

# BAHRIA CLASSIFICATION SOCIETY



## BCS-G 008

### Guidelines for ISM Code Auditors

January 2023

These guidelines list requirements and procedures and are intended to be used as supporting material to BCS Rules.

Unless otherwise specified, these Rules apply according to the implementation dates as defined in each interpretation. See Rule Change Summary on BCS website for revision details

“General Terms and Conditions” of the respective latest edition will be applicable (see Rules for Classification and Survey).

Once downloaded, this document will become UNCONTROLLED. Please check the website below for the valid version.

<https://www.bahriaclassificationsociety.org>

All rights are reserved by Bahria Classification Society, and content may not be reproduced, disseminated, published, or transferred in any form or by any means, except with the prior written permission of BCS.

# BAHRIA CLASSIFICATION SOCIETY

## **Head Office**

Third Floor, Bahria Complex II, M.T Khan Road, Karachi

Tel: +92 21 35610242-3 Ext 192

Email: [riazuddin@bahriafoundation.com](mailto:riazuddin@bahriafoundation.com)

Website: <https://www.bahriaclassificationsociety.org>

<b>1.</b>	<b>INTRODUCTION AND BACKGROUND .....</b>	<b>4</b>
1.1.	PURPOSE .....	4
1.2.	THE ISM CODE.....	4
1.3.	PURPOSE OF ISM CODE .....	4
1.4.	PRINCIPLES AND OBJECTIVE .....	4
1.5.	THE SAFETY CULTURE .....	5
1.6.	ISM AUDIT FOR COMPLIANCE .....	5
1.7.	INDEX OF DOCUMENTS.....	5
<b>2.</b>	<b>LEGISLATIVE REQUIREMENTS .....</b>	<b>6</b>
<b>3.</b>	<b>THE CERTIFICATION PROCESS .....</b>	<b>6</b>
3.1.	DOCUMENT OF COMPLIANCE .....	6
3.2.	SAFETY MANAGEMENT CERTIFICATE.....	6
3.3.	ISSUE OF INTERIM DOC AND SMC.....	6
3.4.	COMPANIES OPERATING A MULTI-FLAGGED FLEET .....	7
3.5.	AMENDING THE DOC TO INCLUDE NEW SHIP TYPES.....	7
3.6.	CANCELLATION OR SUSPENSION OF DOC OR SMC.....	7
3.7.	EXTENSION OF CERTIFICATES/AUDITS NOT REQUESTED ON TIME .....	8
<b>4.</b>	<b>CONDUCTING THE AUDIT.....</b>	<b>8</b>
4.1.	AUDITOR QUALIFICATIONS .....	8
4.2.	SAFETY MANAGEMENT SYSTEM.....	9
4.3.	REQUEST FOR AUDIT.....	10
4.4.	DOCUMENT REVIEW AND PLANNING .....	10
4.5.	INITIAL AUDITS .....	11
4.6.	DOCUMENT OF COMPLIANCE AUDIT.....	11
4.7.	SAFETY MANAGEMENT CERTIFICATE AUDIT .....	13
4.8.	ANNUAL VERIFICATION (DOC) AND INTERMEDIATE VERIFICATION (SMC) AUDITS .....	14
4.9.	DOC AND SMC RENEWAL AUDIT .....	14
4.10.	RESPONSIBILITIES OF LEAD AUDITOR .....	15
4.11.	THE AUDIT PLAN.....	15
4.12.	GUIDANCE ON TYPICAL AGENDA FOR OPENING AND CLOSING MEETINGS.....	15
4.13.	CATEGORIES OF AUDIT FINDINGS .....	17
4.14.	HUMAN ELEMENT .....	18
4.15.	AUDIT REPORT .....	18
4.16.	AUDIT REPORT FOR DOCUMENT OF COMPLIANCE AUDIT .....	19
4.17.	AUDIT REPORT FOR SAFETY MANAGEMENT CERTIFICATE AUDIT.....	19
4.18.	CLOSE OUT OF NON-CONFORMITIES.....	19
4.19.	CORRECTIVE ACTION.....	20
4.20.	CONFIDENTIALITY OF AUDIT .....	20
<b>5.</b>	<b>REPORTING AND FILING.....</b>	<b>20</b>
<b>6.</b>	<b>PORT STATE CONTROL.....</b>	<b>20</b>
<b>7.</b>	<b>PARTICULAR ISSUES.....</b>	<b>21</b>
7.1.	LAI D UP SHIPS .....	21
7.2.	SUBMERSIBLE CRAFT .....	21

# **1. Introduction and Background**

## **1.1. Purpose**

These Instructions to Surveyors have been produced by Bahria Classification Society (BCS) for the guidance of surveyors auditing safety management systems both at sea and ashore. Additionally, they provide guidance for those concerned with the procedures adopted by the BCS for carrying out audits for verification of compliance with the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM Code).

