

Institutionalization of ISO 9001 QMS: Its Benefits and Costs

**PAGBA 2017 1st Quarterly Seminar & Meeting
April 5-8, 2017
Crown Legacy Hotel, Baguio City**

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Republic of the Philippines

DEPARTMENT OF BUDGET AND MANAGEMENT

Philippine Association for Government Budget Administration (PAGBA)
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Outline of Presentation

- Overview of the Government Quality Management Program (GQMP)
- Introduction to ISO 9001 QMS
- ISO 9001 QMS Road Map
- Benefits of ISO 9001 QMS
- Costs of ISO 9001 QMS
- Institutionalization
- Compliance Rate for the FY 2016 PBB ISO QMS
- Testimonials from ISO 9001 Certified Agencies (DOH and DPWH)

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Government Quality Management Program (GQMP)

(pursuant to **AO 161, s. 2006**)

COVERAGE:



All **Departments & Agencies** of the Executive Branch



State Universities and Colleges (**SUCs**)



Government Owned and Controlled Corporations (**GOCCs**) and Government Financial Institutions (**GFI**s)

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QUALITY MANAGEMENT SYSTEM

FRONTLINE/CORE SERVICES

PRIORITY



GQMC

(created under **EO 605, s. 2007**)

COMPOSITION:



Chairman



Co-Chairman



Internal Audit Office



Members

Secretariats

**DBM-SPIB
DAP-PDC**

*TWG on Advocacy
and Capability-
Building*

DAP-PDC

History of ISO 9001 Standards Development

ISO 9001:2008

Minor changes
Clarifications and elaborations of existing requirements
Improved compatibility with other management standards

2008

ISO 9001:1994

Emphasis on “product quality assurance” with ISO 9001 and ISO 9003

1994

ISO 9001:2015

Major changes!
Draft International Standard (DIS) and Final Draft International Standard (FDIS) developed in May 2014
Issued in September 2015
New concepts such as risk-based thinking

2015

ISO 9001:2000

Major revision!
The processes approach and system approach to management
Emphasis on management processes, understanding customer requirements and continuous improvement of processes to increase customer satisfaction

2000

ISO 9000:1987

The first international standard focusing on “Quality”

1987



ISO
9001

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Understanding ISO

ISO 9001 is a quality management system (QMS) standards adopted worldwide to assure consistency of product/ service quality and reliability.

Understanding ISO

What is Quality?

- ➡ Those product features that meet the needs and requirements of the customer
- ➡ Freedom from deficiencies and defects
- ➡ Conformance to standards

Goals of ISO 9001 Certification

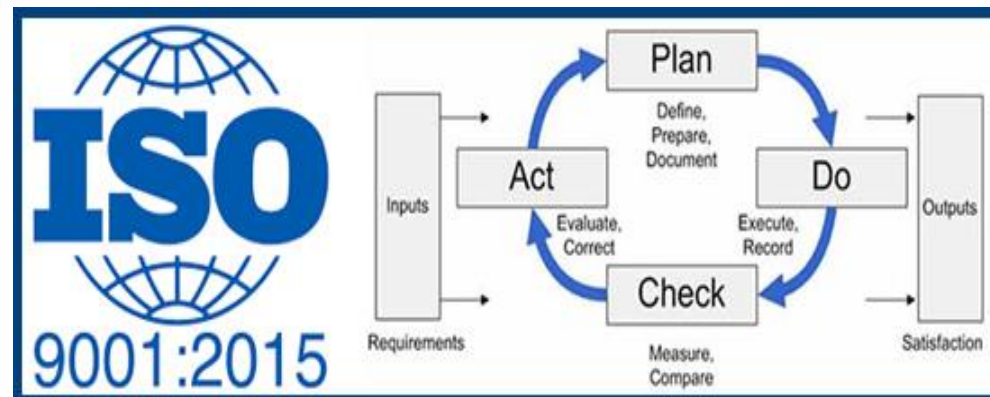
- ➡ To demonstrate that the organization does have a management system conforming to the requirements of ISO 9001
- ➡ To show that the system is effective in achieving the desired outputs
 - “Consistent conforming products/ services”
 - “Enhanced customer satisfaction”

What is a QMS?

