EICC Validated Audit Process (VAP)

Quality Management Overview

Revision – 26 April 2011

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1. Introduction

The EICC Validated Audit Process (VAP) provides the highest quality information gathering and analysis of working conditions at a facility within the industry. In order to ensure this consistent level of quality the EICC has implemented the following key components of its VAP program:

Independent selection and allocation of third party qualified audit firms and overall quality review through an expert Audit Program Manager (APM) with consistent governance of the EICC Code of Conduct audit guidance

Independent performance review of each audit firm and qualified/certified auditor within the EICC VA process

Assurance of sufficient time on site, with a minimum of 2 auditors to ensure the integrity and depth of information gathering

Optimized scope of coverage for seamless sharing of the resulting VA report to multiple site customers at the Auditee's' discretion

Recognized EICC-GeSI Labor & Ethics certification program for lead auditors

Independent management of the Validated Audit Process Corrective Action program

Commitment to quality and continuous improvement per the Service Level and Quality Statement

Expert helpdesk on working conditions, EICC Code of Conduct and its provisions available to auditees, auditors (throughout the entire process) and EICC members

2. Definitions

a. Audit Type

Term	Definition
1st Party EICC Based Audit	A company performs an audit upon itself conducted by its own internal auditors using the EICC process, code and its provisions and tools. The report may or may not undergo an internal quality review process.
2nd Party EICC Based Audit	A company utilizes its own internal auditors to audit their suppliers or potential suppliers. This audit should use the EICC process, code and its provisions and tools. The report may or may not undergo a quality review process. The data is protected and only accessible to the auditee and those organizations the auditee allows access to (at minimum the company who performed the audit)

3rd Party EICC Based Audit	A company uses an independent audit firm to audit a supplier or potential supplier or in some cases the company's own facilities. The Audit firm is an EICC approved independent audit firm and not associated to the company. This audit should use the EICC process, code and its provisions and tools. The report may or may not undergo a quality review process. The data is protected and only accessible to the auditee and those organizations the auditee allows access to (at minimum the company who requested the audit)
EICC VAP Audit	A validated audit (VA) is a 3rd Party EICC Audit managed solely by an EICC by the EICC appointed Audit Program manager (APM). The APM will ensure integrity of the process and assign an EICC approved independent Audit firm. The scope of the Validated Audit will include all areas of a facility or as agreed to by the APM and the Auditee, to enable seamless and appropriate sharing of the Validated Audit Report to interested customers of the Auditee. A validated audit Report (VAR) is quality reviewed and released by the APM. The Auditee is required to provide necessary Corrective Action Plans following the release of the VAR and undergo a closure audit.

b. Audit Finding Type

Term	Definition
Priority non conformance	A major non-conformance with significant and immediate impact. These are predefined such as the presence of child labor in a facility. If a Priority Issue is found, the auditor must report this immediately to facility management and to the EICC APM. Other Priority issues include: forced labor, health and safety issues that can cause immediate danger to life or serious injury, and environmental issues that can result in serious and immediate harm to the community. Priority non conformances are indicated in the EICC Audit Tool (light red color in the question field)
Major non conformance	A significant failure in the management system – one that affects the ability of the system to produce the desired results. It may also be caused by failure to implement an established process or procedure or if the process or procedure is totally ineffective. For example, the failure of an organization to verify its compliance to applicable laws and regulations is a Major Non conformance.
Minor non conformance	A minor nonconformance by itself doesn't indicate a systemic problem with the management system. It is typically an isolated or random incident. Examples are: an internal audit with an overdue corrective action request pending, or a procedure that has not been revised to reflect a change in regulations.

Risk of non conformance	An observation is used in several situations: When there is insufficient evidence to conclusively determine conformance or nonconformance. An example of this would be when worker interview information contradicts program documentation and records, but it cannot be determined whether the records have been falsified or the workers have been coached to answer in a certain way. When evaluating working hours, an insufficient number of workers in a sample are found to exceed the EICC-GeSI 60-hour working hours limit or the applicable legal limit. If the condition or practice is in conformance with the requirement, but in the auditors' judgment, it could deteriorate to a nonconformance without some additional action or effort on the part of facility management.
N/A	The question is not applicable to the entire audited facility and to each specific part of the facility. N/A responses should be minimized and replaced by as many observations as possible.

3. Service Level and Quality Statement

The EICC is committed to the improvement of conditions throughout the supply chains of its members. A key component of this commitment is a high quality Validated Audit Process (VAP). EICC has established a level of service and quality for the Validated Audits as set out in the "VAP Service Level Quality Statement" available as Attachment X to this document.

4. Allocation of Audit Firms

The APM, an expert qualified third party without competing auditing business assigns a qualified audit firm and auditors to each audit.

