

Internal Quality Audit Report

Background

The Internal Quality Audit (IQA) Team conducted the IQA of the National Tax Research Center (NTRC) on November 24, 27-28, 2017 and March 5, 2018. The audit focused on Clause 9.2 of the ISO 9001:2015 standard, the Quality Management System (QMS), Operations Manual (OM) and other related government rules and regulations.

For this audit, the management, ad hoc committees and all technical branches and administrative divisions were subjected to audit. Technical branches audited are as follows: Planning and Coordinating Branch (PCB), Tax Statistics Branch (TSB), Local Finance Branch (LFB), Fiscal Incentives Branch (FIB), Special Research and Technical Services Branch (SRSTB), Direct Taxes Branch (DTB), Indirect Taxes Branch (ITB) and Economics Branch (EB). Administrative Divisions audited include Human Resources Division (HRD), Administrative and Property Division (Admin), Accounting Division (Acctg), Budget and Cash Division (BCD), and Clinic, IT and Library units.

The IQA Team utilized questionnaires designed to assess the effectiveness of the implementation of the NTRC QMS. The IQA Team conducted interviews among the officials and employees involving the implementation of its QMS.

Objectives

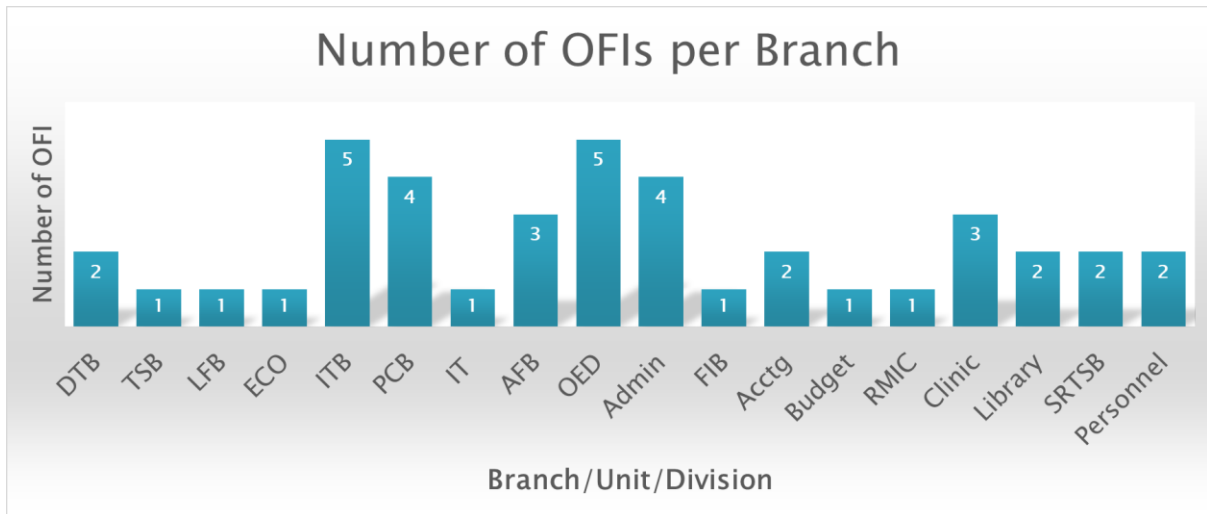
The IQA aims to check the conformity of the NTRC QMS to the ISO 9001:2015 requirements. It also intends to assess and verify the effectiveness of established internal rules and policies of the Center and to monitor the implementation of the QMS in attaining its intended results. The audit is also for continuous development of the QMS by seeking opportunities for improvement. The IQA was done in compliance to Clause 9.2 of the ISO 9001;2015.

Audit Results

The results are summarized and grouped into conformities, opportunities for improvement (OFIs) and non-conformities (NCs). OFIs are addressed to help improve the QMS, while NCs are deviation or non-fulfilment of an intended requirement.

