TOOL 02 — AUDIT REMEDIATION

Addressing Critical Audit Non-Compliances

A step-by-step guide for suppliers on how to respond effectively to critical and high-risk social audit findings.

MEKONG CLUB

READING TIME	DOCUMENT	INCLUDES
~15 minutes	Full guide + CAP template	5 Steps · Root Cause Analysis · CAP Template

ABOUT THIS TOOL

Addressing Critical Audit Non-Compliances

This tool aims to provide suppliers with a practical guide to respond to high risk or critical audit findings identified during social compliance audits. It outlines a step-by-step approach on how to respond effectively to audit findings in a constructive and effective way. It includes an action checklist, a corrective action plan template, and guidance on the effective remediation and closure of critical audit findings. By using the tool, suppliers will be better able to respond to critical social compliance risks, address workers' and customers' concerns, and address root causes to avoid repeat issues arising.

Why is this tool relevant for suppliers

Social compliance audits are a key part of many responsible sourcing and social compliance programs. They can help suppliers and their customers to identify labour and human rights issues affecting the workforce and help drive improvements to labour and working conditions.

Addressing serious labour and human rights risks is also an important part of responsible business conduct. When critical issues are identified, suppliers are expected not only to correct the problem, but also to ensure that affected workers are protected and that similar issues do not occur again.

From time to time, a social audit might identify critical or high risk issues such as potential forced labour indicators. These might include issues such as worker-paid recruitment fees, excessive or involuntary overtime, unsafe working conditions, underpayment of wages, child labour risks, or restrictions on workers' freedom of movement. When audits identify critical or high-risk issues, suppliers should respond constructively to ensure that the human rights of workers are respected, and the root causes of risk are addressed.

Responding effectively to critical audit findings is important for suppliers. If suppliers fail to take strong corrective actions, this could lead to a loss of customer orders, or even legal penalties such as import bans due to forced labour risks. For suppliers, it is therefore important to have a clear, structured, and effective approach to the remediation and closure of social audit findings which aligns with buyers' expectations and international human rights standards.

STEP 1

Understanding the Finding

When an audit report is received which contains a critical or high risk finding, suppliers may want to immediately respond and take action, and schedule a follow-up audit as quickly as possible to show that the finding has been closed. However, it is often important to take time to fully understand the finding, the reasons why, and any root causes before acting. This will help ensure that the remediation plan properly addresses the identified risks and that an effective long-term solution is implemented.

Importantly, during the investigation and corrective action process, suppliers should ensure that workers can safely raise concerns or provide information without fear of retaliation. Any form of retaliation against workers who cooperate with investigations or remediation processes should be strictly prohibited.

Action Checklist

- Appoint a suitably senior and qualified manager to supervise and lead the corrective action process.
- Secure and preserve relevant records and evidence (e.g., payroll records, contracts, time records, recruitment documents) to ensure the issue can be properly investigated.
- Review the audit report in detail to understand the finding, the reasons stated by the auditor, and the auditor's recommendations (if any) for corrective action(s).
- Check the audit report to see if the critical / high risk issue is linked to any other non-compliances identified in the audit. If so, you should try to address all related issues at the same time since they will likely have the same root causes.
- If needed, communicate with the audit firm to ask to clarify or explain anything you are not sure about.
- Review any relevant Supplier Codes of Conduct from your customers. Often, a non-compliance with a social compliance audit checklist item will also mean you are in non-compliance with Supplier Code of Conduct requirements.
- Communicate early with the customer(s) who commissioned the audit to inform them that you are reviewing the findings and developing a corrective action plan. Ask about their expectations for remediation, and any relevant Supplier Code of Conduct requirements they may have that will be relevant to this issue.
- Be open, transparent, and communicative with your customer(s) about the issue and how you plan to resolve it. Do not try to hide or avoid discussing the issue with your customer(s). If you are open, honest, and transparent, this helps to build trust and credibility with your customer(s).
- Check any relevant local law requirements. Often, Supplier Codes of Conduct or audit checklist requirements will be different to local law requirements. For example, many Supplier Codes of Conduct and some audit schemes require working hours to be limited to 60 hours per week. However, in many countries, local law permits longer working hours.
- If local laws conflict with Supplier Code of Conduct or audit checklist requirements, have a discussion with your customer(s) about these differences and align on expectations. Often, customers will expect you to follow the highest standard of labour / human rights protection, even if local law sets a lower standard.