- ▶ A system to establish quality policy and quality objectives, and to achieve those quality objectives.



(Definition based on ISO 19011:2011, Guidelines for auditing management systems)





1. Customer focus



2. Leadership



**ISO
9001:2015**

**QUALITY
MANAGEMENT
PRINCIPLES**

3. Engagement of people



7. Relationship management



6. Evidence-based decision making



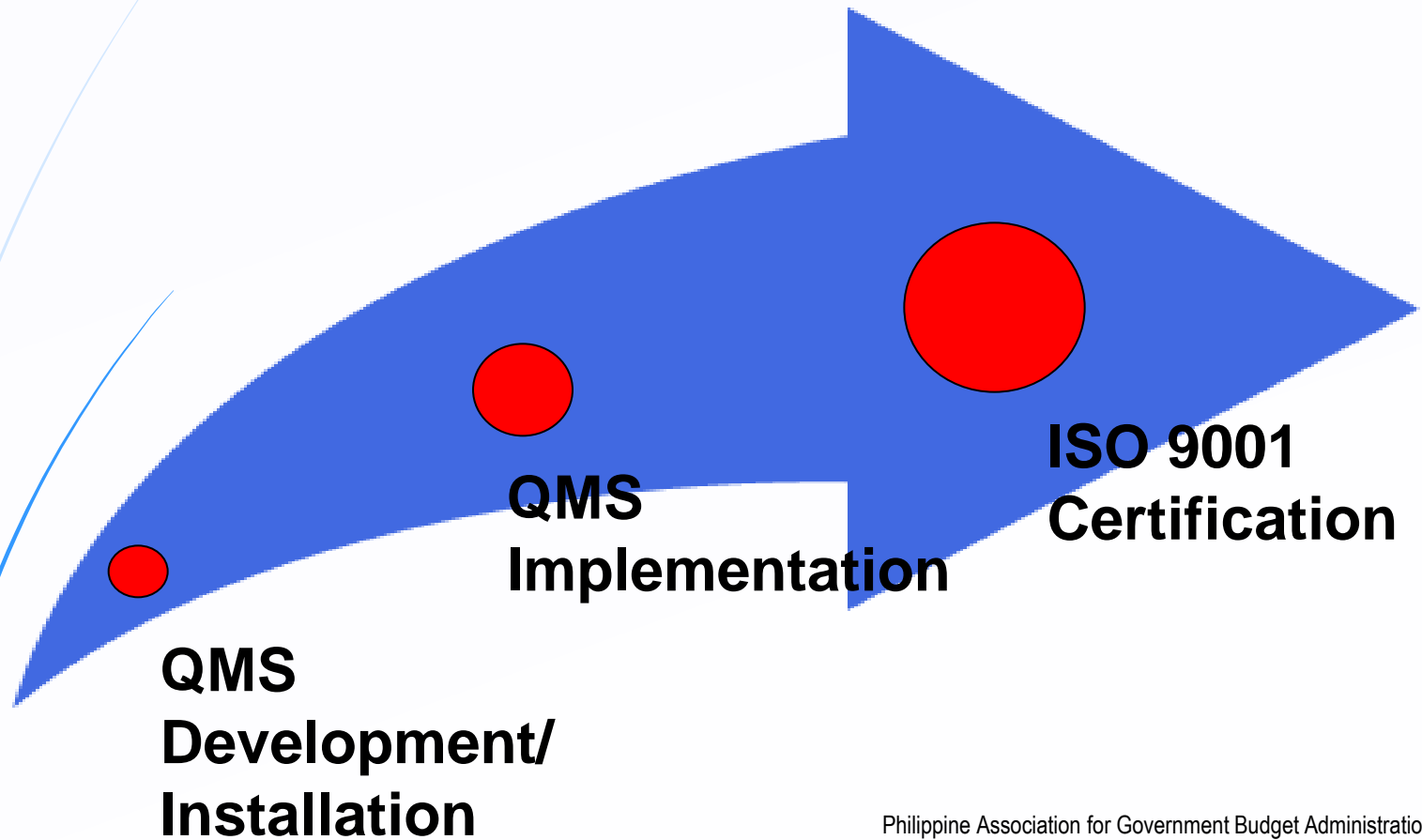
5. Improvement



4. Process approach



ISO QMS Major Activities



**QMS
Development/
Installation**

**QMS
Implementation**

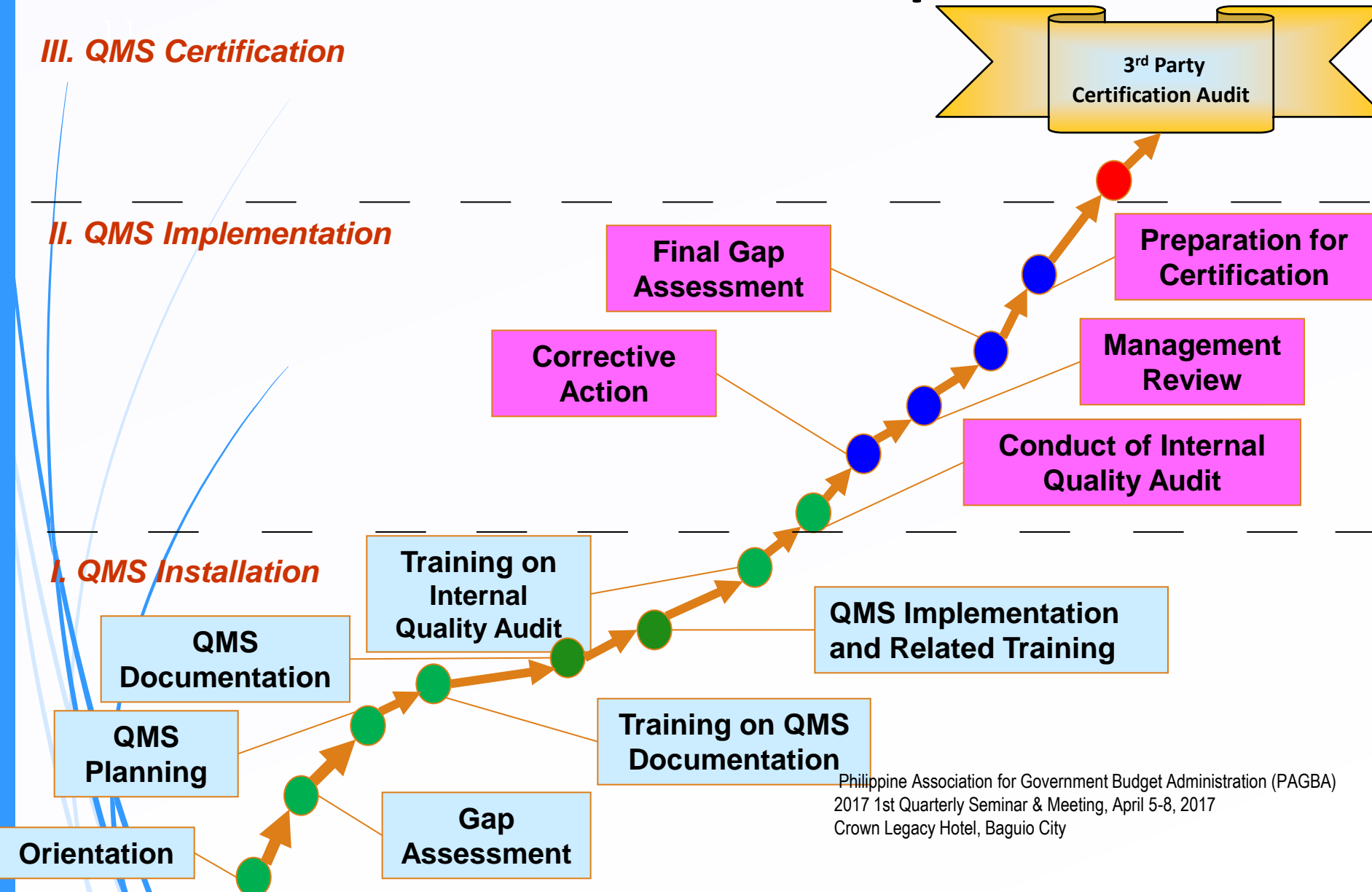
**ISO 9001
Certification**

The ISO 9001 QMS Road Map

III. QMS Certification

II. QMS Implementation

I. QMS Installation



PAB-Accredited CBs



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Source: DTI-PAB (http://pabaccreditation.dti.gov.ph/public/public_mscb.php)

ISO 9001 QMS Benefits in the Public Sector

- Effective performance of mandate/functions and continual improvement of services



- Strengthened internal control



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ISO 9001 QMS Benefits in the Public Sector

- Improved implementation and documentation of the various stages of planning, analysis, and monitoring



- Standardized processes



Utilize our feedback to
Reinforce Service Protocol, Boost Workplace Morale
