

QUALITY AUDIT AND ENTERPRISE IMPROVEMENT FROM THE PERSPECTIVE OF EXTERNAL AUDITORS

Norbert Góra

Abstract

The paper deals with the issue of organisational improvement and employs a theoretical and empirical approach. Its purpose was to introduce the notion of the quality audit as a management instrument contributing to the improvement of enterprise operations. The theoretical part presents the contemporary meaning of audit, its objectives, functions and types. In the second – empirical – part, the results of the author's own study were used to reveal that the quality audit identifies the weaknesses of an organisation and, thus, points to areas that should or can be improved. In addition, the results of the study can be used to draw a conclusion that increasing the knowledge of employees responsible for the quality management system would contribute to reducing the barriers affecting the effective implementation of the audit and would maximise the results obtained from the audit.

Keywords: quality, quality management, quality audit, auditor, improvement.

JEL Classification: M42, L15

1. Introduction

One of the most important aspects of competitiveness was and still is quality. The modern approach to quality focuses on the customer and their needs, process improvement and continuous quality improvement of products and/or services. A comprehensive approach to quality, i.e. ensuring it in every stage of the product life cycle and leaving lasting evidence that these tasks were correct can be called proper quality management. Effective quality management results in increased customer confidence in the organisation, allows nonconformities that arise to be monitored and managed and ways to improve quality and the organisation as a whole to be found (Skrzypek, 2002). An audit is used to examine the performance of the quality management system and the extent to which it produces results. This tool is universal for monitoring specific product/service areas of the organisation. When

it comes to quality management, it can help verify the fulfilment of requirements set by management system standards and demonstrate the possibility of improving products, processes, systems or the entire organisation (Midor, 2011). The aim of the paper is to present a quality audit as an instrument contributing to the improvement of the whole enterprise. This objective was accomplished through literature analysis and a self-prepared study using a survey. The research problem was to identify how quality auditing contributes to the improvement of organisational performance. The specific subject of the paper is continuous improvement.

2. Contemporary concept of audit

Forming requirements for the first quality standards (i.e. since the 1930s) created an immediate need for auditing. Auditing in a quality-related area was in development for many years in the 20th century. It was not until 1987 that the general requirements for auditing were formulated into an international standard, namely ISO 9001, while it was only after the appearance of ISO 9000 series standards that the well-thought-out concept of quality auditing was introduced (Ligarski, 2018). Table 1 presents the contemporary concept of audit as it appears in selected standardisation documents.

Table 1. Audit definitions

| Source | Audit definition |
|--|--|
| Institute of Internal Auditors | “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.” |
| ISO 9001:2015 Quality management system – Requirements | “A systematic, independent and documented process for obtaining evidence and evaluating it objectively to determine the extent to which audit criteria are fulfilled”. |
| ISO 19011:2012 – Guidelines for auditing management systems | “A systematic, independent and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which audit criteria are fulfilled [...] Audit criteria are defined as policies, procedures, or requirements that refer to an audit. Audit evidence, on the other hand, is a statement of fact, record, or other information that is verifiable and relevant to audit criteria.” |

Source: Author’s own elaboration based on: (Cicchán-Kujawa, 2014); (Ligarski, 2018).

Characteristic features can be attributed to each audit definition in Table 1 (Ligarski, 2018):

- independence – an audit should be conducted by people who are not related to the audited area on a daily basis,
- systematicity – an audit is a planned and regular activity,
- objective – to obtain an objective assessment of the processes occurring in an enterprise,
- process approach – an audit consists of interrelated activities that use input resources to transform them into a specific output effect/result.
- documented information – an audit provides a range of information that can be used to meet the various needs of the organisation and its stakeholders.

3. Objectives and functions of audits

Modern auditing should have a multidimensional nature due to new challenges, organisational growth prospects and legislative changes. In view of these conditions, audit objectives can be considered from two perspectives: the organisation and its environment, and they are interrelated if the organisation is considered holistically and through the prism of all stakeholders (Ciechan-Kujawa, 2014). Adopting this approach makes it possible to distinguish the following main audit objectives (Hamrol, 2013; Matuszak-Flejszman, 2010):

- diagnosing the degree of compliance of the audited management system with the audit criteria, which may include laws, policies, implemented processes and their supervision methods, documented information, analysis of opportunities and risks, analysis of the organisation's context (environment),
- determining the degree of effectiveness of the implemented management system to achieve the objectives set by the organisation,
- detecting areas and aspects that can be improved in the system, i.e. identifying opportunities for continuous improvement and making recommendations for improvement, if established in the audit plan.