STEP 2

Conduct a Root Cause Analysis

Once the finding and any relevant requirements are fully understood, a root cause analysis should be conducted to determine why the issue occurred. Conducting a root cause analysis will help make sure that the same issue does not happen again, and that any corrective actions taken will be effective in the long-term. A conducting a thorough root cause analysis also helps to demonstrate to customers and auditors that you have developed a credible and effective corrective action plan and can be used as supporting evidence of your corrective actions.

Root cause analysis involves not just understanding how a non-compliance has occurred, but why it has occurred. Often, there will be many factors that together have caused the non-compliance. It is important when doing a root cause analysis to not just stop at the most immediate and obvious cause, but to look deeper. One commonly used method is the **"5 Whys" technique**, which involves repeatedly asking "why" a problem occurred until the underlying causes are identified.

A root cause analysis should consider things that are within a supplier's direct control but also external factors that might be relevant. These might include:

- Company policies and internal standards
- Management systems and internal controls
- Management or staff training, qualifications, skills, and capacity
- Incentives and production pressures
- The effectiveness of preventative measures and controls
- Factors outside of the supplier's direct control, such as legal requirements or market practices

Action Checklist

- Fully investigate the non-compliance to understand what has occurred, how it occurred, and why it occurred.
- Collect evidence. Interview relevant management, supervisors, workers, and worker representatives. Review relevant policy, operational, and other documents and evidence, or consult with qualified third-party professionals and experts.
- Document the findings of the investigation and root cause analysis, along with any relevant supporting evidence.

EXAMPLE ROOT CAUSE ANALYSIS

A social audit has found a critical issue relating to excessive overtime at supplier's factory. The audit report states that workers' average monthly overtime hours regularly exceed the legal limit set by national law. The supplier's root cause analysis finds the following immediate and root causes, which include both internal and external factors:

- Immediate Cause: The supplier does not track and ensure that workers' overtime hours do not exceed legal limits.
- Root Cause 1 (Management Systems): The supplier does not have a digital time recording system to record and track workers' hours and flag when workers have reached the legal limit.
- Root Cause 2 (Policy Commitments): The supplier does not have a written anti-forced labour policy, including a requirement that all overtime is voluntary and within legal limits.
- Root Cause 3 (Training): HR teams and supervisors have not been trained on forced labour prevention and do not understand the connection between excessive overtime and forced labour risk.
- Root Cause 4 (Labour Practices): Workers rely heavily on overtime to supplement their income because base wages are low relative to living costs.
- Root Cause 5 (Purchasing Practices): Due to short lead times placed by customers, the supplier puts pressure on workers to work additional overtime to meet production quotas and order timelines.

STEP 3 Develop and Implement a Corrective Action Plan

Once the root cause analysis is completed, a corrective action plan should be developed. The corrective action plan will set out how the root causes identified in Step 2 will be addressed, the timeline, roles and responsibilities, budget and resource needs for implementation. A template corrective action plan is included with this tool in **Appendix 1**.

Corrective actions should be specific, measurable, and time-bound, and should clearly identify responsible persons for implementation.

Effective corrective actions should aim to address both the immediate and root causes of the non-compliance(s) identified in Step 2, and ensure that the risk of repetition is reduced or removed. Corrective actions should also aim to make affected workers or other parties whole for any harm suffered as a result of the non-compliance. This means that remediation should aim to restore workers to the position they would have been in had the harm not occurred. For example, if workers have been underpaid for overtime work, a corrective action might include providing back pay for underpaid wages with interest.

