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ANY OTHER BUSINESS

IMO/IACS cooperation on the IACS Quality System Certification Scheme (QSCS)

Note by the Secretariat

SUMMARY

Executive summary: This document reports on the Quality System Certification Scheme (QSCS) of the International Association of Classification Societies (IACS).

Strategic direction, if applicable: Other work

Output: OW 9

Action to be taken: Paragraph 8

Related documents: MSC 101/23/4; MSC 102/22/1 and MSC 102/24 (paragraph 1.13); MSC 103/20/4 and MSC 103/21 (paragraph 20.14); MSC104/18 (paragraph 17.14); MSC 105/19 and MSC 106/19 (paragraph 18.3)

Background

1 MSC 59 (May 1991) considered a proposal by IACS that IMO should participate in the IACS QSCS and MSC 62 (December 1992), decided to do so and noted that the Secretary-General, following consultation with the MSC Chair and IACS, had appointed an IMO consultant/observer to participate in the IACS QSCS, at no cost to the Organization, and to report on the Scheme. The arrangement has been renewed several times over the years and MSC 99, having noted developments in the Scheme, agreed to the indefinite continuation of the IMO consultant/observer's participation, subject to any future decision of the Committee in this regard.

2 QSCS is a quality management scheme incorporating the IACS Quality Management System – Requirements (IQMSR), which is the management standard against which IACS members are audited. IQMSR is based on ISO 9001 supplemented with additional requirements specifically relevant to classification societies and IACS resolutions (e.g. Unified Requirements (UR), Procedural Requirements (PR), Unified Interpretations (UI), Common Structural Rules (CSR) etc.) details of which are available on the IACS website www.iacs.org.uk and as detailed in IACS Procedures Volume 3 (Rev.12, January 2023). IQMSR addresses all of the provisions contained in the Code for Recognized Organizations (RO Code). The audits of IACS members, and those classification societies considering

applying for membership of IACS, are conducted by independent accredited certification bodies (ACBs) currently verified by IACS as compliant with the requirements described in QSCS. Starting in early 2023, three ACBs will be undertaking audits of the 11 IACS members.

IMO consultant/observer

3 The IMO consultant/observer participates in IACS QSCS and, through the Scheme and selected activities, monitors the performance of the IACS member societies against the requirements of IACS QSCS and their implementation of functions as recognized organizations (ROs) and reports to the Committee on developments in the Scheme and on any matters that are of interest to its work.

Reports to the Committee

4 Following the Committee's consideration of the report of the consultant/observer (MSC 101/23/4) to MSC 101 (June 2019), consideration of the reports to MSC 102 (MSC 102/22/1) and MSC 103 (MSC 103/20/4) was postponed because of time constraints due to the remote meeting modus during the pandemic. Both reports were subsequently noted at MSC 104 (MSC 104/18, paragraph 17.14). Again, owing to time constraints, MSC 105 also postponed consideration of the report of the consultant/observer (MSC 105/19) which was subsequently noted at MSC 106 (MSC 106/19, paragraph 18.3). The report in the annex covers the activities of the consultant/observer from the date of the report to MSC 105 (9 February 2022) to the date of issue of this document.

COVID-19 pandemic

5 In 2020 and 2021, the COVID-19 pandemic disrupted the normal methodology and practices of the IACS QSCS audits by the ACBs and also the opportunities for their observation. The situation improved in the second half of 2022 as online events were slowly replaced by in-person or on-site events. The experience gained with remote auditing techniques during the first years of the pandemic ensured that, as far as practicable, planned audits of Head Offices (HO), Controlling Offices (CO) and Plan Approval Centres (PA) were successfully completed, either through totally remote auditing or by a hybrid arrangement whereby at least one auditor was on-site with others attending remotely. Details of activities since the last report to the Committee are given in the annex.

6 The IACS guiding principles and advice to assist flag States in determining the approach to the validity of ships' statutory and classification certificates as a result of the limitations caused by the pandemic were reflected in amendments to IACS' own resolutions and incorporated into guidelines promulgated by the Organization, such as *Coronavirus (COVID-19) – Guidance for flag States regarding surveys and renewals of certificates during the COVID-19 pandemic* (Circular Letter No.4204/Add.19/Rev.2). In response to the improving situation globally, the IACS position paper/policy statement on COVID-19 was withdrawn at the end of 2022.

IACS membership

7 On 11 March 2022, owing to the sanctions imposed by the United Kingdom, where IACS Ltd is domiciled, as a result of the armed conflict between the Russian Federation and Ukraine and following receipt of external legal advice regarding legal compliance, the IACS Council adopted a resolution resulting in the withdrawal of the Russian Maritime Register of Shipping's (RMRS) membership of IACS, thereby reducing the number of IACS members to eleven.

