

Compliance Audit Handbook

Department of **Environment and Conservation** NSW



This Compliance Audit Handbook has been produced by the Compliance and Assurance Section of the Department of Environment and Conservation NSW (DEC).

For technical information on the matters discussed in the handbook, contact the DEC Compliance and Assurance Section on (02) 9995 5000.

Published by:

Department of Environment and Conservation NSW

59–61 Goulburn Street, Sydney

PO Box A290

Sydney South, NSW 1232

Phone: (02) 9995 5000 (switchboard)

Phone: 131 555 (environment information and publications requests)

Phone: 1300 361 967 (national parks information and publication requests)

Fax: (02) 9995 5999

TTY: (02) 9211 4723

Email: info@environment.nsw.gov.au

Website address: www.environment.nsw.gov.au

DEC is pleased to allow this material to be reproduced in whole or in part, provided the meaning is unchanged and its source, publisher and authorship are acknowledged.

DEC 2006/13

ISBN 1 74137 787 0

Original version: February 1997

Revised: February 2006

Printed on recycled paper

Preface

Purpose of this handbook

This handbook was prepared by the Department of Environment and Conservation NSW (DEC) as a guide for DEC officers undertaking compliance audits. A compliance audit is an assessment of an auditee's activities to determine whether they comply with the relevant regulatory requirements.

The handbook may also be used by other organisations undertaking compliance audits including public authorities, industry and industry groups, professional associations, consultants and contractors; and as an educational resource by students.

The handbook provides general procedures and protocols for conducting compliance audits. These are designed to ensure a consistent approach to audits, helping to ensure all audits are adequate, reliable and comparable.

Although the handbook is designed for use as a standalone document, it is recommended that it be used with the international standard adopted in Australia for environmental auditing: AS/NZS ISO 19011:2003, *Guidelines for quality and/or environmental management systems auditing* (see References).

This handbook has been prepared for the purpose described, and no responsibility is accepted for its use in any other context or for any other purpose.

Contents

Preface

1 Introduction	1
1.1 What is a compliance audit?.....	1
1.2 What is an auditee?.....	1
1.3 Compliance audit as a regulatory tool in DEC	1
1.4 Objectives of the compliance audit.....	1
1.5 Knowledge and skills of auditors.....	2
2 DEC audit procedures	3
2.1 The audit process	3
2.2 Pre-site visit activities.....	3
2.3 On-site activities.....	7
2.4 Post-site visit activities	9
3 Quality assurance and record keeping	13
3.1 Quality assurance	13
3.2 Record keeping.....	13
Glossary	14
Appendices	15
Appendix 1 Audit plan	15
Appendix 2 File record of site assessment	17
Appendix 3 Example of a risk assessment process	18
Appendix 4 Example of a quality plan.....	19
References	20
List of tables	
Table 1: Audit activities	3
Table 2: Sample checklist format.....	6
Table 3: Compliance, non-compliance, not determined and not applicable assessments	10
Table 4: Regulatory review stages.....	12
Table 5: Records to be kept for filing	13

1 Introduction

1.1 What is a compliance audit?

An audit is:

‘a systematic, independent and documented verification process of objectively obtaining and evaluating audit evidence to determine whether specified criteria are met’.

AS/NZS ISO 19011:2003, *Guidelines for quality and environmental management systems auditing* (see References).

The specified criteria in compliance audits conducted by the Department of Environment and Conservation NSW (DEC) are generally the legal and regulatory requirements DEC administers.

1.2 What is an auditee?

An auditee is a person or organisation being audited. DEC audits organisations or individuals whose activities are regulated by legislation DEC administers. DEC may audit, for example, industries operating under environment protection licences or individuals or organisations holding permits relating to threatened species or Aboriginal objects and places.

1.3 Compliance audit as a regulatory tool in DEC

DEC has responsibilities and powers under a range of NSW legislation including:

- environment protection legislation covering air and water quality, waste, contaminated land, noise control, pesticides, hazardous chemicals, transport of dangerous goods, forestry and radiation
- conservation legislation protecting biodiversity and threatened species
- legislation protecting Aboriginal cultural heritage.