Supporting goals include (Ciechan-Kujawa, 2014; Matuszak-Flejszman, 2010):

- assessing the ability of the internal management review process to maintain the relevance and effectiveness of the management system,
- communication between management and stakeholders,
- an analysis of the risks arising from failure to meet requirements or inadequate performance,
- evaluating suppliers or presenting audit results to customers in a clear and concise manner.

The conscientious implementation of the main objectives allows to evaluate the continuity of the activity, and the supporting ones – to build added value for the organisation and its stakeholders (Ciechan-Kujawa, 2014).

An audit conducted in an organisation provides a number of benefits and the following functions can be attributed to it (Jedynak, 2004):

- verifying – the basic task of auditors is to confirm whether the established and maintained management system complies with the normative and internal requirements;
- valuating – a well-conducted audit allows to assess the effectiveness of the audited management system, i.e. the extent to which the system contributes to the achievement of the objectives adopted by the organisation;
- informative – for the organisation's employees, its management and other interested parties the audit provides information on the functioning of the audited system. Hence, it serves as a tool for informing management and supporting decision-making processes at various management levels.
- corrective – in case of noticing nonconformities during the audit, corrective actions may be introduced in order to detect and eliminate the causes of the identified nonconformities; thanks to this, the probability that the desired phenomena for the organisation will not occur again in the future increases;
- preventive – in the case of discovering potential possibilities of nonconformities in the future and thanks to auditor's observations, preventive actions may be introduced, anticipating the occurrence of a nonconformity;
- instructional – during the audit, an auditee may obtain some suggestions from an experienced auditor regarding the correct methods of conduct, good practices, etc.;
- improving – although an audit is not in itself an activity aimed at improvement per se, it identifies weaknesses within the organisation and indicates areas that should be improved.

Fulfilling these functions eliminates anxiety due to the lack of information needed to make decisions, the inability to identify risks to those decisions, and the inability to estimate the effects of events arising from the environment.

Organisations that conduct audits to evaluate the performance of their activities should disseminate the advantages and usefulness of this tool among employees over the previously used methods referred to as inspection. Due to the fact that auditing carries negative connotations, changing employees' behavior by showing the differences between auditing and inspecting may result in an increase in their involvement in conducting audit activities (Ejdys, Kobylinska, Lulewicz-Sas, 2012).

4. Types of quality audits

The regular conduct of audits is associated with the implementation and maintenance of the quality system in the enterprise, which can be divided depending on the purpose as follows (Ładoński, Szołtysek, 2005):

- internal audit (first party),
- external audit (second and third party).

The role of internal audit continues to grow due to a more dynamic environment and increasing complexity of business relationships. Internal audit is most often performed by the organisation's trained audit team, who are primarily tasked with identifying risks and developing risk management processes. They analyse and evaluate the internal inspection system. They evaluate the alignment of operational activities with the set goals of the organisation. One of the last tasks of the internal audit is the presentation of objective opinion and conclusions about the audited departments (Gmińska, Voss, 2018). ISO 9004 guidelines suggest conducting an internal audit to identify and analyse the strengths and weaknesses of the quality management system. The emphasis during this analysis should be on the efficiency and effectiveness of process implementation, resource management, and the possibility of continuous improvement (Urbaniak, 2004).

A second party external audit focuses on the customer or potential customer's examination of the supplier's management system. Typically, the survey is carried out when the supplier does not have a certified management system but declares to meet the quality requirements of the potential customer. A second-party audit is also conducted in organisations with a certified system to verify that it is operating properly according to the requirements. The frequency of external audits of the other party is set in accordance with the external audit plan or as the need arises, which is, for example, to check the quality level of a potential product before concluding a contract or to find the cause of nonconformity. This type of audit is conducted by qualified auditors on behalf of the ordering party (the auditing company). They may be employees of the company or individuals from an independent auditing entity. The consequence of a client's audit result is that the business relationship with the auditee is strengthened, maintained or terminated. A positive outcome of the other party's audits is, above all, an increased trust in suppliers. This is also good advice for the organisation under study, as nonconformities can be pointed out and encouraged to be corrected, allowing the supplier's quality system to improve (Lancucki, 2019; Midor, 2011).