## **1.2. The ISM Code**

The ISM Code was adopted by the IMO as Resolution A.741(18), in November 1993. It came into force on 1 July 1998 through SOLAS Chapter IX, "Management for the Safe Operation of Ships". The ISM Code provides an international standard for the safe management and operation of ships and for pollution prevention.

## **1.3. Purpose of ISM Code**

1.3.1. The origins of the ISM Code go back, internationally, to the late 1980s when there was mounting concern about poor management standards in shipping. It is estimated that a high proportion of maritime accidents (80%–90%) are attributable to human error. Investigations into accidents highlighted shortcomings on the part of ship management both at sea and ashore. In 1987 the IMO Assembly adopted Resolution A.595(15) which called upon the Maritime Safety Committee to develop guidelines concerning shipboard and shore-based management to ensure the safe operation of roll-on/roll-off (Ro-Ro) passenger ferries. The tragic loss of the Herald of Free Enterprise in 1987 was a catalyst in this process.

1.3.2. Such ships carry a book (called the operations book) containing instructions and information for safe and efficient operation;

1.3.3. Owners of ships nominate a person (known as the Designated Person Ashore (DPA)) to oversee the operation of their ships and to ensure proper provisions are made so that the requirements of the operations book are complied with.

1.3.4. These requirements are also fundamental provisions of the ISM Code. The ISM Code seeks to address the human element of ship operations

## **1.4. Principles and Objective**

Given that no two shipping companies or ship managers are identical and that ships operate under a wide range of different conditions, the ISM Code is expressed in broad terms and based on general principles and objectives. This provides companies with the scope to develop their own safety management system (SMS) whilst meeting the provisions of the ISM Code. The Code imposes no prescriptive measures and takes a holistic view of a Company and the way in which it operates its ships. The objectives of the ISM Code are to ensure safety at sea, prevention of human injury, loss of life and the avoidance of damage to the environment, in particular to the marine environment. The ISM Code requires owners and operators of ships to put in

place a Safety Management System (SMS), the mandatory application of which is to ensure compliance with rules and regulations related to the objectives of the Code and the effective implementation and enforcement thereof by Flag State Administrations.

### **1.5. The Safety Culture**

The Code aims to support and encourage the development of a safety culture within the shipping industry whilst improving compliance with the requirements of international conventions. The Code requires that Companies establish safety and pollution prevention objectives and develop, implement and maintain a SMS and a systematic approach to the safe management of ships by those responsible, both ashore and afloat.

### **1.6. ISM Audit for Compliance**

Audits are carried out to verify compliance with the ISM Code in accordance with the “Guidelines on Implementation of the ISM Code by Administrations”, IMO Resolution A.1022 (26). In addition, the International Chamber of Shipping, in association with the International Shipping Federation, has produced “Guidelines on the Application of the IMO International Safety Management (ISM) Code” and IACS has produced PR 09 on “Procedural requirements for ISM Code certification”. It is recommended that surveyors become familiar with these publications as they establish underlying principles for verifying that a shipping Company’s SMS complies with the ISM Code.

### **1.7. Index of Documents**

The following documents are particularly relevant to the ISM Code:

- The ISM Code: IMO Resolution A.741 (18), adopted in November 1993;
- Revised guidelines on the implementation of the ISM Code by Administrations: IMO Resolution A.1118 (30) adopted on 6 Dec 2017;
- Guidance to Companies operating multi-flagged fleets and supplementary guidelines to Administrations: IMO MSC/Circ. 762 of 11 July 1996;
- Guidelines on the application of the IMO International Safety Management (ISM) Code, third edition, published jointly in 1993 by the ICS/ISF, amended and updated in 2018;
- Guidance on the Qualifications, Training and Experience necessary for undertaking the role of the Designated Person under the provisions of the International Safety Management Code (ISM). IMO Circular (MSC-MEPC.7/Circ. 6 19 October 2007);
- Revised guidelines for the Operational Implementation of the International Safety Management (ISM) Code by Companies. IMO Circular MSC-MEPC.7/ Circ. 8 28 June 2013); and
- Maritime Cyber Risk Management in Safety Management Systems - Resolution MSC.428(98) (adopted on 16 June 2017)
- Guidelines on Maritime Cyber Risk Management (MSC-FAL.1/Circ.3)

## **2. Legislative Requirements**

Chapter IX of Safety of Life at Sea (SOLAS), Management for the Safe Operation of Ships, requires the mandatory application of the ISM Code on ships engaged on international voyages.

## **3. The Certification Process**

### **3.1. Document of Compliance**

A Document of Compliance (DOC) will be issued to a Company when the shore-side aspects of the SMS are fully compliant with the requirements of the ISM Code. The DOC is specific to the ship type(s) operated by the Company and for which the SMS is implemented at the time of audit. During a Safety Management Certificate (SMC) audit on board a ship, a copy of the DOC should be accepted as evidence that the Company's shore-side management structure complies with the requirements of the ISM Code. A copy of the DOC should be placed on board each of the Company's ships. It is not necessary for the copy of the DOC to be authenticated or certified.

