Preparation:** Before each audit, auditors review previous audit reports, any incident records, and relevant regulatory guidelines. They also gather feedback from participants and staff to identify potential areas of concern.
- **Execution:** During the audits:
 - **Sports Programs:** Auditors inspect all equipment, observe live sessions, and review incident logs. They also interview instructors and participants to gauge their understanding of safety protocols.
 - **Arts and Crafts:** Auditors assess the cleanliness of facilities, the condition of materials, and the safety measures in place. They observe classes to evaluate instructor effectiveness and participant satisfaction.
 - **Educational Workshops:** Auditors review curricula, attend sessions, and collect feedback from participants to ensure the workshops are meeting educational goals.
- **Evidence:** The auditors document their findings with photos, interview notes, and records of observations. They also collect any relevant documents, such as equipment maintenance logs and participant feedback forms.

6. Report Findings

- **Report:** Each audit concludes with a detailed report. The report includes:
 - **Sports Programs:** A summary of equipment conditions, adherence to safety protocols, and any incidents that occurred since the last audit.
 - **Arts and Crafts:** Observations on facility cleanliness, material safety, and the effectiveness of the instructors.
 - **Educational Workshops:** An analysis of the curricula, participant engagement levels, and feedback from participants.
- **Communication:** The reports are shared with the center's management and discussed in a meeting where auditors present their findings and recommendations.

7. Follow-Up Actions

- **Corrective Actions:** Based on the audit findings:
 - **Sports Programs:** The center replaces outdated equipment, improves emergency response training for staff, and adjusts the participant-to-staff ratio to enhance safety.
 - **Arts and Crafts:** The center implements a stricter cleaning schedule, replaces hazardous materials with safer alternatives, and provides additional training for instructors.



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- **Educational Workshops:** The center updates workshop curricula based on participant feedback, introduces new topics of interest, and offers professional development opportunities for instructors.
- **Verification:** After implementing corrective actions, the auditors return to verify that the issues have been effectively addressed. They check that new equipment has been properly installed, that cleanliness standards have improved, and that workshop participants are more satisfied with the new curriculum.

8. Review and Improve the Program

- **Continuous Improvement:** The audit program itself is reviewed annually. The management and auditors discuss what worked well and what could be improved. For instance, they might adjust the audit frequency based on the results of the past year, update checklists to reflect new regulations, or provide additional training to auditors on emerging risks.
- **Feedback Loop:** The center establishes a feedback loop with participants and staff to continuously gather input on the effectiveness of the audits and any areas that may need more frequent review.

Conclusion

The establishment of the audit program at the Riverview Community Center has led to significant improvements in safety, program quality, and compliance. The systematic approach allows the center to identify and address issues proactively, ensuring that the community can enjoy activities in a safe and well-managed environment. The audit program not only boosts the confidence of participants and staff but also strengthens the center's reputation within the community.

This case study illustrates the practical steps and considerations involved in establishing an audit program, demonstrating how a structured approach can lead to continuous improvement and enhanced organizational performance.

CASE STUDY #3

Case Study: Internal Audit of A Manufacturing Company's Quality Management System

Background:

Luminex Manufacturing, a medium-sized company specializing in producing LED lighting products, has been growing rapidly over the past few years. To ensure the quality of its products and maintain compliance with ISO 9001 standards, the company conducts regular internal audits of its Quality Management System (QMS).

The Quality Management Department has scheduled an internal audit to assess compliance with ISO 9001:2015. The audit will focus on the company's manufacturing processes, document



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control, and employee training programs. Due to the company's expansion, this audit will be a hybrid, with both onsite and remote components.

Audit Scope:

- Review of manufacturing processes to ensure compliance with established procedures.
- Assessment of the document control system, focusing on the accuracy and currency of quality-related documents.
- Evaluation of employee training programs to verify their effectiveness and relevance to quality control.

