

LOGISTIC AUDIT OF A COMPANY

Jana Sekulová¹, Ekaterina Blinova², Eva Nedeliaková³, Jozef Majerčák⁴

Summary: The article deals with issue of logistic audit. In current time this area isn't regulated with any standard or norm. Logistic audit is focused on diagnosis of logistic processes of company which are specific for every sector of business. The contribution is focused on logistic audit in area of transport services.

Key words: logistic chain, audit, auditor

INTRODUCTION

This article deals with a question of logistic audit. Audit in general represents synonym for control, verification and mostly is connected with accountant or economical audit. Nowadays, is the auditing approach extended to other areas and serves mainly as a tool for improving quality of management and business outcomes. Every logistic chain must be carefully scheduled and managed, because its quality and efficiency reflects the quality of services company. Therefore for increase of the performance is necessary to perform control and monitoring of individual processes in the company. This particularly refers to the main business processes which are the purpose of existence the company.

1. CHARACTERISTIC OF LOGISTIC AUDIT

Logistic audit is standardized, evaluation and project process which is focused on logistics functions of corporate governance (1). It offers an independent and objective view on corporate operations and system of managing logistics. Therefore is an effective tool of continuous improvement of individual components of logistics processes.

The purpose of logistic audit is implementation a comprehensive diagnosis of logistics processes and corporate functions and subsequent determination the program of changes in individual steps (3). Main goal of logistic audit is description of current state of corporate logistic and determination the specific activities to change and improvement of logistic processes. The result of logistic audit is:

¹ Ing. Jana Sekulová, University of Žilina, Faculty of Operation and Economics of Transport and Communications, Department of Railway Transport, Univerzitná 1, 010 26 Žilina, Slovak Republic, Tel.: +421 41 513 3434, E-mail: jana.sekulova@fpedas.uniza.sk

² Ing. Ekaterina Blinova, University of Žilina, Faculty of Operation and Economics of Transport and Communications, Department of Railway Transport, Univerzitná 1, 010 26 Žilina, Slovak Republic, Tel.: +421 41 513 3434, E-mail: ekaterina.blinova@fpedas.uniza.sk

³ doc. Ing. Eva Nedeliaková, PhD., University of Žilina, Faculty of Operation and Economics of Transport and Communications, Department of Railway Transport, Univerzitná 1, 010 26 Žilina, Slovak Republic, Tel.: +421 41 513 3409, E-mail: eva.nedeliakova@fpedas.uniza.sk

⁴ prof. Ing. Jozef Majerčák, University of Žilina, Faculty of Operation and Economics of Transport and Communications, Department of Railway Transport, Univerzitná 1, 010 26 Žilina, Slovak Republic, Tel.: +421 41 513 3400, E-mail: jozef.majercak@fpedas.uniza.sk

- description current state of system,
- identification so-called „constraints or bottleneck“ of the system,
- proposal of measures for elimination of deficiencies,
- setting of priorities to attain desired state.

1.1 Basic principles of logistic audit

The basic principles of logistics audit in any company are: (1)

- objectivity of processing logistics audit - objectivity reflects objectively facts which are actual in the time of implementation audit,
- confidentiality of commercial information,
- commercial independence of the auditor - auditor isn't bound by a third person who may have the benefit of any audit results,
- professional independence of the auditor - auditor can't be an employee of the evaluated company,
- repeatability - when the audit is repeated the comparability of results must be secured,
- control of results - final report of executed audit must be checked in terms of content and formal side at least with one other external auditor.

1.2 Procedure and processing of logistic audit

There are a many companies which offer an external elaboration of logistic audit in the company. Each company has already its specific approach to implementation the logistic audit. General procedure of implementation logistic audit can be described based on following steps:

1. **Presentation of methodic of logistic audit.** Before starting audit, an auditor has to inform the customer by appropriate form with the basic principles and methodology by which the audit will be carried out.
2. **Preparation of logistic audit.** In this step, it is necessary that the auditor to becomes familiar with the company, its departments and focusing. The main task of auditor is to define main and support processes in company i.e. to determine which processes contribution to the fulfillment of the mission of company in the greatest extent.
3. **Setting the goals of audit.** Before starting the audit is necessary determine the goals which have to be achieved by audit. Based on these goals will be decided what the main goal of audit is. It can be whole logistic chain or its specific part (selected logistic processes).
4. **Audit processing.** In this step, is necessary to identify all relevant processes in the company and describe its course or compile a process map. This step consists from two phases. The first phase is analysis of current state of company. Here are collected all relevant information based on selected goals in order to investigate the factors that influence the achievement of the priorities. The auditor by means of observation, communication with employees and company management creates objective view about material, financial and information flows, its mutual links. The

second phase is evaluation of current state. Auditor prepares and evaluates obtained data on the basis of established qualitative and quantitative indicators.

