

Session 4

Hazard management audits

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Work Health and Safety

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Why Internal Audit Should Care About Hazard Management

- WHS legislation applies to all businesses
- The safety and wellbeing of people is a critical success factor in all businesses
- Hazard management is a core component of WHS that applies to all parts of the business – including the internal audit team
- Part of a balanced, risk-based audit plan
- IA have the skills and expertise to add value to the hazard management process

South Australian Work Health and Safety Legislation

- Work Health and Safety Act 2012
- Work Health and Safety Regulations 2012
- Approved Codes of Practice – e.g. Hazardous Substances, First Aid and Hazardous Manual Tasks
- Australian Standards/Guidelines



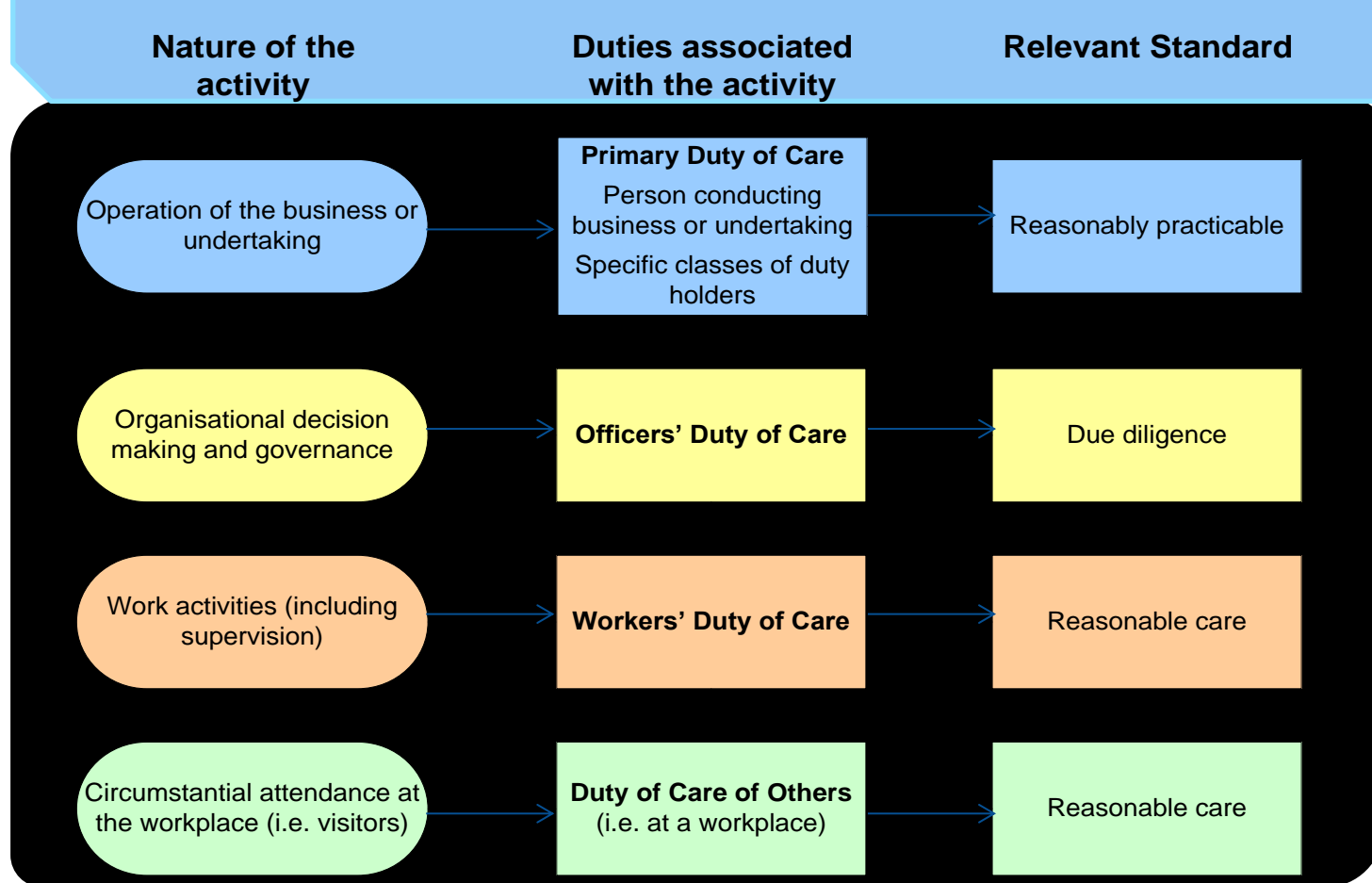


Work Health and Safety

**Understanding the WHS
responsibility reach –
from the frontline to the
Boardroom**

Duties of Care

Relationship between recommended duties of care



Who is a person conducting a business or undertaking (PCBU)

‘Person’ includes a **body corporate, unincorporated body or association and a partnership.**

Applies to activities whether conducted alone or together with others, for profit or not for profit, with or without engaging workers.