The qualification process of the audit firm is a detailed review of the audit firms capacity and capability to deliver high quality third party audits in line with ISO 19011and all applicable legal requirements and international good practice on workplace auditing. Some of the criteria reviewed during the selection process are:

Selection process of auditors
Capacity in country
Experience in the electronics sector
Internal quality management processes
Integrity and allegation investigation processes
Auditor training and current knowledge processes

The review process is managed by the EICC APM and approved by the board of the EICC.

For each Validated Audit (VA) individual qualified/certified auditors are selected from an available list by the APM. This selection is based on availability, expertise level as required by the risk level of the auditee (e.g. high EHS risk requires higher level auditor expertise). The qualification process evaluates the following criteria for each individual auditor:

Formal education degrees

Auditor's accreditation (e.g. IRCA, RAB-QSA, etc.)
Skills in interview and group dynamics
Skills in Labor and Employment
Skills in Business Ethics
Skills in Occupational Health and Safety
Skills in Environment
Skills in Management Systems
Skills in Root Cause Analysis (including Corrective and Preventive Action)
External training (last 3 years)
Audits participated in over last three years
Languages spoken

For lead auditors an IRCA certification specifically for the electronics Industry (designed in collaboration with EICC and IRCA) is required (in transition)

5. Allocation of Time on Site

In most audits auditors spend limited time on site. It has been proven that time on site is critical to the level of depth, understanding and quality of information auditors receive, enabling them to make accurate professional conclusions on the level of conformance of a site against the EICC Code of Conduct provisions, laws and regulations.

Many research projects and civil society organization advocate for more time on site as compared to the regular “risk assessment” type audit. EICC in its effort to ensure quality of its VAP and in line with its objective to improve the conditions with the supply chain of its members have integrated adequate time on site into its VA process.

The time allocation of a minimum of two auditors for each audit is allocated as follows:

The audit will most commonly be a four to six person-day event depending on the size and complexity of the facility. The size of the audit team and number of audit days will depend on a number of factors such as:

physical size of the facility,
number of workers,
process complexity,
results of the facility self-assessment, and
type of audit (e.g. initial vs. follow-up)

The audit scope (size of the team and duration of the audit) will be determined jointly between the audit firm and the EICC APM on a case-by-case basis, using the facility profile information obtained through the Self-Assessment Questionnaire, and other pertinent information about the site.

The process uses the following reference as guidance to on-site audit time allocation:

Complexity of operations within the scope of the audit. ***Criteria:*** *dormitory, significant chemical operations, intensive physical handling, complex manufacturing operations, canteen, special operations, etc.*	**Size** - number of workers at a facility		
	< 1000	**1000-5000**	**> 5000**
Low – no listed complexity criteria	2 days	4 days	8 days
Medium – 2 listed complexity criteria	4 days	6 days	10 days
High – 3 or more listed complexity criteria		8 days	12 days

6. Validated Audit report review process

Each Validated Audit Report (VAR) is reviewed by the APM both at draft and at final stage before release. The quality assurance process consists of the following:

Review of scope and application (assurance audit covered entire site and all operation)

Review of confidentiality (assurance no product, customer, other info which needs removal to ensure compliance with applicable legal requirements such as anti-trust/anti-competition, fair business, foreign corrupt practice, etc.)

2 independent reviews of the report against

- Format
- Good reporting criteria
- EICC code and provision
- Good auditing practices (including review of submitted auditor notes and supporting evidence)
- Applicable legislation

7. Performance Review

The EICC has institutionalized a process for both process improvement but also performance management of the qualified audit firms and qualified/certified auditors. The allocation of an audit to a qualified audit firm and individual auditors is a balance between availability, price and performance (at the audit firm and individual auditor level).

The performance management consists of the following components

- Feedback surveys
  - Auditee
  - Observer
- Shadow audits by APM
- Complaint process
- VAP "process" performance:

▪ Onsite performance - 20% (auditor)	▪ Feedback Surveys
▪ Timeliness to process deadlines - 15% (audit firm)	▪ 1/3 performance on draft report (100 points = all requirements minus points for non conformance on good reporting guidance per incident – see below) ▪ 2/3 performance on final report (100 points = all requirements minus points for non conformance on good reporting guidance per incident – see below)
▪ Response to complaint/allegation - 25% (auditor / audit firm)	▪ 100 points on agreed timely corrective action plan closure

The EICC APM has monthly phone calls with the qualified audit forms to ensure performance improvements are discussed and agreed to.

The EICC performance governance process is in place to ensure that only performing auditors and audit firms are use in the VAP. The performance governance process consists of:

- First – written notice; 3-month improvement plan
- Second – written warning; 3-month improvement plan; shadow audit by APM (paid by audit firm)
- Third – disqualification (VAP Operations Management Team/ EICC Board decision)

A re-qualification is possible through a successful and full re- application/re-certification to the process as an audit firm.

