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SA8000 An auditable international standard for companies seeking to guarantee the basic rights of workers

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SA8000 An auditable international standard for companies seeking to guarantee the basic rights of workers

By Dr. Fabio Roversi

IQNet President - CISQ General Manager

Beijing, 17 September, 2004

The value of a product is given by its qualitative characteristics plus its non-tangible features such as the supply conditions, the assistance, the customisation of services provided, the image or the history of the product itself.

This last non-tangible feature “the historical traceability in the production chain” is now gaining even more importance among the buyers in the developed markets. More and more buyers are paying attention to this feature and they are prepared to pay more for the product having the assurance that the product comes from an acceptable working environment.

We can state that we are facing a new frontier of the product value chain and the marketing experts are very well aware of this phenomenon and many of them are addressing their companies towards a completely new strategy where the use of new competitive levers which are coherent with the “sustainable development” of the Humanity are playing an important role to be successful on the international market.

This new approach is affecting in particular the multinational companies as they are more involved in the globalisation of their business: the multinational companies are financially and operationally controlling other companies located in foreign countries and they are shifting very easily the production activities from one country to another according to the more convenient place in terms of cost of the labour. However, the buyers are paying more attention to the ethic issues of this approach showing their disappointment or their unavailability to buy products manufactured in countries where the basic rights of workers are not considered.

There are some very interesting figures coming from the United Nations about the multinational companies by which you can understand the important role they are playing in this context.

According to a United Nation research there are 40.000 multinational companies in the world and 80% of their headquarters are located in the northern countries. These multinational companies control 250.000 companies of which 50% are located in the southern countries.

Beyond the globalisation of the market we assist to the phenomenon of the globalisation of the production, as for these companies it is very easy to move the production lines to countries where there are more economic advantages.

For these multinational companies it is vital to keep their production costs at a minimum level in order to be more competitive on the market and, as a consequence, they are forced to shift the production activities to the southern countries of the world where labour and production costs are lower and the protection of workers is also poorer.

However, the buyers and the consumers are becoming more sensitive about these aspects and they are showing a growing interest in the ethical aspects of the companies' conduct. The buyers and the consumers do not like anymore abstract declarations on principles and values as they are no more sufficient for a company to demonstrate its ethical conduct. In a remarkable number of cases, the buyers are asking a credible and daily commitment resulting from a clear policy and a suitable management system.

We could consider the current situation as the start of new competition among the multinational companies which could embrace in the future also the national and

local companies: we could call it the “competition on values”.

The market is becoming more sensitive to the non-tangible features of the products. One of these features is relevant to the ethical aspects of the production and the use of the goods. On the market, there is a clear need to be satisfied: the need to assure customers, buyers and consumers that the goods are produced and delivered by companies working in compliance with the minimum requirements of the human and social rights.

The SA8000 has been developed to be a reference standard in this context. It stands for Social Accountability and it is the first standard on social accountability spread in the world. This standard can be used in all organisations regardless of their activity sectors. It was officially issued in October 1997 by the Council on Economic Priorities Accreditation Agency (CEPAA) and it was revised in 2001 by Social Accountability International (SAI). The main references of the SA8000 standard are the ILO conventions and recommendations.

Let me briefly introduce ILO which is one of the main United Nation agencies like FAO (Food and Agriculture Organisation), UNESCO (United Nation Educational Scientific and Cultural Organisation), UNICEF (United Nation Children’s Fund) or WHO (World Health Organisation). ILO stands for International Labour Organisation and it was created in 1919 under the League of Nations to deal with labour and social issues. In 1946, ILO entered the United Nations as specialised agency and in its structure the UN member states (more than 150 now) and the national representatives of workers’ and employers’ organisations are represented.

The main organ of ILO is the International Labour Conference which meets annually: each member country sends four delegates, two representing the government, one representing workers and one representing employers. The main objective of ILO is the promotion and the development, in the member states, of policies which inspire the principles of social justice and of the improvement of the workers’ conditions.

One of the main instruments of the organisation is the definition of international standards; each member state should consider them as internal guideline or regulations about labour and social policy.

ILO may adopt the following documents:

CONVENTIONS: which are normative provisions which can be ratified by the member states becoming requirements to be satisfied in the relevant state.

RECOMMENDATIONS: which are suggestions not mandatory for the member states IF the member state ratify a convention it is requested to submit periodical reports on the relevant issue. The annual reports are analysed by a committee of experts which, however, cannot impose any sanctions to the state.

We can now have a look at the content of SA8000 standard explaining very briefly the nine requirements mentioned in it. It is obvious that the compliance with the SA8000 requirements assessed by a third party certification body accredited by SAI allows to grant a certificate to the assessed organisation.

The first SA8000 requirement refers to Child labour

It states that the company shall not engage in or support the use of child labour under the age of 15 (this limit is lowered to 14 in case of developing countries) and furthermore companies shall not employ “young workers” during the school hours.

The most recent and reliable data on the relevance of the child labour provided by ILO shows that there are 350 million children between 5 and 14 years of age worldwide who carry out a working activity. 250 million

are subject to forms of labour that should be abolished i.e. hazardous works or forms of worst labour covered by the ILO Convention 182. The majority of these children (70%) are active in the primary activity sector i.e. agriculture, fishing and hunting; 8% are active in manufacturing, production and wholesale - retail

activities, 7% are active in household works and 3% in constructions and mining industries.

The second SA8000 requirement refers to Forced labour

The standard requires that the company shall not engage in or support the use of forced labour and it shall not require personnel to lodge deposits or identity papers upon starting employment with the company.

The standard defines forced labour as “all work or service that is exacted from any person under the menace of any penalty to which said person has not offered him/herself voluntary”. The notion of “forced labour” is therefore broad and includes all forms of non-voluntary work and not only the prisoners.

The third SA8000 requirement refers to Health and Safety

The standard states that the company shall provide a safe and healthy working environment by taking the adequate steps to prevent accidents and injury to health arising out or associated with the course of the work. It requires also that the company appoints a senior management representative responsible for the health and safety of all personnel and accountable of the implementation of the Health and Safety elements of the standard. The company shall also ensure that all personnel, including the new personnel, receive regular and recorded health and safety training. Furthermore, the company shall establish systems to detect, avoid and respond to potential threats to the health and safety. In terms of facilities, the company shall provide clean bathrooms, access to potable water, adequate food storages, and clean and safe dormitories, if applicable.

The SA8000 standard aims at ensuring a safe and healthy working environment, which includes preventive measures to avoid accidents and injuries to health and safety in the medium and in the long term. Workers shall be able to carry out their assignments without injuries to health which are related to their employment. The management is responsible for the workplace conditions and therefore has to ensure training on health and safety issues which is effective.

Many countries mainly in the northern part of the world, have already developed an exhaustive regulation on health and safety. This regulation, specific for each country, has to be respected and implemented by the company seeking certification to SA8000.