### **3.2. Safety Management Certificate**

Following a successful audit, a SMC will be issued to each individual ship provided that the Company holds a valid DOC. A copy of each SMC should be retained in the Company's office records, the original being placed on board and retained with all other statutory certificates.

### **3.3. Issue of Interim DOC and SMC**

3.3.1. An interim DOC may be issued to facilitate initial implementation of the Code when:

- A Company is newly established; or
- New ship types are to be added to an existing DOC

3.3.2. An interim SMC may be issued:

- To new ships on delivery.
- When a Company takes on responsibility for the operation of a ship which is new to the Company; or
- When a ship changes flag.

3.3.3. An interim DOC, valid for a maximum of twelve months, may be issued providing a Company can demonstrate its SMS meets the objectives of paragraph 1.2.3 of the ISM Code. The Company will need to prove that measures are in place to implement the full requirements of the ISM Code within the period of validity of the interim DOC. When conducting interim DOC audits consideration should be given to Section 14.4 of the ISM Code that stipulates the requirements in respect of interim SMC audits.

3.3.4. An interim SMC, valid for not more than six months, may be issued to a new ship on delivery and when a Company takes on responsibility for the management of a ship which is new to the Company. In special circumstances the interim SMC may be extended for a further six months. This is only to be

done in consultation with BCS HO. When an interim SMC is extended, the full-term SMC should be dated from the expiry of the first interim certificate.

- 3.3.5. Before an interim SMC is issued the auditors should satisfy themselves that:
- The DOC or interim DOC is relevant to that ship.
  - Key elements of the ISM Code have been included in the shipboard SMS and have been assessed during the audit of the Company's SMS.
  - The master and officers are familiar with the SMS and arrangements for its implementation.
  - Instructions identified as being essential have been provided prior to sailing.
  - There are plans in place for the Company to carry out an internal audit of the ship within three months.
  - Relevant information on the SMS is given in a working language understood by the ship's personnel.

### **3.4. Companies operating a multi-flagged fleet**

- 3.4.1. When a Company operates a multi-flagged fleet it should propose a plan of action to the relevant Flag Administrations and secure a consensus on the audit process. A DOC should be issued by each of the Flag States. The IMO has issued a MSC Circular entitled "Guidelines to Companies operating multi-flagged fleets and Supplementary Guidelines to Administrations" (see MSC/Circ. 762).

### **3.5. Amending the DOC to include new ship types**

- 3.5.1. When a Company decides to expand its scope of operations to include additional ship type(s) an interim audit will be required prior to issuance of a DOC to ensure that the necessary provisions are in place within the SMS to manage the additional ship type(s). Following a successful audit, an interim DOC, valid for no more than 12 months, should be issued. The existing DOC will remain unaffected for the period of validity of the interim DOC.
- 3.5.2. When sufficient objective evidence has been compiled to demonstrate that the SMS is effectively implemented in respect of the new ship type(s), the Company should be revisited prior to the expiry of the interim DOC. Following a successful audit, both the interim and full-term DOC's should be withdrawn and a new DOC issued to include all additional ship type(s). The expiry date of the new DOC should coincide with that of the original full-term DOC.
- 3.5.3. During the period of validity of the interim DOC, the new ship types will carry a copy of the interim DOC together with their interim SMC's. It must be noted that only an interim SMC can be issued on the back of an interim DOC. The existing ships of the fleet will be unaffected and will hold copies of the full-term DOC.
- 3.5.4. If during an annual DOC audit, it is evident that the Company has not operated a particular ship type for the last two years, the particular ship type should be removed from the DOC. This needs to be done in consultation with BCS HO.

### **3.6. Cancellation or suspension of DOC or SMC**

- 3.6.1. Only the BCS may cancel or suspend a DOC or SMC. When a major non-conformity has been identified the BCS 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 BCS considers that a Company is unable to operate ships without creating a risk of:

- Serious danger to safety of life;
- Serious damage to property; or
- Serious harm to the environment or that company.

3.6.2. An authorised person may suspend the operation of ships by that Company until such time as any risk is removed or a valid DOC held.

### **3.7. Extension of Certificates/Audits not requested on time**

3.7.1. Extension of any ISM certificate should not be encouraged as owners/managers have ample opportunity to get these organised. The ISM Code allows the extension of the validity of an interim SMC for a further period of 6 months. This should only be done, if the BCS is unable to put a surveyor on board before the expiry of the interim certificate, and the Company had given appropriate notice for carrying out the audit or the vessel is in an area to where travel is prohibited. Any such extension is to be given only after consulting BCS HO.