Opportunities for Improvement

The OFIs are part of the audit findings which can be amended and acted upon immediately and if otherwise, these OFIs will become NCs in the long run. The number of OFIs issued to the branches is as follows:



OFIs are both tabulated per type and per branch. The matrix of OFIs issued is as follows:

Opportunities for Improvement of NTRC Branches and Division for 2017

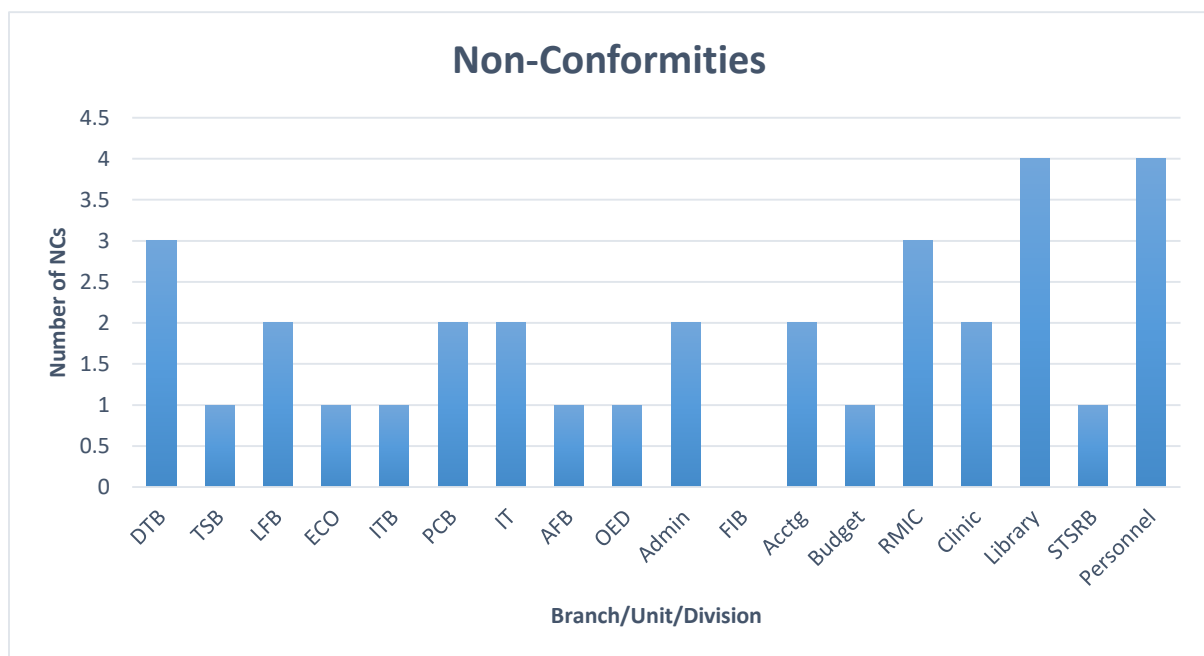
Branch/Divisions	Documentation Requirement to RMIC	Improvement of the Filing and Documentation Process	Documented Information for Updating	Risk Registry	Tracking and Monitoring Studies Researches	Creation of Policy/Criteria for the Core Processes	Improvement of Work Environment	Feedback Mechanism
1. Direct Taxes Branch	Issues, Risks	Filing System						
2. Tax Statistics Branch	Issues, Risks							
3. Local Finance Branch	Issues, Risks							
4. Economics Branch	Issues, Risks							
5. Indirect Taxes Branch		Filing System	Operations Manual	Additional Risks	Assignment Sheets	Data errors on researches and studies	Unnecessary Items	
6. Planning and Coordinating Branch		Filing System			Logbook and routing slips	Tax subjects for tax studies and tax news digest		
7. IT Unit		Filing and Documentation						
8. AFB		Filing and Documentation	Operations Manual					Distribution and tabulation
9. Office of the Executive Director		Filing System	Operations Manual			Target settings	Unorganized	Approval of forms and monitoring of results
10. Administrative Division		Filing and Documentation		Additional Risks			Inconvenience	Distribution and tabulation
11. Fiscal Incentives Branch							Unnecessary Items	
12. Accounting Division				Additional Risks			Unnecessary Items	
13. Budget and Cash Division				Additional Risks				
14. Records Management Improvement Committee		Filing and Documentation						
15. Clinic		Filing and Documentation					Improvement of Property	Consider having feedback
16. Library							Incorporate Technology	Monitoring and tabulation
17. Special Research and Technical Services branch		Filing System			Assignment Sheets			
18. Personnel Division				Additional Risks		Information Dissemination (PRAISE)		

The OFIs were grouped into eight (8) categories that mostly concern with the documentation process, improvement of work environment, feedback mechanism and the risk registry. The two primary OFIs were due to the ongoing office transfer of the NTRC premises from Port Area to Intramuros, Manila. The OFIs issued were to improve the filing and documentation of documents and records, most of which were already packed and to organize office matters to further enhance the work environment. In the case of feedback mechanisms, forms were neither implemented nor tabulated.

