Institutionalization of ISO 9001 QMS: Its Benefits and Costs

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Acting Director, DBM-Systems and Productivity Improvement Bureau
and GQMC-DBM Secretariat Head

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

QUALITY MANAGEMENT SYSTEM
FRONTLINE/CORE SERVICES

GQMC
(created under EO 605, s. 2007)

COMPOSITION:
- Chairman
- Co-Chairman
- Members

SECRETARIATS
- DBM-SPIB
- DAP-PDC

TWG on Advocacy and Capability-Building
- DAP-PDC
History of ISO 9001 Standards Development

**ISO 9001:1987**
The first international standard focusing on “Quality”

**ISO 9001:1994**
Emphasis on “product quality assurance” with ISO 9001 and ISO 9003

**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

**ISO 9001:2008**
Minor changes
Clarifications and elaborations of existing requirements
Improved compatibility with other management standards

**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

**ISO 9000:1987**
The first international standard focusing on “Quality”

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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)
QUALITY MANAGEMENT PRINCIPLES

1. Customer focus
2. Leadership
3. Engagement of people
4. Process approach
5. Improvement
6. Evidence-based decision making
7. Relationship management
ISO QMS Major Activities

QMS Development/Installation

QMS Implementation

ISO 9001 Certification

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The ISO 9001 QMS Road Map

III. QMS Certification

II. QMS Implementation

I. QMS Installation

- Orientation
- QMS Planning
- QMS Documentation
- Gap Assessment
- Training on QMS Documentation
- Training on Internal Quality Audit
- Corrective Action
- Conduct of Internal Quality Audit
- Management Review
- Preparation for Certification
- Final Gap Assessment
- QMS Implementation and Related Training
- 3rd Party Certification Audit

The ISO 9001 QMS Road Map

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PAB-Accredited CBs

ISO 9001 QMS Benefits
ISO 9001 QMS Benefits in the Public Sector

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

• Strengthened internal control
ISO 9001 QMS Benefits in the Public Sector

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

• Standardized processes
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.
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
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
ISO 9001 QMS Benefits

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 Training/Seminar/Workshop

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

* Per DAP rates (minimum cost for indicated pax or less)
### Costs of ISO 9001:2015 QMS Institutionalization*

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

* Per DAP rates (minimum cost for indicated pax or less)
## Costs of ISO 9001:2015 QMS Institutionalization*

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<tbody>
<tr>
<td><strong>Second Phase: QMS Implementation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H. Seminar/Workshop on Control of Nonconformity</td>
<td>PhP 40,000</td>
<td>2,000/pax/day (20 pax; 1 day)</td>
</tr>
<tr>
<td>I. Seminar/Workshop on Customer Satisfaction Tools</td>
<td>PhP 40,000</td>
<td>2,000/pax/day (20 pax; 1 day)</td>
</tr>
<tr>
<td>J. Seminar/Workshop on Management Review Inputs and Implementation</td>
<td>PhP 80,000</td>
<td>2,000/pax/day (20 pax; 2 days)</td>
</tr>
<tr>
<td><strong>Total (Phase II)</strong></td>
<td>PhP 760,000</td>
<td></td>
</tr>
</tbody>
</table>

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# Costs of ISO 9001:2015 QMS Institutionalization

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<th>Activities/Outputs</th>
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<th>Particulars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Third Phase: Certification</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Procurement</strong> of a 3rd Party CB</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Initial Audit</strong></td>
<td>Costing for QMS certification should be consistent with the <em>man-days</em> 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 (<em>m</em>) under the matrix of said MD.</td>
<td></td>
</tr>
</tbody>
</table>
| ➤ **Stage 1**: Document Audit  
  - QMS document review | | |
| ➤ **Stage 2**: On-site Audit  
  - Verification of QMS implementation and its effectiveness | | |
| **Surveillance Audits** (Conducted annually) | | |
| ➤ **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 | | |
### Relationship between Effective Number of Personnel and Audit Time (Initial Audit only)

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

**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:

<table>
<thead>
<tr>
<th>Possible Audit Stage</th>
<th>Total Man-days (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Audit (Stage 1 and Stage 2)</td>
<td>: m</td>
</tr>
<tr>
<td>1\textsuperscript{st} Surveillance Audit (SA) (next year)</td>
<td>: m/3 (round of to the next unit)</td>
</tr>
<tr>
<td>2\textsuperscript{nd} Surveillance Audit (next year after 1\textsuperscript{st} SA)</td>
<td>: m/3 (round of to the next unit)</td>
</tr>
<tr>
<td>Total Audit Man-days</td>
<td>: (m+m/3+m/3)</td>
</tr>
<tr>
<td>Cost per Audit Man-Days</td>
<td>: Php25,000</td>
</tr>
<tr>
<td>Total Cost of QMS Certification Audit</td>
<td>: (m+m/3+m/3) x Php25,000</td>
</tr>
</tbody>
</table>
**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:

