

CHAPTER 4

CONDUCTING THE AUDIT

4.1 The Safety Management System

In order to comply with the requirements of the ISM Code every Company should develop, implement and maintain a SMS. The SMS should embrace the objectives of the Code to ensure safety at sea, prevention of human injury or loss of life, and avoidance of damage to the environment, in particular, to the marine environment, and to property. Compliance with the requirements of the ISM Code should be verified by determining:

- that the SMS meets the requirements of the ISM Code; and
- that the objectives laid down in paragraph 1.2.1 of the ISM Code are met.
- that personnel have received the appropriate training and familiarisation in the tasks for which they are responsible
- that they are carrying out their work in accordance with the Company's procedures
- that tasks are being carried out with due regard for safety?

4.2 The Audit Plan

In preparation for the audit the lead auditor should prepare the audit plan given in the Annex B and forward it to the Company prior to the commencement of the Audit.

An audit plan for DOC & SMC Audits can be found at Annex B. The auditors should examine the Company's documentation, files and procedures taking into consideration that auditing is a sampling process and that not every file and procedure can be examined within the time allocated for the audit. In addition to the audit of files and other appropriate documentation, time must be allocated for interviews and discussions with members of the management team. The time allocated for the audit will be dependent upon the size and complexity of the Company and the number of ships in the fleet. A fire/boat drill should be carried out as far as practicable as part of SMC Audits on board and time should be allocated in the Audit Plan.

4.3 Responsibilities of Lead Auditor

The responsibilities of the lead auditor include the following:

- liaising with the Company
- ensuring fees are received prior to audit
- reviewing the Company's documentation
- raising the company /ship file

- preparing an audit plan and sending it to the company prior to the audit
- selecting the audit team, including verifying their auditor qualifications
- chairing the Opening Meeting
- co-ordinating the audit
- chairing the Closing Meeting
- agreeing corrective action with the Company and the timescale for completion
- completing the declaration
- preparing the certificate(s) for issue
- preparing the audit report within 15 days from date of audit completion as far as practicable.
- completing the Job Control Sheet
- returning the file complete with all necessary paperwork to HQ for quality control
- ensuring compliance with service standards
- After completion of the audit report the auditor should send the audit report with non conformity notes to HQ ISM/ISO Branch by fax or e-mail prior to sending the complete file. The file should be sent after closure of all non-conformities.
- The SIC needs to review audit reports of all auditors on a random basis.

4.4 Typical Agenda for Opening and Closing Meetings

A typical Opening Meeting Agenda will include the following elements and be applicable to both DOC and SMC audits. The meeting should be chaired by the lead auditor.

Introductions should be made between members of the audit team and the Company's management. A record of Company personnel who attended the meeting should be kept and included in the Audit Report. The purpose and scope of the audit should be explained e.g. the ISM Code. The authority of the MCA to conduct the audit on its own behalf, or on behalf of another Flag State, should also be emphasised. The audit plan, drawn up in advance, should now be reviewed and any changes agreed between the company and the auditors. This will include, but not be limited to, the sites/areas to be visited, persons to be interviewed, documentation to be reviewed and the timing of meetings and meal breaks. Flexibility is essential. It should be made clear that the audit will work around the demands of the Company, movements of personnel, meetings and any other requirements. The Lead Auditor should ensure that in a SMC audit the Safety of the vessel should not be compromised at any time and the audit should not affect vessels normal operation like Cargo commitments, crew rest periods, doctor party going ashore etc. The method of carrying out the audit should be outlined and will include, but not be limited to, the following:

- interviews with key members of the management team as laid down in the audit plan

- a detailed examination of the SMS; familiarity with and understanding of the safety and environmental policy, manuals, procedures and instructions, working practices, recruitment and training records, management reviews, internal audits, classification records, accident and non-conformity reports
- discussions with members of staff at all levels
- findings which may result in the raising of a specific non-conformity should be promptly drawn to the attention of a Company representative, preferably at the time this is identified
- the categories of non-conformities should be explained
- All non conformities or observations found during the audit must be brought to the attention of the auditees as soon as they are identified and not to be kept as a surprise till the closing meeting.
- It should be emphasised that a ship audit should not be rushed for completion due to vessel's cargo commitments/schedules. If there is insufficient time for completion of the audit the Owners/Managers must make arrangements to carry out the audit at a later date and bear the added expenses.

The Lead Auditor may not continue with an audit if the following conditions prevail:

- a) Insufficient time to complete the audit
- b) The conduct and support from the auditees are not acceptable
- c) A major incident/accident has occurred on board/company which might affect conducting the audit.