DEC uses compliance audits as one of its regulatory tools, to assess the extent to which a licensee or other regulated entity is complying with its legal requirements, and to review achievable environmental standards.

1.4 Objectives of the compliance audit

Compliance audits in DEC are used to achieve the following objectives:

- maintaining the integrity of the regulatory system administered by DEC, ie, legislation, licences, notices, consents
- ensuring credible and robust regulation
- improving compliance with legislative requirements
- through public audit reporting, ensuring DEC’s regulatory activity is open and transparent
- ensuring that statutory instruments are robust and are appropriately used to achieve desired environmental and conservation outcomes
- ensuring that environmental and conservation regulation across NSW is consistent and transparent.

A DEC auditor will:

- **assess compliance with environmental and conservation legislation.** A DEC auditor may assess compliance with legislation and the statutory instruments administered by DEC. This may include assessing compliance with conditions attached to statutory instruments and the broader statutory requirements of various Acts and Regulations.
- **review statutory instruments issued to the auditee.** Activities that may have an environmental impact are examined to determine whether they are adequately covered by the instruments. The DEC will review the quality of the instruments by assessing their conditions or criteria for consistency, their legal enforceability, and their degree of environmental, conservation or cultural heritage protection.
- **report findings and follow-up action.** A DEC auditor will report on the scope of the audit and document the assessment of compliance. A follow-up action program may be established to address non-compliance.

Stakeholders' awareness of environmental issues and their confidence in DEC's regulatory role increase through DEC communicating and promoting audit findings. Stakeholders include the community, industry and licensees.

1.5 Knowledge and skills of auditors

Auditors should have the necessary knowledge and skills to apply audit principles, procedures and techniques when undertaking compliance audits. DEC has its own internal environmental auditor training program. A DEC officer who has undertaken the training and has demonstrated that they have the required competencies to undertake compliance audits is eligible for certification as a 'Provisional Environmental Auditor' with RABQSA International.

The auditors will have the knowledge and ability to conduct audits in accordance with this handbook and any other internal work procedures.

DEC staff conducting compliance audits will act ethically, be objective and without bias, and be versatile, open-minded and decisive.

2 DEC audit procedures

2.1 The audit process

The audit process involves tasks that can be grouped into pre-site visit activities, on-site activities and post-site visit activities.

Table 1: Audit activities

Activity	More information
<i>Pre-site visit activities</i>	
Planning and preparing for the audit	see 2.2.1
Collecting background information	see 2.2.2
Compiling checklists	see 2.2.3
<i>On-site activities</i>	
Conducting an opening meeting	see 2.3.1
Collecting audit evidence through gathering information, observations and interviews, and sampling	see 2.3.2
Conducting a closing meeting	see 2.3.3
<i>Post-site visit activities</i>	
Evaluating audit evidence	see 2.4.1
Compiling a compliance audit report	see 2.4.2
Developing a follow-up action program	see 2.4.3
Conducting a regulatory review	see 2.4.4

It is important to understand that an audit's activities are not restricted to the site visit. Careful and thorough planning before conducting on-site activities and the post audit evaluation are just as critical to the audit's success as the proper conduct of a site inspection.

2.2 Pre-site visit activities

In achieving a successful audit, the value of good planning and preparation cannot be overemphasised. Proper planning should ensure that appropriate resources and equipment are available and time is allocated to carry out the audit in the most efficient and effective way.

2.2.1 Audit planning and preparation

The audit plan outlines the audit's objectives, scope and timetable, and the products that the audit will generate. See Appendix 1 for an example of an audit plan.

An audit plan should include the following key elements:

- the audit **objectives**
- the audit **criteria** and any reference documents
- the audit **scope**
- a **quality plan** identifying reviews to be undertaken
- an **assessment of logistics**

- an **audit timetable**
- **roles and responsibilities** of audit team members
- the **allocation of appropriate resources** to critical areas of the audit.