When designing corrective actions, suppliers should consult with affected workers or their representatives to ensure that the proposed actions address workers' concerns and do not create unintended negative impacts. If the proposed corrective actions will affect several workers or even the entire workforce, then it is important to engage with the workforce, e.g., by engaging worker representatives or trade unions, conducting interviews with a sample of workers, or surveying the

workforce to seek their views. Where corrective actions are developed in consultation with affected workers, they are more likely to be seen as credible and legitimate, to effectively address root causes, and avoid repeat issues.

Sometimes, not all corrective actions will be within a supplier's direct control. Corrective actions might require the involvement of third-parties, such as government agencies, NGOs, trade unions, or even buyers. If so, these should also be considered as part of the corrective action plan, and suppliers should communicate clearly with customers to explain when certain aspects of the corrective action plan may be outside of the supplier's direct control.

Suppliers may also need to seek external support, such as technical or subject-matter experts, independent third-parties to interview or engage with workers, or technology providers to implement effective corrective actions. Where additional support is needed, Suppliers should not be afraid to approach buyers to discuss their support needs and request buyers to collaborate to support corrective actions where relevant. For example, buyers might be able to provide technical assistance, training, or guidance for suppliers to help them to implement corrective actions or share relevant knowledge and expertise.

Action Checklist

- Engage with affected workers and/or worker representatives to develop corrective action plan
- Ensure that corrective actions address both immediate issues and systemic root causes
- Identify where relevant the need for third-party support to implement corrective actions
- Document the corrective action plan, including roles and responsibilities, timelines, budgets, and implementation plans
- Keep customers and affected workers updated throughout the process with transparent and timely information
- Document the implementation of corrective actions and record any evidence
- Confirm with affected workers that corrective actions have been fully implemented within the agreed timeframe and that workers are satisfied with the outcome

STEP 4 Independent Verification

Once all corrective actions have been implemented, buyers or audit programs may require follow-up verification to confirm that the non-compliance has been resolved. This may include a follow-up audit, document review, or other verification process. While there can be pressure to schedule a follow-up audit as soon as possible, it is important that any follow-up audit is only scheduled after the supplier is confident that all corrective actions have been fully and thoroughly implemented. If the follow-up audit happens too quickly, there may not be enough time to fully close out non-compliances, or to collect sufficient evidence to demonstrate the issue has been fully resolved. This will then lead to more wasted time and effort as another audit may need to be arranged later.

In some cases, corrective actions may take a longer period of time to fully implement. For example, repaying recruitment fees owed to former migrant workers who have already left their employment with the company. In these cases, you may need to consult with your customers to progress towards closing the finding, and provide a timeline for the expected completion of all corrective actions.

Action Checklist

- Verify that corrective actions have been implemented
- If there are longer-term corrective actions that require more time to implement, engage with buyers to understand their expectations and provide regular updates on timing
- Arrange for follow-up audit to verify the closure of non-compliances

STEP 5 Ongoing Monitoring

Even after the finding has been closed by a follow-up audit, it is important to monitor the situation to ensure that corrective actions have been fully and effectively implemented, and that there is no recurrence of risk. Monitoring should focus on whether the corrective actions remain effective over time and whether workers continue to experience improved working conditions.

Monitoring mechanisms can take many forms and will vary depending on the types of issues that require monitoring, and the nature of the supplier's business and workforce. Common ongoing monitoring mechanisms may include regularly engaging with worker representatives or trade unions, conducting periodic worker surveys or internal audits, or establishing effective and independent grievance channels.

Action Checklist

- Establish ongoing monitoring mechanisms to ensure that risks do not recur, including e.g., engaging with workers and worker representatives, conducting worker surveys or internal audits, establishing effective independent grievance mechanisms.
- Review grievance mechanisms and worker feedback regularly to identify any recurrence of the issue.
- Document the findings of the investigation and root cause analysis, along with any relevant supporting evidence.