Audit Team:

- **Lead Auditor:** Sarah Jensen
- **Co-Auditor (Onsite):** Tom Harris
- **Co-Auditor (Remote):** Emily Nguyen

Scenario: Conducting the Hybrid Audit

Preparation:

Sarah and her team start by reviewing the audit scope, objectives, and past audit reports. They familiarize themselves with the company's quality procedures, the manufacturing processes, and the training program documentation. Sarah develops a detailed audit plan, specifying the areas to be audited, the timelines, and the roles of each team member.

The team sets up the necessary tools for the remote audit, ensuring access to the company's digital document management system and scheduling virtual meetings with relevant personnel.

Conducting the Onsite Audit:

Day 1: Opening Meeting

Tom Harris arrives at Luminex Manufacturing and meets with the Quality Manager, Production Supervisor, and key staff members. Sarah and Emily join the meeting remotely via video conferencing.

Tom leads the opening meeting, where he introduces the audit team, clarifies the audit scope, and explains the audit process. Sarah confirms the availability of the required documents and personnel, and Emily outlines how the remote audit will be conducted, ensuring that everyone understands the communication channels and protocols.

Day 2: Onsite Process Review

Tom observes the manufacturing process on the production floor. He checks whether employees are following the documented procedures for assembling and testing LED lighting products. During his observations, Tom notes that some employees are not fully adhering to the safety protocols outlined in the QMS.



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Tom conducts interviews with a few production line workers, asking them about their roles, responsibilities, and understanding of quality standards. He discovers that while the workers are generally aware of the procedures, there is inconsistency in how they apply them.

Tom also reviews physical records of quality checks, comparing them with the standards set in the QMS. He finds that while most records are in order, there are gaps in the documentation of corrective actions for products that failed initial quality tests.

Remote Audit: Document Control and Employee Training

Day 2: Remote Document Review

Emily, working remotely, accesses the company's digital document management system. She reviews the procedures for document control and checks for the latest versions of quality-related documents. She discovers that some documents are outdated, and there is no evidence of a recent review process.

Emily conducts virtual interviews with the document control officer and a few department heads. She verifies that while there is a system in place for updating documents, it is not consistently followed. Some departments are better at maintaining current documents than others.

Day 3: Employee Training Evaluation

Emily also evaluates the employee training records. She reviews the training program materials and compares them with the employee training logs. Emily finds that although training sessions are conducted regularly, the training content is not always aligned with the current quality standards. For example, some employees have not received updated training on new testing equipment recently introduced in the manufacturing process.

Documentation of Findings:

Sarah consolidates the findings from both the onsite and remote audits. The team notes the following:

- **Conformities:** The overall manufacturing process generally aligns with the documented procedures, and most quality checks are well-documented.
- **Non-conformities:** Inconsistent application of safety protocols on the production floor and gaps in the corrective action documentation.
- **Opportunities for Improvement:** Outdated documents in the document control system and misalignment between employee training and current procedures.

Closing Meeting:

The team conducts a closing meeting via video conference. Tom presents the onsite findings, while Emily presents the remote audit findings. They discuss the non-conformities and opportunities for improvement with the Quality Manager and other stakeholders.

The team and auditee agree on a corrective action plan, including:



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- Immediate review and update of the document control process.
- A refresher training program for production line workers focusing on safety protocols.
- A revision of the employee training program to include the latest procedures and equipment updates.

Reporting:

Sarah prepares a detailed audit report summarizing the audit process, findings, and agreed corrective actions. The report is shared with the management team, who acknowledge the findings and commit to addressing the identified issues.

Conclusion:

Through a hybrid audit approach, the internal audit team successfully identified areas of non-compliance and opportunities for improvement in Luminex Manufacturing's Quality Management System. The audit highlighted the importance of keeping documents up to date and ensuring that employee training programs are continuously aligned with the latest standards and procedures. The audit also demonstrated the effectiveness of combining onsite observations with remote document reviews to achieve a comprehensive audit result.