

Quality, Controls, and Risk

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Topics to cover

Eras of management

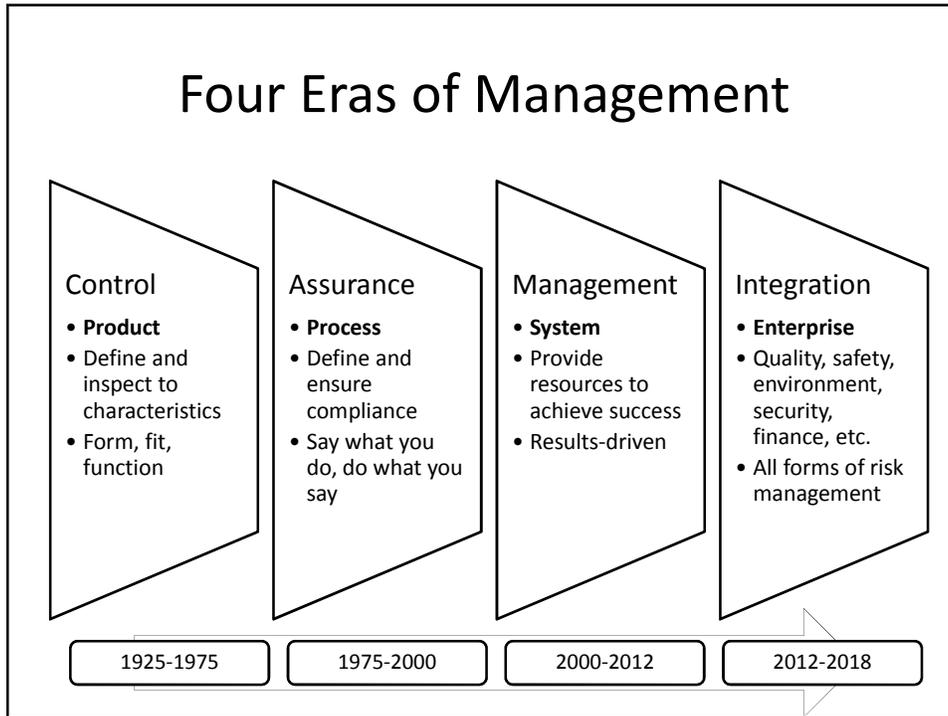
Principles of risk

What are controls

Future for ASQ

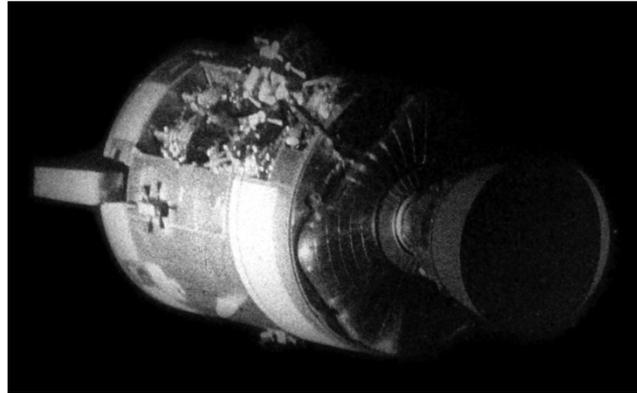
Recap and Q&A

Quality, Controls, and Risk



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“Houston, we have a problem!”



Risk is effect of uncertainty

- It might be good (win the national lottery)
- It might be bad (airplane crash)
- Tolerance varies
 - By business sector
 - By organizational culture
 - By national culture
 - By societal perception
 - Often Called *risk appetite*

See ISO 31,000

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Basic Risk Management

1. Risk Assessment
 1. Possible risks (risk catalog)
 2. Probability of occurrence
 3. Severity of occurrence
2. Risk actions
 1. **Accept** (residual risk)
 2. **Transfer** (buy insurance or outsource)
 3. **Mitigate** (reduce probability and/or severity)

Quality, Controls, and Risk

Controls are Risk Treatment

- Standardizing
- Training
- Testing
- Qualifying
- Recording
- Calibrating
- Checking
- Auditing
- Planning
- Measuring
- Lubricating
- Sorting
- Labeling
- Fixing
- Painting
- Automating

In the old days, risk was called "variation."
Controls were developed to reduce variation.

Controls combat risk

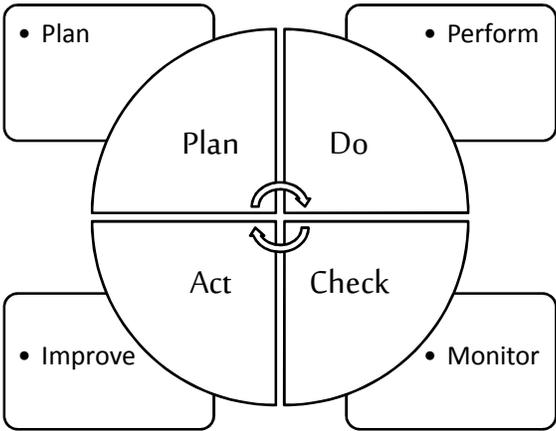
- Internal controls
 - For success of the organization
 - Include management systems
 - Variation arises from leaders and culture
- External controls
 - For betterment of society
 - Required by laws, regulations, and agreements
 - International standards to promote trade