3.7.2. If during an initial audit (DOC or SMC) it is found that the Company/ship does not merit the issuance of a full-term certificate due to the number of non-conformities, a short term certificate valid for 3 months is to be issued so that another audit can be carried out prior to the issuance of a full term certificate. This is to be done in consultation with BCS HO.

3.7.3. If the Company/ship fails to request the initial/intermediate/renewal audits and the DOC/SMC does not get endorsed or expires, the certificate becomes invalid. The Company needs to provide a written explanation for allowing the certificate to lapse and the auditor should consider further action in consultation with BCS HO. In such a case an audit to the scope of a renewal audit is to be carried out and a new certificate issued. For all such cases a new certificate would need to be issued with the same expiry date as the earlier certificate. A major non-conformity needs to be raised, which can be downgraded on satisfactory completion of the audit and an additional audit would need to be carried out for closing out the downgraded non-conformity.

## **4. Conducting the Audit**

### **4.1. Auditor Qualifications**

4.1.1. In accordance with the requirements of the ISM Code, appendix “Standards on ISM Code certification arrangements” sections 3 and 4, prospective BCS ISM Code auditors must have a minimum of formal education comprising the following:

- Qualifications from a tertiary institution recognised by the BCS within a relevant field of engineering or physical science (minimum two-year programme); or
- Qualifications from a marine or nautical institution and relevant seagoing experience as a certified ship’s officer.

4.1.2. Provided that prospective ISM Code Lead auditors meet the educational standards as detailed above, the following minimum standard of training must



be met in order to ensure an adequate level of competence and skills particularly with regard to:

- Knowledge and understanding of the ISM Code.
- Mandatory rules and regulations.
- The terms of reference which the ISM Code requires that the companies take into account.
- Assessment techniques of examining, questioning, evaluating and reporting.
- Technical and operational aspects of safety management.
- Basic knowledge of shipping and shipboard operations; and
- Participation in a minimum of three Safety Management System audits.

#### 4.1.3. Practical Training

4.1.3.1. A minimum of three supervised audits are to be successfully completed prior to qualification. Although some candidates may need to fulfil additional re-audits before qualifying as Lead Auditor. There is no maximum number of audits after which a candidate automatically qualifies.

4.1.3.2. In general, the three minimum audits will comprise of one DOC, one SMC and one more of either. Interim/additional audits are not considered as qualifying audits for a Lead Auditor.

4.1.3.3. New entrants into the BCS who have qualified as Lead Auditors with any of the BCS recognised classification societies and have maintained their continuous professional development need not attend the BCS Lead Auditor Course. They will however need to undergo a familiarisation with BCS procedures and conduct a minimum of two audits under supervision in order to verify familiarity with BCS requirements and procedures.

## 4.2. Safety Management System

4.2.1. To comply with the requirements of the ISM Code every Company should develop, implement and maintain a SMS which should embrace the objectives of the Code. Compliance with the requirements of the ISM Code should be verified by determining:

- That the SMS meets the requirements of the ISM Code.
- That all identified risks to the ships, personnel and the environment have been assessed and safeguards established.
- That personnel have received the appropriate training and familiarisation in the tasks for which they have responsibility.
- 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.

4.2.2. In the normal course of events, a General Inspection (GI) will be conducted in parallel with the SMC audit. Previous reports of BCS inspection and deficiencies and post state control inspection reports should be reviewed to obtain a fuller perspective of the ship's history. An emergency drill should be witnessed as far as is practicable. 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 and evidence of this can be provided, 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.

- 4.2.3. The Maritime Safety Committee (MSC) affirms that an approved SMS should take into account cyber risk management in accordance with the objectives and functional requirements of the ISM Code. The Companies are therefore encouraged to ensure that cyber risks are appropriately addressed in safety management systems no later than the first annual verification of the company's Document of Compliance after 1 January 2021. (Reference Maritime Cyber Risk Management in Safety Management Systems - Resolution MSC.428(98)). The associated guidance which needs to be referred to are - Guidelines on Maritime Cyber Risk Management (MSC-FAL.1/Circ.3).

### **4.3. Request for Audit**

Applications for the initial, annual or renewal DOC verification audits and for initial, intermediate or renewal SMC verification audits should be made by the Company direct to BCS Head Office. BCS Head Office shall acknowledge the application and organise the audit.