A third-party external audit is performed by an independent entity with the authority to certify that your systems meet the requirements of ISO standards. This type of audit completes the implementation of the selected management system within the organisation. Its positive outcomes include an increase in competitiveness through increased customer confidence, the ability to reduce customer audits, and

reduced costs with suppliers and subcontractors. There is a recertification audit every three years and a surveillance audit every year. In line with good practice, external auditors seconded by the certifying authority do not provide advice. The third-party audit is characterised by a high degree of formalisation due to the significance of the document, which is the management system certificate, as well as the rules of conduct contained in the law, which must be followed by the auditors of the certification body (Midor, 2011).

The basic difference between an internal audit and an external audit is a different approach to the audit, i.e. in external audits attention is focused on what happened in the past (documented records, information) and on this basis conclusions are drawn and a diagnosis regarding the condition of the quality management system is made. On the other hand, during the internal audit, the investigator focuses on the operation of the quality management system, its future effects of operation and remedial, corrective measures, so in addition to making the diagnosis, there appear preliminary elements of the system design process (Wawak, 2006). There are also formal and organisational differences between the types of audits. An internal audit continuously monitors the management system, a second audit continuously monitors the management system for suppliers, and a certification audit formally completes the implementation of the management system in the organisation (Habelman, 2015).

The typology can be further expanded to include combined audit and joint audit. The first means simultaneously auditing two or more management systems within a single company. Whereas, a joint audit is also conducted at a single company but by two or more auditing organisations (Łańcucki, 2019).

5. Methodology, presentation and analysis of self-conducted research

Quality audit as a management instrument that can be useful in enterprise improvement is the subject of an empirical study. The subjects of the audit are the external auditors.

The purpose of this study was to identify the impact of quality auditing on enterprise improvement from the perspective of external auditors.

The main research problem was formulated as a question: how does a quality audit as an instrument of management contribute to the improvement of enterprise operations?

Survey technique was used to solve the research problem. A web-based version of the survey questionnaire was prepared and distributed as a link via webmail to 50 auditors. Nineteen of them participated in the actual survey (with one employed by a national certification organisation, five employed by an international certification organisation, seven respondents had additional activities apart from conducting, and the remaining six had their own audit-related businesses). The used supplementary

technique was a telephone interview conducted with two out of all surveyed external auditors of the quality management systems.

One of the first areas of research involved recognising the barriers that may impede conducting an effective quality audit on the part of the company. Respondents were asked to select five out of 10 barriers, but additionally with the opportunity to add their own. The obtained answers are presented in Table 2.

Table 2. Barriers to conducting an effective quality audit on the part of the company

| Answer | /n=19/ | |
|--|--------|------|
| | N | % |
| Low level of cooperation between implementers of the audit process | 17 | 89.5 |
| Lack of adequate information resources | 14 | 73.7 |
| Low level of knowledge of those involved in quality auditing | 12 | 63.2 |
| The specific organisational culture of the enterprise | 12 | 63.2 |
| Limited set of research and diagnostic methods, techniques and tools used | 6 | 31.6 |
| Failure to define the areas to be audited | 6 | 31.6 |
| High costs of outsourcing quality audits | 5 | 26.3 |
| Lack of developed analysis criteria and evaluation benchmarks for individual elements of the quality management system | 4 | 21.1 |
| Lack of properly described rules for conducting quality audits | 3 | 15.8 |
| Complex information obtained from quality audit reports | 2 | 10.5 |
| Other: Reluctance to providing an answer; Top management involvement degree | 1 | 5.3 |

Source: Author's own study based on empirical research.

This question is an introduction to finding an answer to the stated purpose of the study. Barriers in the auditing process have an impact on the validity of the results obtained and the final quality, and this translates directly into the possible impact of the audit on improving business operations.