<table>
<thead>
<tr>
<th>Audit Stage</th>
<th>Computation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Audit (Stage 1 + Stage 2)</td>
<td>Per MD</td>
<td>13</td>
</tr>
<tr>
<td>First Surveillance Audit (SA) (next year)</td>
<td>13/3 = 4.3 rounded off to 5</td>
<td>5</td>
</tr>
<tr>
<td>Second Surveillance Audit (next year after 1st SA)</td>
<td>13/3 = 4.3 rounded off to 5</td>
<td>5</td>
</tr>
<tr>
<td>Total Audit Man-days</td>
<td>13 + 5 + 5</td>
<td>23</td>
</tr>
<tr>
<td>Cost per Audit Man-Days</td>
<td></td>
<td>PhP25,000</td>
</tr>
<tr>
<td><strong>Total Cost of QMS Certification Audit</strong></td>
<td>23 x PhP25,000</td>
<td><strong>PhP575,000</strong></td>
</tr>
</tbody>
</table>
Costs of ISO 9001:2015 QMS Institutionalization

Third Phase: Certification

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

**Transportation Expense** = 
\[(\text{Airfare average of PhP10,000 round trip}) \times (2 \text{ pax}) \times (10 \text{ sites})] + [(\text{Bus fare of PhP3,000/day}) \times (2 \text{ pax})]

**Accommodation Expense** = (PhP3,000/day) \times (2 \text{ pax}) \times (2 \text{ days}) \times (13 \text{ sites})

**Incidental Expense** = (PhP300/day) \times (2 \text{ pax}) \times (2 \text{ days}) \times (13 \text{ sites})
## Costs of ISO 9001:2015 QMS Institutionalization

### Activities/Outputs

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td><strong>Third Phase: Certification</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- In the example being discussed:

<table>
<thead>
<tr>
<th>Audit Cost</th>
<th>PhP575,000.00</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: (current COA rates)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transportation Expense</strong></td>
<td>206,000.00</td>
<td></td>
</tr>
<tr>
<td>[(Airfare average of Php10,000 round trip) x (2pax) x (10sites)] + [(Bus fare of Php3,000/day) x (2 pax)]</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Accommodation Expense</strong></td>
<td>156,000.00</td>
<td></td>
</tr>
<tr>
<td>(Php3,000/day) x (2 pax) x (2 days) x (13 sites)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Incidental Cost</strong></td>
<td>15,600.00</td>
<td></td>
</tr>
<tr>
<td>(Php300/day) x (2 pax) x (2 days) x (13 sites)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Rounded Total</strong></td>
<td>953,000.00</td>
<td></td>
</tr>
<tr>
<td>Add: 12% VAT</td>
<td>114,360.00</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>PhP1,067,360.00</td>
<td></td>
</tr>
</tbody>
</table>

**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

- Compliance: 33.13%
- Non-Compliance: 66.87%

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2017 1st Quarterly Seminar & Meeting, April 5-8, 2017
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# FINAL Compliance Rate (as of March 1, 2017)

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>COMPLIANT</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>With Valid ISO 9001 QMS Certification</td>
<td>With ISO-aligned QMS Documents only</td>
<td>Sub-Total (Compliant)</td>
<td>Non-Compliant</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>Departments (OSEC) &amp; Attached Agencies</td>
<td>58</td>
<td>42.34</td>
<td>52</td>
<td>37.96</td>
<td>110</td>
<td>80.29</td>
<td>27</td>
<td>19.71</td>
</tr>
<tr>
<td>Constitutional Offices</td>
<td>2</td>
<td>40.00</td>
<td>3</td>
<td>60.00</td>
<td>5</td>
<td>100.00</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Executive Offices</td>
<td>7</td>
<td>19.44</td>
<td>18</td>
<td>50.00</td>
<td>25</td>
<td>69.44</td>
<td>11</td>
<td>30.56</td>
</tr>
<tr>
<td>State Universities and Colleges</td>
<td>27</td>
<td>24.11</td>
<td>43</td>
<td>38.39</td>
<td>70</td>
<td>62.50</td>
<td>42</td>
<td>37.50</td>
</tr>
<tr>
<td>GOCCs under DBM</td>
<td>5</td>
<td>33.33</td>
<td>6</td>
<td>40.00</td>
<td>11</td>
<td>73.33</td>
<td>4</td>
<td>26.67</td>
</tr>
<tr>
<td>GOCCs under GCG and PCGG</td>
<td>39</td>
<td>35.78</td>
<td>22</td>
<td>20.18</td>
<td>61</td>
<td>55.96</td>
<td>48</td>
<td>44.04</td>
</tr>
<tr>
<td>Local Water Districts (Category A and B only)</td>
<td>4</td>
<td>5.33</td>
<td>41</td>
<td>54.67</td>
<td>45</td>
<td>60.00</td>
<td>30</td>
<td>40.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>142</td>
<td>29.04</td>
<td>185</td>
<td>37.83</td>
<td>327</td>
<td>66.87</td>
<td>162</td>
<td>33.13</td>
</tr>
</tbody>
</table>
Testimonial Videos from Selected ISO 9001 Certified Agencies

DOH

DPWH

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2017 1st Quarterly Seminar & Meeting, April 5-8, 2017
Crown Legacy Hotel, Baguio City
THANK YOU!

GQMC DBM Secretariat
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791-2000 loc. 1227/1230