### **4.4. Document Review and Planning**

- 4.4.1. The first stage of a DOC interim audit (and renewal audits if the SMS has undergone considerable changes) will be the document review. The purpose of the document review is to verify that the Company has a SMS that addresses the requirements of the ISM Code prior to an interim DOC audit. Following the receipt of an application requesting an interim DOC audit and payment of the appropriate fees, BCS will review the SMS documentation as part of the pre-audit assessment. The Company would need to send the SMS documentation (electronic or hard copy) to the BCS Lead Auditor to enable this to happen.
- 4.4.2. The documents used to define and implement the SMS may be described as the SMS Manual and may take the form that the Company considers most appropriate. As a basis for planning the audit, the auditor should review the SMS Manual to ensure the requirements of the ISM Code are met. The documents submitted should be the latest version and the review should preferably take place two weeks prior to the proposed audit. If it is established that the system is inadequate, the audit may be delayed until the Company has undertaken corrective action. The document review will provide an overview of the management structure and SMS used by the Company and assist the auditor(s) in developing an audit plan.
- 4.4.3. The KISS (Keep it Short and Simple) principle should be fully embraced as excessive documentation may hinder the effectiveness of the SMS. Care should be taken to limit the SMS documentation to sufficiently cover its application to safety and environmental protection. Companies should structure their documentation in the way they find most effective and is clearly demonstrated by objective evidence. Auditors need to be aware that the SMS documentation may often be part of an integrated system which includes other management systems like quality and environmental management. Provided

all the elements of the ISM Code are covered, this should not prove problematic.

- 4.4.4. The ISM Code presents a challenge to the management of ships, both ashore and sea-going by providing a reasonable balance of procedures and records etc. If the documentation is insufficient, the requirements of the SMS will not be adequately met; equally, if overcomplicated the SMS will overwhelm the users and be counterproductive to safety.
- 4.4.5. When a SMC audit has been requested for a ship which operates under a DOC issued by, or on behalf of another Administration, a copy of that DOC and sufficient previous DOC audit reports should be obtained for review prior to the audit. In addition, copies of the SMS manuals may be requested.

## **4.5. Initial Audits**

- 4.5.1. Initial audits will generally be in two phases:
- An audit of the Company's shore-based management organisation for compliance with the requirements of the ISM Code. Following the satisfactory completion of this audit a DOC will be issued to the Company. All ships are required to hold a copy of the DOC; however, this need not be authenticated or certified.
  - An audit of the Company's ships in order to verify compliance with the requirements of the ISM Code. This will include a verification that the DOC for the Company, which is responsible for the operation of the ship, is applicable to that particular type of ship and that a copy is held on board. Upon successful audit of each ship a SMC will be issued. The original version of which shall be retained onboard, and a copy placed in the company office files.
- 4.5.2. Companies should acknowledge the safe receipt of DOCs & SMCs.
- 4.5.3. In general, an initial or renewal audit can be expected to be completed by one auditor in one day on a cargo ship, however the timescale would vary in accordance with the size, type of ship, the nature and size of the Company and their preparedness for the audit.
- 4.5.4. The duration of the DOC audits would be dependent on the size of the Company/fleet and the presence of satellite offices. The duration of the SMC audits would be dependent on the size / complexity of the vessels and the number of crew.

## **4.6. Document of Compliance Audit**

- 4.6.1. The purpose of the DOC audit is to assess the ability of the SMS to meet the provisions of the ISM Code and to ensure that these are fully implemented and understood at all levels within the Company. These include:
- Compliance with mandatory rules and regulations; and
  - That Codes, guidelines and standards recommended by the IMO, flag state, or other industry bodies have been taken into consideration. These documents may be incorporated into the Company's SMS.
- 4.6.2. The DOC audit will take place at the Company's principal place of business (normally the office from which the DPA operates). If a Company operates from more than one location where different safety management functions are performed, then these other locations will need to be visited. All records within

the Company should be available for examination during an audit. These can include records of all relevant ship types operated by the Company, statutory and classification records, personnel records and records of ship maintenance etc.

- 4.6.3. The auditor should also be satisfied those personnel, both ashore and sea-going, have received training and are competent to perform their duties within the SMS. The way the auditor assesses the ability of the Company to meet the objectives of the ISM Code is as follows:
- Review of the Company's documentation i.e. The SMS.
  - Discussion and interview with members of staff at all levels of the management team holding responsibility for functions within the SMS.
  - Observation of documentary evidence (e.g., Records, logbooks, checklists and reports concerning UK flag vessels); and
  - Observation of working practices.
- 4.6.4. A DOC will be issued following a successful audit of the shore side aspects of a Company's SMS. Objective evidence should be available to demonstrate that the Company has been operating the SMS for a minimum of three months ashore and on board their ships for a full-term DOC to be issued. Records of internal audits would also need to be verified.
- 4.6.5. Prescriptive management of packaged systems produced by consultancy firms may result in Companies implementing requirements which are not suited to their operation and in so doing undermine the philosophy of the ISM Code. The SMS needs to be specific to the vessel and to their type of operation.
- 4.6.6. Auditors are reminded that they are attending for the purpose of verifying compliance with the ISM Code and not to criticize the methodology a Company has adopted to achieve compliance. Although some systems may appear to be cumbersome, this should not be of concern if the personnel can demonstrate their familiarity.
- 4.6.7. A DOC is issued in respect of the type(s) of ship(s) operated by the Company at the time of initial verification and for the type of ships they intend to operate in the near future, and which are covered within the SMS. Should the Company wish to extend the scope of management at a later stage to include additional ship types a further audit should be carried out and, if successful, the DOC replaced.
- 4.6.8. The renewal verification should include an assessment of each element of the SMS and its effectiveness in meeting the objectives of the ISM Code. A renewal audit is required prior to the expiry date (it may be arranged within 3 months before the expiry) of the existing DOC. If a renewal audit is carried out prior to this 3-month window, the certificate will be dated from the date of completion of the audit.
- 4.6.9. When a major non-conformity is raised a DOC or SMC cannot be issued. Similarly, an existing certificate cannot be endorsed for either annual or intermediate verification and should be withdrawn until sufficient corrective action has been taken to downgrade the major non-conformity. Any major non-