APPENDIX 1

A1 Examples of Evidence to Demonstrate Closure of Audit Findings

When corrective actions have been implemented, suppliers should maintain clear documentation to demonstrate that the issue has been resolved. The type of evidence required will vary depending on the nature of the finding and the corrective actions implemented.

Policy and Procedure Improvements
· Updated company policies (e.g., anti-forced labour policy, recruitment policy, working hours policy)
· Revised standard operating procedures (SOPs)
· Internal guidelines or written instructions issued to management or supervisors
· Evidence that updated policies have been communicated to workers (e.g., worker notices, signed acknowledgement forms)
Worker Remediation
· Payroll records demonstrating payment of wage arrears or overtime back pay
· Records showing reimbursement of recruitment fees or other worker-paid costs
· Documentation confirming workers have received compensation or restitution
· Signed worker confirmation forms acknowledging receipt of payments
· Evidence of remediation plans for former workers (where relevant)
Training and Capacity Building
· Training materials used (presentations, manuals, guidance documents)
· Training attendance records for managers, supervisors, or workers
· Training schedules or implementation plans
· Photos of training sessions or awareness activities
Management Systems and Controls
· Implementation of new systems (e.g., digital timekeeping systems, wage tracking systems)
· Screenshots or system reports showing working hours or payroll tracking
· Internal monitoring reports or compliance reviews

· Updated recruitment procedures or labour agency vetting processes
Worker Engagement and Communication
· Records of meetings with worker representatives, worker committees, or trade unions
· Worker consultation meeting minutes
· Results of worker surveys related to the issue
· Evidence that workers were informed about new policies or procedures
Monitoring and Prevention Measures
· Internal audit reports or compliance reviews
· Records of grievance complaints and how they were resolved
· Monitoring reports demonstrating ongoing compliance
· Documentation showing regular review of working hours, wages, or recruitment practices

Suppliers should ensure that all evidence is accurate, complete, and available for review by auditors or customers during follow-up verification.

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APPENDIX 2

Corrective Action Plan Template

Use the template below to document your corrective action plan. Each row should correspond to one corrective action. The worked example (shaded row) shows how to complete the template for a finding related to excessive overtime. An editable Excel version of this template is available separately from The Mekong Club.

Audit Checklist Item	Audit Finding	Risk Level	Status	Root Cause(s)	Corrective Action(s)	Supporting Evidence	Responsible Person	Resourcing	Timeline	Notes
List the relevant audit checklist number / item	*Copy/paste the full finding from the audit report*	*Include the risk level (e.g., critical)*	*List current status (open / closed)*	*Summarise all root causes from your analysis*	*List all corrective actions to address immediate and root causes*	*List supporting evidence to demonstrate closure*	*Designate a senior responsible person*	*List resource needs: budget, staffing, expertise*	*State expected timeline for completion*	*Additional notes*
Example	Workers' average monthly overtime hours regularly exceed the legal limit set by national law.	Critical	Open	1. No time recording system 2. No anti-forced labour policy 3. No training on forced labour 4. Low base wages 5. Short lead times from customers	1. Purchase digital time recording system 2. Set up overtime alerts 3. Establish anti-forced labour policy 4. Train all staff 5. Review production planning	Timesheets from digital system Purchase invoice Training records Copy of policy	Head of Operations	$15,000	1–6 weeks	Request policy template and training from customer

HOW TO USE THIS TEMPLATE

Complete one row per corrective action. Where a single finding has multiple root causes, each corrective action should be listed separately with its own responsible person, resourcing, and timeline.

Keep the template updated as actions are implemented. Share it with your buyer as evidence of your corrective action plan and progress.

For the full editable Excel version of this template, contact The Mekong Club at info@themekongclub.org

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