Audit objectives

The objectives of each compliance audit or audit program must be established at the outset to direct planning and establish the method for each compliance audit. The objectives define what the audit will achieve and can be based on various considerations such as management priorities, or statutory and regulatory requirements.

Audit criteria

The audit criteria are defined requirements against which the auditor compares collected audit evidence. The criteria may include regulatory requirements, standards, guidelines or any other specified requirements.

Scope of the audit

The scope defines the extent and boundaries of the audit such as locations; organisational units, activities and processes to be audited; and the time period covered by the audit (adapted from ISO 19011:2003 — see References).

Quality plan

The quality plan identifies the quality assurance procedures that will be undertaken during the audit, for example, 'Ensure audit plan is reviewed by manager'. See Chapter 3 for more information about the quality plan and Appendix 4 for an example.

Logistics of conducting the audit

Each audit must be assessed to determine whether there are any potential barriers to it being successfully carried out. The lead auditor should be aware of any occupational health and safety requirements for entry to the site including quarantine requirements, whether appropriate staff will be available or whether bad weather will significantly hamper the inspection. It may be difficult to be fully aware of all these factors, especially if the audit will be carried out 'unannounced'.

The DEC Regional Officer responsible for the site or area will know about any basic requirements for entry to a site or if there are any other routine operational procedures that may affect the inspection, eg, hours of operation are limited to weekdays.

Audit timetable

The audit timetable should include the date and places where on-site activities will be conducted, and the expected time and duration of each activity including the opening meeting, safety induction when necessary, site inspection and closing meeting.

Selecting the audit team and roles of team members

The lead auditor should determine whether other personnel should be involved in the audit process. Other DEC officers who have a working knowledge of the auditee should be involved in the process from the outset to help with audit planning, provide background information and, if necessary, accompany the auditor on the inspection. Team members may assist with audit evaluations, comment on draft reports and provide input to the follow-up action required.

Technical experts may be called in to provide specialist knowledge. They may accompany the team on the audit inspection if required or be referred to when necessary.

The lead auditor should be fully knowledgeable of the audit scope and criteria, lead the site inspection, be the main point of contact between the auditee and DEC, and ensure the overall competence of the audit team.

Allocating appropriate resources

The lead auditor needs to ensure DEC officers required for the audit are available on the day, and ensure that sufficient resources are made available for the audit to be undertaken.

2.2.2 Collecting background information

The purpose of collecting and reviewing background information is to assemble relevant information that can be used to meet the objectives of the compliance audit. The collection and review will enable auditors to become familiar with the auditee's operations, the statutory requirements and other regulations or guidelines that may apply.

The types of information that should be reviewed include:

- site details, such as maps and process descriptions
- main environmental issues
- technical information about the processes and operations
- industry best practice and relevant standards
- operating manuals, plans and procedures
- company environmental policies and guidelines
- statutory and other requirements
- previous audits and compliance history
- evidence of past environmental performance, such as inspections and complaints
- safety requirements
- community concerns related to the premises, regional area or industry type
- the auditee's working language, and social and cultural characteristics.

This information may be found in DEC files, reports such as DEC's Environment Line reports, environmental impact statements, databases or registers, or on maps. It may also be necessary to refer to specialists to obtain specific or technical information about the auditee.

2.2.3 Audit checklists

The audit checklist assists auditors in conducting a thorough, systematic and consistent audit. Checklists are used to guide on-site observations and help the auditor to assess whether evidence meets audit criteria.

It is important to remember that checklists are used to jog the auditor's memory and do not rigidly dictate exactly what is to be audited.

To prepare checklists, the auditor should use a table similar to the example below.

Table 2: Sample checklist format

Criteria/ requirement	Instruction/question	Audit notes
1.1 Licensees who generate waste must determine if the wastes are classified as 'hazardous wastes'.	How is waste generated on-site identified and classified? Determine if the licensee follows the relevant criteria for identifying the specific listing or characteristics of hazardous wastes. Are records kept (view documents)?	
1.2 The occupier of any premises must maintain any control equipment installed on the premises in an efficient condition.	What control equipment is on the premises? Is control equipment inspected and maintained regularly? How often? By whom? Are inspections/maintenance documented (view documents)?	
1.3 The licensee must notify the DEC of any incident causing or threatening material harm to the environment as soon as practicable after the incident has occurred.	Have any such incidents occurred within the time scope of the audit? Were these incidents reported to DEC? Are employees made aware of this requirement or do work procedures include information about this requirement?	