& Sustain Employee Retention



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ISO 9001 QMS Benefits in the Public Sector

- Recognition to contribution relevant to performance planning, execution, monitoring, and evaluation, and the continuous review and enhancement
- Consciousness on deadlines for complete staff work, with quality outputs relevant to the planned strategic goals and committed performance targets



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ISO 9001 QMS Benefits in the Public Sector

- Clean and more organized work areas, as well as improved records filing system



- Prestige and pride to the organization



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ISO 9001 QMS Benefits



ISO 9001:2008 QMS Certification Experience

Scope of Certification (Department-wide):

Policy Formulation, Preparation of the National Budget, Management/Administration of the National Budget, and Monitoring and Analysis of Performance

Validity of Certification:

October 29, 2015 to September 14, 2018

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ISO 9001 QMS Benefits



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DEPARTMENT OF BUDGET AND MANAGEMENT

ISO 9001:2008 QMS Certification Experience

Impact/Benefits to the DBM

- ▶ Promoted transparency and predictability through clear and standardized processes in the DBM's operations
- ▶ Provided the Department with a globally recognized standard that could address its requirements for effective systems management
- ▶ Supported the DBM's efforts to strengthen and promote good governance in government
- ▶ Improved the Department's service delivery

Costs of ISO 9001:2015 QMS Institutionalization*



Trainings/Seminars/
Workshops Required



Target Number of
Participants



Duration of the
Workshop

FACTORS INVOLVED

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Costs of ISO 9001:2015 QMS Institutionalization*

Activities/Outputs	Cost Details (inclusive of 12% VAT)	Particulars
First Phase: QMS Development/Installation		
A. Orientation on the Government/ISO 9001:2015 QMS	PhP 22,400	448/pax (50 pax; ½ day)
B. Seminar/Workshop on Quality Policy	PhP 40,000	2,000/pax/day (20 pax; 1 day)
C. Seminar/Workshop on Quality Planning	PhP 40,000	2,000/pax/day (20 pax; 1 day)
D. Seminar/Workshop on Process Mapping	PhP 40,000	2,000/pax/day (20 pax; 1 day)
E. Seminar/Workshop on Risk Assessment	PhP 40,000	2,000/pax/day (20 pax; 1 day)
F. Training Course on ISO 9001:2015 QMS Requirements and Documentation	PhP 120,000	2,000/pax/day (20 pax; 3 days)
Total (Phase I)	PhP 302,400	

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* Per **DAP rates** (minimum cost for indicated pax or less)

