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QUALITY AUDITS IN MUNICIPALITY OFFICES – EVIDENCE FROM POLAND

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Abstract:
The paper presents the outcome of the survey which covered 12 Polish municipal offices certified with ISO 9001. The first part of received data concerns different approaches to conducting internal audits utilized by the organizations i.e. number of auditors, number of audits and their length. The second part of the data refers to the findings resulting from the audits and they concern next two indicators i.e. number of indentified nonconformities and the number of corrective activities. The survey has shown that the level of activity of considered offices in the area of internal audits is not very high thus it proved a frequent opinion in literature on the subject that in practice the opportunities given by internal audits are not fully used by organizations. It is reflected by the fact that there are usually less than five corrective actions a year introduced as a consequence of internal audits. Additionally, it was found that the approaches used in an organization recognized as the leader in the area of quality management are not significantly different, in the studied areas, from those used in other organizations.

Keywords: quality, quality management system, ISO 9001, internal audit, municipality office

1. INTRODUCTION

Quality management system (QMS) in is one of the world's most popular managerial solutions. There are more than 1000 000 organizations which had the system certified against ISO 9001 requirements (The ISO Survey..., 2015). The ISO 9001 standard was created by International Organization for Standardization, the main international body for normalization. The first version appeared in 1987, and was revised in 1994 and again in 2000. The last version was due in November 2008 (Heras-Saizarbitoria, Casadesús, & Marimón, 2011, p. 198).

There is no consensus among researchers on the impact of ISO 9001 implementation on organizational and/or financial performance of certified organizations (Sampaio, Saraiva & Guimaraes, 2009, p. 315). Many empirical studies have proved that ISO 9001 is successful in building conformance capability and that by using this standard organizations can also benefit in relation to production economics through improved process efficiency, and also to other organizational capabilities (Rusjan, Castka, 2010, p.104). However, negative opinions on quality management systems have often appeared too. Typical arguments against ISO 9001 concern: the system is not directly connected to product quality and financial performance, it is paper-driven and overly bureaucratic (Ollila, 2012, p. 71).Contradictory opinions on the practical role of the management systems show that QMS's effectiveness and efficiency are still debatable subjects.

Quality management system may be seen as a set of joined solutions such as: researching the customers' needs and satisfaction, control of the records, management reviews, internal audits, corrective and preventive actions, etc (Chin, Poon, Pun, 2000). The effectiveness of each of the elements directly influences the effectiveness of the whole quality management system. In professional studies there are plenty of articles concerning the effectiveness of the QMS seen as a whole. However, it lacks studies concerning its separate elements e.g. internal audits. Few articles present the practice of the activity (e.g. analyzing problems that internal auditors meet), diagnosis of the reasons for their occurrence or a suggestion how to deal with them.

The paper should contribute to filling these voids. The main aim of the study is to analyze practical approach for conducting internal audits in municipality offices. The research covers a group of offices including the Municipal Office (MO) in Dzierżoniów - organization, which is recognized as the leader in the area of quality management in Poland. It will allow to make a comparison of solutions concerning internal audits in Dzierżoniów and other offices which are subject to this research.

2. INTERNAL AUDITS – BACKGROUND AND LITERATURE REVIEW

The ISO 9001 standard requires organization to conduct internal audits at planned intervals to determine whether the quality management system conforms to the planned arrangements and to the requirements of ISO 9001. (PN-EN ISO 9001, 2010, p. 34). Internal auditing is widely recognized as an important business tool in the area of quality management (Bhatti & Awan, 2004, p.21). Most of all it is recognized as a driver for compliance to ISO 9001:2008 standards (Hernandez 2010, p. 454 – 466) however it may contribute to receiving other benefits e.g. Alić and Rusjan proved that internal audits may:

- stimulate workers to work better (following the procedures and rules, more effective and more efficient work),
- represent a means to exchange knowledge and spread good practices,
- represent a means to stimulate business improvements,
- help managers attain the business objectives of the company (Alić & Rusjan, 2011, 284 – 300).
- Internal audits can additionally cause the reduction of risk, realization of synergies, less duplication and overlap of efforts (including: training, paperwork, administration) and enhanced corporate image-external recognition of management capabilities (Kaziliûnas, 2008, p. 67).
- In order to gain the benefits, the audits have to be properly planned and conducted. It is accepted that an effective audit:
- has adequately defined audit objectives, approved by all stakeholders;
- has a suitable plan accepted by all;
- allows for adequate resources; people and time;

- is executed by competent auditors;
- is conducted in accordance with a standard or procedure;
- has findings that are valid and significant to record which are analyzed against objectives and risk and that lead to improvements;
- satisfies clients;
- provides evidence of improved working practices (Elliott, Dawson, Edwards, 2007, p.555).