The first column will list all the requirements the auditee legally needs to meet. The second column will provide the auditor with instructions to help them determine whether each requirement has been met. The final column will be left blank so notes can be taken during the audit.

When developing a checklist, the lead auditor should consider the experience and knowledge of the auditor who will be using it, and also the environmental risks of the audited premises. This will enable the lead auditor to select the appropriate level of detail for the checklist. Experienced auditors can use a checklist that consists of a list of all the topics to be covered during the course of an audit and does not give details about how to undertake the auditing of each one. Less experienced auditors should use a detailed checklist that lists everything they need to know and do. This allows inexperienced auditors to undertake audits with relatively little supervision from the lead auditor.

Detailed checklists may be required when auditing a premises with high environmental risks.

2.2.4 Providing prior notice of an audit

Generally, all DEC compliance audits are undertaken unannounced. However, when this is not possible due to logistical reasons or specific circumstances, DEC may undertake announced audits. If prior notification of the audit is given, the purpose of the audit should be specified along with the areas to be covered and any information requirements. This approach improves the chances that appropriate site representatives will be present and that necessary information will be available. Thus, announced audits have their advantages.

Unannounced audits, on the other hand, are more likely to reveal the plant's true operating conditions, as they offer the 'true' snapshot of operations on the day of the audit. They are particularly useful when there is reason to believe the site is not complying with legislative requirements and there is a likelihood of environmental impact or harm occurring.

For each individual audit or audit program, the auditor needs to determine if notification could affect the audit results, and if notice is given, how much is sufficient.

2.3 On-site activities

2.3.1 Opening meeting

The objectives of the opening meeting are to meet with the site manager or their representative and:

- explain and confirm the audit plan, outlining the objectives, scope and audit procedures
- provide a short summary of how the audit activities will be undertaken
- allow the site manager or their representative to ask questions.

The opening meeting is an important part of the audit process and can set the tone for how the audit will proceed. It is important to be professional and polite throughout the meeting.

The following information should be conveyed:

- introduce the audit team and provide identification (ie, authorised officer identification)
- explain the purpose of the audit
- explain the audit objectives, scope and criteria (this will help keep the inspection on track)
- explain the methods and procedures used to conduct the audit
- explain the steps that will be taken when preparing the audit report, eg, 'all audit evidence collected will be assessed, a draft report will be prepared and reviewed internally, and the report will be sent to the auditee for comment before being finalised'
- agree to an audit timetable to enable the site manager or their representative to arrange for appropriate personnel to be available during the inspection
- ensure that the resources and facilities needed by the audit team are available
- determine safety, emergency and security procedures.

2.3.2 Collecting audit evidence

After the opening meeting, the auditor can start collecting and recording audit information. Some information can be obtained while in the office (ie, viewing or photocopying records) and the rest can be obtained during the site inspection.

The following tasks should be completed during the site inspection:

- gather information—take notes, ask open questions (you may wish to review the notes with the interviewee at the conclusion)
- complete audit checklists
- document any observed environmental/conservation issues which were not anticipated during the preparation of the audit checklists
- take a photographic record—always inform the site manager or their representative of your intention of taking photographs during the audit

- examine relevant documents, eg, monitoring records, written procedures, site plans, process diagrams
- obtain copies of any documents which may be useful.

Conducting interviews

One important way of collecting information is to interview site personnel. This allows the results of observation and document review to be verified and enables the interviewee to explain or clarify those results. Conversely, information collected during interviews needs to be verified by supporting information from independent sources, such as observations and records.

Checklists developed during audit planning (see 2.2.3) should be used to prepare for the interview, but only as a starting point. An experienced auditor is often skilled enough to follow the flow of the interview and need not feel restricted by the checklist.