The fourth SA8000 requirement refers to Freedom of Association & Rights to Collective Bargaining

The standard states that the company shall respect the right of all personnel to form and join trade unions of their choice and to bargain collectively. In case such rights are restricted by local laws the company shall facilitate parallel means of association and bargaining. The company shall also ensure that representatives of such personnel are not the subject to discrimination and that they can contact the other workers in the workplace.

The fifth SA8000 requirement refers to Discrimination

The standard establishes that the company shall not engage in discrimination based on race, caste, nationality, religion, disability, age, sexual orientation, union membership or political affiliation.

When considering the realities in the various countries, it appears that the most frequent discriminations are those against women: they have lower wages compared to men's, compulsory pregnancy test on recruitment, various discriminations in case of pregnancy. Protection in case of pregnancy has to be provided to women anyway in order to avoid discrimination practices such as to increase the load of the pregnant women's physical work in order to induce them to quit their job and not to pay them the due indemnities.

The sixth SA8000 requirement refers to Disciplinary Practices

The standard requires that the company shall not engage in or support the use of corporal punishment, mental or physical coercion and verbal abuse.

The company shall demonstrate respect for the mental, emotional and physical integrity of workers in disciplinary practices. Effective and non arbitrary procedures shall be defined to provide for written and formal warnings on the evaluation of the work and to define disciplinary practices if required.

The seventh SA8000 requirement refers to Working Hours

The standard establishes that the company shall comply with applicable laws and industry standards on working hours, however in case the national applicable law is less stringent than the SA8000 requirement no more than 48 working hours per week can be accepted and at least one day off every seven days period shall be required. Furthermore, the overtime work shall not exceed 12 hours a week and it shall be voluntary and reimbursed at a premium rate. In case the company has signed a collective bargaining agreement, overtime work shall be requested in accordance with said agreement which has to comply with the criteria mentioned before in order to meet a short term business demand.

The eighth SA8000 requirement refers to Remuneration

The standard requires that the company shall ensure the respect of the legal or industry minimum standards: wages shall be sufficient to meet the basic needs of personnel and to provide some discretionary income.

The company shall ensure that deductions from wages are not made because of disciplinary purposes, the pay slip shall be clear and understandable, the remuneration shall be rendered in compliance with the law and in a convenient manner for the workers (cash, check etc), the social security position shall be granted.

In some countries it is possible to detect situations where the company complies with national applicable law (minimum wages) but violates a SA8000 requirement as it does not ensure the living wage. The adequacy of wages is therefore to be analysed according to two different criteria, quantitative (poverty line, analysis of the basket of goods) and qualitative (comparison with companies working in the same activity sector).

The ninth SA8000 requirement refers to Management Systems

and it can be considered as a summary of the clauses mentioned in many other management system standards such as ISO 9001.

The first clause refers to the Company's Policy for social accountability which shall be defined by the top management and it shall include a clear commitment to conform to all SA8000 requirements and to all national and other applicable laws; furthermore the policy shall address the company towards the continuous improvement.

The second clause refers to the management review which shall be performed periodically by the top management to check the adequacy, suitability and continuing effectiveness of the company's policy and of the social accountability management system by implementing amendments and improvements where appropriate.

The third clause refers to the company representatives stating that the company shall appoint a senior management representative for SA8000 providing also a representative chosen by the non management personnel.

The fourth clause refers to Planning and Implementation.

The company shall ensure that the requirements of SA8000 standard are understood and implemented at all levels of the organisation. The company shall define roles and responsibilities, it shall provide training for new and existing personnel and it shall continuously monitor the activities and results.

The fifth clause refers to Control of Supplier – subcontractors – subsuppliers.

The chain of suppliers-subcontractors, and where appropriate subsuppliers (called also homeworkers), has to be evaluated and selected on the bases of their ability to meet the SA8000 requirements. It is not required that they seek and achieve the SA8000 certification, however, their commitment to comply with

the standard is requested. The relevant company control system has to include: procedures for the selection and qualification of suppliers–subcontractors and if applicable sub-suppliers, methodologies to identify critical situations in order to plan adequate improvement actions, written records, questionnaires of self-assessment and audit reports.

The sixth clause refers to addressing concerns and taking corrective action.

The company shall investigate and address the concerns of employees or other interested parties with regard to conformance/nonconformance with the company policy and with the SA8000 standard. The company shall also refrain from discriminating against employees for providing information concerning observance of the standard. Furthermore, the company shall implement corrective actions allocating adequate resources to this activity.

The seventh clause refers to Outside Communication.

The standard requires that the company shall establish procedures to communicate to all interested parties data and any other information regarding performance against the standard requirement, including the results of management reviews and monitoring activities.

The eighth clause refers to Access to verification:

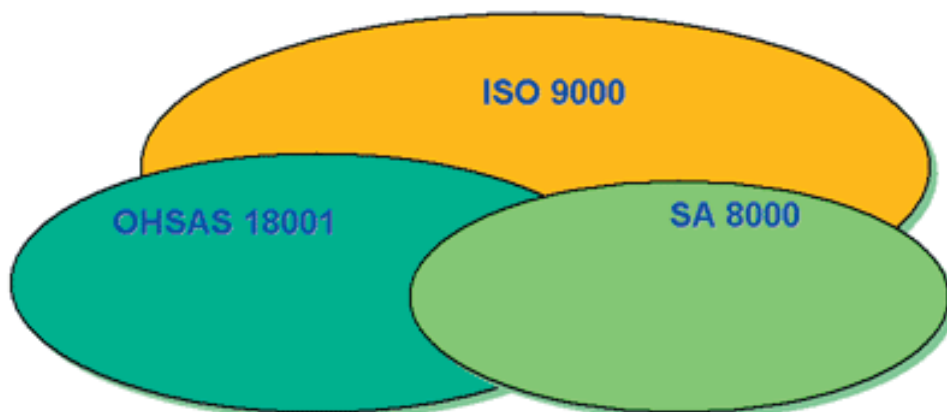
Where required by the contract, the company shall provide reasonable information and access to interested parties seeking to verify conformance to the SA8000 standard requirements; the company shall ensure also similar information and access to interested parties by the company's suppliers and subcontractors.

The ninth clause refers to records.

The company shall maintain appropriate records to demonstrate conformance to the requirements of the SA8000 standard.

After this brief introduction to the SA8000 standard requirements we can state that we have detected a lot of requirements which are present also in other standards currently used worldwide to provide certification. We have to underline that the ninth requirement of the SA8000 standard (relevant to Management Systems) can be considered as a summary of many ISO 9001 requirements being also in line with some requirements of the OHSAS 18001 standard. Furthermore, the requirement 3 of SA8000 (referring to Health and safety) noticeably fits the OHSAS 18001 standard.