Costs of ISO 9001:2015 QMS Institutionalization*

Activities/Outputs	Cost Details (inclusive of 12% VAT)	Particulars
Second Phase: QMS Implementation		
A. Training Course on Basic Course on Knowledge Management	PhP 80,000	2,000/pax/day (20 pax; 2 days)
B. Training Course on Basic Productivity and Quality Improvement Approaches	PhP 120,000	2,000/pax/day (20 pax; 3 days)
C. Seminar on Quality Workplace through 5S Good Housekeeping	PhP 80,000	2,000/pax/day (20 pax; 2 days)
D. Training Course on Problem Analysis and Solutions Formulation	PhP 80,000	2,000/pax/day (20 pax; 2 days)
E. Training Course on Auditing QMS	PhP 160,000	2,000/pax/day (20 pax; 4 days)
F. Seminar/Workshop on Risk Assessment	PhP 40,000	2,000/pax/day (20 pax; 1 day)
G. Seminar/Workshop on Identification of Organizational Knowledge Monitoring	PhP 40,000	2,000/pax/day (20 pax; 1 day)

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Costs of ISO 9001:2015 QMS Institutionalization*

Activities/Outputs	Cost Details (inclusive of 12% VAT)	Particulars
Second Phase: QMS Implementation		
H. Seminar/Workshop on Control of Nonconformity	PhP 40,000	2,000/pax/day (20 pax; 1 day)
I. Seminar/Workshop on Customer Satisfaction Tools	PhP 40,000	2,000/pax/day (20 pax; 1 day)
J. Seminar/Workshop on Management Review Inputs and Implementation	PhP 80,000	2,000/pax/day (20 pax; 2 days)
Total (Phase II)	PhP 760,000	

* Per **DAP rates** (minimum cost for indicated pax or less)



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Costs of ISO 9001:2015 QMS Institutionalization

Activities/Outputs	Cost Details	Particulars
Third Phase: Certification		
<p>Procurement of a 3rd Party CB</p> <p>Initial Audit</p> <ul style="list-style-type: none"> ▶ Stage 1: Document Audit <ul style="list-style-type: none"> - QMS document review ▶ Stage 2: On-site Audit <ul style="list-style-type: none"> - Verification of QMS implementation and its effectiveness <p>Surveillance Audits (Conducted annually)</p> <ul style="list-style-type: none"> ▶ 1st Surveillance Audit - conducted not later than 12 months after the last day of Stage 2 Audit ▶ 2nd Surveillance Audit – conducted not later than 12 months after 1st Surveillance Audit 		<ul style="list-style-type: none"> ▶ Costing for QMS certification should be consistent with the man-days requirement of the IAF MD 5:2015 for Duration of QMS and EMS System Audit. ▶ As identified by the DAP, PhP25,000 is the present estimated cost per man-day. ▶ To know the no. of audits, find first the man-days by determining the no. of effective personnel [permanent and non-permanent (temporary, contractual, part-time and seasonal) who will be present at the time of audit] of the agency and applying its prescribed man-days (m) under the matrix of said MD.

Annex A – QUALITY MANAGEMENT SYSTEMS**Table QMS 1 – Quality Management Systems****Relationship between Effective Number of Personnel and Audit Time
(Initial Audit only)**

Effective Number of Personnel	Audit Time Stage 1 + Stage 2 (days)	Effective Number of Personnel	Audit Time Stage 1 + Stage 2 (days)
1-5	1.5	626-875	12
6-10	2	876-1175	13
11-15	2.5	1176-1550	14
16-25	3	1551-2025	15
26-45	4	2026-2675	16
46-65	5	2676-3450	17
66-85	6	3451-4350	18
86-125	7	4351-5450	19
126-175	8	5451-6800	20
176-275	9	6801-8500	21
276-425	10	8501-10700	22
426-625	11	>10700	Follow progression above

Note 1: The numbers of personnel in Table QMS 1 should be seen as a continuum rather than a stepped change. I.e. if drawn as a graph, the line should start with the values in the lower band and end with the endpoints of each band. The starting point of the graph should be personnel of 1 attracting 1.5 days. See clause 2.2 for dealing with parts of a day.

Note 2: The CAB's procedure may provide for calculation of audit time for a number of personnel exceeding 10700. Such time should follow the progression in Table QMS 1 in a consistent fashion.

Note 3: See also clause 1.9 and 2.3.