Auditors should also prepare questions in advance to keep the interview focused. The technique and content need to be considered carefully before the audit inspection and should be adapted to the person being interviewed. Ensure the right site representatives for the questions being asked are being interviewed.

Environmental sampling

Generally, it is not the auditor's role to carry out sampling. The auditee's management should monitor the operation over a period of time and in accordance with the requirements of the licences, permits, notices, consents, approvals and other documentation relating to the site. If these monitoring results are not available or a single sample is not scientifically valid, the auditor should record those facts, not carry out sampling to correct the deficiency.

However, if the facility being audited has limits on discharges, and a discharge is occurring and there is some uncertainty about the discharge's quality, the auditor may decide to take a sample to determine compliance with the limit condition. In this case, the auditor must collect a sample that represents the condition being assessed and must collect it in a manner consistent with the collection, handling and preservation principles in AS/NZS 5667.1:1998: *Water quality – sampling – guidance on the design of sampling programs, sampling techniques and the preservation and handling of samples* (or any updated version) (see References).

Documentation verification

When auditing, it is often not possible, due to limited resources, to check every document or record. The auditor should consider how much documentation should be viewed. The auditor may choose to sample a statistically representative number of documented results, such as monitoring data or incident reports. An appropriate sampling method will manage any uncertainty to an acceptable level.

Potential prosecutions

If a non-compliance is observed on-site that is a serious breach of the law and is likely to cause environmental harm, the auditor should stop the audit, inform the site manager or their representative of the situation and collect sufficient evidence in an admissible form for a potential prosecution. Ideally, this would be done with the DEC Regional Officer who is responsible for the site or activity. The non-compliance should be evaluated against EPA 2004, *EPA prosecution guidelines* (see References) for necessary follow-up action.

2.3.3 Closing meeting and communication

Once the auditors have finished the site inspection, undertaken all necessary interviews and collected all necessary evidence, a closing meeting is held with the site representatives.

In the closing meeting, the audit team should:

- give a general indication of the preliminary audit findings—it is important that the auditor indicates that findings are **preliminary** and that the final conclusions could be subject to change once all evidence is considered
- provide a briefing on any items needing immediate attention
- request any further information identified or clarification needed to finalise audit findings
- inform the site manager or their representative that they will be able to comment on the draft audit findings and the follow-up action program (see 2.4.3)
- thank the site manager or their representative for their participation and cooperation.

2.4 Post-site visit activities

2.4.1 Evaluation of audit evidence

Audit findings are generated by evaluating evidence collected before and during the site inspection against the audit criteria.

The evidence collected may include observations made on-site, records and documentation on files, and documents produced by the site manager or their representative before, during or after the site inspection. The evidence is generally assessed once the auditor is back in the office.

1. Firstly, the auditor must review information gathered to determine whether sufficient evidence has been collected to produce audit findings.
2. The auditor should fill in any information gaps by following up with the auditee's representative. This may include accessing records to verify statements made by site personnel or checking sampling procedures with external consultants who carry out the monitoring.
3. Once the information gaps have been filled, the auditor must evaluate the evidence against the audit criteria and compile a list of audit findings.
4. If working as an audit team, the list should be discussed among the team, and an integrated list of all auditors' findings should be compiled.

The assessments on the following page should be used to report whether each requirement has been met.

Table 3: Compliance, non-compliance, not determined and not applicable assessments

Assessment	Criteria
Compliance	There is sufficient and appropriate evidence to demonstrate the particular requirement has been complied with and is within the scope of the audit.
Non-compliance	Clear evidence has been collected to demonstrate the particular requirement has not been complied with and is within the scope of the audit.
Not determined	<p>The necessary evidence has not been collected to enable an assessment of compliance to be made within the scope of the audit. There may be various reasons why the audit team could not collect the required information, including:</p> <ul style="list-style-type: none"> • the audit team was not on-site for the period covered by the scope of the audit, or there was insufficient information on the file relating to the period covered by the audit to enable an assessment of compliance to be made • the wording of the criteria meant that no evidence could be gathered or it was too difficult to gather the evidence • the environmental gains to be achieved through compliance—and the environmental harm to be caused through non-compliance—did not justify the use of resources necessary to make an accurate assessment (eg, an auditor should not have to go to any length to assess compliance with a condition of a statutory instrument simply because the condition exists).
Not applicable (not activated)	An invoking element in the criteria was not activated within the scope of the audit. The element of the criteria may require that a particular activity be carried out or that an event occur before the requirement needs to be complied with, eg, 'The licensee must notify DEC of incidents causing or threatening environmental harm'. If there were no incidents that caused or threatened environmental harm within the scope of the audit, the requirements of this condition do not apply to the auditee.

