Point-Counterpoint: Exploring Critical EHS Auditing Issues
25 February 2014
Phoenix, Arizona
OVERVIEW

- Introduction of panelists
- Polling logistics
- Quick review of our process and topics to be covered
- Initial polling
- Point/counterpoint discussion (with second round of polling and survey results)
- Parting thoughts
PARTICIPANTS

Panelists:
- Joe Cotier, Elm Consulting Group
- Mike Green, Environmental Standards
- Jack MacGregor, Agrium
- Scott Rois, Georgia-Pacific

Moderator:
- John Nagy, AECOM

Technical Assistance:
- Wendy Acha, BEAC
INSTRUCTIONS FOR RESPONSE CARDS

1. When the question and answers are displayed, press the button corresponding to your answer(s)

2. You will get a green light to indicate that the response was accepted
Which Winter Olympic sport did you enjoy most?

A. Hockey
B. Curling
C. Skating
D. Ski Jump

A. 28%
B. 20%
C. 20%
D. 33%
OUR PROCESS

• Initial Polling
  - Limited to two choices (select the best)
• Point/Counterpoint discussion
  - Two sides - each side will have 4 minutes per question
  - Some or all stated positions may not represent the actual views of the panelists

• Second round of polling
• Polling results
• Parting thoughts
Our Topics

- Auditor certification
- Audit scope (management systems vs. compliance verification)
- The basis for establishing audit return intervals
- Quality control in EHS audits

Point

- The role of the corporate-level EHS audit function in corrective actions
- Performing EHS audits under attorney-client privileged communication
Get your polling devices ready...
WHAT IS YOUR OPINION REGARDING THIRD-PARTY CERTIFICATION OF EHS AUDITORS?

A. It is (or should be) an essential qualification for EHS auditors applied on a universal basis

B. There are more effective means of qualifying auditors best administered by individual companies

A. 52%
B. 48%
Which is more important for a corporate-level EHS audit function?

A. Evaluating the effectiveness of the management system(s) in place at the audited operation/activity

B. Verifying compliance with applicable requirements (internal, external, or both)
Which is a more effective basis for determining how often a specific operation/activity should be audited:

A. Established time intervals (e.g., once every three years)

B. A risk profile that is reviewed annually and then used to select operations/activities to be audited

A. 89%

B. 11%
SHOULD THE PREPARATION, COMPILATION, AND REVIEW OF AUDIT WORKING PAPERS BE A STANDARD ELEMENT OF QUALITY CONTROL IN EHS AUDITING?

A. Yes, the preparation, compilation, and review of working papers is an essential element of quality control

B. No, quality can be assured without preparing, compiling, and reviewing working papers

72%    28%
SHOULD CORPORATE-LEVEL EHS AUDIT FUNCTIONS BE RESPONSIBLE FOR REVIEWING AND APPROVING PROPOSED CORRECTIVE ACTIONS?

A. Yes, the audit function’s knowledge, expertise, and objectivity are valuable and need to be applied in the approval of corrective actions

B. No, the responsibility for approving corrective actions would compromise the audit function’s independence and objectivity
SHOULD THE CONDUCT OF AUDITS IN THE UNITED STATES BE PERFORMED ROUTINELY AT THE DIRECTION OF COUNSEL UNDER ATTORNEY-CLIENT PRIVILEGED COMMUNICATION?

A. Yes, the added legal protection is necessary in the event of discovery

B. No, it’s either of little value and/or the process required to uphold attorney-client privileged communication is too cumbersome and costly, as well as limiting in the sharing of information resulting from audits
**Auditor Certification**

What is your opinion regarding third-party certification of EHS auditors?

A. It is (or should be) an essential qualification for EHS auditors applied on a universal basis

B. There are more effective means of qualifying auditors best administered by individual companies
WHAT IS YOUR OPINION REGARDING THIRD-PARTY CERTIFICATION OF EHS AUDITORS?

A. It is (or should be) an essential qualification for EHS auditors applied on a universal basis

B. There are more effective means of qualifying auditors best administered by individual companies

A. 54%
B. 46%
What is your opinion regarding third-party certification of EHS auditors?

- It is (or should be) an essential qualification for EHS auditors applied on a universal basis: 52%
- There are more effective means of qualifying auditors best administered by individual companies: 48%

The Auditing Roundtable
Audit scope (management systems vs. compliance)

Which is more important for a corporate-level EHS audit function?

A. Evaluating the effectiveness of the management system(s) in place at the audited operation/activity

B. Verifying compliance with applicable requirements (internal, external, or both)
Which is more important for a corporate-level EHS audit function?