Includes:

- Employers, Self Employed, Partners, Franchisees, Franchisor.
- Principal contractors and sub-contractors.
- Businesses who control workplaces, fixtures, fittings and plant at workplaces.
- Businesses who design, manufacture, import, supply, plant substances and structures used at work.

PCBU Responsibilities

Primary Duty of Care

To ensure so far as is 'reasonably practicable' the duty to:

- Provide a safe working environment
- Provide safe plant and structures
- Provide safe systems of work
- Ensure the safe handling, use, storage of plant, structure and substances
- Provide adequate facilities to support the welfare of workers
- Provide information, training, instruction or supervision
- Monitor the health of workers and conditions at the workplace

Officers under the WHS Act

The WHS Act 2012 will impose a positive Duty of Care on 'officers' in public and private sectors.

The definition of 'officer' includes:

- Directors, company secretary, partner or office holder
- Those involved in making decisions that affect the whole or a substantial part of the business or undertaking
- Those with capacity to affect significantly the organisation's financial standing
- Those on whose instructions or wishes directors are accustomed to act
- Receivers, administrators or liquidators

Officer Responsibilities

To fulfill the obligations of the PCBU; Officers must exercise '**Due Diligence**' and take reasonable steps to:

- Acquire and keep up-to-date knowledge on WHS matters
- Gain an understanding of operations, hazards and risks
- Use resources and processes to eliminate/minimise risks
- Have regard for and respond to incident and hazard information
- Ensure PCBU implements processes for complying with duties
- Verify the provision and use of resources and procedures
- Due Diligence is a positive duty requiring proactive action
- It does not typically go down to middle Managers or Supervisors – but officers will need to rely on them for information, advice and action
- No Responsible Officer provision under the new Act

The Worker

Workers include:

- An employee
- Contractor or subcontractor
- An employee of a contractor or subcontractor
- An employee of a labour hire company who has been assigned to work in the person's business or undertaking
- Outworker
- Apprentice or trainee
- Student gaining work experience
- Volunteer
- Similar effect to current scope of coverage but had implications for the consultative arrangements

Duties of Workers

- Take reasonable care for his or her own safety; and
- Take reasonable care that his or her acts or omissions do not adversely affect the health and safety of other persons; and
- Comply so far as reasonably able, with an reasonable instruction that is given by a person conducting the business or undertaking to allow the person to comply with the WHS act.
- Cooperate with any reasonable policy or procedure of the person conducting the business or undertaking relating to health or safety at the workplace that has been notified to workers.

Penalties

Duty holder	Category 1	Category 2	Category 3
Body corporate or government body	\$3M	\$1.5M	\$500,000
Individual PCBU's / officers	\$600,000; or 5 yrs imprisonment	\$300,000	\$100,000
Individual worker or other person at the workplace	\$300,000; or 5 yrs imprisonment	\$150,000	\$50,000



Work Health and Safety

**Assessing the organisational
WHS Compliance culture –
Practicalities of undertaking
a WHS Audit**

Organisational Culture

An organisation's political and cultural dynamics can influence the availability of safety information, which impacts the effectiveness of the WHS audit.

- Organisational culture and dynamics may inappropriately emphasise WHS audit results over actual workplace safety.
- This is especially the case when maintaining a positive corporate image is a key motivation behind implementing a WHSMS.
- Organisational culture impacts on the reporting of safety issues among workers.
- Quantitative audit results are commonly used as performance measures with implications in the form of incentives and penalties.
- This can create a “**culture of suppression**” e.g. exposure to disciplinary sanctions can deter reporting by workers.



Work Health and Safety

**Understanding and
determining what is
“reasonably practicable”**

Reasonably Practicable definition

Reasonably practicable: means that which is, or was at a particular time, reasonably able to be done to ensure health and safety, taking into account and weighing up all relevant matters including:

- the likelihood of the hazard or the risk concerned occurring;
- the degree of harm that might result from the hazard or the risk;
- what the person concerned knows, or ought reasonably to know, about the hazard or risk, and ways of eliminating or minimising the risk;
- the availability and suitability of ways to eliminate or minimise the risk; and
- after assessing the extent of the risk and the available ways of eliminating or minimising the risk, the cost associated with available ways of eliminating or minimising the risk, including whether the cost is grossly disproportionate to the risk.



Work Health and Safety

Measuring and reporting WHS compliance verification

WHS Compliance Measuring & Reporting

- WHS reporting should provide **relevant, robust and timely information**, which can impact on the decisions that influence ongoing business performance.
- **Poor WHS outcomes can have a detrimental impact on the lives of individuals and their families**, as well as the financial, interpersonal and reputational health of a business.
- Conversely, effective WHS management **contributes to lower preventable costs and business risk, higher productivity and profitability** and greater organisational success.

WHS Key Performance Indicators

Due diligence requires an understanding of WHS performance data and how WHS key performance indicators (KPIs) should be calculated and interpreted.

The WHS KPIs that support due diligence fall into three categories.

