

## **What is an audit?**

**With so much confusion circulating in the maritime industry about ISM, ISPS and ISO, Karl Jeffery, editor of Digital Ship, talked to Lloyd's Register about what the audit process actually is**

Auditors look at management processes and their effectiveness, both onboard vessels and in offices.

An audit therefore differs from a classification survey, which looks at the technical aspects of a ship's hull and associated equipment.

Currently, there are four audit processes widely used in the maritime industry: all ships need an International Safety Management (ISM) audit (safety); all ships will need an International Ship and Port Facility Security (ISPS) audit by July 1, 2004 (security); and several shipping companies in Europe, the UK and Asia also opt to achieve ISO 9000 (quality) and ISO 14000 (environment) certification.

An important point to note is that an audit is not an inspection; it does not look at specific items of equipment but asks how ships and shipping companies manage their quality, safety, environmental and security business through implementation of procedures.

The maritime industry first began to submit itself to audited standards in 1996, with Lloyd's Register Quality Assurance issuing many of the first ISO 9001 marine-related certificates. The ISM and ISPS Codes are both structured around ISO 9001 principles.

The audit process has two main purposes: to enable a company to demonstrate the standards it works to and to help the company to continuously improve its standards.

### **Processes, not checklists**

Lloyd's Register has created an auditing culture which does not involve the use of checklists.

"If you use checklists, you potentially limit your vision to the extent of the checklist," explains Captain Andrew Mitchell, Lloyd's Register EMEA's Manager of Marine Management Systems. "We train our auditors to audit and not to inspect."

Many seafarers complain that the ISM Code is simply a paperchase; according to Captain Mitchell, however, if they feel like this, there is a problem with the company management system, not with the Code itself.

The audit process is about an experienced professional assessing if a shipping company complies with the standard and implements its procedures effectively. Checklists simplify the process of assessing compliance with a specific standard by reducing the process to a series of 'yes' or 'no' questions, but they also limit the scope of the audit.

Audits are about processes, looking at the way companies do things, not what they specifically do or have done.

Auditing is ultimately a very human skill which cannot be automated, Captain Mitchell believes; Lloyd's Register's auditors are trained to a very high standard and trained to have an in-depth understanding of the specific requirements of a standard, and to assess how well a company meets them.

### **Combining audits**

In a recent coup, Lloyd's Register won a contract to handle all of the auditing for shipmanagement giant V. Ships, involving ISM, ISPS, ISO9001 and ISO 14001. Lloyd's Register is able to provide this service, says Captain Mitchell, because it has a global network of auditors who are capable of auditing to multiple standards.

The company employs 300 auditors in 132 ports around the world, all trained to audit for ISM Code compliance. Many of these also audit the ISO Standards and 200 will be certified to do ISPS audits by the end of March 2004. An auditor trained in more than one standard can audit multiple standards simultaneously.

"Training our staff is a major investment that we make," says Captain Mitchell. "Not only do we create a valuable asset, but our clients benefit significantly as auditing to more than one standard is much more cost-effective." One of the major cost elements of any audit is getting the right auditor to the right place at the right time. The wide, multi-skilled LR network of auditors reduces the cost element.

Some hold the view that the ISPS Code is merely another management system and indeed may have formed part of the existing ISM Code without the need to create additional legislation.

By combining ISPS and ISM audits where practical and possible, Lloyd's Register has effectively managed to achieve a level of harmonisation, enabling shipping companies to link together their efforts to comply with both standards.

## **V. Ships**

This logic was not lost on V. Ships, which asked Lloyd's Register to replace DNV for the auditing of 10 management offices, all crew manning offices and 250 ships under its full technical management. Lloyd's Register tabled a proposal which included the rationalisation of documentation indicating compliance, as well as the harmonisation of audits, reducing time and cost for V. Ships.

"Owners are becoming increasingly concerned over the cost implications of all the new requirements, e.g. the ISPS Code," said Nigel Adams, head of risk management at V. Ships. "As managers, we were looking for ways of streamlining the whole process of certification and audit while maintaining the highest possible standards."

The company went to DNV, Lloyd's Register and ABS and asked them all for specific proposals covering ISM, ISO9001, ISO14001 and ISPS.

"The remit was not only to provide a cost-effective service, but to come up with innovative proposals that would improve on services offered and would add efficiencies into the process," says Mr Adams.

"We looked for initiatives that would cause minimum disruption for staff both ashore and afloat, that would harmonise ship audits and provide ready access to support staff, probably through the location of a project manager within one of the main offices. We are aware that costs must be kept to a minimum but that service and quality cannot be sacrificed for savings alone," he said.

"In the end we had to choose the one class society that we believed met our needs the best and the all embracing approach of Lloyd's Register, which, among other benefits, offered a seamless transition, won the day," he said.

## **Long term benefits**

It is important to note that it can take up to 10 years for the implementation of a management system to show any real benefits, says Captain Mitchell.

The objective must be to create a culture in the workforce to make people more continuously aware of safety, security and quality issues.

Take ISPS for example; there are specific actions required by the Code, like keeping a check on who comes on-board. The culture associated with this is that crewmembers should be vigilant at all times.

"There are many shipping companies that have benefited tremendously from management systems" comments Captain Mitchell, "but it will take many years for the culture to be established."