Non-conformities

Concerning NCs, these were issued to branches at the range of 2 to 4 with the Personnel Division and Library Division garnering the highest number of NCs. The corresponding number of NCs per branch is shown below:

NCs were also tabulated both per type and per branch. The matrix of NCs issued is as follows:



Non-Conformities of NTRC Branches and Divisions for 2017

Branch/Divisions	Documentation Requirements	Incomplete Documented Information	Monitoring Tools and Coaching	Personnel Lacks Awareness	Documented Information for Updating
1. Direct Taxes Branch	Operations Manual and Employee handbook	Individual Development Plan	No established tools on monitoring and mentoring		
2. Tax Statistics Branch			No established tools on monitoring and mentoring		
3. Local Finance Branch	Employee Handbook	Individual Development Plan			
4. Economics Branch				NTRC QMS	
5. Indirect Taxes Branch					System to evaluate risks
6. Planning and Coordinating Branch		Feedback			Work Program
7. IT Unit	Risk Registry	Traceability of repairs			
8. AFB					Work Program
9. Office of the Executive Director					Work Program
10. Administrative Division	Operations Manual		No evaluation and annual bidding on security services		
11. Fiscal Incentives Branch					
12. Accounting Division	BPCR		Preservation of records		
13. Budget and Cash Division	BPCR				
14. Records Management Improvement Committee		Document Masterlist		Duties and responsibilities	Records Disposal
15. Clinic	Risk Registry and BPCR	Traceability of check ups and other consultation			
16. Library	BPCR	List of books for disposal	Borrowers' card and library policies	NTRC QMS	
17. Special Research and Technical Services branch					Documented Information
18. Personnel Division	BPCR	Traceability of deliverable services	Succession Planning, Learning and Development Plan, Individual Development Planning and Communication	NTRC QMS	

The NCs were grouped into five (5) categories, namely, on employees' awareness to QMS, as to completion and accomplishment of documentation requirements and monitoring of either mentoring and coaching or of their specific tasks/processes. The highest number of NCs issued is related to the lack of documentation requirements, incomplete documented information and concerning awareness of personnel on the QMS.

Audit Findings

Findings

Non-conformities (NCs) and opportunities for improvement (OFIs) observed during the audit are summarized as follows:

1. During the course of audit, transfer of office of the NTRC from Port Area to Intramuros is ongoing. In line with this relocation, a number of NCs and OFIs are related to misplaced documented information, uncomfortable working environment and unsystematic filing and retention of documents and records.
2. Feedback mechanisms are not yet fully implemented such that some feedback forms are not yet in place while feedback forms that are already in use were not tabulated nor analyzed yet.
3. Tracking of studies and researches needs to be systematic and consistently applied by all technical branches.
4. Internal policies relating to certain processes should be established.
5. Strict implementation of existing government regulations and internal policies in some processes should be followed.
6. Accomplishment of incomplete documentation requirements.

Observations

During the course of the audit, there were two observations made concerning the processes and procedures being audited. These observations are as follows:

1. Research process flow can be improved by utilizing a consistent tracking system.
2. Filing of documented information and the working environment can be improved in line with the transfer of documents from the old office to Intramuros, Manila.
3. Awareness of the QMS (including its Quality Policy and Quality Objectives) should be more imparted to all employees of the NTRC.

Request for Actions

After the conduct of audit, a closing meeting was held to address the findings to the concerned unit/division/branch. Request for Action (RFAs) were issued on December 6, 2017 for all NCs and to act on certain OFIs. In sum, 65 RFAs were issued for all 32 NCs and 33 out of the 46 OFIs that were issued.

Corrective Actions

Follow ups on requested actions were done on January 12 and March 5, 2018. These pertain to the status of the corrections, preventive/corrective actions on the reported NCs and OFIs that were needed to be undertaken. As of the date, most of the documentation requirements have been fully accomplished, feedback mechanisms were in place and the internal policies needed have already been implemented. Few remaining preventive actions that are to be completed will be further checked and followed up on the IQA for 2018 scheduled on April and October, 2018.

Summary

In summary, the audit went fairly well with some issues concerning the notification of some of the employees being interviewed. The interviews went well and it was evidently observed that understanding and awareness of the QMS processes is increasing. Being an initial IQA, opportunities for improvement during the audit period were noted. It includes the need for further trainings and workshop for the auditors, strict execution of the time period set for the audit process and deeper understanding and appreciation of ISO 9001:2015 Clause 9.2 and the NTRC QMS for a more effective and efficient audit process. The implementation of a number of improvements to the internal audit process will enable the Audit Team to get a better understanding of how closely the processes and procedures are being followed. The Team has also seen that there are things that can be improved on and commit on the continual improvement of the process.