5. **Results evaluation.** After determination so-called „constraints or bottleneck“, auditor suggests measures for its removal. He also may order the activities for application in company. These activities will be carried out according to priorities (necessary mid urgent and recommended activities).

The role of auditor is not only to perform the above mentioned steps but also to propose a budget and calendar for application of the proposed changes in practice.

2. PROCESS APPROACH TO THE LOGISTIC AUDIT

In the practice, implementation audit of logistic chain in company or logistic audit is closely related with implementation of process management. As a basic foundation for the realization of logistic audit in company is to examination the processes and compilation the process maps (2).

Process approach to the logistic audit is based on reality that only comprehensive description of processes leads to the successful optimization and to the increase of performance of the system. In-house processes have to be a tool for achieving the vision and goals of the company. These processes have to be interlinked and each process must have meaning. Therefore, setting goals of processes and measurable indicators is very important. Is necessary to know how process fulfils the goal (measuring of results).

Also is very necessary monitored if the fulfillment of the goal contributes to fulfillment goals of whole company. It follows that the definition of goals must begin at the level of highest management of the company. Therefore, in third phase of the logistic audit - Setting goals should be designed strategic goals that the company wants to achieve through the pursuit of partial goals of audit.

For successful audit is necessary to determine main processes. Main processes are those which create the value in form of product / service for customer. This processes are created by chain of value added which represent key area business of organization. Main processes directly contribute to fulfill the mission of the company. (2)

The main processes in transport undertaking form the following which are showed in figure 1. In this model, we consider with opportunity that not all order will be realized with own kind of transport.

Main processes in the transport company

Step 1.1: Customer orders transportation for a certain price and certain conditions. Order can be conducted by telephone, fax, e-mail.

Step 1.2: The order is forwarded to assess by the commercial department. Commercial department is the place where decides about accepting (step 2.1) or rejecting (step 2.0) order.

Step 2.1: Commercial department accepts the order on the side of transport undertaking. In next step 2.2 followed by decision whether the order will be realized by own kind of transport vehicles or will use services of another carrier. Commercial department uses

references about customer from the other companies in the case of new customer. If the customer wants to verify the transport undertaking he may require references, control authorization of company, CMR insurance (CMR = Convention on the Contract for the International Carriage of Goods by Road), allocation of CEMT licenses (CEMT = European Conference of Transport Ministers) etc.