A. Evaluating the effectiveness of the management system(s) in place at the audited operation/activity
B. Verifying compliance with applicable requirements (internal, external, or both)

56% 44%

44% 56%
Which is more important for a corporate-level EHS audit function?

1. Evaluating the effectiveness of the management system(s) in place at the audited operation/activity
   - First Slide: 47%
   - Second Slide: 44%

2. Verifying compliance with applicable requirements (internal, external, or both)
   - First Slide: 53%
   - Second Slide: 56%
The basis for establishing audit return intervals
Which is a more effective basis for determining how often a specific operation/activity should be audited?

A. Established time intervals (e.g., once every three years)
B. A risk profile that is reviewed annually and then used to select operations/activities to be audited
Which is a more effective basis for determining how often a specific operation/activity should be audited:

A. Established time intervals (e.g., once every three years)

B. A risk profile that is reviewed annually and then used to select operations/activities to be audited

80% 20%
Which is a more effective basis for determining how often a specific operation/activity should be audited:

- Established time intervals (e.g., once every three years)
  - First Slide: 11%
  - Second Slide: 20%

- A risk profile that is reviewed annually and then used to select operations/activities to be audited
  - First Slide: 89%
  - Second Slide: 80%
Quality control in EHS audits
Should the preparation, compilation, and review of working papers be a standard element of quality control in EHS auditing?

A. Yes, the preparation, compilation, and review of working papers is an essential element of quality control
B. No, quality can be assured without preparing, compiling, and reviewing working papers
Should the preparation, compilation, and review of audit working papers be a standard element of quality control in EHS auditing?

A. Yes, the preparation, compilation, and review of working papers is an essential element of quality control.

B. No, quality can be assured without preparing, compiling, and reviewing working papers.

[Bar chart showing 64% for A and 36% for B]
Should the preparation, compilation, and review of audit working papers be a standard element of quality control in EHS auditing?

Yes, the preparation, compilation, and review of working papers is an essential element of quality control (72%)

No, quality can be assured without preparing, compiling, and reviewing working papers (64%)

- First Slide
- Second Slide
The corporate-level EHS audit function role in corrective actions

Should corporate-level EHS audit functions be responsible for reviewing and approving proposed corrective actions?

A. Yes, the audit function’s knowledge, expertise, and objectivity are valuable and need to be applied in the approval of corrective actions

B. No, the responsibility for approving corrective actions would compromise the audit function’s independence and objectivity
SHOULD CORPORATE-LEVEL EHS AUDIT FUNCTIONS BE RESPONSIBLE FOR REVIEWING AND APPROVING PROPOSED CORRECTIVE ACTIONS?

A. Yes, the audit function’s knowledge, expertise, and objectivity are valuable and need to be applied in the approval of corrective actions

B. No, the responsibility for approving corrective actions would compromise the audit function’s independence and objectivity
Should corporate-level EHS audit functions be responsible for reviewing and approving proposed corrective actions?

Yes, the audit function’s knowledge, expertise, and objectivity are valuable and need to be applied in the approval of corrective actions (59%)

No, the responsibility for approving corrective actions would compromise the audit function’s independence and objectivity (44%)

First Slide  Second Slide
**Performing EHS audits under attorney-client privilege**

Should the conduct of audits in the United States be performed routinely at the direction of counsel under attorney-client privileged communication?

A. Yes, the added legal protection is necessary in the event of discovery

B. No, it’s either of little value and/or the process required to uphold attorney-client privileged communication is too cumbersome and costly, as well as limiting in the sharing of information resulting from audits
SHOULD THE CONDUCT OF AUDITS IN THE UNITED STATES BE PERFORMED ROUTINELY AT THE DIRECTION OF COUNSEL UNDER ATTORNEY-CLIENT PRIVILEGED COMMUNICATION?

A. Yes, the added legal protection is necessary in the event of discovery

B. No, it’s either of little value and/or the process required to uphold attorney-client privileged communication is too cumbersome and costly, as well as limiting in the sharing of information resulting from audits

69% Yes, the added legal protection is necessary in the event of discovery

31% No, it’s either of little value and/or the process required to uphold attorney-client privileged communication is too cumbersome and costly, as well as limiting in the sharing of information resulting from audits
Should the conduct of audits in the United States be performed routinely at the direction of counsel under attorney-client privileged communication?

Yes, the added legal protection is necessary in the event of discovery

No, it’s either of little value and/or the process required to uphold attorney-client privileged communication is too cumbersome and costly, as well as limiting in the sharing of information resulting from audits
PARTING THOUGHTS

• We do need to “take stock” of our audit processes periodically - and it’s a value-add to do so taking into full account alternative viewpoints

• The building blocks of auditing (the “simple questions”) are often more complex than they appear - and they are the foundation for making quantum improvements in audit quality and business value