Although in the literature on the subject there are articles presenting organizations which have successfully implemented systems of internal audits (Kettunen, 2012), they are very rare. An opinion, that the benefits an organization can have from internal audits are seldom reached in practice, is much more widespread. (Nichols, 2012). Experts claim that the internal audit is one of the most powerful tools in quality manager's toolbox when it comes to helping the organization improve, yet it is one of the most underused and unappreciated (Wells, 2010, p. 30). In the literature on the subject it is stressed among others that audits too strongly focus on checking if documented rules and procedures are being respected. This audit method does not include any judgment regarding the adequacy of the rules and their ability to make it possible to reach organizational goals (Biazzo, 2005, p. 385). It is often pointed out that auditors have to low skills and insufficient knowledge of the areas they audit consequently the auditor who is not an expert for a certain area, cannot audit this area (Pivka, 2004, p. 350).

It can be noticed that quality management audits have received little attention in the professional literature. There are few articles describing practical activities in the area (e.g. articles analyzing problems internal auditors have to face), diagnosing the causes of irregularities or suggesting procedures of improving internal audits.

3. QUALITY MANAGEMENT IN MUNICIPAL OFFICE IN DZIERŻONIÓW

For many years the Municipal Office (MO) in Dzierżoniów has consequently utilized various solutions in the area of quality management. Over 15 years ago Municipal Office in Dzierżoniów decided to implement a quality management system. As a result in 1999, the Municipal Office in Dzierżoniów, as the first Polish office of public administration, was certified to meet the requirements of ISO 9002 standard. Three years later the QMS underwent successive certification to meet the requirements of ISO 9001 standard. The following years started a process of implementing next management systems i.e. the environmental management system ISO 14001 and occupational health and safety management system PN 18001. They were being integrated into QMS even at the implementation level. The Municipal Office's efforts were awarded in 2006 with a certificate of integrated management system. It was recertified in 2010. Additionally, in 2013 the office underwent a procedure certifying compliance with the requirements of ISO 50001 standard. As a result it was demonstrated that the organization implemented a system of energy management which increases the energy efficiency, lowers the costs, and reduces the organizational risk.

Since 2003 the Municipal Office in Dzierżoniów has utilized the EFQM Excellence Model to perform self-assessments. The results have been used to point out the strengths of an organization and identify areas which need correction. On 9th October the mayor of Dzierżoniów was awarded with a statue of the finalist of the contest organized by EFQM. This meant that MO in Dzierżoniów became the first – and as far the only one – Polish office to receive the distinction.

Besides formalized systems and the EFQM Excellence Model, the Municipal Office in Dzierżoniów, applies several other solutions in the area of quality management. As examples may serve: the use of the Prince 2 method concerning project management, introducing a system approach in teamwork, using a Balanced Score Card and also applying the DMAIC model in improving the organization.

The approach to management applied by the office gained recognition of many specialist branches. It is reflected in a number of awards and distinctions the office has received. For example: in 2014 Dzierżoniów received the title of "the best Polish local authority of the decade". The event rose interest of many organizations in Poland and abroad wishing to learn the solutions used in Municipal Office in Dzierżoniów. The key activities in the area concerned:

1. hosting the representatives of such organizations. In the past few years the office was visited by delegations of e.g. Ricoh and Volkswagen Motor Poland,
2. cooperation with EFQM in e.g. consulting changes in the Excellence Model,

3. active participation in experience exchange groups among other districts in the area of project accomplished by the Association of Polish Cities,
4. accomplishment of the mentioned project ”The improvement program of public services quality in the offices of Lower Silesia and Lesser Poland with the use of Dzierżoniów Municipal Office’s experience” which involved 27 offices improving their functioning using experiences and solutions of the Municipal Office in Dzierżoniów. Thanks to these achievements the Municipal Office in Dzierżoniów is recognized as the leader in the area of quality management.

4. RESULTS AND DISCUSSION

The research questionnaire was sent to the Municipal Office in Dzierżoniów In November, 2014. It included a request addressed to the management representatives to provide basic information on internal audits. The same questionnaires had been sent to other municipal offices with a similar number of employees. There were 12 responses i.e. from the Municipal Office in Dzierżoniów and 11 municipal offices which formed a comparison group. Each of the organizations had been certified with ISO 9001 for at least 5 years. The smallest office employed 89 while the biggest 294 workers. 102 people work in the Municipal Office in Dzierżoniów.

The analysis exploited five indicators concerning internal audits in every organization i.e.

1. number of auditors,
2. number of audits performed every year,
3. the length of an audit,
4. number of nonconformities identified in a year (as a result of internal audits),
5. number of corrective actions taken every year (as a consequence of carrying out internal audits)

The first question concerned the number of internal auditors of QMS. In the Municipal Office in Dzierżoniów there are 13, which is almost 13% of all the staff. The value is higher than the average number calculated for the sample group. Big differences are however noticeable in the surveyed office. The range of auditors in the offices varied from 5 to 38, while the rate of the auditors in the total number of employees was for 3% to 22% (table 1).