The auditor should ensure that only the criteria are assessed, without considering what the intent is or may have been.

Once compliance with each requirement has been assessed, the auditor should document their findings in a table similar to the one in Appendix 2. This table can then be used as a basis for compiling the compliance audit report.

Further observations

The audit report may also document 'further observations' where issues of environmental concern were observed which did not strictly relate to the scope of the audit or assessment of compliance. Further observations are considered to be indicators of potential non-compliance or areas where environmental performance may be improved.

Assessment of the environmental significance of a non-compliance

A non-compliance may be assessed to determine the significance of its actual or potential impact on the environment. The auditee can use this assessment to rank or categorise non-

compliances so follow-up actions can be prioritised if numerous non-compliances are identified.

The significance of a non-compliance can be assessed by considering factors such as:

- the level/degree of impact on or significance for Aboriginal objects
- the level of threat the species/habitat/community is subject to
- the sensitivity of the environment
- the toxicity of the pollutant involved
- the load of the pollutant
- proximity to the receiving environment
- likelihood of the event occurring.

Appendix 3 gives an example of a risk assessment process for environmental issues that allocates a colour code to each non-compliance according to its environmental significance.

Preparing audit conclusions

The audit conclusion is the outcome of the audit after considering the audit objectives and all findings. The conclusion generally also summarises the extent of conformity of the auditee with the audit criteria.

2.4.2 Compliance audit report

The compliance audit report communicates audit findings and recommendations to relevant stakeholders. It documents the overall assessment of compliance, and details the non-compliances identified during the audit and the follow-up actions needed to improve compliance.

The report must include details of the following:

- the audit objectives
- the audit scope
- identification of the auditee
- identification of DEC as the auditor
- the dates and places where the audit activities were undertaken
- the audit criteria
- the audit findings
- the audit conclusions.

The report may also include:

- categorisation of the non-compliances with reference to their environmental risk
- recommendations for corrective or preventative action (see 2.4.3 below)

2.4.3 Follow-up action program

The purpose of the follow-up action program is to specify to the auditee a course of action to deal with non-compliances identified in the audit findings, and achieve compliance. The action program can be developed with input from auditee representatives to ensure that the actions required are appropriate and achievable.

Developing the follow-up action program involves the following steps:

1. List all non-compliances with the criteria.
2. Establish a framework within which the auditee can implement the compliance action program. This should not contain prescriptive recommendations on how to address the non-compliances, but should be based on a risk assessment that enables the auditee, in conjunction with DEC, to prioritise remedial action and determine the timeframe within which the non-compliances should be addressed (see example in Appendix 3).
3. Closely monitor the progress of the auditee in implementing the follow-up actions.

2.4.4 Regulatory review

The regulatory review assesses the quality of any statutory instruments issued to the auditee and recommends improvements if required.

The regulatory review is done in three stages, as a review of:

1. the legislative requirements, to ensure they are met
2. the overall adequacy of the statutory instrument
3. each condition of the statutory instrument.