As a consequence we can state that a company already certified according to ISO 9001 or according to OHSAS 18001 is facilitated to comply with the SA8000 standard requirements because it has already a management system in place which is able to satisfy a big portion of the SA8000 requirements.



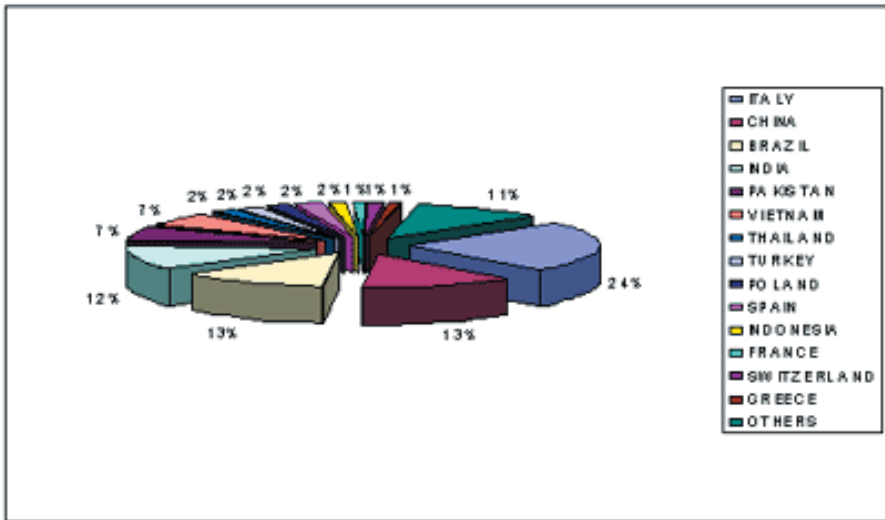
For this reason we expect a significant growth in the demand of SA8000 certification in the near future, especially among the multinational companies already certified. This means that there will be also the necessity to increase the number of auditors qualified to assess companies according to the SA8000 standard. In order to

achieve this target it is necessary to follow specific training and qualification rules established by SAI. For a candidate SA8000 auditor it is mandatory to participate in a four days training course and passing the relevant final exam. During these 4 days training course some very important topics are looked at:

- social accountability principles/values in the field of human rights
- definitions of the SA8000 standard
- requirement of SA8000 standard
- the audit process
- the audit techniques
- the audit report

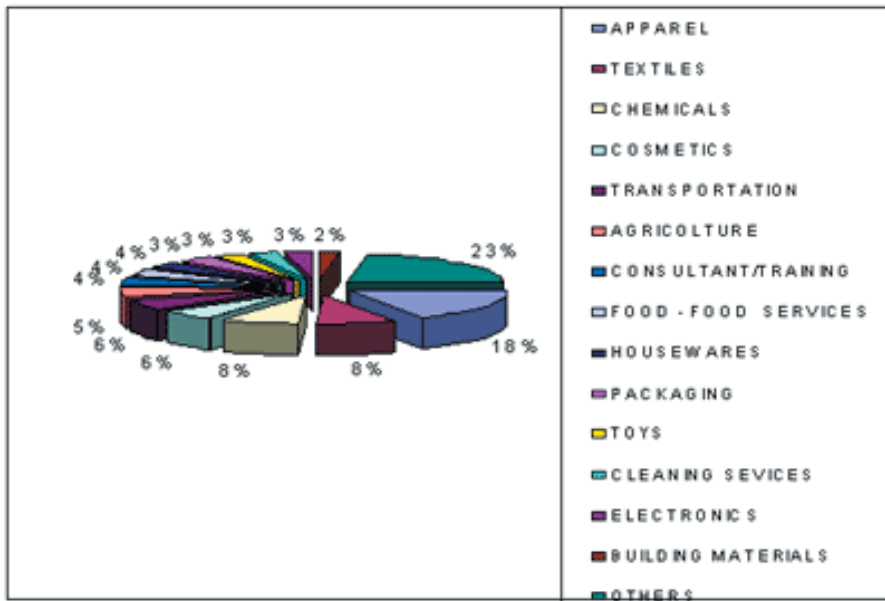
The following slides can give you a general picture of the status of the SA8000 certifications worldwide. By the end of May 2004, there were 400 companies certified worldwide.

Certified facilities by country:



The country with the largest number of certified companies was at that time Italy with 97 certificates (24% of the total) the second country in terms of number of certificates was China with 53 certificates (about 13% of the total) then we had Brazil, India, Pakistan, Vietnam, Thailand, Turkey, Poland and Spain with less certified facilities. The number of the SA8000 certificates worldwide is still a small number, especially if we compare this figure with the ISO 9001 one. However we have to point out that the potential growth trend of this certification service shall be considered remarkable in all countries of the world as it allows a company to preserve its credibility and reputation enhancing the consumer's and social organisation's trust.

Certified facilities by industry:



The most sensitive activity sector is the apparel followed by textile, chemical, cosmetic, transportation and agriculture.

We can summarise the most important SA8000 figures in the following way:

As underlined before, by the end of May 2004 there were 400 certified facilities in the world, these facilities were located in 40 different countries, covering 40 different industrial sectors. The total number of employees involved in these 400 certified facilities is more than 250.000. There are only nine accredited certification bodies in the world.

Looking at these figures you may realise the big potential growth trend we could have in the near future for the SA8000 certification service.

IQNet is monitoring the situation and for the time being is able to provide the SA8000 certification services through its Italian member CISQ. CISQ is a federation of 11 Italian certification bodies: One of them is directly accredited by SAI (RINA). The other 10 bodies are part of an "ethical network" named CISE, which has been established by an Italian Chamber of Commerce. CISE is accredited by SAI.

Dr. Fabio Roversi
IQNet President

Key Performance Indicators

A. Introduction

In the long run, third party certification can only be successful, if cost reduction and customer satisfaction can be achieved and the credibility of the certification process is maintained. Therefore, all involved parties are requested to work on this target; standards organisations, accreditation bodies, certification/ registration bodies (CRB's), customers and consumers.

The basics for the added value requested from third party certification are experience and innovation, two elements which are becoming the key success factors of management system certification. The result of a survey conducted in 2004 demonstrates, that many of the KPI's (Key Performance Indicators) used by CRB's are focussed on these two targets.

Key Performance Indicators (KPI's) are used by many organisations, by accreditation bodies as well as by certification/registration bodies (CRBs). All these organisations have their specific needs, and therefore also their specific grouping of the performance indicators.