8. Good Reporting Criteria for a Validated Audit Report (VAR)

Based on good auditing principles, ISO guidance on good reporting and good reporting practice across sectors (e.g. GMP in the pharmaceutical industry), the following good reporting criteria are used:

- Relevance (3 performance points)
- Content (1 performance point)
- Language (0.5 performance points)
- Format (0.25 performance points)

a. Relevance (3 performance points)

Ensure the conclusion is relevant to the question

- *E.g. when asked if management verifies workers understanding on labor and Ethics – this is not a suggestion box for feedback. It is a test, survey, interview, or other method on knowledge verification.*

Justification needs to be given why a rating is changed up (increased risk) or down (decreased risk) from the EICC VAP default rating **(please note that final approval of rating change is done by VAP APM upon review of risk assessment provided). This justification takes the form of a detailed risk assessment including at least**

- Hazard
- Likelihood of occurrence
- Impact
  - The following supplier Risk factors to consider are when changing a rating from the default rating:

    Health and Safety risk to workers
    Health and Safety risk to community
    Adverse product safety impact
    Restriction in workers' rights
    Violation of local law
    Reputation risk
    Operational risk
    Short or medium term environmental risk

Inaccurate rating

b. Content (1 performance point)

Indicate the period for which documents / records and documents / records were reviewed

Data points need to describe process used by auditors if different than standard process references used and result

- *e.g. the age of workers was identified by using the website xxxx, 23 workers ID info selected and verified against the info the website (official government information is referenced) the result is 20 showed birth year accurate and over 16 3 showed birth year inaccurate and under 18*

Worker interview composition should be stated for each relevant question

- *e.g. as of the XXX workers - YYY confirmed ZZZZ by stating " AAAAA"*

Auditee documents should list the title, date and other references and ideally a quote from the document to prove relevance to the question and conformance status

Ensure any service provider for the last three years is listed in either certification or consultancy sections. This includes

- Certifications received
- Consultancy received or service provided such as testing services
- Audits/assessments conducted

Do state if there is a legal violation

- Need legal reference – title of law, article, year of issue and quote from law specific to non conformance
- State and quote legal reference wherever they exist and what the conformance gap is
    - *e.g. labor law XXX of date art YYY "zzz" current practice "AAAA" does not conform in the following points CCCCC*

Supporting evidence is related to the question

Do NOT repeat the data points or the reference information in the conclusion

The conclusion is NOT a sentence which repeats the same info as the question but a summary of the gap in conformance or a statement based on data points why the Auditee is in conformance

Ensure documented evidence (copies/pictures of) is taken during the audit and is attached as supporting evidence and submitted with the VAR (draft and final)

Ensure auditor notes are submitted with the draft VAR

Ensure Closing meeting and daily wrap up templates are completed and submitted within 48h of close meeting

Ensure daily wrap up is submitted at the end of day when a Priority non conformance is identified and discussed with the Auditee

Facility description should be completed and include a lay out in supporting evidence

Ensure that information included in the report cannot identify

- a customer
- specific product or any proprietary information
- An individual who is not part of the management team or a section head

When a question refers to a person then always verify if the person is competent, trained and **state how this was verified**

When a question refers to testing or control, then always state

- what tests were done
- if the person/company was competent, licensed, authorized
- what the results were
- trends and what action result from these
- this applies to audit questions, control questions, drill questions, testing questions

When a question or response mentions training then always state

- what training
- who was trained
- if trainer was competent
- what the results of the training were
- if the training was effective (can trainees explain and implement what they were trained on) how the auditor verified this

Data points from the same (or non-independent) source of information should be combined together under 1 data point.

c. Language (0.5 performance points)

Data points cannot have opinion subjective statements or judgment. Only facts and neutral info

Language use is present or current tense not past tense as the data reflects what happened on the day of the audit

Do not assume a reader of the VAR is familiar with a country

- state local words or term used (even in local characters)
- English term and
- definition or explanation

All information is triangulated (3 independent data point proving a finding). This is true for both conformance and non conformance

Refrain from the use of abbreviations where possible.

- If the abbreviation is used frequently then provide explanation when first used in the document e.g. Personal Protective Equipment (PPE).

Refrain from stating personal opinion.

- *E.g. do not make statement such as: "in the auditor's opinion the contents of the self-audit report are fine."*

d. Format (0.25 performance points)

No filler words should be used

- *E.g. furthermore, it was also observed, In addition to, It was noted that "XXX"*

Avoid words such as "etc." – as the lists need to be complete

Do not state if in violation of the EICC Code of Conduct for a question, as this is obvious from the rating

Supporting evidence is all of the documents submitted to the EICC APM with a reference that allows easy retrieving of the evidence

- name auditee - sequential number or name auditee - date audit - sequential number

Spell check and grammar check (running the EICC VAP audit tool macro)

Do not leave any fields or titles blank in the report

Ensure that findings are simply a clear description of the conformance or nonconformance that will enable the facility to understand what needs to be improved.

