



Non-Conformance

Policy 07 v7.00

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<i>Policy Applicable To</i>	All CertiSource Staff and Certification Body Staff
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1. Policy Background

1.1. Introduction

This document contains the policy for dealing with non-conformance(s) and observations (NCO).

The fact that an NCO is issued means that there has been a breakdown in one or more aspects of a management system. Such breakdowns could be of a critical, major, or minor significance, or an observation.

NCOs can be classified as:

- Critical
- Major
- Minor
- Observation

Regardless of degree, all breakdowns require that the auditee take action to identify the root cause and implement positive and effective corrective action.

1.2. Scope

This policy is designed for use by Certification Body staff involved in the NCO process.

1.3. Definitions

For purposes of this policy, unless otherwise stated, the following definitions shall apply:

Critical Non-Conformance

Critical non-conformance represents a very significant omission or failure with regards conformance to the CertiSource system. Clearly illegal practices will result in a critical non-conformance (e.g. an invalid/out of date concession license). Critical non-conformances can also be escalated from major non-conformances as described below.

Critical non-conformance will result in a high risk of illegal timber entering the supply chain.

Following a critical non-conformance a Certification Body will not be able to issue certification and docketts.

Major Non-Conformance

A breakdown or absence of CertiSource system requirement(s). A 'requirement' is defined in terms of one criterion.

A non-conformance is considered major if the result is a fundamental failure to achieve the objective of the relevant CertiSource criteria.

As a general rule¹ in terms of the CertiSource Standard an

¹ The general formula prescribed in this policy states that a major non-conformance is rated when 66%+ of indicators in one criterion are unfulfilled. A minor non-conformance is awarded when below 66% of indicators in one criterion are unfulfilled. Where only one indicator exists within a criterion (and therefore this general rule would not be applicable), Certification Bodies will rate any non-conformance on a case by case basis.

'absence' or 'breakdown' of CertiSource system requirements is when 66%+ of indicators in one criterion are unfulfilled.

Minor Non-Conformance

A non-conformance is considered minor if it is a temporary lapse, or if it is an isolated error not usually expected, or if the impacts of the non-conformance are limited and do not result in a fundamental failure to achieve the objective of the relevant CertiSource criteria.

As a general rule in terms of the CertiSource Standard an 'absence' or 'breakdown' of CertiSource system requirements is when below 66% of indicators in one criterion are unfulfilled.

NCO

Non-Conformance/Observation.

In terms of the CertiSource Timber Legality Standard NCOs are raised against each Criterion (not Indicator).

In the definitions section of the different types of NCOs there are indicative guidelines as to what constitutes major or minor and critical.

CertiSource has also created an annex "Non-Conformance Specifications, Exceptions and Guidance" to offer further support and reference.

Observation

This is a very minor problem or the early stages of a problem is not actually a non-conformance at the time of observation, but the Certification Body believes it may lead to a future non-conformance if not acted upon.

2. Policy Standards

2.1 General

Conformance must be evaluated and analysed against the following approved source requirements:

The CertiSource Legality Standard for Indonesia	
Policy 01	Policy Statement
Policy 04	Legality Verification
Policy 05	Certification
Policy 06	Product Labelling and Identification
Policy 11	Sustainable Forest Management Commitment
Policy 15	Backtrack

Before issuing an NCO any non-conformance is classified as either critical, major, minor or as an observation.

2.2 NCO Ratings

This policy offers a general formula and guiding principle for non-conformance rating. A Certification Body will be responsible for the final decision on a non-conformance rating on a case by case basis.

2.3 NCO Information

A Certification Body will be responsible for ensuring that clients (such as sawmills or concessions) are:

- Informed on the purpose of NCOs;
- Informed on the different variety of NCOs and their associated consequences;
- Informed on Certification Body expectations with regards the corrective action process;
- Informed on the procedures and related deadlines for issuing, evaluating and closing NCOs;
- Informed on related appeals processes.

If a non-conformance or observation is raised during a field audit, the client should be notified during the Audit Closing Meeting.

2.4 Certification Body Procedures and Documents

A Certification Body will prepare and follow its own procedures and related documents in the context of this CertiSource policy. At a minimum these documents will cover:

- Raising and closing NCOs;
- Issuing and evaluating NCOs;
- Notifying clients of observations and non-conformances;
- Escalating observations and non-conformances;
- The process and chain of authority for issuing and closing non-conformances and observations, and approving proposed corrective actions;
- Reporting and recording.

2.5 Client Notification

As stated in 2.3 the Certification Body will define procedures for notifying clients about NCOs.

At a minimum:

- A client must be notified of any NCO together with information on submitting corrective actions and related plans within five working days from the time the auditor has returned to his/her work base ;
- The Certification Body must seek acknowledgement in writing (email will suffice) that notification has been received.

2.6 Obtaining and Evaluating Corrective Action

The client must respond to NCOs with a proposed corrective action plan within a maximum of 20 working days following notification.

The plan must include deadlines for the corrective steps identified.

The Certification Body must notify the client (upon acceptance of the action plan) how the implementation of the corrective action will be evaluated.

Evaluation by the Certification Body of progress according to the corrective action plan will be carried out according to the following guidelines:

- Minor/observations² - a maximum of 1 year following submission of the corrective action plan or at the next audit(whichever is the earlier);
- Major - must be verified within at least 3 months after the corrective plan;

Critical non-conformances lead to a suspension which can only be lifted after a satisfactory audit of the related criterion of the critical non-conformance.