One possible grouping of KPI's follows the eight quality management principles as defined in ISO 9000:2000 and 9004:2000. These principles are:

1. Customer focus
2. Leadership
3. Involvement of people
4. Process approach
5. Systematic approach to management
6. Continual improvement
7. Factual approach to decision making
8. Mutually beneficial supplier relationship

B. Survey result on KPI's

A survey conducted among CRB's in 2004 led to the following empiric classification of KPI's for CRB's:

Marketing

1. Sales
2. Auditing and Services
3. Accreditation
4. Finances
5. Cooperation
6. Projects
7. Internal

Examples of KPI's as indicated by the CRB's are:

1. Marketing

- Market visibility index
- Percentage of market share
- Number of new products
- Number of new markets/scopes
- Credibility of own trade mark and issued certificates

2. Sales

- Number of offers
- % customers having more than one certification
- Number of new customers
- Number of recommendations of new products for existing clients
- Number of lost customers / cancelled certificates



Mr Hans Buser, Secretary General of IQNet, 48th EOQ (European Organization for Quality) Congress in Moscow, 8 September 2004.

He chaired the session "Management System Certification: Problems and Solutions" and made a presentation on "Experience and Innovation: The Key Success Factors of Management System Certification" presenting the survey results on KPI's conducted among CB's.

In his presentation he underlined that third party audits and assessments help organizations to enhance the safety and quality of their products, processes and services. He also demonstrated that the innovation process of certification bodies form an important driver in third party auditing and assessment activities.

3. Auditing and Services

3.1. Auditors

- Number of auditors per sector/scope
- Auditors' quality (positive/negative customer's feedbacks)
- Number of auditors participating in auditors meetings
- Auditors' productivity (hours per day)
- Number of cases where customer asks to replace auditor

3.2. Audits

- Number of timely sent audit plans
- Number of postponed / cancelled audits
- Target and actual audit days per month/auditor
- Period: file opening to end of audit
- Period: end of audit to certificate delivery

3.3. After audit services

- Number of customer complaints
- Complaints closed on time / within x days
- Response to enquiries within x working days
- Ratio of positive/negative customer feedbacks
- % certificates returned for correction

4. Accreditation

- Number of accreditations needed
- Time to obtain accreditation
- Accreditation costs in relation to turnover
- Number of nonconformities raised by ABs
- Time to close nonconformities

5. Financial

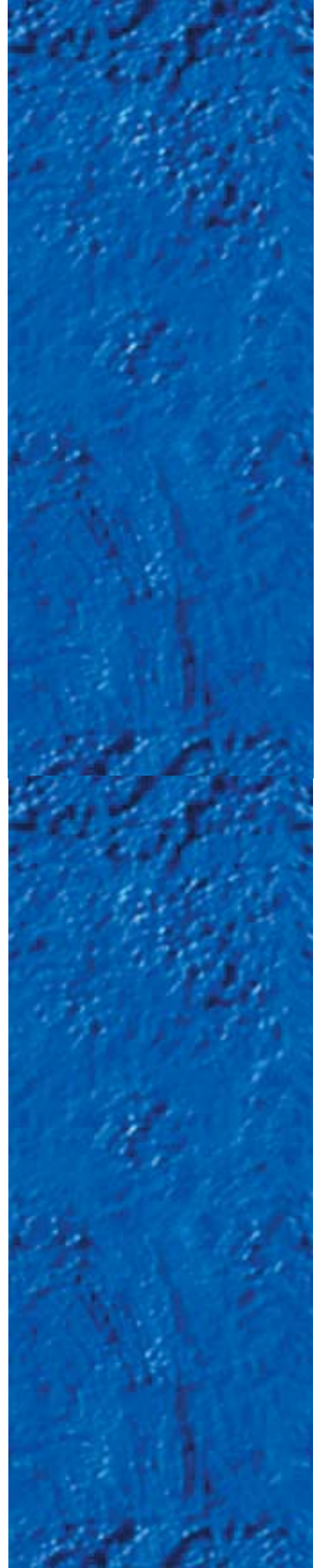
- Turnover
- Budget control
- Costs of internal services
- Expenses related to audits
- Profitability

6. Cooperation

- Number of cooperation agreements
- Number of projects with partners
- Number of joint audit days per year
- Number of memberships in national/international organizations
- Number of working days for national/international organizations

7. Projects

- Number of innovations per year
- Number of new services
- Number of new products
- Review & improvement of operational infrastructure (IT, contracts)
- Number of open projects



8. Internal

- Number of improvement proposals submitted by own staff
- Number of training hours per employee (full time)
- Employees satisfaction results
- Number of nonconformities raised at internal audits
- Lost time through accidents and sickness

C. Conclusion

Certification is based on confidence, knowledge and experience of certification bodies, auditors, and accreditation bodies.

The introduction and the systematic control of KPI's by certification bodies have added another confidence building element to the certification process, which may be beneficial for the entire community soon.

Hans Buser
Secretary General of IQNet

Quality Auditors; Environmental Auditors; HACCP – Food Safety Auditors; OHSAS – Occupational Health and Safety Auditors

APCER: CERTIFY YOUR COMPETENCES

Management System Audits play an important role, while used as a tool to evaluate the conformity of an organisation's management system and to identify opportunities for improvement, in which the auditor's performance and competence is of the outmost importance.

Being aware of this importance APCER developed the service of Certification Auditors, for Lead Auditors, Auditors, and Internal Auditors.

The Certification process is voluntary and open to all who may be interested, with the assurance of impartiality, independence and the technical support within the organisation structure of APCER.

It is a rigorous and credible certification process, for which APCER is accredited by ENAC and IPQ for the certification of Lead Quality Auditor and Quality Auditor.



All candidates and certified auditors have a direct communication channel with APCER regarding the certification and evaluation scheme and receive privileged information about issues that relate directly to the management system and audit activity (e.g. seminars and conferences, standardisation news, interpretation guidelines and relevant publications, available training courses, etc.).

APCER also publishes certified auditor information, promoting the recognition of those professionals who proved to be competent in this field of activity.

Recognition of the internal auditor's competence can also play a relevant role in personnel motivation and involvement. APCER believes that the internal auditor certification can in fact promote the intrinsic quality of internal audits and a better performance of those who participate actively in the implementation of this management tool within the companies. In addition, certified auditors and lead auditors are recognised by the market as competent professionals and they can also promote themselves by using the certification mark and certificate, attaining effective differentiation in their line of work.

The Certification of Auditors by APCER represents, without a doubt, recognition of professional competence in an increasingly competitive market, which translates into an added value for the professional certified and for the organisations with which they collaborate.

THE APCER AUDITORS CERTIFICATION PROCESS IS BASED ON ISO 19011:2002 AND COMPREHENDS DIFFERENT STAGES:

1. Evaluation of qualifications and experience (general professional experience, specific experience in the applicable management system and in auditing activities) and training (academic and specific in the applicable management system and audits)
2. Preparation of training sessions (only for internal auditor certification)
3. Knowledge evaluation (by means of a written exam covering every aspect of auditing process, specific management system, ISO 19011:2002 standard, auditor behaviour and legislation or regulation aspects)
4. Practice evaluation (through supervised audit simulation exercises, only for auditor and lead auditor certification)

Managing the municipality

Management systems in local government

Gone are the days when local government responsibility was confined to the '3-Rs': rates, roads and rubbish.