conformity requires an additional audit within 3 months to close out the downgraded non-conformity.

4.6.10. When non-conformities are raised, a timescale for the implementation of corrective action should be agreed. Several non-conformities in the same area of operation may be raised as a single major non-conformity. Similarly, a number of observations under the same section of the Code may be issued as a single non-conformity.

4.6.11. The following arrangements, if put in place by the Company, will assist the auditor(s) in carrying out the audit:

- The appointment of an individual, who is fully conversant with the Company's SMS, to act as audit guide. The guide should make any introductions necessary, arrange for meetings and interviews with Company personnel, provide a steer around the offices and make available the Company's files, reports and other documents as requested.
- The allocation of office space, ideally separate from that used by company personnel, for use by the auditor(s); and
- Access to all relevant documents. Where documentation is stored electronically access to a computer terminal is essential.

4.6.12. Although these arrangements would be beneficial, it might not always be practical to follow this process.

#### **4.7. Safety Management Certificate Audit**

4.7.1. The objective of the SMC audit is to assess the implementation of the Company SMS on board their ships to meet the operational requirements of the ISM Code and to ensure that these are fully implemented and understood at all levels within the vessel. These include:

- Compliance with mandatory rules and regulations; and
- That codes, guidelines and standards recommended by the IMO, flag state, or other industry bodies have been taken into consideration.

These documents may be incorporated into the company's SMS.

4.7.2. The SMC audit should only be carried out on a ship operated by a Company which holds a valid DOC relevant to that ship type. If there is any doubt in this regard BCS HQ should be consulted. Objective evidence should be available to demonstrate the effective implementation of the Company's SMS over a period of at least three months. This should include records of the Company's internal audit of the vessel.

4.7.3. Co-operation between the BCS and the Company/ships is essential in order to establish an audit plan which is convenient to all parties concerned. In order to assess the implementation of the SMS on board, sufficient time must be allowed for an effective audit to be conducted. The scope of the SMC audit will cover all aspects of the vessel's operation and will include verification of compliance with documented procedures, the interview of a random sample of personnel and risk assessments, the examination of documentation and records etc.

4.7.4. The SMC is valid for five years from the date of completion of the initial audit except when an interim has been extended. An intermediate audit is required

between the second and third anniversaries. The intermediate audit should determine the effective functioning of the SMS and ensure that any amendments made since the previous audit comply with the requirements of the ISM Code. Depending on the nature of any non-conformities identified the BCS may consider it necessary to carry out additional verification audits. The Company should conduct audits of its ships, at intervals of not more than 1 year, dependent on the size of the fleet, which allows for a meaningful assessment of the effectiveness of its SMS. The renewal audit should include an assessment of each element of the SMS relating to that vessel and the effectiveness of the SMS in meeting the objectives of the ISM Code. The fees charged for ISM audits should be based on the time taken by surveyors to complete all aspects of the work at the hourly rate applicable at the time of audit. Estimated fees are payable in advance of audits.

- 4.7.5. SMC audits should not be carried out when the vessel is in dry dock/extensive refit as the ship is not considered operational during that time.

#### **4.8. Annual Verification (DOC) and Intermediate Verification (SMC) Audits**

- 4.8.1. A DOC is valid for a period of up to five years and is subject to an annual audit in order to ensure that the Company is continuing to operate its SMS in accordance with the requirements of the ISM Code and to verify any amendments made to it. The audit should include the examination of statutory and class records relating to at least one ship of each type to which the DOC applies. All sections of the Code must be addressed. The annual DOC verification must be carried out within a sixmonth window that falls three months either side of the anniversary date of the DOC. The intermediate SMC verification must be carried out between the 2nd and 3rd anniversary dates of the SMC.
- 4.8.2. If the annual DOC verification or the intermediate SMC verification is not carried out within the specified window, the relevant certificate (DOC/SMC) becomes invalid. When the verification is subsequently carried out, a major non-conformity needs to be raised which can be downgraded on successful completion of the verification. An additional audit would then need to be carried out within 3 months to close out the downgraded major non-conformity.
- 4.8.3. In general, annual and intermediate audits will follow the same process and methodology as the initial or renewal audits. The main difference being that a smaller sample of records may be taken.