Costs of ISO 9001:2015 QMS Institutionalization

Third Phase: Certification

► Compute the cost of the certification as follows:

Possible Audit Stage		Total Man-days (m)
Initial Audit (Stage 1 and Stage 2)	:	m
1 st Surveillance Audit (SA) (next year)	:	m/3 (round of to the next unit)
2 nd Surveillance Audit (next year after 1 st SA)	:	m/3 (round of to the next unit)
Total Audit Man-days	:	(m+m/3+m/3)
Cost per Audit Man-Days	:	PhP25,000
Total Cost of QMS Certification Audit	:	(m+m/3+m/3) x Php25,000

Costs of ISO 9001:2015 QMS Institutionalization

Third Phase: Certification

Example: Agency with an effective personnel ranging from 876 to 1175, the man-days of audit duration for a Department-wide certification [with 16 Regional Offices (ROs)] under Audit of Multiple Sites by Sampling, with 2 Auditors per site for a max of two (2) days:

Audit Stage		Computation	Total
Initial Audit (Stage 1 + Stage 2)	:	Per MD	13
First Surveillance Audit (SA) (next year)	:	$13/3 = 4.3$ rounded off to 5	5
Second Surveillance Audit (next year after 1 st SA)	:	$13/3 = 4.3$ rounded off to 5	5
Total Audit Man-days	:	$13 + 5 + 5$	23
Cost per Audit Man-Days	:		P25,000
Total Cost of QMS Certification Audit	:	$23 \times \text{PhP}25,000$	PhP575,000

Costs of ISO 9001:2015 QMS Institutionalization

Third Phase: Certification

For **other expenses**, use the applicable COA rates:

Transportation Expense = [(Airfare average of PhP10,000 round trip) x (2 pax) x (10 sites)] + [(Bus fare of PhP3,000/day) x (2 pax)]

Accommodation Expense = (PhP3,000/day) x (2 pax) x (2 days) x (13 sites)

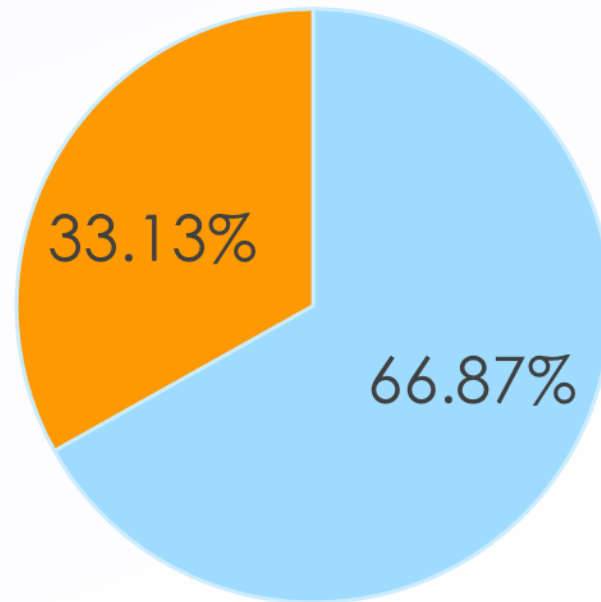
Incidental Expense = (PhP300/day) x (2 pax) x (2 days) x (13 sites)



