

Best Practice Clinic: Doing an internal audit

By Greg Dwyer

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Best Practice Clinic provides tips and strategies for practice management. If you have a query you would like raised, email Greg Dwyer at gdwyer@collaw.edu.au.

Last month I looked at the LAW 9000 requirements for reviewing and maintaining a legal management system – internal audits and corrective actions.

As explained, internal audits (or process reviews) are a way of checking that the practice complies with its own procedures. For most legal practices the majority of core procedures will be about client service delivery, and evidence of process compliance will be picked up by a file review system – assuming one exists. But there will also be procedures which sit outside client files – people management and purchasing are examples.

Assuming a practice has written procedures which can be checked, a free-standing review procedure is a handy risk-management tool. Otherwise, non-compliance usually only comes to light when there is a problem.

Preparing for the audit

- Print out a current copy of the procedure being audited. Related forms, precedents or templates must also be reviewed.
- Bearing in mind that it is the *procedure* not the *person* which is being audited, check who will be interviewed. This will usually be the person who is responsible for carrying out the procedure. There may be more than one. Make sure they are available, prepared, and have sufficient time.
- Mark up checkpoints and questions on your hard copy. Identify everything you are going to check. Take the hard copy to the audit interview(s).

The audit interview

Check for and note down evidence (either a written record or an observable physical condition) of the way in which the process is being carried out and the things you are checking. For example, you may look at specific client files. Note the file reference for the samples you check. Note the matters covered during the discussion (you might forget if you leave it until later).

Correct any minor discrepancies during the audit and note on the hard copy what has been corrected and how.

Check any additional items on the audit brief. Make a note of the findings about these on your hard copy of the procedure. For example, you might find that the procedure is correct, but that staff find it difficult to follow.

When auditing forms or templates, check they meet the needs of the process, and whether staff are using them as directed.

Ask anyone interviewed whether they have any suggested improvements.

Ask the document owner (the person responsible for the content of the document may not be the person interviewed about the procedure), if they should still be the owner of the document, and if they are happy that the procedure is working.

The report

Prepare an audit report – a summary of what has happened in the interview(s) and what you have discovered. Ideally, there will be a standard report form. The outcome needs to be reported so that management has information about the state of the management system and how it is used. Even a positive outcome – that the procedure is still relevant, practicable and is followed – should be recorded and fed back.

A negative outcome requires a response. Issues may take different forms:

- The procedure is fine, but is not being followed. This suggests a people-management issue. Training or direction might be necessary.
- The procedure is fine, but a related document, such as a precedent, is out of date.
- The procedure is correct, but could be improved.
- The procedure is incorrect.

If the discrepancy is minor, it is usually possible to make the change to the document on the spot. Then you need to ensure that the alterations make their way into the system, via the document owner, and a new version is created.

Where there is any significant discrepancy between the actual and documented procedure, corrective action is needed. If it is a performance issue, the appropriate manager needs to be informed. If the document needs to be changed, the document owner (usually the person who created the document) should be informed. In either case the corrective action needs to be recorded and tracked to ensure there is an outcome. Results need to be fed back to management. The way the audit is managed and implemented is a question of scale and degree of sophistication. The end result is about ensuring the practice's management and business procedures are relevant, up to date, and followed.

Note: this article is based in part on course materials prepared for the Centre for Best Practice by the management consultancy Realisation.

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