#### **4.9. DOC and SMC Renewal Audit**

The audit for the renewal of a DOC or SMC should be carried out prior to the expiry date of the existing certificates. If the renewal audit is conducted within three months of the expiry date of the existing certificate, the new certificate will run for a period of no more than five years from the date of expiry of the existing certificate. In this case a certificate may appear to have been issued with a validity of more than five years. The auditor must ascertain the circumstances under which the certificate was issued. If the audit is conducted more than three months prior to the expiry date of the existing DOC or SMC

then the new certificate will be valid for a period of no more than five years from the date of completion of the audit. The renewal DOC or SMC audit should include an assessment of all elements of the SMS relating to the ship and shore management, address all sections of the ISM Code and evaluate the effectiveness of the SMS in meeting the objectives of the ISM Code.

If the Company holds an interim DOC, the validity of the interim SMC should be 6 months or 12 months if extended, but under no circumstances shall it exceed the date of expiry of the interim DOC. On issuance of the full-term DOC, the full-term SMC may then be issued.

#### **4.10. 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.
- 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.
- Preparing the certificate(s) for issue.
- Preparing the audit report within 15 days from date of audit completion as far as practicable.

#### **4.11. The Audit Plan**

4.11.1. In preparation for an audit the lead auditor should prepare the audit plan and forward it to the Company/vessel prior to the commencement of the audit (preferably a few days prior to the audit).

4.11.2. 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 period 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 and time should be allocated for the same in the audit plan.

#### **4.12. Guidance on typical agenda for opening and closing meetings**

4.12.1. The opening meeting should be chaired by the lead auditor and will usually include the following elements which will be applicable to both DOC and SMC audits:

- Introductions by members of the audit team and the Company's management.

- A record of company personnel who attended the meeting to be included in the audit report; the purpose and scope of the audit to be explained e.g. The ISM Code.
- The audit plan, drawn up in advance, to 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 to accommodate 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 will ensure that in a SMC audit the safety of the vessel and crew should not be compromised at any time and the audit should not affect vessels normal operation like cargo commitments, crew rest periods, doctor going ashore etc.
- The categories of non-conformities should be clearly 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 raised only during the closing meeting.
- Confidentiality of the audit between the Company, BCS 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.
- Disclaimer: auditing is a sampling process, and the auditor(s) may not identify all existing non-conformities; and
- Company representatives should be given an opportunity to raise questions.

4.12.2. 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; and
- 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 additional expenses.



4.12.3. The standard closing meeting agenda (very similar to the opening meeting) will include the following elements and be applicable to both DOC and SMC audits:

- Introductions by members of the audit team and the Company's management.
- A record of company personnel who attended the meeting to be kept and included in the audit report.
- The purpose and scope of the audit to be reiterated.
- The authority of the BCS to conduct the audit on its own behalf, or on behalf of another Flag State, to be re-stated.
- The audit findings to be presented, including both the positives and the negatives (NCN's).
- Confidentiality of the audit between the Company, BCS and any other responsible administration(s) to be reiterated.
- The disclaimer to be clearly explained: that auditing is a sampling process, and the auditor(s) may not identify all existing non-conformities. For example, if no non-conformities are identified in a particular area, it does not necessarily mean that none exist; and if non-conformities are raised it does not necessarily mean that these are the only ones in that area.
- Company representatives should be given an opportunity to raise questions.
- The lead auditor may not continue with an audit if any of the following conditions prevail:
  - There is insufficient time to complete the audit.
  - The conduct and support from the auditees are not acceptable;
  - A major incident/accident has occurred on board/company which might affect conducting the audit.

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

## **4.13. Categories of Audit Findings**

### **4.13.1. 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.

### **4.13.2. 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 normally be closed out within three months from the date of the audit.

### **4.13.3. Major non-conformity**

A major non-conformity means an identifiable deviation which poses a serious threat to the safety of personnel, the ship or to the environment that requires immediate corrective action or 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 to allow the vessel to sail (Ref. MEPC/Circ. 1059 of 16-12-2002).

An additional audit (timed to verify the effectiveness of the corrective action) is required within 3 months to close out a downgraded major non-conformity.

#### **4.14. Human Element**

The achievement of the ISM Code's 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 verified 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.
- On-board training.
- New joiner (crew) instructions.
- Emergency drills.
- Safety committee meetings.
- Routine inspections.
- Navigation under pilotage; and
- Watch keeping at sea.

#### **4.15. Audit Report**

An audit report should be completed to record the audit findings within 15 working days from the date of the audit. The report is confidential between the Company, BCS and any other responsible Administration(s). When BCS has been requested to carry out the audit on behalf of another Administration the report should be copied to that Administration. The Company should receive a copy of the report. 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 agrees. The audit report must be reviewed by another auditor who has not been involved in the audit before it is sent to the client.