A note giving reasons for not completing the audit must be mentioned in report MSF 1602/1603

Confidentiality of the audit between the Company, MCA and any other responsible Administration(s) should be confirmed. This is important as the auditor(s) will require access to a wide range of files and documents which support the SMS. The disclaimer should be clearly explained in as much as that if no non-conformities are identified in a particular area it does not necessarily mean that none exist. Similarly if non-conformities are raised it does not necessarily mean that these are the only ones in that particular area.

Auditing is a sampling process and the auditor(s) may not identify all existing non-conformities. Company representatives should be given an opportunity to raise questions. The meeting should be formally closed.

4.5 Assessing the Safety Management System

The objective of the audit is to verify that the SMS has been effectively implemented within the Company's management structure both ashore and on board. The methodology of the assessment will include the verification of compliance with procedures by means of interviews with personnel at all levels within the organisation and the examination of records etc. During the

course of the audit the auditor(s) may raise non-conformities against the SMS. Non-conformities are identifiable deviations within the SMS. All non-conformities and observations must be supported by irrefutable objective evidence. Any perceived non-conformities and observations must be discussed with the Company's representatives before a Non-Conformity Note is raised. Non-conformities fall into three categories, details of which are outlined below and in "Definitions".

4.6 Human Element

The objectives of the ISM Code are to ensure safety at sea, prevention of human injury or loss of life, and avoidance of damage to the environment, in particular, to the marine environment and to property. The achievement of these goals is heavily dependent on the human element i.e. the people who operate the system. The knowledge and experience of the officers and crew, their familiarity with the Company's SMS, their training and records thereof should be checked by observation and interview. Where practicable, the auditor(s) should witness as many on board procedures as practicable and these may include, but are not limited to:

- pre arrival and departure checks on the Bridge and in the engine control room;
- securing the vessel for sea;
- voyage planning;
- navigational briefing;
- mooring stations fore and aft;
- bridge procedures in harbour;
- engine room operations;
- preparation of machinery for sea
- machinery maintenance including system preparation
- anchor stations;
- bunkering operations;
- pilot embarkation/disembarkation;
- passenger musters and handling;
- cargo operations/handling;
- watch handover;
- onboard training;
- new joiner (crew) instructions;
- emergency drills;
- safety committee meetings;
- routine inspections;
- navigation under pilotage; and
- watch keeping at sea.

The above onboard procedures when sampled during audit must be reported in section 7 of the ISM Report form MSF1911

In the normal course of events a General Inspection will be conducted in parallel with the SMC audit. An emergency drill should be witnessed as far as

practicable. Since it is likely that UK ships, other than passenger ships, may not be visited by MCA Surveyors for intervals of up to three years the SMC audit should take into consideration the MCA's Survey and Inspection Policy with regard to the conduct of emergency drills and exercises. In the case of passenger ships that undergo a Passenger Safety Certificate Survey on an annual basis, if a drill has been conducted within the last 12 months, the requirement for a drill may be waived. In the case of ships other than passenger ships an emergency drill should be witnessed at the time of the SMC audit. The company must be made aware of this requirement prior to the audit in order that appropriate arrangements may be made.

4.7 Observation

An observation means a statement of fact made during a safety management audit and substantiated by objective evidence. The company/ship is not liable to provide evidence of the corrective action taken for an Observation.

4.8 Non-Conformity

A non-conformity means an observed situation where objective evidence indicates the non-fulfilment of a specified requirement of the ISM Code. A non-conformity should be normally closed out within three months from the date of the audit.

4.9 Major Non-Conformity

A major non-conformity means an identifiable deviation which poses a serious threat to the safety of personnel or the ship or a serious risk to the environment and requires immediate corrective action and includes the lack of effective and systematic implementation of a requirement of the ISM Code.

A major non-conformity on ship audits requires downgrading to a non conformity in order to allow the vessel to sail (Ref. MEPC/Circ 1059 of 16-12-2002).

4.10 Non-Conformity Note

Non-conformities should be recorded on the form MSF 1902 ("Non-Conformity Note"). The form is in duplicate. The top copy should be given to the Client, the second copy for the MCA's file. Auditors should refer to the guidelines for filling up the form given at the back of the form

4.11 Audit Report

An audit report should be completed to record the audit findings within 15 days from the date of the audit. The report is confidential between the Company, MCA and any other responsible Administration(s) bearing in mind the requirements of the Freedom of Information Act. When the MCA has been requested to carry out the audit on behalf of another Administration the report should be copied to that Administration. The report provides useful information

for future audits. The Company should receive a copy of the report and a further copy should be held on the appropriate MS file (for DOC audits) or the CM file (for SMC audits). When another Administration requests a copy of the report, as might be the case with a multi-flagged fleet, it should be issued providing the Company is in agreement. The audit report must be reviewed by the Surveyor In-charge or any other ISM Lead Auditor prior being sent to the client. The file must then be sent to MCA ISM/ISO Branch/QA in Headquarters.