Table 4: Regulatory review stages

Stage 1. Legislative requirements
<ul style="list-style-type: none"> • Review legislative requirements and assess whether all necessary approvals, licences, permits, consents and notices have been issued to the auditee, and document findings.
Stage 2. Statutory instruments
<ul style="list-style-type: none"> • Assess the adequacy of each instrument and identify any new conditions that will improve its performance. • Assess how well the instruments cover all activities/processes/discharges on-site. • Justify findings and document.
Stage 3. Conditions
<ul style="list-style-type: none"> • Assess how well each condition meets DEC's needs by answering the five questions for each condition: <ol style="list-style-type: none"> 1. Is the condition applicable to this site? 2. Is the condition legally enforceable? 3. Can the auditee comply with the condition? 4. Is it possible for DEC Officers to accurately assess compliance with the condition? 5. Will compliance with the condition reduce the risk to the environment/cultural heritage aspects/threatened species? • Record the assessment. • Identify additions, modifications and deletions to be made. • For every condition requiring change or deletion, record the justification.

3 Quality assurance and record keeping

The value, rigour and credibility of a compliance audit depends on its proper management. All DEC compliance audits must be undertaken in accordance with the quality procedures detailed below.

3.1 Quality assurance

The purpose of quality assurance procedures is to ensure that all audit tasks are carried out consistently.

At the beginning of each audit, the lead auditor should prepare a quality plan identifying the quality assurance procedures to be undertaken. The plan should contain:

- a record of the actions required for ensuring quality work
- verification by officers responsible that required actions have been undertaken
- the people who will review the work
- the expected time for the review.

The plan ensures consistency through a structured process of peer review. An example of a quality plan is given in Appendix 4.

3.2 Record keeping

The purpose of record keeping is to ensure the proper and systematic recording of information and observations collected during a compliance audit. Good record keeping and filing procedures will ensure that all supporting documentation and observations are kept for future reference.

All audit information should be stored in a file and a new file opened for each compliance audit. Each file should contain a number of subsections to store the audit information in an orderly manner.

The table below gives an example of what sort of information should be kept in each file.

Table 5: Records to be kept for filing

File contents	Details
Audit correspondence	Store all correspondence relevant to the audit
Name record	Include the name of the auditee and the history of who occupied the site and activities carried out.
Quality assurance and planning	Include the audit plan and quality plan (see Appendices 1 and 4).
Statutory and policy documents/guidelines	List all relevant legislation, instruments, policy documents and guidelines used to assess compliance.
Audit reference material and observations	Include all documents generated during the inspection and preliminary tasks (ie, checklists, photos, drawings, videos). Include all other information sourced for the purposes of the audit (eg, location of articles or information sheets).
Assessment of compliance	Include a copy of the compliance audit report including any detailed assessments documented in other areas (see Appendices 2 and 3).

Glossary

Aboriginal object. Any deposit, object or material evidence (not being a handicraft for sale) relating to the Aboriginal habitation of the area, including Aboriginal remains.

Audit element. A component of the activity/process/discharge that is being investigated for assessing compliance of a condition attached to a regulatory instrument.

Auditee. A person or organisation being audited. The DEC audits organisations or individuals whose activities are regulated by legislation the DEC has a duty to uphold.

Checklists. Lists of all the activities, processes and discharges to be addressed during the audit including a list of elements to be audited and the type of observations to be made to assess compliance.

Compliance audit. An assessment of an auditee's activities to determine whether the audit criteria are being met

Comprehensive audits. Audits that assess all activities, processes and discharges of auditees in relation to legislation administered by DEC.

DEC policy documents. The general term used to refer to any of the following documents: corporate policy documents, environmental guidelines, codes of practice, guidelines, policy statements/strategies, regional environmental improvement plans and policy documents adopted by DEC. These documents help the auditor assess compliance.

Environmental legislation. Legislation administered by DEC such as the *Protection of the Environment Operations Act 1997* and the *Protection of the Environment Operations (Waste) Regulation 2005*.

Focussed audits. Audits that assess targeted activities, processes or discharges of the auditee in relation to legislation administered by DEC.

Monitor. To systematically and repeatedly measure a parameter to track changes or establish the baseline or current conditions.

Pollutant. A contaminant that adversely alters the physical, chemical, or biological properties of the environment. The term includes pathogens, toxic metals, carcinogens, oxygen-demanding materials, nutrients and all other harmful substances.

Quality assurance. A system of procedures to ensure that all audits are carried out correctly.

