



AzSPU Contractor HSE Audit Procedure

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TABLE OF CONTENTS

1	Introduction-----	3
2	Objective-----	3
3	Audit -----	3
3.1	Audit Scheduling -----	3
3.2	Roles & Responsibilities -----	4
4	HSE Audit Process -----	5
5	Pre-Audit Activities-----	6
6	On-site Activities-----	7
7	Post-site Activities-----	9
	Revision/Review Log-----	13

1 Introduction

The Contractor HSE Audit Program is designed to evaluate progress towards HSE targets, the effectiveness of the contractor HSE management systems and regulatory compliance. It is a part of the HSE Assurance Program, which is designed to confirm that processes are in place and working effectively in order to ensure delivery of both Contractor and BP's HSE expectations and legal compliance.

2 Objective

The purpose of this document is to provide guidance for conducting contractor health, safety and environmental (HSE) audits within AzSPU.

Audits shall be used as a tool for verification of compliance with Contract HSE requirements and continuous monitoring and improvement of the effectiveness of the HSE Management Systems and of the companies contracted by AzSPU. The audit process ensures that the audits meet applicable regulatory and both Contractor and BP's HSE expectation and that HSE risks are being adequately managed.

3 Audit

HSE Audits are performed to verify potentially high-risk contractor's conformance to:

- Contractor's HSE management system and/or HSE work plan
- HSE requirements for contractors performing work on BP facilities
- Contract HSE clauses
- Hazards and risks and how they are managed
- Competency
- Plant & equipment
- Management of change
- Emergency response
- Waste Management
- Compliance with legal and other requirements

Sub-contractor audits may also be conducted.

3.1 Audit Scheduling

The audit schedule will be based upon previous year's HSE scorecard, incidents, audit findings, Safety & Operations (S&O) assessments, and current year's activities and key risks.

3.2 Roles & Responsibilities

Audit Team

Formally trained or experienced personnel, who are independent of the function / activity to be audited, shall perform the audits.

The Audit Team can consist of Health & Safety and Environmental auditors and will be led by a Lead Auditor.

The Lead Auditor will act as a focal point for findings resolution issues and will communicate with Contractor on behalf of Audit Team.

It is a requirement that the Technical Specialist (TS) responsible for the Contractor or activity audited is present as a minimum at the kick-off and close out meetings of the Audit.

TS(owner) is responsible for:

- Coordinating between the Contractor and the Audit team
- Providing support to audit team
- Managing the closure of findings
- Reviewing with the Audit Team any action items that they consider to be inappropriate
- Ensuring that all their action items are closed by the target date
- Taking appropriate action with the Contractor if action items are not completed by the target date
- Identifying the necessity of audit and focus areas.

Contractor (auditee) is responsible for:

- Co-operating with the auditors to permit the audit objectives to be achieved
- Informing their employees about the objectives and scope of the audit
- Providing the facilities needed for the audit team
- Appointing staff to accompany members of the audit team and to act as guides
- Providing access to the audited facilities including personnel and other materials
- Developing, tracking and closing action items
- Participating In the audit

Audit Team Leader is responsible for:

- Obtaining relevant background information necessary to meet the objectives of the audit
- Forming the audit team after having given consideration to representations of the contractor and the appropriate parties
- Preparing the audit plan
- Communicating the final audit plan to the TS, audit team and the Contractor
- Coordinating the preparation of working documents and detailed procedures, and briefing the audit team
- Directing the activities of the audit team
- Preparing the audit report
- Representing the audit team in discussions with the contractor prior to, during and after the audit
- Notifying the contractor of observations on critical non-conformities without delay
- Reporting on the audit clearly and conclusively within the time agreed with the TS and contractor

- Making clear and concise recommendations to the contractor for corrective actions, ensuring that these represent the fair opinion of the team
- Maintaining the independence and objectivity of the team and the audit report
- Reviewing audit recommendations with TS/Contractor or designee

Audit Team Member is responsible for:

- Following the directions of and supporting the Audit Team Leader
- Planning and carrying out the assigned task objectively, effectively and efficiently within the scope of the audit
- Collecting and analyzing relevant and sufficient evidence to allow findings to be made and conclusions to be drawn regarding the contractor's system
- Preparing working documents under the direction of the Audit Team Leader
- Documenting individual audit findings
- Safeguarding documents pertaining to the audit and returning such documents as required
- Assisting in writing the audit report

4 HSE Audit Process

The process for conducting **HSE Audits** is summarized below:

Pre-Audit Activities

- Setting the Objectives and Scope of the Audit
- Defining the Audit Criteria
- Developing the Audit Protocol/Checklist
- Selecting the Audit Team Members
- Developing the Audit Plan
- Preparing Contractor Management for the Audit
- Planning and Preparing the Audit Team for the Site Visit

On-Site Activities

- Opening Meeting
- Typical Activities
 - Records/Documentation Review
 - Interviews with Contractor Staff
 - Site Observations
- Assessing Internal Controls
- Reviewing the Audit Plan
- Debriefing the Audit Team
- Closing Meeting

Post-Site Activities

- Outstanding Issues
- Identifying and Gathering Additional Data
- Regulatory Reviews
- Refining the List of Findings
- Substantiating the Findings
- Prioritizing the Findings
- Clarifying Assignments for Audit Team Members

Report Preparation And Follow-Up

- Communicating Significant Findings to both Contractor and BP Management
- Writing the Audit Report
- Reviewing the Draft Report
- Distributing the Final Report
- Developing Action Plans and Corrective Measures
- Entering Audit Findings and Recommendations Into a Formalized Tracking System
- Follow-Up Audits and Verification that Corrective Measures Have Been Implemented

5 Pre-Audit Activities

Setting the Objectives and Scope of the Audit

The audit should be based on objectives defined by the Audit team. The scope describes the extent and boundaries of the audit.

Defining Audit Criteria

Audit criteria should be determined prior to the audit based upon the audit scope and objectives. Audit criteria include the HSE scorecard, incidents, audit findings, S&O assessments, and current year's activities and key risks codes, regulations, policies, practices, procedures or requirements, against which the auditor judges the audited facility.

Developing Audit Protocol/Checklist

Audit protocols, which may be in checklist format, are based on the audit criteria and outline a series of activities or steps to undertake in reviewing the specific subject matter of the audit. The protocol should be developed to suit the circumstances of a particular audit assignment. The auditor uses the protocol to compare collected audit evidence about the subject matter.

Developing the Audit Plan

The Audit Team Leader should obtain relevant information prior to the audit in order to assist with development of the Audit Plan (sometimes referred to as the Terms of Reference). Examples of relevant information may include but are not limited to:

- Organizational charts
- HSE management system (policies, procedures, guidelines)
- Previous audit reports, and follow-up
- Incident reports and follow-up

The **Audit Plan** should include, if applicable:

- The audit scope and objectives
- The audit criteria / protocol / procedures
- Identification of any activities that are of high priority
- Identification of audit team members
- The expected time and duration for audit activities

Audit preparation

The Audit Plan should be communicated to TS, audit team members, and the contractor. The TS should review and approve the plan. The contractor should be prepared to make available the appropriate interviewees, guides for the site visit, and general access to the facilities and required documentation and records.

Planning and Preparing the Audit Team for the Site Visit

The Audit Team Leader should obtain relevant information prior to the audit for review by the Audit Team. Examples of relevant information may include, but are not limited to:

- Organizational charts
- Audit Protocol
- HSE management system (policies, procedures, guidelines)
- Previous audit reports, and follow-up
- Incident reports and follow-up
- List of hazardous materials
- Environmental impact assessment / hazard analysis
- Environmental management plan(s)
- Emergency preparedness plans
- Training records
- Contractual documents

6 On-site Activities

Opening Meeting

Each audit should begin with an opening meeting with contractor management, HSE staff and the audit team to:

- Introduce the audit team
- Review the audit scope, objectives and criteria
- Establish contacts
- Clarifying opening issues, and
- Reaffirm the schedule for the closing meeting