1. **The organisation's WHS 'risk picture':** This involves officers constantly refreshing their knowledge of general WHS matters and their understanding of the WHS risk associated with their business.
2. **Data relating to WHS performance:** understanding processes of hazard identification, prioritisation and risk control, and the outputs of the WHS performance management system.
3. **Information relating to oversight and assurance:** the verification of legal compliance and of the implementation and effectiveness of resource allocation processes needed to eliminate or minimise risk.

WHS Audits

The **AS/NZS 4801:2001 standard** defines an audit as:

“A systematic examination against defined criteria to determine whether activities and related results conform to planned arrangements and whether these arrangements are implemented effectively and are suitable to achieve the organisation's policy and objectives.”

- A WHS audit essentially involves a review of the work practices within an organisation to determine whether they comply with safety procedure, internal policies and regulations.
- A **compliance/verification audit** tests compliance with legal obligations (**compliance**) and whether practices follows WHSMS policies and procedures (**verification**).

Issues with WHS Audits

WHS audits face various challenges including:

1. **Discretion in the conduct of work health and safety audits (where do I start?)**
2. **Political and cultural dynamics of an organisation (safety or lip service)**
3. **Overcome the WHS Manager (we already get audited, I have a plan)**
4. **Qualitative and subjective nature of safety information (do I need to be a WHS expert?).**

- These factors can challenge the ability of the WHS audit to obtain reasonable assurance on work safety culture and WHSMS performance and compliance effectively.
- They can also magnify any weaknesses in the auditor's skill and independence.
- A deficient work health and safety audit can further have negative feedback effects for the WHSMS.
- The risk is that the WHS audit becomes a redundant process which can further mask workplace safety risks.
- These challenges may also render work health and safety more amenable to a combined assurance approach

Advantages with WHS Audits

Work health and safety audits provide various advantages:

- 1. Comfort to the CEO/Board (they are an Officer under the WHS Act)**
 - 2. Prevention is the best cure (regular monitoring and improvement prevents injury), and**
 - 3. Audit findings can feed into and help prioritise a WHS Plan**
 - 4. Workers are valued - regular auditing educates workers and ensures minimum standards are implemented; and**
 - 5. Aligns WHS with the overarching risk philosophy.**
- The CEO's job/livelihood is on the line, independent oversight provides comfort to the CEO and early intervention can prevent injury.
 - Internal Audit is a governance function assisting with demonstrating duty of care/due diligence.
 - Audit team should comprise expert staff/consultants relevant to the type/complexity of the WHS audit engagement
 - Audits promote consultation and education, the 'walk through/interview' process assesses staff awareness .
 - Audits ensure that WHS systems (or components) operate as intended and gaps are identified and prioritised according to risk in a work plan.

Should WHS Audits be part of an Audit Plan

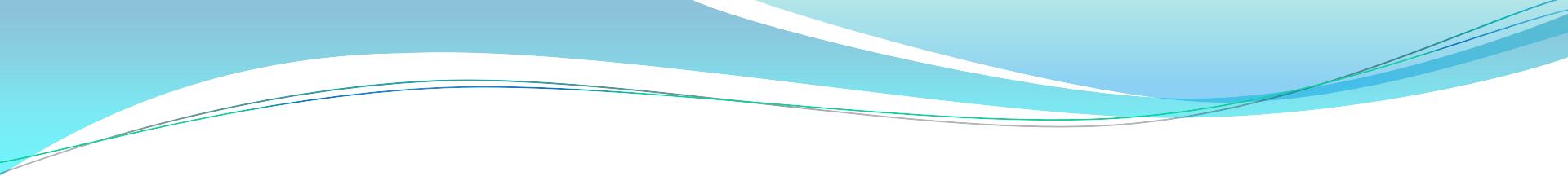
Work health and safety audits should be part of an overall audit plan because:

- **Audit plans are risk based and many WHS activities is inherently high risk, attracting catastrophic consequences,**
 - **Internal Audit/Assurance is required of the rest of the business – why not WHS?**
 - **People are generally an organisations most important resource and should be valued,**
 - **Systems/policies/risk assessments are easily auditable and plays to an auditors' strength**
 - **Assurance can be provided against the legislation/codes (benchmark) or audits can also be consultative.**
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- WHS is one part of an organisations risk exposure and failure to mitigate WHS risk may lead to catastrophic consequences (death, financial, reputational).
 - Audit can assess compliance or work with WHS practitioners to develop risk based WHS plans.
 - WHS Audits educate and build and document minimum standards i.e. what is reasonably practicable or what is employee consultation?
 - WHS is important enough to be reported at the Executive/Board level and .



Work Health and Safety

**The role of internal audits in
taking steps to address WHS
shortfalls**



"When anyone asks me how I can best describe my experience of nearly forty years at sea, I merely say, uneventful. Of course there have been winter gales, and storms and fog and the like. But in all my experience, I have never been in any accident ... of any sort worth speaking about. I have seen but one vessel in distress in all my years at sea. I never saw a wreck and never have been wrecked nor was I ever in any predicament that threatened to end in disaster of any sort."



Thank you for your attendance

Any Questions?