The most frequently indicated barrier (89.5%) was the low level of cooperation between the entities responsible for implementing the audit process. Lack of adequate resources (73.7%), and poor knowledge of quality audit personnel (63.2%) were the next most frequent responses. These three most frequently indicated barriers are basically related to the low evaluation of the competence and skills of the persons responsible for the quality management system and internal audit in busi-

nesses. This is because it is these people or departments that recommend how the audit should be conducted, when it should be conducted, and what areas should be covered by the analysis and evaluation. It should also be added that this competence is the responsibility of the top management, as it should impose certain solutions in this area. As a result, it can be concluded that the process of cooperation reaches a low level, it is often of object-like nature, it is implemented in a chaotic manner and reduced only to the exchange of information. The company's specific organisational culture was identified as a barrier by 63.2% of respondents. Organisational culture is difficult to describe because of its very nature. It consists of thinking patterns, behavioural standards, management style, communication methods, to name a few. A well-designed organisational culture can contribute to a company's competitiveness in the market, but unfortunately, it is still identified as a barrier.

In the next question, respondents were asked to indicate the average degree of elimination of nonconformities identified during the quality audit process between the surveys. Auditors were able to select one of the four breakdowns provided. The obtained responses are shown in Table 3. Nonconformity may result from a failure to provide given requirements that are included in the standard, quality management system documentation, legislation or requirements of the customer and other parties who have an interest in operations of the organisation. It should also be emphasised that only something supported by precise and objective evidence can be considered a nonconformity.

Table 3. Average degree of elimination of identified nonconformities during the quality audit process between the surveys

| Answer | /n=19/ | |
|---------|--------|------|
| | N | % |
| 0-24% | 2 | 10.5 |
| 25-49% | 3 | 15.8 |
| 50-74% | 5 | 26.3 |
| 75-100% | 9 | 47.4 |

Source: Author's own study based on empirical research.

Nearly half of the respondents (47.4%) reported that 75–100% of identified nonconformities are eliminated by the next quality audit. This means that companies are eager to implement the indicated and recommended adjustments. This may be due to the company's mission to achieve the highest quality, or it may simply be necessary because with so many nonconformities found in the organisation, it could not be certified and hence the significant improvement. However, this conclusion

should be approached with a certain degree of caution, because the quality is not every company's mission or main goal.

The next indicated response in terms of frequency was within the 50–75% range (26.3% of all responses). This result complements the conclusions posed above and answers the selected research problem, i.e., that the quality audit is a tool for business improvement.

The remaining responses imply that a small number of audited companies do not really try to improve their processes and quality management system. The reason behind it might quite simply be reluctance, low importance of nonconformities, i.e., not interfering with certification and not affecting the quality of the product and/or service, or lack of competence to eliminate them and lack of resources to hire a specialist who would identify opportunities for improvement and help implement them.

In the next question, respondents were asked to suggest improvement directions for companies that have a high nonconformity rate. A high nonconformity rate is considered here as a significant number of detected and confirmed nonconformities. It (the factor) can also be defined as failing to meet many requirements for a quality management system. The distribution of responses obtained for this open-ended question is shown in Table 4.

Table 4. Suggestions for improvement directions from the perspective of external auditors for companies that have high nonconformity rates

| Answer | /n=19/ | |
|---|--------|------|
| | N | % |
| Corrective actions effectiveness evaluation | 8 | 42.1 |
| Training | 6 | 31.6 |
| Implementation of a risk management system | 5 | 26.3 |
| Directions for improvement depending on the type of nonconformity | 4 | 21.1 |
| Determining responsibility for the processes | 3 | 15.8 |
| Increased frequency of internal audits | 2 | 10.5 |
| Improved management commitment | 2 | 10.5 |
| Development strategy | 1 | 5.3 |
| "I do not make suggestions because it is not allowed..." | 1 | 5.3 |
| Motivating employees | 1 | 5.3 |

Source: Author's own study based on empirical research.

External auditors most often identified evaluating the effectiveness of corrective actions (42.1%) as a direction for enterprise improvement. It is important to develop a behavioural change, an attitude towards the implemented corrective actions. There should be a shift away from ad hoc approaches to eliminating nonconformities (attention to one-time, minor corrections) and a focus on introducing a comprehensive approach to nonconformity analysis that focuses on risk, determining responsibility for addressing nonconformities, preventing nonconformities from reoccurring, and reporting on the effectiveness of decisions and implemented actions.

More than 30% of respondents focused on the training of process participants. Participation in specialised training concerning the requirements of quality standards, ways of implementing these requirements and, additionally, training on analysis of causes of nonconformities and evaluation of corrective actions would ensure increased effectiveness of the whole enterprise and would reduce one of the barriers occurring while conducting an audit, i.e. low level of competence of people assigned to quality management in the organisation.