Typical Audit Activities

The primary goal in performing an audit is to collect sufficient objective evidence to draw conclusions regarding compliance with HSE requirements. The Audit Team Leader will direct the audit to collect this evidence. Typical audit activities include:

- **Overview** – Presentation from a key person covering an overview of operations, organization, and basic site information. It may also include an orientation of site safety procedures.
- **Records/Documentation Review** – Review relevant HSE management system documents (policies, procedures, guidelines) that are the basis of HSE requirements
- **Interviews with Contractor Staff** – Conduct interviews with key personnel to ensure accurate conclusions can be drawn
- **Site Observations** – Process area walk-through, inspection of equipment and activities within the audit scope. An initial brief orientation tour presents an opportunity to identify areas to return for more in-depth observation/follow-up.

Each member of the audit team completes his/her assigned portion of the audit, collects and records objective evidence and keeps the Audit Team Leader informed. Each member uses the Audit Protocol to compare collected audit evidence about the subject matter, and may annotate the protocol with brief comments and notations, which become the audit working papers. The completed protocol may be supplemented with additional working papers/notes.

To perform an efficient audit and offer a well thought out review of findings at the Closing Meeting, it is important to avoid the “final crunch” of leaving evaluation of the collected audit evidence to the last minute. Each auditor should clean up their working papers and summarize their findings clearly.

Interviewing Contractor Staff

Interviewing is a key technique used by auditors to gather information, however, to be effective, interviews need to be carefully planned and conducted.

Planning the Interview

- Iron out logistics
- Define the desired outcomes
- Organize thoughts; establish a general sequence for questioning
- Get the right setting. Try to conduct the discussion in the interviewee’s work area.
- Try to keep it “one-on-one”

Opening the Interview

- Introduce yourself; state the purpose of the audit and interview.
- Ensure appropriateness of time
- Explain how information will/will not be used
- Record interviewee’s name, date, and location

Conducting the Interview

- Request a brief overview of the interviewee’s responsibilities with respect to audit topic(s)
- Ask open-ended questions (e.g. What...? How...?)
- Avoid simple Yes/No questions (e.g. Do you...?)
- Get the interviewee to do most of the talking
- Avoid making assumptions. Avoid leading questions.
- Tolerate silences in order to allow the interviewee to formulate thoughts and responses
- Take notes of key points during the interview. Do not attempt a verbatim transcript.

Closing the Interview

- Do not exceed the agreed upon time limit without concurrence
- End on a positive note
- Summarize your understanding of key points discussed
- Thank the interviewee for his/her assistance

Post-Interview

- After the interview, summarize the outcome and overall conclusions.

Assessing Internal Controls

An essential element of many HSE audits is to evaluate the soundness of internal controls and management systems. In particular, this serves to identify features that the auditor can rely on in gathering evidence, and potential weaknesses the auditor will test. Key areas to probe are:

- Are responsibilities and accountabilities clearly defined, established and communicated?

- What formal training have key personnel had to assist in performing key HSE functions?
- How does the contractor manage changes in HSE risks, procedures and equipment?
- What measures have been taken to reduce the likelihood of non-conformance with established criteria?
- Has the contractor fully implemented the various HSE programs?
- To what extent does contractor management review, measure, and evaluate results achieved against established criteria?
- What records are routinely developed and retained in carrying out various functions?

Reviewing the Audit Plan

The Audit Team Leader should periodically review the Audit Plan during the on-site activities to ensure that adequate progress is being maintained to achieve the audit objectives. If necessary, the audit plan and/or protocol should be modified to ensure that the objectives are met by making the most efficient and effective use of the audit team's resources.

Debriefing the Audit Team

Periodically during the audit, and upon completion of the on-site activities, the audit team should meet privately to share their objective evidence and agree their collective conclusions regarding compliance with HSE requirements. The team should summarize and agree their preliminary findings, and, where possible, start to identify appropriate recommendations. This process may be facilitated by each auditor writing up his/her findings and suggested recommendations on a daily basis, and then copying these notes to other team members.