Costs of ISO 9001:2015 QMS Institutionalization

Activities/Outputs	Cost Details	Particulars																
Third Phase: Certification																		
<p>▶ In the example being discussed:</p> <table border="1" data-bbox="104 496 1866 1189"> <tbody> <tr> <td data-bbox="104 496 1431 562">Audit Cost</td> <td data-bbox="1431 496 1866 562" style="text-align: right;">PhP575,000.00</td> </tr> <tr> <td data-bbox="104 562 1431 625">Add: (current COA rates)</td> <td data-bbox="1431 562 1866 625"></td> </tr> <tr> <td data-bbox="104 625 1431 776"> Transportation Expense [(Airfare average of Php10,000 round trip) x (2pax) x (10sites)] + [(Bus fare of Php3,000/day) x (2 pax)] </td> <td data-bbox="1431 625 1866 776" style="text-align: right;">206,000.00</td> </tr> <tr> <td data-bbox="104 776 1431 883"> Accommodation Expense (PhP3,000/day) x (2 pax) x (2 days) x (13 sites) </td> <td data-bbox="1431 776 1866 883" style="text-align: right;">156,000.00</td> </tr> <tr> <td data-bbox="104 883 1431 991"> Incidental Cost (Php300/day) x (2 pax) x (2 days) x (13 sites) </td> <td data-bbox="1431 883 1866 991" style="text-align: right;">15,600.00</td> </tr> <tr> <td data-bbox="104 991 1431 1053">Rounded Total</td> <td data-bbox="1431 991 1866 1053" style="text-align: right;">953,000.00</td> </tr> <tr> <td data-bbox="104 1053 1431 1125">Add: 12% VAT</td> <td data-bbox="1431 1053 1866 1125" style="text-align: right;">114,360.00</td> </tr> <tr> <td data-bbox="104 1125 1431 1189">Total</td> <td data-bbox="1431 1125 1866 1189" style="text-align: right;">PhP1,067,360.00</td> </tr> </tbody> </table>			Audit Cost	PhP575,000.00	Add: (current COA rates)		Transportation Expense [(Airfare average of Php10,000 round trip) x (2pax) x (10sites)] + [(Bus fare of Php3,000/day) x (2 pax)]	206,000.00	Accommodation Expense (PhP3,000/day) x (2 pax) x (2 days) x (13 sites)	156,000.00	Incidental Cost (Php300/day) x (2 pax) x (2 days) x (13 sites)	15,600.00	Rounded Total	953,000.00	Add: 12% VAT	114,360.00	Total	PhP1,067,360.00
Audit Cost	PhP575,000.00																	
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Rounded Total	953,000.00																	
Add: 12% VAT	114,360.00																	
Total	PhP1,067,360.00																	
Total (Phase III) for an agency with 876-1175 personnel	PhP 1,067,360																	
GRAND TOTAL (Phase I to III)	PhP 2,129,760																	

Compliance Rate for FY 2016 PBB ISO QMS Requirement



■ Compliant ■ Non-Compliant

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FINAL Compliance Rate (as of March 1, 2017)

CATEGORY	COMPLIANT						Non-Compliant		Total
	With Valid ISO 9001 QMS Certification		With ISO-aligned QMS Documents only		Sub-Total (Compliant)				
	No.	%	No.	%	No.	%	No.	%	
Departments (OSEC) & Attached Agencies	58	42.34	52	37.96	110	80.29	27	19.71	137
Constitutional Offices	2	40.00	3	60.00	5	100.0	0	0.00	5
Other Executive Offices	7	19.44	18	50.00	25	69.44	11	30.56	36
State Universities and Colleges	27	24.11	43	38.39	70	62.50	42	37.50	112
GOCCs under DBM	5	33.33	6	40.00	11	73.33	4	26.67	15
GOCCs under GCG and PCGG	39	35.78	22	20.18	61	55.96	48	44.04	109
Local Water Districts (Category A and B only)	4	5.33	41	54.67	45	60.00	30	40.00	75
TOTAL	142	29.04	185	37.83	327	66.87	162	33.13	489

Testimonial Videos from Selected ISO 9001 Certified Agencies



DOH

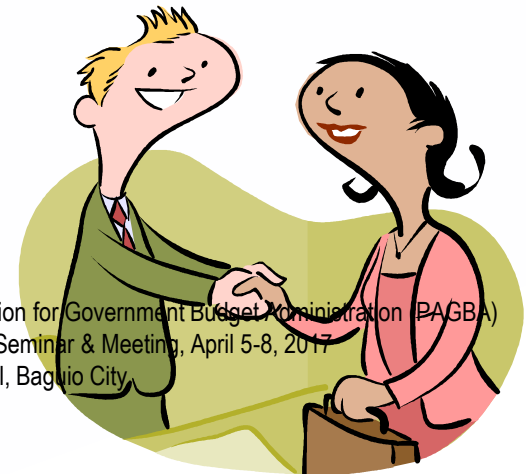


DPWH

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THANK YOU!

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