Table 1: Ratio of auditors and all employees

	Municipal Office in Dzierżoniów	Sample group			
		minimal value	median	average value	maximal value
Number of auditors	13	16	14	5	38
The ratio of auditors and all employees	13%	3%	7%	9%	22%

Source: own elaboration.

In the Municipal Office in Dzierżoniów there are around 25 audits a year, which is similar to the average number in the sample group. However, if the analysis takes the number of each office's employees into consideration, it will show that that the number of audits in the MO in Dzierżoniów is significantly higher than the average number of audits in the sample group. As in the case of the number of auditors, the number of audits in researched organization was very diverse, too (table 2).

Table 2: Number of internal audits conducted every year

	Municipal Office in Dzierżoniów	Sample group			
		minimal value	median	minimal value	maximal value
Number of audits	25	12	20	24	54
Number of audits/ 100 employees	25	3	13	14	32

Source: own elaboration.

Internal audits conducted in the Municipal Office in Dzierżoniów are short. They usually last less than 2 hours. Te same situation was noticed in 5 offices from the sample group. In 3 offices the average length of the audit varied from 2 to 4 hour, and in next 2 it lasted from 4 do 6 hours. Only one office declared the length of the audit as longer than 8 hours (table 3).

Table 3: Average length of an internal audit

	Sample group				
	Less than 2h	2h to 4h	4h to 6h	6h to 8h	longer than 8h
Number of offices	5	3	2	0	1

Source: own elaboration.

The internal audits conducted in the Municipal Office in Dzierżoniów result in identifying less than 5 nonconformities a year. A similar situation takes place in 9 offices from the sample group. One office declared the value of 5 to 10; while the last identifies 11 to 20 nonconformities a year (table 4).

Table 4: Average number of nonconformities identified a year

	Sample group			
	less than 5	5 to 10	11 to 20	more than 20
Number of offices	9	1	1	0

Source: own elaboration.

The number of corrective actions introduced every year is usually close to the number of identified nonconformities. The Municipal Office in Dzierżoniów takes less than 5 corrective actions a year which is similar to 8 other offices in the sample group. 2 offices take 5 to 10, while the last 2 introduce 11 to 20 corrective actions a year.

Table 5: Number of corrective actions a year

	Sample group			
	less than 5	5 to 10	less than 5	more than 20
Number of offices	8	2	2	0

Source: own elaboration.

Basing on the collected data, it may be assumed that the level of activity of considered offices in the area of internal audits is not very high. On average there are 24 audits a year which gives 14 audits on every 100 employees. The audits are usually short (lasting less than 2 hours) and they result in indentifying less than 5 nonconformities which subsequently trigger less than 5 corrective actions a year. High diversity of the offices is also noticeable. Although all the organizations have the same activity profile and the number of employees is similar, there are significant differences between them. They concern, first of all, approaches to internal audits represented by the offices (i.e. number of auditors and audits, and their length). However, in the, so called, audit results area (i.e. number of nonconformities and corrective actions) the differences were much smaller. Worth noticing is the low value of the indicators concerning direct results of the audits. Most researched offices take less than 5 corrective actions as a result of internal audits conducted every year. Another interesting fact is that the values of the study areas for the MO in Dzierżoniów - an office recognized as a quality management leader – are not significantly different for the average values for the sample group of other offices. In the case of only one indicator – the number of audits for every 100 employees – the recorded values were much higher than the average of the sample group. All other indicators were similar or lower than the average values of the sample group.

5. CONCLUSION

The paper presents the outcome of the survey which covered 12 Polish municipal offices certified with ISO 9001. The first part of received data concerns different approaches to conducting internal audits utilized by the companies i.e. number of auditors, audits and their length. The second part of the data

refers to the findings resulting from the audits and they concern next two indicators i.e. number of indentified nonconformities and the number of corrective activities. The survey has shown that the level of activity of considered offices in the area of internal audits is not very high thus it proved a frequent opinion in literature on the subject that in practice the opportunities given by internal audits are not fully used by organizations. It is reflected by the fact that there are usually less than five corrective actions a year introduced as a consequence of internal audits. Additionally, it was found that the approaches used in an organization recognized as the leader in the area of quality management are not significantly different, in the studied areas, from those used in other organizations.

The limitations of the carried out research should not be forgotten. The research was of a pilot study nature and concerned a small number of organizations. In order to verify its conclusions there should be carried out similar studies covering more organizations. To receive a full image of the reality, next step would be to perform more detailed research for example in-depth interviews with internal auditors and management representatives. Only such analyses would discover the differences between organizations with a mature system of quality management and other subjects.

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