It is often appropriate to offer a regular debrief to contractor management, especially contractor HSE staff, during the on-site activities to share the team's observations and conclusions as they are reached. This offers the opportunity for contractor staff to correct any inaccuracies or misunderstandings by identifying additional interviewees and other documents for review, and also helps to avoid any "surprises" at the more formal Closing Meeting.

Closing Meeting

At the completion of on-site activities, each audit should end with a closing meeting involving the audit team and contractor management to:

- Recognize any HSE "good/best practices" identified
- Review the preliminary audit findings and recommendations
- Confirm a schedule and distribution for the audit report and any site-specific facility response to the findings and recommendations

The Audit Team Leader should stress the preliminary nature of the findings, and that the recommendations may not be fully developed at this stage; pointing out that further research may be necessary to confirm the applicability of some items.

7 Post-site Activities

Outstanding Issues

Following completion of the On-Site Activities, there may be a number of outstanding issues remaining to be resolved. These issues may arise as a result of:

- Comments received at the Closing Meeting
- Additional information requests and documents requiring review
- Items requiring further research or substantiation

- Items requiring interpretation of regulations and corporate standards

Identifying and Gathering Additional Data

It may be necessary to obtain additional information and documents for review to enable response to comments received from contractor, and/or to substantiate preliminary findings.

Refining the List of Findings

If not already prepared at the Audit Team Debrief, a list of all findings should be developed. Each auditor should review all working papers to ensure that all topics were covered, and that working paper notes corroborate all findings.

Substantiating the Findings

Each Audit Team Member should critically review their findings to ensure that the audit evidence fully supports each conclusion, and that conclusions are limited to information developed during the audit.

Prioritizing the Findings

The list of findings should be prioritized to identify Significant or Principal Findings. Identification of common findings, issues or themes may be used to eliminate redundancies and emphasize important patterns or trends that emerged. Be alert to systemic issues where the symptoms observed may be manifestations of a more fundamental management system weakness.

Clarifying Assignments for Audit Team Members

The Audit Team Leader should delegate assignments to team members to address any outstanding issues, refine and substantiate the preliminary findings, and assist with report writing. These assignments should be addressed in a timely manner to facilitate preparation of the draft audit report.

REPORT PREPARATION AND FOLLOW-UP

Communicating Significant Findings to Contractor and BP Management

The Audit Team Leader should communicate any significant findings to the TS **without delay**, and without waiting for preparation of the draft report.

Writing the Audit Report

The audit findings must be communicated to the TS, the contractor, and the appropriate HSE support group in a written report.

Audit-related information that should be included in all HSE audit reports includes:

- Audit Name - name of the audit
- Audit Number - number assigned by the asset (optional)
- Contractor / TS - the names of individual or job position
- Audit Type - the type of audit
- Audit Date - the period covered by the audit and the date(s) the audit was conducted
- Audit Objectives and Scope
- Criteria against which the audit was conducted
- Audit Findings
- Recommendations to address the findings
- Observations (optional)
- Audit Conclusions (optional)

- List of reference documents (optional)
- Distribution List for the audit report

Wording Audit Findings and Recommendations

The fundamental objective in audit reporting is to clearly and accurately communicate the facts. Several principles in wording audit reports are important to keep in mind as an aid in achieving this objective, and also minimizing legal liability.

BP standards are usually higher than those required by law, and the use of words, such as “inadequate” or “deficient”, could be misconstrued. *Remember*, every word you write down may be read by others and can result in action or in-action, as appropriate.