Regulatory review. A process where an assessment of the quality of the statutory instruments issued to an auditee is undertaken and recommendations made on how to improve the statutory instruments.

Statutory instruments. Instruments issued to an auditee pursuant to the legislation administered by DEC. These include approvals, licences, notices, permits and certificates of registration.

Appendices

Appendix 1. Audit plan

Date:.....
Name of auditee:
Address:
.....

Date of (proposed) audit inspection:
File no:
Lead auditor:
Support auditors:
.....

Audit objectives:
.....
.....
.....
.....
.....

Audit criteria:
.....
.....
.....
.....
.....
.....

Audit scope:
.....
.....
.....
.....
.....

Quality plan (attached as Attachment A)

Audit logistics: (ie travel required, limitations on entry to premises, quarantine requirements)
.....
.....
.....
.....

Audit timetable:

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Roles and responsibilities of audit team members:

.....
.....
.....
.....
.....
.....
.....

Resource allocation (ie, budget, personnel):

.....
.....
.....
.....
.....
.....

Appendix 2. File record of site assessment

Auditee:

Requirement ¹	Activity/process/ discharge/observations ²	References used to make the assessment ³	Assessment (compliance, non- compliance, not determined or not applicable)

1. Legislation, condition, policy requirement etc
2. Identify activity/process/dischARGE and particular observations to allow an assessment of compliance, non-compliance, not determined or not applicable to be made
3. Identify checklists, file numbers, photos, videos, notebook page numbers and any other references used to allow an assessment to be made.

Appendix 3. Example of a risk assessment process

This appendix describes one example of a risk assessment process used in DEC. Each non-compliance is assessed to determine the significance of its actual or potential impact on the environment. The significance can be assessed by determining the following two criteria for each non-compliance, using detailed guidance material:

- the level of environmental impact caused by the non-compliance
- the likelihood of environmental harm occurring as a result of the non-compliance.

After these assessments are made, the information is transferred into the risk analysis matrix below, so a colour code can be allocated.

		Likelihood of environmental harm occurring		
		Certain	Likely	Less likely
Level of environmental impact	High	Code Red	Code Red	Code Orange
	Moderate	Code Red	Code Orange	Code Yellow
	Low	Code Orange	Code Yellow	Code Yellow

A **red** colour code denotes that the non-compliance is of considerable environmental significance and needs to be dealt with as a matter of priority. An **orange** or **yellow** colour code suggests that the non-compliance could receive a lower priority but must still be addressed.

Administrative, reporting and monitoring non-compliances are allocated a **blue** colour code. These do not usually have direct environmental significance but are still important to the integrity of the regulatory system.

The colour code is used as the basis for deciding the priority of remedial action required by the auditee and the timeframe within which the non-compliance must be addressed. While the risk assessment of non-compliances is used to prioritise actions to be taken, DEC considers all non-compliances to be important, and auditees must ensure that all are resolved as soon as possible.

Appendix 4. Example of a quality plan

Where appropriate, tasks should be dated and signed off by the person responsible, once they are completed.

Task	Date	Initial
Audit plan reviewed by Unit Head		
Site visit completed and confirmed by lead auditor		
*Draft audit report reviewed by support auditor/specialists.		
Draft audit report reviewed by: <ul style="list-style-type: none"> • Unit Head • Section Manager 		
Draft audit report submitted to auditee for comment		
Response from auditee to draft audit report		
Final audit report reviewed by: <ul style="list-style-type: none"> • Unit Head • Section Manager 		
Final audit report sent to auditee		
*Follow up of required actions		

* = if applicable

References

AS/NZS ISO 19011:2003, *Guidelines for quality and/or environmental management systems auditing*, visit www.standards.com.au for more information and to purchase a copy

AS/NZS 5667.1:1998, *Water quality – sampling – guidance on the design of sampling programs, sampling techniques and the preservation and handling of samples* (or any updated version), visit www.standards.com.au for more information and to purchase a copy

NSW Environment Protection Authority (EPA) 2004, *EPA prosecution guidelines*, visit www.epa.nsw.gov.au/legal/prosguide/index.htm for a copy or phone 131 555