#### **4.16. Audit Report for Document of Compliance Audit**

The report should include the following:

- Name of the lead auditor.
- 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 and closing meeting details.
- The types of ships managed by the company.
- The operational patterns of the company's ships.
- Audit plan; and
- Areas covered and audit findings.

#### **4.17. Audit Report for Safety Management Certificate Audit**

The report should include the following:

- Name of the lead auditor.
- 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.
- Audit plan; and
- Areas covered and audit findings.

#### **4.18. Close out of non-conformities**

4.18.1. 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 downgraded to a non-conformity as soon as appropriate initial corrective action has been taken. Corrective action and an agreed timescale for closure against this non-conformity may then be agreed. A significant number of 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 BCS Head Office or the duty surveyor if out of hours. Where a major non-conformity is downgraded in a SMC or DOC audit, at least one additional audit should be carried out within 3 months to verify that effective actions are taken (Ref: MSC Circ. 1059).

4.18.2. When an auditor identifies a potential non-conformity, agreement must be reached with the head of the department or area concerned that the perceived non-conformity exists. Agreement should be reached prior to the closing meeting. Suitable corrective actions and appropriate corrective action

timescales must also be discussed and agreed with the Company. Auditors are reminded that corrective action times cannot exceed three months. If 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.

#### **4.19. Corrective Action**

- 4.19.1. A representative from the Company or ship should propose corrective action which identifies the root cause of the non-conformity and an action to eliminate the same and to avoid re-occurrence.
- 4.19.2. The Company is responsible for ensuring that the agreed corrective actions are completed by the agreed dates as failure to do so may affect the validity of certificates. Corrective action and possible follow-up audits should also be completed within the agreed timescale.
- 4.19.3. Closing out of 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 DPA. This should be accompanied by the appropriate copy of the NCN. When the lead auditor is satisfied that the agreed corrective action has been completed the NCN will be closed out, signed, and returned to the DPA. During annual DOC audits the opportunity should be taken to confirm that NCN's 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.

#### **4.20. Confidentiality of Audit**

The audit and the subsequent reports are confidential (subject to any disclosures under the law) between the Company and any other Flag State Administration on whose behalf the BCS 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.

### **5. Reporting and Filing**

- 5.1. Prior to the commencement of the audit the surveyor should obtain the appropriate documentation.
- 5.2. At the conclusion of the audit the following documents should be submitted to Head Office:
  - Any correspondence between BCS and the Company.
  - Audit plan.
  - Contemporaneous notes (if appropriate).
  - Audit report.
  - Nonconformity notes (if appropriate).
  - Copy of DOC / SMC (initial / renewal audits); and
  - Endorsed copy of DOC / SMC (annual / intermediate verifications).

### **6. Port State Control**

#### **6.1. Examination of Certificates**

- 6.1.1. The DOC and SMC are statutory certificates which will be examined, along with other certificates, by Port State Control inspectors. Each ship should carry the original SMC and a copy of the DOC with the relevant endorsements for the required audits. The copy of the DOC need not be authenticated or certified. Provided technical or operational deficiencies are not identified during an initial inspection carried out in accordance with the Paris MOU procedures and guidelines, there is no need to consider the ISM aspect.
- 6.1.2. Since the PSCO is not carrying out a safety management audit of the SMS during a PSC inspection, the term “clear grounds” is not applicable in this context.

## 7. Particular Issues

### 7.1. Laid up Ships

- 7.1.1. Lay-up: A ship is considered to be in lay-up mode when for commercial reasons or otherwise it has ceased trading for any period of time and the Company has notified the Administration accordingly.
- 7.1.2. Hot lay-up: the machinery and equipment is kept in operation for the sake of fast re-commissioning in 24 hours.
- 7.1.3. Cold lay-up: means the ship is deliberately shut down.
- 7.1.4. Based on the duration, and type of the lay-up, determine the scope and depth of the audit, which may vary from case to case (see table below).

Lay-up Mode	Hot			Cold	
	The ship is fully operational for 24 hours			The ship is deliberately shut down	
Lay-up Periods	<3 months	3<12 months	>12 months	<3 months	>3 months
SMC	As in operation	To be revalidated	Invalid	To be revalidated	Invalid
Audit	Not required	Additional (scope initial)	Interim	Additional (scope initial)	Interim

- 7.1.5. On satisfactory completion of the shipboard audit, the existing SMC should be endorsed or renewed in accordance with the above table.
- 7.1.6. By way of exception, where a Company manages a ship, which only operates seasonally, the Company should establish specific procedures for the lay up period and reactivation, based on their commercial activities (FR).

### 7.2. Submersible Craft

It needs to be borne in mind that the operation of a submersible craft is very different from conventional ships. Some of these may have a mother craft associated with its operations. The so-called master of the submersible might be on the mother craft, the submersible being operated by the pilot. In such cases compliance with section 5 of the ISM Code needs to be verified. Guidance on the operational aspects is available in MSC/Circular.981.