4.12 Audit Report for Document of Compliance Audit

The report should include the following:-

- a list of the audit team members;
- a list of personnel interviewed and positions held within the Company;
- an assessment of compliance with each relevant section of the ISM Code;
- Opening & Closing meeting details.
- the types of ships managed by the Company;
- the operational patterns of the Company's ships; and
- any non-conformities and observations raised
- Audit plan
- Positive and negative findings

4.13 Audit Report for Safety Management Certificate Audit

The report should include the following:

- names and ranks of auditees
- names of audit team members;
- an assessment of compliance with each relevant section of the ISM Code;
- Opening & Closing meeting details
- the type of ship and employment patterns; and
- any non-conformities and observation raised
- Positive findings

4.14 Close-out of Non-Conformities

When a major non-conformity is raised corrective action must be implemented before a new certificate can be issued or an existing certificate endorsed at annual (DOC) or Intermediate (SMC) verification. A major non-conformity may be down graded to a minor as soon as appropriate initial corrective action has been taken. Corrective action against this minor non-conformity may then be agreed and a corrective action time-scale agreed. A significant number of minor non-conformities identified against the same section of the ISM Code may be issued as a single major non-conformity. When an auditor identifies a major non-conformity, agreement MUST be sought immediately from the head of the department concerned or ISM/ISO Branch at HQ since it may be

possible for corrective action to be implemented prior to the conclusion of the audit. Where a major non conformity is downgraded in a SMC or DOC Audit, at least one additional audit should be carried out within the time frame indicated in the agreed corrective action plan to verify that effective actions are taken. (Ref: MSC Circ. 1059)

When an auditor identifies a potential minor non-conformity, agreement must be reached with the manager of the department or area concerned that the perceived non-conformity actually exists. Agreement should be reached prior to the closing meeting. Suitable corrective actions and appropriate corrective action time-scales must also be discussed and agreed with the company. Auditors are reminded that corrective action times cannot exceed three months. In the event that a company cannot complete a corrective action within the maximum time of three months, the non-conformity note is to be closed out and another raised (National Audit Office instructions).

4.15 Corrective Action

The Company is responsible for ensuring that the agreed corrective actions are completed by the agreed dates. Failure to correct non-conformities may affect the validity of certificates. Corrective action and possible follow-up audits should be completed within the agreed timescale.

Closing-out of minor non-conformities will not normally require a revisit by an auditor. Written notification of the completion of corrective action, accompanied where possible by objective evidence, shall be forwarded to the lead auditor through the Designated Person. This should be accompanied by the appropriate copy of the Non-Conformity Note. When the lead auditor is satisfied that the agreed corrective action has been completed the Non-Conformity Note will be closed out, signed and returned to the Designated Person. During annual audits the opportunity should be taken to confirm that non-conformity notes raised at the previous audit have been closed out on time. The corrective actions may also be verified. In the case of SMC audits the foregoing may be achieved during either the next Intermediate audit or a General Inspection.

4.16 Cancellation or Suspension of DOC or SMC

Only the issuing Administration may cancel or suspend a DOC or SMC. When a major non-conformity has been identified the Administration may either suspend or cancel the DOC and require such a certificate to be surrendered. In this case all SMCs associated with the DOC will likewise be invalidated rendering the ship(s) liable to detention. If the MCA considers that a Company, notwithstanding that it holds a Document of Compliance, is unable to operate ships without creating a risk of:

- serious danger to safety of life or
- serious damage to property or
- serious harm to the environment or that
- the Company does not hold a Document of Compliance

an authorised person (S.I. 1998 No.1561 Reg. No. 16(b)) may suspend the operation of ships by that Company until such time as any such risk is removed or a valid Document of Compliance is held.

4.17 Confidentiality of Audit

The audit and the subsequent reports are confidential between the Company and any other Flag State Administration on whose behalf the MCA may have been requested to act. A statement to this effect should be made at both the Opening and the Closing Meetings. However, the auditor should not sign the Company's confidentiality forms or contracts. The confidentiality clause must be included in all audit reports.