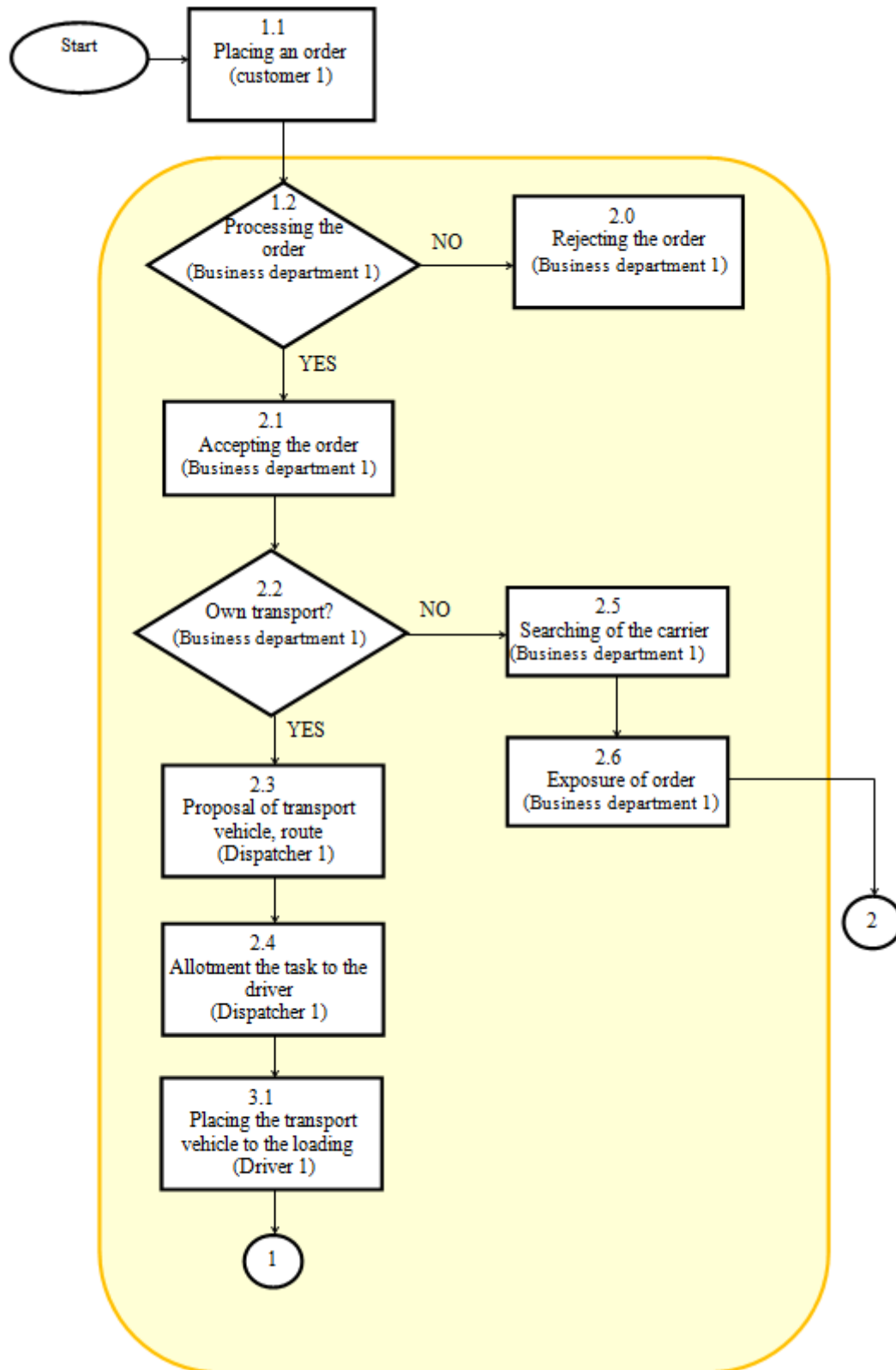
Step 2.3: Commercial department decides that the order will be realized within the company and forward it to the dispatcher. Dispatcher has to pick out appropriate kind of transport vehicle and optimal route for this transportation. If these are expensive goods designed vehicle and route must be approved by customer (communication through telephone or e-mail). In case that the commercial department decides use services of the other carrier there follows step 2.5 and 2.6. Next steps are 4.1 until 5.6 and these two steps are similar like steps 2.4 until 3.4.

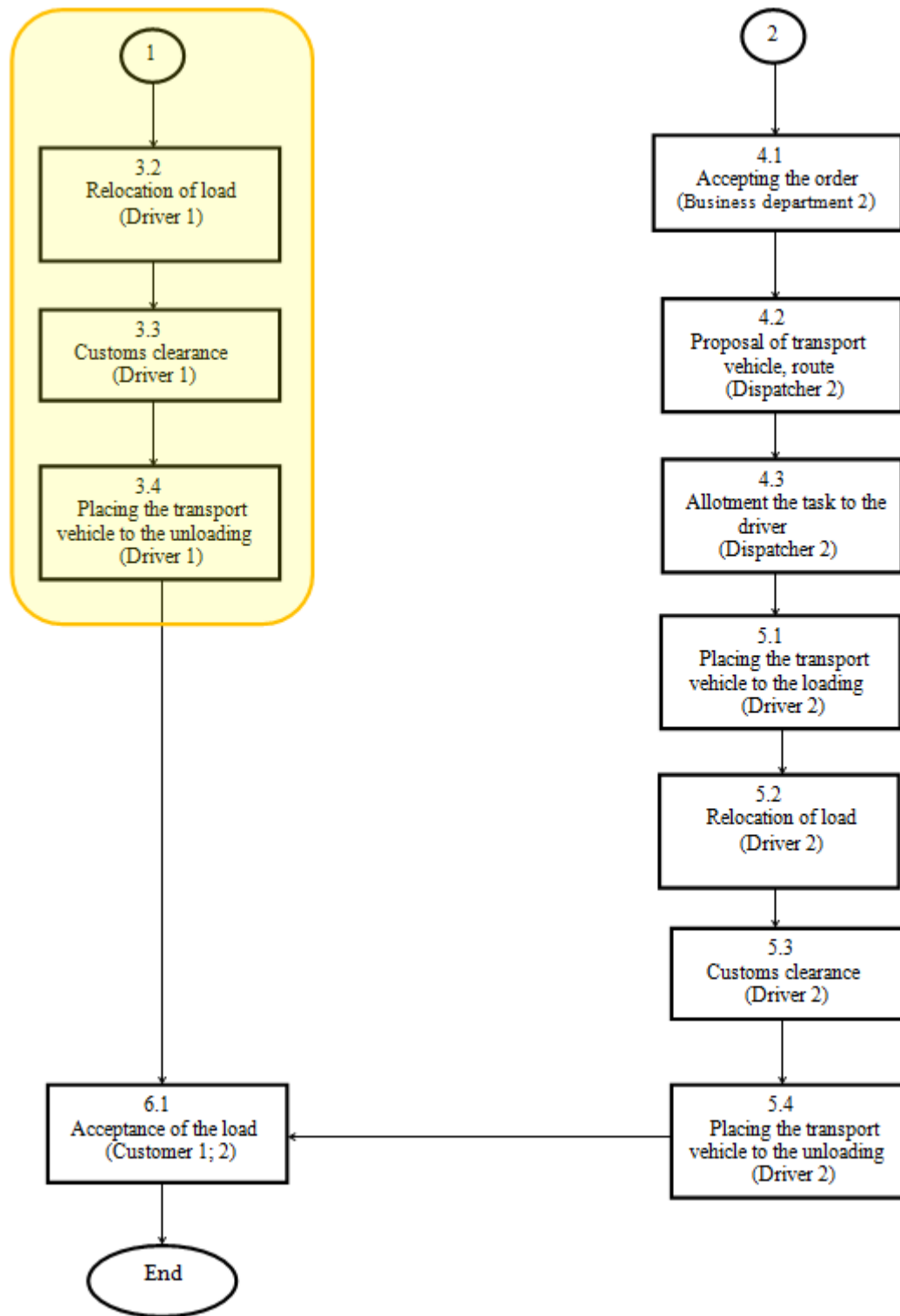
Step 2.4: After approval of mean of transport and transport routes dispatcher assigns task to the driver, i.e. send him the itinerary of transportation (SMS, fax, email).