The following fundamental principles should help in writing audit reports:

- **Facts:** In presenting the information, it is important to stick to the facts. State the facts clearly and concisely. Do not draw unsubstantiated conclusions. Avoid opinions.
- **Findings:** As with facts, state the nature of the problem clearly and exactly. Weigh the evidence for your conclusions carefully. If in doubt, give the reasons behind your findings. Communicate the extent of the problem fully, and avoid non-definitive words, such as “few” and “some”. Do not focus criticism on individuals or their mistakes, by avoiding naming their involvement in a finding or as a source of information.
- **Recommendations:** If you are making recommendations, think about what you are saying carefully. Make sure you are not reinventing the wheel by, for example, recommending something that is already done or by recommending something in an area you know little about. Before finalizing your recommendations, ask and find out about what is currently done. In short, do not recommend a hammer to crack a nut and ensure it is the correct “nut” you want to crack!
- **General:** Be careful of your use of any adjectives and superlatives, which should generally be avoided or qualified. Avoid extreme language. Do not use depreciating words, such as “careless”, “dangerous”, “intentional”, “incompetent”, etc. These often give an emotional effect to what you are saying, and any reader will react to it. After you have written your report, re-read it and ensure that it says what you want it to say.

For example, the sentence “Procedures were insufficient and totally inadequate” contains generalities and emotional adjectives. Consider the replacement: “Procedures should be improved by including practices for sampling and analyzer calibration to prevent similar incidents in future.” To the reader, the first sentences suggests a negligent lack of procedures indicating blame, while the second points out that procedures existed but did not prevent the incident and need updating to cover such situations. It is often more constructive to recommend that improvements or additions are necessary.

Avoid the use of acronyms, abbreviations and jargon. Spell out any terms when initially used, and include definitions if necessary to convey a clear understanding.

Do not draw legal conclusions by using words and phrases, such as “compliance”, “violation”, however, do quote regulatory or company policy references with the appropriate citation.

These same principles should be applied to the preparation of working papers and notes, although these may identify individuals by name.

Audit Report Format and Layout

There are several general principles that should be observed, and the report should include:

- The audit-related information (listed above)
- Each page of the report should be marked with the appropriate confidentiality wording, such as “**Privileged And Confidential**”, where necessary.
- One-page Executive Summary, identifying Principal/Significant Findings
- Individually numbered findings and recommendations to facilitate follow-up
- Clear linkage between a finding and its corresponding recommendation to demonstrate the substantiation (background, justification, etc.) for the recommendation
- Identification of findings and recommendations to be communicated to contractors
- Identification of lessons learned to be communicated to other BP organizations

Reviewing the Draft Report

The Audit Team Leader should prepare a draft report, which is circulated to all audit team members and TS for their concurrence and comment. The Audit Team Leader should then incorporate any appropriate changes and resolve any conflicting comments.

Distributing the Final Report

Upon receipt of any factual accuracy comments from the audited facility, the Audit Team Leader should prepare a final report for distribution as determined by the TS.

Developing Action Plans and Corrective Measures

After both Contractor and BP management has formally accepted the audit findings, the TS/Contractor are accountable for ensuring that an action plan of corrective measures is developed within 5 working days of the audit final report to address all findings and recommendations.

Each action item should be prioritized as per an equivalent risk ranking system. The intent is to prioritize all action items so that ones with the highest risk are addressed first.

The target completion date should be based upon the prioritization.

The TS/Contractor is also responsible for ensuring that the action items are followed through to completion.

Follow-Up Audits and Verification that Corrective Measure Have Been Implemented

The Audit Advisor, in liaison with the TS, should take into account the findings of previous HSE audits when determining the future Audit Program. In the event of an audit, which identifies a number of significant findings and/or non-conformances, consideration should be given to conducting a follow-up audit to verify that corrective actions have been properly implemented.

Revision/Review Log

Revision Date	Authority	Custodian	Revision Details
14 May 2008	Safety Team Leader Islamov Abbas	Contractor HSE Compliance Lead Amir Shah	Initial issue
14 August 2009	Safety Team Leader Adalat Mamedov	Contractor HSE Assurance Advisor Ramiz Hajiyeu	The procedure was revised due to recent changes in PSCM definitions.
25 October 2010	Yuliy Zaytsev Offshore Health and Safety Manager	Rahim Rahimov Contractor HSE Specialist	Document Custodian and Authority updated. Validity of this procedure extended until the end of 1Q 2011.