A typical council may today be expected to oversee more than 100 widely different functions, from the 3-Rs through to childcare, aged care, running libraries, overseeing building and planning approvals, meeting engineering and town planning requirements, developing specialised environmental and heritage preservation projects and more.

At the same time, they must address ever-more-stringent standards of operations and expanding liability exposure while answering to arguably the most capricious of all bosses: the electorate. Couple this with the fact that, while they collect only three cents in every dollar in tax, local government account for 11 cents in taxation expenditure, and you have a genuine conundrum on your hands.

"We've become literally cradle to grave organisations," said Brad Matheson, "Today's local governments do everything from hiring out baby capsules to selling plots in the local cemetery, with a fair stop at most points in between."

As current head of Victoria's local government representative body, the Municipal Association of Victoria (MAV), Senior Vice President of the Australian Local Government Association (ALGA), former Mayor and current councillor of Victoria's City of Hobson's Bay, Mr Matheson ought to know.

In fact, as Mr Matheson points out, with one step out of your front door you are likely to enter your local government authority's purview.

"It's a complex scope of operations that is subject to more scrutiny, is more transparent and is more accountable than any other level of government," he said.

"At the same time expectation as to the scope of local government services is ever growing, with no corresponding increase in state and federal government funding. It's also important to understand that total revenue from the rate base in no way meets the expenditure needs of local government."

Indeed, rates collected account for only \$6.4 billion of the total \$17 billion annual local government expenditure; while grants from the Australian and state/territory governments account for only 2.15 billion or an average of 12 per cent of outgoings. The need for both efficiency and enhanced generation of income cannot be more starkly expressed.

And, while once upon a time a local government authority may have been 'protected' to some degree by the closed shop, top heavy, bureaucratic model that has been both caricature – and in some cases reality – from the past, today such a model would not survive.

In many states, the extensive and sometimes controversial amalgamation of councils that has taken place in recent years has meant that no group can rest on its laurels. The increased competition, higher accountability and scrutiny that typically accompany amalgamation have given rise to a leaner, meaner and more business-focussed organisation.

In Victoria alone, for example, amalgamation has led to more than 200 separate municipalities being condensed to some 79, a situation of sufficient managerial consequence to reduce most private sector corporate restructures to the

proverbial chickenfeed.

In addition, local governments must also address the crisis of public liability insurance, while grappling with the expanding liability risks thrown up by the High Court's decision to do away with the legal principle of non-feasance following the decisions in *Brodie v Singleton Shire Council* and *Ghantous v Hawkesbury Shire Council*.

In these decisions, the longstanding principle known as "the highway rule", was overturned. This meant that whereas previously those who cared for, controlled or maintained public roads, bridges and so forth were only liable for positive negligent acts on their part, henceforward, they would now also be liable for injury or damage sustained as a result of their failure to take reasonable steps within a reasonable time to address risk. This implies a duty on such authorities to take reasonable steps to anticipate and identify risks, through inspection and so forth.

Against this background, it's small wonder that local government authorities are increasingly looking for formalised systems to address risk and asset management issues, and ensure the most effective use of all council resources.

For its part, the Municipal Association of Victoria has developed and runs a number of administrative, education, guidance and similar schemes to assist member councils to meet their obligations in a wide range of areas, in particular risk and asset management.

It has established a not-for-profit community groups insurance scheme; conducts workshops to educate about public liability risks; and administers the public and products liability, professional indemnity and fidelity insurance to the sector via Civic Mutual Plus (CMP) and the Municipal Officers Fidelity Guarantee Fund.

"Local government needs to be taking strategic steps to establish common benchmarks and standards of performance and operations," said Brad Matheson.

He cites another scheme as a prime example of the disciplined, cohesive approach required in facing the challenge involved in managing shared or overlapping assets. The Step Asset Management Improvement Program has been developed by the MAV to offer a best practice framework for continuous improvement in managing road assets. All 79 Victorian councils are now involved and it has been so successful that it is expanding to other areas of council operations, and to other states.

"Local government requires a forward-thinking, systems-oriented approach that identifies risks and opportunities and addresses them systematically," said Brad Matheson. "The MAV and ALGA support them in that. There are a number of alternative systems or schemes for them to follow: what is important is that they put them in place, address the issues they need to address and measure and benchmark their performance with a view to continuous improvement."

Certainly in New South Wales, many major local government organisations are experiencing the benefit of frameworks and systems of management once more commonly found in the private sector.

The role of such systems have become particularly important in the face of the now widespread requirement that councils show they are offering 'best value' in their tendering for, and provision of, various services.

For Bankstown City Council, triple ISO certification of its highly successful Civic Services Division (its Quality, Environmental and Management systems are all certified by SAI Global) has also offered a viable framework for growth and improvement. The Division employs close to 400 people, and offers a scope of service spanning town planning, building inspection, waste management and more.

“A key driver of our decision to undertake certification was the desire to demonstrate to potential customers, including our major internal client, Bankstown Council itself, that we are a quality provider,” said Klaus Krezinger, General Manager of the Civic Services Division.

And it would appear that Civic Services has been able not only to deliver on this commitment, but achieve a whole lot more – including setting up a considerable revenue stream by providing its services to some 20 other external clients.

“The value provided by the objective evaluation of our services is very high. It is a major factor in the suspension of contestability provisions relating to supply and tender of work and enables us to continually demonstrate that we are a ‘best value’ supplier,” he said.

In fact, according to Mr Krezinger, Civic Services’ revenue growth from contracting to external clients is growing at 20 per cent each year.

“We are expecting a turnover in the order of \$7.5 million this year, an increase on last year’s \$6.8 million, of which \$1 million was profit,” he said. “There is a real focus on growing this area and our management systems are an invaluable support in this regard, offering a transparency and reassurance that we have the appropriate controls in place that mean even when we may not be the cheapest, we are likely to be favoured because our risk and other management systems are objectively in place.”

Kim Hill is Business Improvement Specialist at Bankstown City Council. In focusing on the continuous improvement side of the business, she has observed a number of benefits flowing from Civic Services’ adoption of formalised management systems.

“Although it has certainly been a challenge to develop a system that encompasses so many different skill bases, the benefits are certainly there to be seen, and offer us further potential for improvement,” she said.

“Factors such as reduced workers’ compensation premiums, despite a growing workforce and reduction in staff turnover against the industry norm – especially in some of the professional areas where there are acute shortages establish us as an employer of choice,” Ms Hill explained.

“Further, it is now evident that it is the systems themselves that are strong and offering the benefits – they are self driving and now enshrine our corporate knowledge, one of the cornerstones of effective management in the long term.”

Holroyd City Council is another NSW local government that has chosen to adopt a formalised business improvement framework.