Step 3.1: Driver placing vehicle on the place of loading. He also checks loading and mounting of load and accepts documents related with transportation (waybill CMR - in case of international transportation, bill of delivery - in the case of national transportation, or customs documents).

Step 3.2: Relocation of load – driver performed the transportation. During transportation there may occur the customs clearance if it is necessary (step 3.3). Customs clearance is connected with other costs: CEMT license, carnet TIR, certificate of origin goods, etc.

Step 3.4: When the vehicle is placing to unloading, driver transmits the copies of transportation and customs documents to the customer. He also sends notice about unloading of goods to the dispatcher. Driver forwards originals of documents to the economical department of transport undertaking after finishing the transportation. When these documents are processed, economic department sends the confirmed originals of the documents to the customer and issue an invoice for payment.





Source: Authors

Fig. 1 – Logistic chain in the transport company

CONCLUSION

In current time, realization of logistic audit isn't regulated with any standard or norm. This activity is voluntary for every company. Therefore the final decision about realization of logistic audit remains on the management of the company. It is important to remember that for the increase of performance it is necessary to perform control and monitoring of individual processes. This particularly refers to the main business processes which are the purpose of existence of the company. These checks can detect weak points of the system and thereby contribute to its further development.

Contribution is processed in terms of solving grant problem VEGA 1/0701/14 "The impact of the railway freight transport market liberalisation on the social transport costs" which is being solved at Department of Railway transport, Faculty of operation and economics of transport and communications, University of Žilina.

REFERENCES

- (1) *Komora logistických auditorů* [online]. Marec 2014. Dostupné z <<http://kla.cz/>>
- (2) GRASSEOVÁ, M. a kol. *Procesní řízení ve veřejném sektoru*. 1. vyd. Brno: Computer Press 2008, ISBN 978-80-251-1987-7.
- (3) ODETTE Česká republika [online]. Apríl 2014. Dostupné z <<http://www.odette.cz/>>
- (4) ČAMAJ, J., NEDELIÁK, I.: *Podpora logistických procesov informačnými a telekomunikačnými technológiami*. In: LOGI 2009, sborník příspěvků, Univerzita Pardubice, Dopravní fakulta Jana Pernera, Pardubice, 2009. s. 157 – 164. ISBN 978-80-7399-893-6.
- (5) NEDELIÁK, I., NEDELIÁKOVÁ, E.: *Information technologies as support for quality improvement in logistic centers / Informačné technológie ako podpora zvyšovania kvality logistických centier*. In: Logistic centres. - Pardubice: Institut Jana Pernera, 2008. s. 59-66. ISBN 978-80-86530-52-9.
- (6) MAJERČÁK, J., NEDELIÁK, I.: *Praktické skúsenosti z modelovania informačných systémov a business procesov / Practical experiences from the modelling of information systems and business processes*. In: 6. Fórum koľajovej dopravy / 6th Forum of rail transport : konferencia s medzinárodnou účasťou, 16.-17.3.2010, Bratislava : zborník príspevkov. - Bratislava: FO ART, 2010. s. 81-84. ISBN 978-80-88973-59-1.