2.7 Escalating Observations & Non-Conformances

In principle, any NCO should be escalated if:

- The client has not submitted proposed Corrective Actions within 20-day deadline (see 2.5);
- Corrective Actions have not been effectively implemented according to the Client's proposed Corrective Actions

Minor non-conformances must be escalated to major non-conformances.

In addition to the guidance offered in the annex below, major non-conformance will be upgraded to critical if the same issues have been raised 2 times sequentially and for the third time remain a major non-conformance.

The Certification Body is responsible for specifying the chain of authority for escalating major to critical non-conformances.

² Note that an observation may not have a deadline. However it may be escalated if it has not been adequately addressed since the previous assessment. It's at the discretion of the auditor/certifier to upgrade such observations into a non-conformance (Minor, Major or Critical).



3. Related Information

3.1 Related Policies and Documents

This policy has connections to the following CertiSource Policy Statements and related documents.

Policy 01: Policy Statement

3.2 Policy Review

To ensure that this policy statement remains relevant it will be reviewed regularly at a minimum frequency of every six months. Revisions will be made when necessary to provide solutions to any practical problems encountered.

4. Document History

Version	Date Approved	Description
3.00	27 November 2013	<ol style="list-style-type: none"> 1. "Non-compliance" changed to "non-conformance"; 2. CertiSource had an associated SOP for non-conformances. This SOP has now been discontinued with responsibility for associated procedures handed to the certification Body. Consequently significant changes have been made to this policy (2.3, 2.4, and 2.5 added).
4.00	1 October 2014	<ol style="list-style-type: none"> 1. In the "approvals" space the date of the next revision is deleted. This is to avoid confusion as to whether or not a policy is still valid (e.g. the date of the next revision in the past failed to be changed after a review if nothing was changed in a policy). 2. Reference to CARs deleted and replaced throughout with the idea of NCOs (Non-Conformances and Observations); 3. Timeframe for corrective action plans changed to 20 working days. <p>2.6 reworded and amended. Footnote 2 added re observations. Also added: Major non-conformance will be upgraded to critical if the same issues have been raised 2 times sequentially and for the third time remain a major non-conformance.</p> <p>The Certification Body is responsible for specifying the chain of authority for escalating major to critical non-conformances.</p> <ol style="list-style-type: none"> 4. Section 2.5 added: The Certification Body must notify the client (upon acceptance of the action plan) how the implementation of the corrective action will be evaluated. <p>Evaluation by the Certification Body of progress according to the corrective action plan will be carried out according to the following guidelines:</p>

- Minor/observations - a maximum of 1 year following submission of the corrective action plan or at the next audit (whichever is the earlier);
- Major - must be verified within at least 3 months after the corrective plan;

Critical non-conformances lead to a suspension which can only be lifted after a new audit has been completed.

5. Definition of major NC changed from: “A breakdown or absence of CertiSource system requirement(s).

A non-conformance is considered major if, either alone or in combination with other non-conformances, the result is a fundamental failure to achieve the objective of the relevant CertiSource criteria.

Two or more minor non-conformances related to the same criteria within the CertiSource Standard.

To: “A breakdown or absence of CertiSource system requirement(s). A ‘requirement’ is defined in terms of one criterion.

A non-conformance is considered major if the result is a fundamental failure to achieve the objective of the relevant CertiSource criteria.

As a general rule in terms of the CertiSource Standard an ‘absence’ or ‘breakdown’ of CertiSource system requirements is when 66%+ of indicators in one criterion are unfulfilled.”

Definition of minor non-conformance changed from: “A non-conformance is considered minor if it is a temporary lapse, or if it is an isolated error not usually expected, or if the impacts of the non-conformance are limited and do not result in a fundamental failure to achieve the objective of the relevant CertiSource criteria.” To: “An observed lapse or isolated incident;

In terms of the CertiSource Standard a minor non-conformance will be found when below 66% of indicators in a criterion are unfulfilled.”

6. Critical non-conformance re-written to:
“Critical non-conformance represents a very significant omission or failure with regards conformance to the CertiSource system and results in a high risk of illegal timber entering the supply chain.

Clearly illegal practices will result in a critical non-conformance (e.g. an invalid concession license).

Critical non-conformances can also be escalated from major non-conformances as described below.

Critical non-conformance will result in an inability for the Certification Body to issue certification and dockets.

5.00	July 1 2015	<ol style="list-style-type: none"> 1. Section 2.5 changed. Previously stated: "Critical non-conformances lead to a suspension which can only be lifted after a new audit has been completed". <p>Verification is only needed of the Critical NC as per related criterion instead of conducting a complete audit. This is now reflected in Section 2.5.</p>
6.00	September 5 2015	<ol style="list-style-type: none"> 1. Alignment to Policy 11 – i.e Commitment to Sustainable Forestry Management (not FSC). 2. Email contact updated.
6.01	June 24 2016	<ol style="list-style-type: none"> 1. Transfer to new template
7.00	August 1 2017	<ol style="list-style-type: none"> 1. Document list in section 2.1 numbered. 2. Section 2.2 added NCO Ratings 3. Footnote added: The general formula prescribed in this policy states that a major non-conformance is rated when 66%+ of indicators in one criterion are unfulfilled. A minor non-conformance is awarded when below 66% of indicators in one criterion are unfulfilled. Where only one indicator exists within a criterion (and therefore this general rule would not be applicable), Certification Bodies

will rate any non-conformance on a case
by case basis.

4. Effective date added.