For Holroyd, the choice has been the Australian Business Excellence Framework, owned and delivered by SAI Global’s Professional Services division.

Its ‘Excellence in Local Government’ program is specifically designed for councils to drive continuous and sustainable improvement in service provision, operational efficiency and stakeholder relations.

SAI Global Professional Services has worked extensively with councils in applying the principles and practices of the widely recognised Australian Business Excellence Framework (ABEF) to meet the particular needs of local government organisations.

“By helping councils to self assess against the excellence categories, we can assist them to identify the improvement opportunities that can create sustainable, whole-of-organisation advances,” explained Linda Parker, National Manager, Business Development at SAI Global Professional Services.

“The program is designed in such a way that we draw on all elements of an organisation and so are able to approach it holistically, breaking down communication and operational barriers between divisions and making improvements that are both far-reaching and, critically, measurable.”

In Holroyd’s case, the Framework has been applied to the Council’s own Holroyd Model for continuous improvement, which was developed by the council in 1996 in response to the national competitions policy.

“We have a traditional local government structure that is supported by a best value culture,” explained Stan Antczak, Holroyd’s Director of Engineering Services.

“In following the Australian Business Excellence Framework, we are focusing very much on the sustainable elements of improvement, not a quick fix approach.”

Holroyd has already reached the third phase of the program. Each phase involves the intensive involvement of 20 staff drawn from different areas of the organisation for six month periods.

Each group focuses on key action areas that were identified at the outset of the program, through SAI Global’s guided self assessment phase.

“We’re finding this approach has great value, not least because it exposes staff to members of other departments and they are gaining a better understanding of what the organization does in totality, and helps break down the ‘silo’ approach that can be such a bugbear to achievement,” said Mr Antczak.

“We have already made significant improvements and efficiencies in the area of work planning, improved leadership, initiative and morale and much more,” he said.

Mr Antczak estimates a minimum added value from some improvements in the order five per cent on work output alone, with more to come.

Bold Achievement for Lake Mac’

SAI Global has recently awarded Lake Macquarie City Council, in Northern NSW certification against Quality, Environment and Occupational Health & Safety management standards.

Lake Macquarie Council services more than 180,000 residents and covers 750 square kilometres with 1100 staff in 18 departments. Each department is classified as a purchaser or provider of services such as, waste disposal, recycling and education, libraries, an art gallery, public swimming pools and so on.

What made the certification so significant was the breadth of the audit. According to SAI Global’s General Manager of Operations, Mr John Hunt: “Achieving certification across virtually all the Council’s business divisions certainly deserves recognition, it was a very extensive audit.”

Lake Macquarie Council’s General Manager, Mr Ken Holt said: “The Integrated Management System reduces the duplication of staff and resources. It saves Council money as it stops the cost and overlap of documenting separate systems.”

“Improving the ’s management systems and performance has had an amazing effect on the workplace. Since the introduction of the IMS we have identified a reduction in accidents, illness, and environmental incidents.”

Training - the way forward

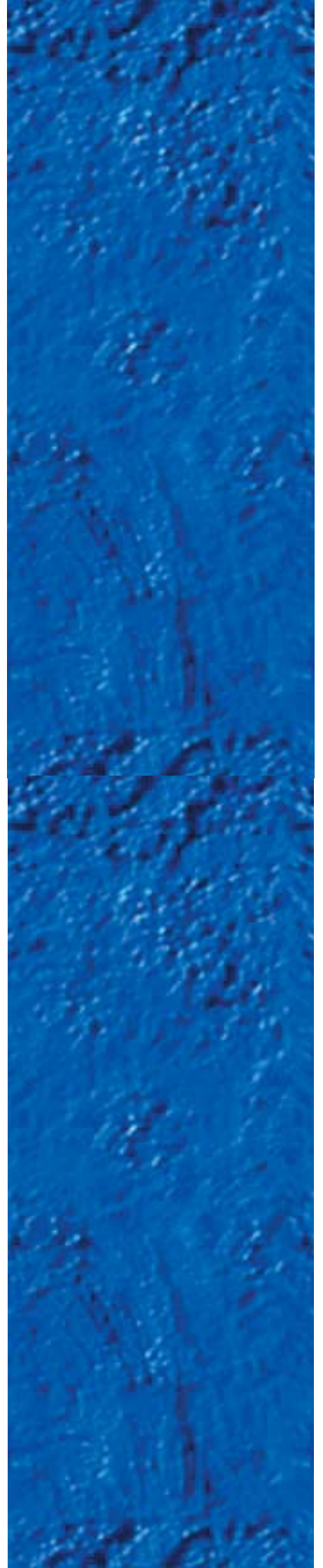
Another NSW council to have followed the certification route to better management is Blue Mountains City Council (BMCC), which has a particularly strong commitment to training its employees.

“In both the quality and environmental areas it was seen as critical for both upper management and those who would be implementing the system to have a thorough understanding and commitment to certification and its benefits,” said Tania Salijevic, BMCC’s Business Support Officer.

In addition to public training courses, a series of in-house environmental courses has been undertaken by each of the 220 employees.

“This offers us benefits on all levels: we have better risk management, better involvement and take-up and the faster, smoother running of the systems. It also has offered staff the opportunity to make suggestions and know that they will be acted on, which is vital in terms of effective continual improvement,” she said.

For more information please email assurance@sai-global.com



The 5th International Environmental Children's Drawing Contest

Sponsored by Japan Quality Assurance Organization (JQA) The International Certification Network (IQNet)

Supported by UNICEF office for Japan

We are very pleased to announce that the 5th International Environmental Children's Drawing Contest achieved great success. We have received 12,597 drawings from 51 countries all over the world. The children vividly depicted their daily lives and the scenery of their neighbourhoods. They surpass adults in the drawings by their wonderful colours, techniques and the riches of ideas. Above all, the children's drawings impress us in a way that adult art cannot.

We are also very glad that the 4th exhibition of the award-winning drawings, which was held from 5 May to 10 June 2004 in the United Nation's General Assembly Building, interested many children from all over the world who participated in the World Children's Summit. We appreciate the cooperation of UNICEF.

Japan Quality Assurance Organization (JQA) has held this contest with the hope that children all over the world will think about the global environment by drawing it. We hope that through their drawings both the children who created this artwork and those who have seen this exhibition will be encouraged to think about environmental protection, to begin to tackle this problem, and to try to protect our beautiful earth, full of clean water and wonderful nature.

We decided to hold also the 6th International Environmental Children's Drawing Contest and we hope to receive many drawings.