Quality, Controls, and Risk

The four audit questions

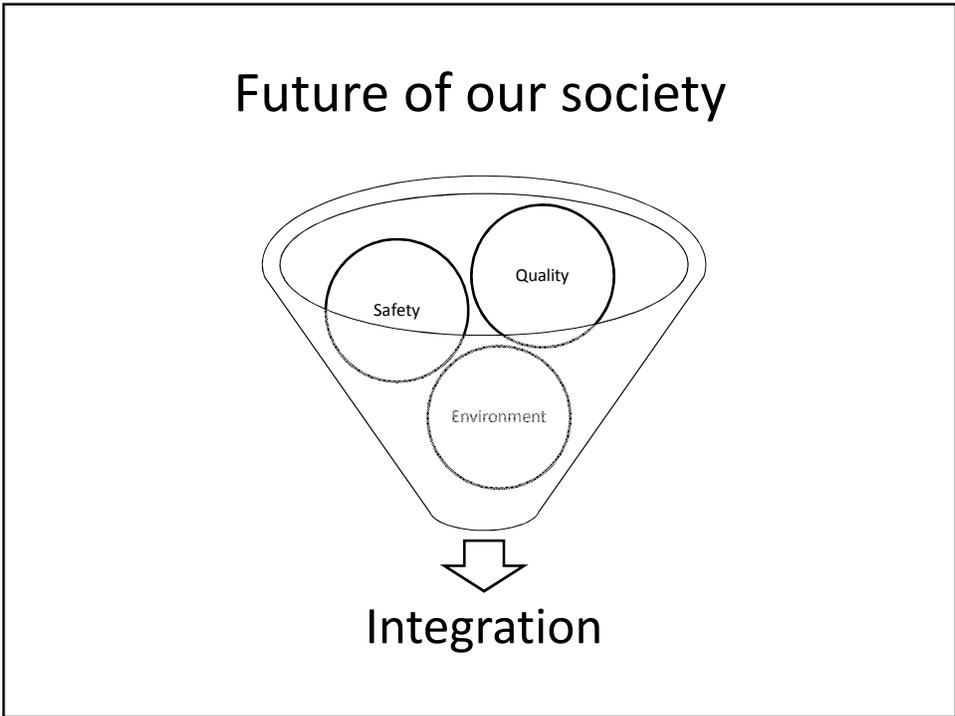
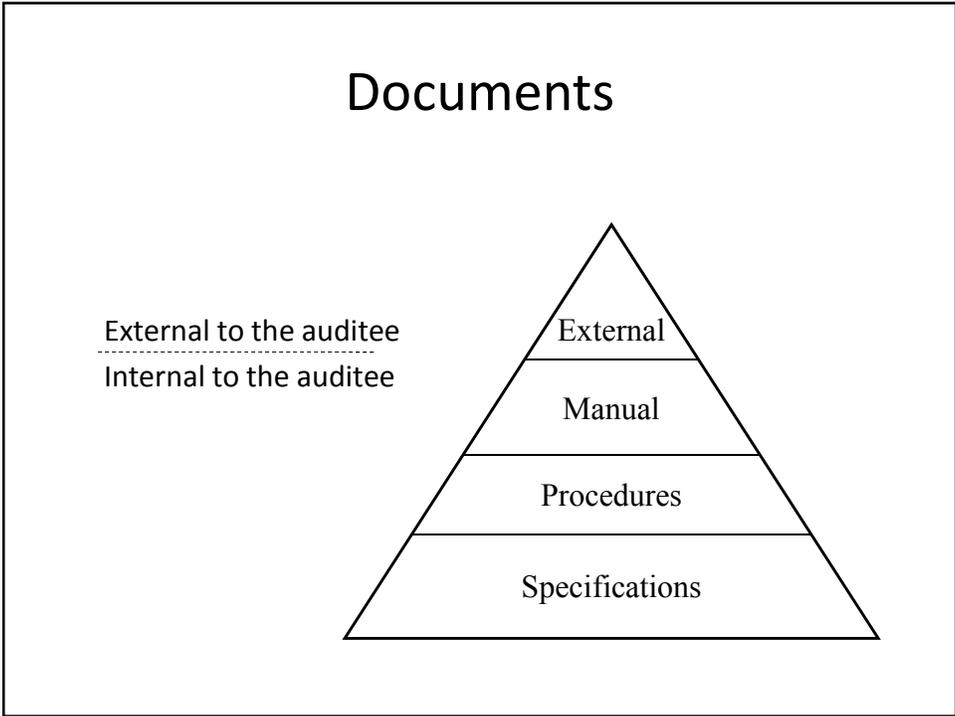
- 1 Are controls defined?
- 2 Are controls applied?
- 3 Do controls really work?
- 4 Will controls last?

Management systems are controls



B.F.O. – *Blinding Flash of the Obvious*

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Recap

Society is changing

Risk is uncertainty

Controls combat risk

Controls are integrating

Our professional society is evolving

Upcoming Change

- Columbia Audit Resources - closing
- Kennewick, Washington State, USA - staying
- E-mail: dennis@auditguy.net - shifting
- Web: <http://auditguy.net> - staying for a while
- Blog: <http://auditguy.blogspot.com> - some
- Tweets: <http://twitter.com/auditguy> - some

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