In the next question external auditors were asked to identify the most frequently observed effects after implemented recommendations that were necessary or possible after a quality audit. Out of the 13 possible answers, they were asked to select the six most frequently noted. Respondents were also given the option to provide another answer of their own. The obtained data are presented in Table 5.

The most frequently selected answers among external auditors were the identification and elimination of nonconformities in the enterprise operations and the increase of efficiency and success rate of the implemented processes (both 94.7% of choices). The high percentage of choosing these answers is not surprising, as they stem from the primary tasks of quality auditing. A similar conclusion can be drawn from the next selected answer in terms of frequency of choice i.e. improving the quality of products and/or services. More than half of the respondents (52.6%) saw an increase in the level of achievement of corporate objectives. With this effect it is possible to verify the organisation's plans, which, thanks to the quality audit, make it easier to introduce adjustments to its operations on an ongoing basis. The same number of respondents indicated that internal communication had improved in the enterprises after audits. In the presented results, it is noticeable that there is a wide variation in the obtained answers. This may be due to the fact that the cafeteria of possible answers that could be indicated was too expansive, and respondents were not able to accurately identify the results obtained after quality audits.

Table 5. The most common post-audit effects noticed by external auditors

| Answer | /n=19/ | |
|---|--------|------|
| | N | % |
| Indicating and eliminating nonconformities in the enterprise operations | 18 | 94.7 |
| Increase in efficiency and success rate of implemented processes | 18 | 94.7 |
| Improving the quality of products and/or services | 12 | 63.2 |
| Increase in the level of achievement of corporate objectives | 10 | 52.6 |
| Improving internal communication | 10 | 52.6 |
| Improving the risk management process | 9 | 47.4 |
| Improving relationships with business partners (including suppliers) | 8 | 42.1 |
| Access to useful information based on which the decisions are made | 7 | 36.8 |
| Better use of resources | 6 | 31.6 |
| Increasing the level of efficiency of the enterprise operations | 6 | 31.6 |
| Improving corporate planning processes | 5 | 26.3 |
| Increasing the competitive advantage of the enterprise | 2 | 10.5 |
| Profit growth | 0 | 0 |
| Other: Increased pro-quality awareness | 1 | 5.3 |

Source: Author's own study based on empirical research.

6. Summary

In conclusion, it can be concluded that the quality audit in itself is not an improvement, it does, however, identify weaknesses within the organisation and indicate areas in the quality management system that should or can be improved. Its weakest point is the low competence and skills of people dealing with the quality management system in an enterprise. Regularly conducting specialised training on ISO requirements implemented in the enterprise, on how to implement the requirements, but also conducting training on comprehensive assessment of the effectiveness of corrective actions would not only reduce the existing barriers to conducting audits, but would also facilitate and improve the quality of daily management. In addition, the improvement of employee competencies would maximise the effects that can be obtained from quality audits and certified quality management systems,

which include improved internal communication, an increase in the level of achievement of company objectives or a direct improvement in the quality of products and/or services.

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AUDYT JAKOŚCI I POPRAWA PRZEDSIĘBIORCZOŚCI Z PERSPEKTYWY AUDYTORÓW ZEWNĘTRZNYCH

Streszczenie

Artykuł dotyczy problematyki doskonalenia organizacji i ma charakter teoretyczno-empiryczny. Jego celem było ukazanie audytu jakości jako instrumentu zarządzania przyczyniającego się do usprawniania funkcjonowania przedsiębiorstwa. W części teoretycznej przedstawiono współczesne znaczenie audytu, przedstawiono jego cele, funkcje i rodzaje. W drugiej części – empirycznej, na podstawie wyników z przeprowadzonego badania własnego rozpoznano, że audyt jakości identyfikuje słabości organizacji, a tym samym wskazuje obszary, które powinny lub mogą być doskonalone. Dodatkowo, na podstawie uzyskanych wyników należy stwierdzić, że zwiększenie wiedzy pracowników odpowiedzialnych za system zarządzania jakością przyczyniłoby się do ograniczenia barier wpływających na skuteczną realizację audytu oraz maksymalizowałoby efekty uzyskiwane z tegoż badania.

Słowa kluczowe: jakość, zarządzanie jakością, audyt jakości, audytor, doskonalenie.