The conclusion is no longer than 3 sentences

All information needs to fit with the maximum data and view field of the entry cell

Risk of non-conformance. Note this should be on an exception only basis, no report will be accepted if Risk of non-conformance exceeds 3 percent of total questions

Good Practices sections, when appropriate, should be completed under the code section - nowhere else in the document

- Good practice must be truly a good "uncommon" practice

Facility description should NOT cover information captured in other sections such as employee demographics

Worker attitude section should only describe the worker attitude

- if workers have different attitudes by section describe each

Exception management section is only completed by providing a clear list of

- findings which need further investigation or no conclusion could be reached
- process component which have not been executed

- Documents could not be viewed or copied/photographed as evidence
- Areas of the facility which were not covered during the Validated Audit. The default scope of an EICC Validated Audit is the entire Auditee site or as listed in the Scope description issued by the VAP APM
- This should occur by exception only

Process Integrity should only be provided if an attempt was made to subvert the VA process by the Auditee or one of its agents

- All relevant information should be listed such as when the occurrence took place, by whom, details of the interaction, details of request, Auditor response and follow up process.
- **Please note that any attempt to subvert the Validated Audit process must be IMMEDIATELY reported to the EICC VAP APM**

Executive summary section should completed and be a short standalone statement including:

- Summary of Audit (scope, date, length of audit, number of auditors)
- Exception or Integrity issues, if relevant
- Summary of Priority and Major non conformances

Closing meeting section is completed by providing:

- a brief of how the closing meeting was conducted
- who from the management team participates in the closing meeting
- how the discussion was
- any other suggestions or solutions discussed
- were Priority and Major non conformance findings accepted
- were exception management items accepted
- attitude of the Auditee during the discussion and towards these findings, suggestions and/or solutions

Ensure document is delivered to the VAP Program Manager in at least Microsoft Excel 2007 Macro-Enabled Workbook (xlsm) format

Indicate clearly what source of information the data point was based on, such as

- "document review"
- "management interview"
- "worker interview"
- "observation during the factory tour"

If there is any question on the interpretation of the guidance or the question then contact the EICC VAP APM immediately by phone or email during the audit and when writing the report

9. Attachments

a. **Service Level and Quality Statement**	Available: Attached to this document Embedded below within this document Posted on www.eiccoalition.org  110428 - EICC - 2011 VAP service level-quality statement_Final.pdf

SERVICE LEVEL AND QUALITY STATEMENT FOR THE VALIDATED AUDIT PROCESS (VAP)

The EICC is committed to the improvement of conditions throughout the supply chains of its members. A key component of this commitment is a high quality Validated Audit Process (VAP).

EICC has established the following levels of service and quality for VAP audits:

- ✓ An experienced and qualified global Audit Program Manager (APM) with local representatives will provide overall program management
- ✓ The program will utilize leading practices from different industry sectors
- ✓ Audits will be performed by individually selected and qualified auditors from reputable and screened audit firms
- ✓ Standardized EICC audit tools and templates will be used across the process to ensure quality and consistency
- ✓ The APM will provide ongoing guidance to auditors and auditees on the audit process and the EICC audit criteria
- ✓ A helpdesk is available to all participants for questions, clarifications and explanation of the process, the audit criteria, and audit results
- ✓ The audit report will be reviewed by two qualified and experienced members of the VAP APM using the following quality criteria: completeness; anonymization (no identifiable product or Buyer information will remain in the report), triangulation of findings, accuracy of findings versus audit notes, conclusions and identification to EICC Code provision, correct spelling and grammar; proper use of audit tool ratings (Major, Minor, etc.); proper interpretation of audit criteria; consistency of findings across criteria; and adequate documented proof to substantiate findings (photos, copies of relevant documents, etc..).
- ✓ Feedback on the audit process and auditors will be taken and analyzed after each audit and used to improve the performance of each audit firm and auditor, and to adjust the process (if needed)
- ✓ The APM will provide regular Buyer, Auditee and Audit firm updates on an established schedule (quarterly, monthly, prior to audit and post audit)
- ✓ A complaint mechanism is in place to address concerns about the performance of the audit firms and the VAP APM
- ✓ Guidance is available to help audit buyers manage Auditee corrective action plans (CAPs) and follow-up
- ✓ Audit buyers have the option to work through the VAP manager to manage in collaboration with the Auditee its CAP and follow-up
- ✓ Quarterly and annual performance analysis and results will be presented to the Auditee (on their performance), Buyer (for their selected audits) and the EICC (for the industry)
- ✓ The VA Process has been reviewed by legal counsel and is in line with US anti-trust and EU anti competition regulation