Nana Nakazato

Management Systems Sector

Japan Quality Assurance Organization(JQA)

Winners List (International)

Prize	Name	Country	Age
The International Best Prize	Levin Milena	Israel	9
The IQNet Special Prize	Anna Vagova	Czech Republic	12
The IQNet Special Prize	Pascu Adrian	Romania	12
The IQNet Special Prize	Anja Papez	Slovenia	11
The JQA Special Prize	Low Jia Ming	Singapore	15
The JQA Special Prize	Alp Dilara	Turkey	10
The JQA Special Prize	Khurshid Tleragineov	Uzbekistan	14

Winners List Japan

Prize	Name	Age
The Domestic Best Prize	Takehiro Hidaka	13
The UNICEF Prize	Hidenori Kihara	6
The JQA Special Prize	Hitomi Kihara	8
The IQNet Special Prize	Syou Kato	13
The Judges Special Prize	Rie Mizuno	14



The International Best Prize
Levin Milena, Age 9,
Israel



The UNICEF Prize
Hidenori Kihara , Age 6,
Japan



The IQNet Special Prize
Pascu Adrian, Age 12,
Romania



The IQNet Special Prize
Anna Vagova, Age 12,
Czech Republic

NSAI Offers Value Added Services Through Partnership with CQAI

In recent years NSAI Client Services has established closer working relationships with a wide variety of agencies. The purpose of which is to ensure that our client companies are aligned with best international practice and that our inspection services remain value adding.

At a recent event hosted by the NSAI in the Millennium Hall, Cork were the Minister for Trade and Commerce, Mr Michael Ahern, T.D., the Deputy Lord Mayor of Cork, Mr Denis Cregan, the CEO of NSAI Mr Simon Kelly, the Director of the Construction Industry Federation Mr Peter McCabe. Also present from the NSAI were Mr Paddy Breen, Director, Client Services, Mr Vincent Delaney, Business Development Manager and Mr Jim Harding, Public Relations Manager.

At this event representatives of certified companies were presented with multiple certificates. The companies were: Gama Construction Ireland Ltd., Ashbrook Engineering Ltd, Jacobs Engineering, Douglas Calibration Services Ltd, John F Supple Ltd, P Clarke & Sons and BCD Engineering Ltd.

Client companies certified by NSAI to the International Quality Management System Standard ISO 9001:2000 are eligible to receive an IQNet Certificate.

IQNet, the International Certification Network, offers an important advantage to organisations seeking to achieve further recognition for their certification. IQNet is a worldwide network of premier certification bodies who work in partnership to provide their clients with certification services that are recognised globally and enhance business performance and facilitate international trade. Through its links with its 36 partner certification bodies, IQNet command over 30% of the world's certificates for ISO 9001 and ISO 14001 and provide benchmarked services to their clients.

Organisations displaying the IQNet Certificate can gain global acceptance of certification and the unique mark, promoted through the international network and which may be downloaded from the NSAI website, affords wider recognition.

Additionally companies in attendance at the Cork celebration also received their CQAI Ireland certificates. CQAI is one of the most recognisable names in the construction industry; registered companies include most leading names in the industry sector. The joint CQAI/NSAI scheme is applicable to most construction related organisations such as Main Contractors, Mechanical and Electrical Contractors, Design Offices, Local Authorities, Specialist Subcontractors, Industry Manufacturers (concrete, timber, steel etc.). Since 2000 CQAI has operated in a very successful partnership with the NSAI.

This event provided the companies with an ideal platform for representing their achievements and it is intended that the event will be repeated again.



Pictured at the presentation of CQAI, ISO 9001:2000 and IQNet certificates in the Millennium Hall, Cork were the following companies: GAMA Construction Ireland Ltd; Ashbrook Engineering Ltd; Jacobs Engineering; Douglas Calibration Services Ltd; John F. Supple Ltd; P Clarke & Sons and BCD Engineering Ltd. Also pictured in the photograph were Mr Peter McCabe, Director, Construction Industry Federation; Mr Simon Kelly, CEO, NSAI; Minister Michael Ahern, T.D., Minister for Trade and Commerce and Mr Denis Cregan, Deputy Lord Mayor of Cork.



Pictured at the presentation of CQAI, ISO 9001:2000 and IQNet certificates in the Millennium Hall, Cork were from L to R: Back Row: Mr Kursat Kutay, Quality Assurance Manager, GAMA Construction; Mr Mehmet Bozbeyli, Assistant Managing Director, GAMA Construction; Mr Simon Kelly, CEO, NSAI. L to R: Front Row: Mr M.Hakan Karalioglu, Managing Director, GAMA Construction; Minister Michael Ahern, T.D., Minister for Trade and Commerce; Mr Denis Cregan, Deputy Lord Mayor of Cork and Mr Peter McCabe, Director, Construction Industry Federation.

Keeping accounts in order

Using certified management systems as a business tool in accounting practices

Already closely governed by strict industry-driven guidelines and procedures, the accounting profession is increasingly turning to independent certification of management systems as an additional business tool. It's all a matter of better risk management and value adding for the clients, say the converts.

Self regulation, strict internal controls and adherence to the essential precepts of financial risk management are the bywords of a successful accounting practice. Add to this strict new procedures aimed at ensuring independence and avoiding conflict of interest, and it may at first be hard to see where there's room for an ISO 9000-based management system.

For many, however, an ISO 9000 quality system is proving the ideal vehicle in which to integrate the myriad business processes of the modern accounting house, forming a kind of 'one-stop' business procedures shop. This eliminates the need to run a number of parallel systems – and with it, the associated duplication, costs and of course, risks.

"As well as seeing strong interest in certified business management systems from accounting practices, we experience a high level of repeat business and referrals, often from different divisions or affiliates of the same firm," said Robert Schonberger, SAI Global's Manager, Brand and Marketing.

Certainly, said Mr Schonberger, the fallout from some of the more spectacular corporate collapses of the past five years or so has contributed to renewed concerns about across-the-board management practices in accounting businesses.

"Even while confident that their processes are sound, our accounting clients want to be able to demonstrate objectively to their clients and other key stakeholders, including in some cases, regulators, that this is the case," he explained. "Certification offers that advantage from the outset. But what's keeping the clients on and coming back is far more than that – they are finding that the rigour and discipline required to maintain certification is delivering real business benefits."

New frameworks and perspectives

Certainly, for the ISO 9000 certified Sydney practice of accountancy firm Grant Thornton, certification offers significant value to the firm.

"Our original motivation for certification was two-fold," explained Andrew Rigele from Grant Thornton. "First and foremost it was as a tool to enable us to provide better service for our clients. Secondly, having the independent certification represents a public confirmation of our professional status and commitment to quality."

It soon emerged that the six-monthly audits associated with the firm's certification were of particular benefit.

"The audits offer a framework that provides new perspectives and assists in effective review and improvement, because the system itself offers the facility to accommodate and implement the audit outcomes and suggestions," he said.

"Anyone can have a good idea and even put it on paper – the difficulty is acting upon it. The reality of the audit coming around every six months provides the impetus to put the ideas into action. It also ensures that critical assessment of the way the business is running comes to the top of the pile every six months. Otherwise there is a very real temptation to let these issues fall into second place behind day-to-day dealings with client work and so on. It helps retain focus on the big picture."

The Sydney office of Grant Thornton comprises 14 directors and some 140 professional and other staff. Under Mr Rigele's direction, its ISO 9000

management system has been shaped to accommodate the firm's strict risk management procedures and other essential business processes. The resulting package, said Mr Rigele, is greater than the sum of its parts.

"Risk is something that accountants think a lot about, rather than quality as such," he said. "To a considerable extent dealing with risks is what our business is about – it is our minimum requirement. Having our quality system in place in addition to that enables us to give that extra 15 per cent, it actually creates something extra, going further for your clients."

Business development capital

Another firm swift to acknowledge the benefits of its certified management system is the Canberra office of accounting giant, KPMG.

The firm's original certification was motivated by the prospect of ISO certification becoming mandatory for suppliers to the federal government departments which form a significant proportion of its client base. Although this never eventuated, KPMG Canberra now considers its certified management system a major enabler of effective business, especially since making the transition from the ISO 9001:1994 Standard to the more recent 2000 version.

"We believe that the accounting profession already has internal reviews and procedures that work well," said Barry Mewett. "We wanted to be able to demonstrate that we also met external standards, as judged by an independent external party."

A retired partner of the 100-strong outfit, Mr Mewett has stayed on to oversee various aspects of the Canberra office's ongoing business development and management.

"In most cases firms tendering for government business are required to offer evidence of quality procedures and certification has stood us in good stead from that point of view," he said. "This is also the expectation of major clients, whether in relation to our internal review systems or our IT systems and so on. Our quality system incorporates all these elements with the added advantage of regular external review, which provides both public verification and strict internal discipline."

In addition to its role as a business development tool and a guide for daily operations (it is accessed electronically via the firm's intranet), KPMG Canberra's management system also assists with strategic development.

"There's no doubt that the move to 9001:2000 represented a challenge, but it also helped take us to a new level: its value to our business was reinforced by the greater orientation of the new standards to higher, more strategic processes. It is by no means merely the system that underpins minor day-to-day procedures," said Mr Mewett.

Other aspects our system have also found favour with KPMG Canberra.

"Flexibility is a big bonus – our system can incorporate new requirements as they arise, there's no need to reinvent the wheel. It means we build on strength rather than constantly replace one system with another."

Risk management in the world of insolvency

For the Business Recovery and Insolvency (BRI) division of major accounting firm Horwath (NSW), having a certified management system offers advantages on a number of fronts.

"It is a highly effective way of communicating our commitment and standing to a client base that includes some of the larger banks and finance companies, other accountancy and law firms," explained Michael Hird, a director in the BRI division of Horwath's Sydney office.

It is, however, when it comes to the complexities associated with sorting through the often tangled representations of angry creditors and an array of legal representatives, with the backdrop of a regulator such as ASIC looking on, that the management system really comes into its own.

“Insolvency is an inherently litigious area and we see our management system as a way of managing the associated risks,” said Mr Hird. “Being able to point to our system and say, that’s the way we intend to conduct the matter offers inestimable value. This is very important to courts and regulators, as well as to our clients whose fortunes may depend on their decisions.”

The Horwath certified BRI management system is integrated with a computerised insolvency program and other essential management requirements, such as codes of conduct and best practice requirements, conflict checks and so forth. Mr Hird became a major champion of the ISO quality system following his experience with a certified system during his period in a previous practice. His enthusiasm is infectious and is partly attributed to Jeff Willard, Horwath’s BRI Quality Management consultant.

“What we have done here has sparked the interest of the other Horwath offices and divisions,” he said. “In the future that can offer opportunities for business expansion as we can assure clients of consistently applied practices across the board.”

Other areas of value he identifies include attracting government business and internally, from an HR perspective.

“The system forms a great reference tool for everyday performance and it is a terrific safeguard when it comes to induction and training graduates. The fact that the system is not static also offers both the opportunity and the means for constant improvement, which can give a real sense of achievement: activities and performance are documented and measurable, enabling us to accurately assess the value or otherwise of particular approaches and pursue those which benefit the business.”

For more information about management systems and business Standards, including ISO 9000, AS/NZS 4360 Risk Management, AS 8000 Corporate Governance Series and Information Security Management training and certification, please visit www.sai-global.com or email assurance@sai-global.com

Consular Section of Embassy of United States in Poland receives PCBC and IQNet certificates

On 25 June 2004, the ceremony of granting the certificate to the Embassy of the United States in Warsaw took place. The Embassy received the Quality Management System certificate, which fulfills the requirements of the ISO 9001: 2000 standard. The Deputy Chief of Mission, Cameron Munter, and Consul General, Michael Kirby, received the certificate from Leszek Kielak, Director of the Polish Centre for Testing and Certification (PCBC). The activities of the Consular Section of the Embassy were certified. It is the second certificate granted to the Embassy, after the Management Section of the Embassy received the certificate in December 2003. This is the result of the policy to extend the scope of certification until all activities of the Embassy will be certified.



University of Haifa receives International Quality Standards Recognition

The University of Haifa, on the eve of Rosh Hashanah, the Jewish New Year, received the formal certification confirming that its administration meets the ISO 9001: 2000 international quality management standard's criteria. Haifa will be the only Israeli university and one of a few universities around the world to receive this recognition.

The Israel Standards Institution awarded the Mt. Carmel-based institution as a whole a general certification following a process extending over several years that resulted in the certification of 22 of Haifa's administrative units. Prof. Aharon Kellerman, the University's Vice-President for administration, led this push for high-quality running of an academic institution. Among the units that gained ISO certification attesting to superior management were the faculties and academic administration, logistic and technology units, and student services units. Students, in fact, are given a letter informing them of what services they are entitled to receive and what recourse possibilities they have if they do not obtain them.

The certified units had to undergo an analysis of their administrative work, which was undertaken by the employees themselves, then write up operating procedures. Unit quality directorates were set up, and the procedures required had to be absorbed by the standard for quality management systems.

Every unit is periodically checked by employees who have undergone auditors training to conduct such internal tests, as well as by inspectors from the Standards Institute.

Working in a quality system that is constantly being checked has become a way of life for the University of Haifa administrative employees. They cite, among others, that they relate more closely as individuals to their assignments in the framework of the unit and of the organisation. There is also more positive interaction among workers in different units. Workers and Managers alike learn lessons in an orderly, documented way from the various events and projects, big or small, that they had to carry out.

As a further step to assure quality services for students, as well as to improve work procedures, the Haifa University's six faculties were recently united into a single quality system. There will be one quality policy and one quality guide for administrative employees in all faculties, who will now work according to the same set of procedures.

The University is now undertaking procedures to obtain the ISO 14001 (environmental management system), as well as the ISO 18001 (occupational health and safety), and after that the University of Haifa intends to concentrate on the Social Accountability Standard.