Action requested of the Committee

8 The Committee is invited to note the information provided in this document and its annex and take action as appropriate.

ANNEX

IACS QUALITY SYSTEM CERTIFICATION SCHEME (QSCS) Consultant/observer's report to IMO

GENERAL

QSCS: Continuous improvement

1 As part of the continual improvement of QSCS, each year Focus Areas requiring specific attention during the QSCS audits of IACS members are established. A risk-based approach to the identification and development of the Focus Areas for 2022 was used by IACS Operations Centre (OC) taking into account the lessons learned during the COVID-19 pandemic; the nature of audit findings; the related trends, plus feedback from ACBs and the IACS Advisory Committee (AVC). The Focus Areas were agreed jointly with the Entity for the Quality Assessment and Certification of Organizations Recognised by the European Union CIC (QACE),

2 The three Focus Areas adopted for 2022 were:

.1 implementation of the Procedural Requirements (PRs) revised as a consequence of the COVID-19 pandemic:

(PRs 1C – on Suspension and reinstatement or withdrawal of Class in case of surveys, conditions of Class or recommendations going overdue; 6 – on Activity monitoring of surveyors, plan approval staff and auditors/inspectors; 10 – on Selection, training, qualification and authorization of Marine Management Systems auditors; and 10B – on Selection, training, qualification and authorization of maritime labour inspectors).

.2 compliance with new IMO requirements entering into force including effective implementation in classification society rules, survey instructions, reporting systems and training, as appropriate. Particular attention should be given to present and planned emission control measures.

.3 effectiveness of internal audits and members' internal Vertical Contract Audit (VCA) programmes including the use of remote audit techniques, if used.

MONITORING AND OVERSIGHT

3 The IMO consultant/observer monitored the performance of IACS member societies and developments in the requirements of IACS QSCS through attendance at, or remote participation in, the following meetings and events: Quality Committee: (QC 56, March 2022 and QC 57, September 2022); Advisory Committee: (AVC 49, May 2022 and AVC 50, October 2022); End-user workshop (November 2022); and the ACB auditors' seminar (January 2023). In addition, the IMO consultant/observer had meetings with the IACS Quality Secretary (QS); attended and observed ACB Head Office audits of two IACS member societies and also one applicant society; and participated in meetings of the International Quality Assurance Review Body (IQARB).

Quality Committee: QC 56 and QC 57

4 QC 56 was hosted online by the OC and chaired by the ABS QC representative. A key item of discussion at QC 56 was the outcome of the AVC's consideration of the long-running OC concerns, raised originally at QC 52 (September 2019), following its review of 10 years' experience of the work of ACBs. In response, a High-level Working Group (HLWG) consisting of the QC chair, QS, an IACS Council member and AVC representatives had been established to consider the issues identified. A range of options had been considered for the way forward and, as an interim and short-term solution, it had been agreed to make some amendments to Volume 3 of the IACS QSCS Procedures aimed at empowering the OC. In this proposal, issues that could not be resolved between an ACB, a society and OC would be considered by QC and ultimately Council. The AVC would also be informed in the case of any referral to Council. More detailed information on the amendments eventually adopted is given in paragraph 8 below.

5 It was also noted that the anonymous observation reports prepared by OC for information had not been considered by either QC or AVC and, as consequently none had been prepared or posted since 2017, it was agreed that they be discontinued and the requirement removed from Volume 3. In addition, the QS opined that the annual ACB performance benchmarking could be improved and the system set up originally to "gauge" the performance of auditors at the annual auditor training/seminar could now be discontinued in light of the introduction of confidential feedback between OC and individual ACB auditors and the effectiveness of ACB auditor seminars for sharing experiences and providing guidance. The QC periodical review of IACS Procedural Requirements (PRs) number 6 – on Activity Monitoring of Surveyors, etc., 7 – on Training and Qualification of Survey and Plan Approval Staff and 39 – on Fleet Quality Monitoring, did not result in any proposals for amendment.

6 QC representatives reported on progress with their own society's audit programmes under COVID-19 restrictions. Many office audits continued to be conducted remotely and audits, particularly VCAs, remained challenging due to the inevitable travel and health-related restrictions in many parts of the world. It was agreed that the IACS policy statement (Rev.8, May 2021) on COVID-19 impact on QSCS remained pertinent and should be retained for the time being (see also paragraph 16). It was noted that a unified requirement (UR) was under preparation on remote surveys with possible guidance to follow on minimum time to be allocated for remote audits. It was also noted that International Accreditation Forum (IAF) guidance on ISO 9001 audits already includes an additional time allocation of 20% for IACS QSCS audits.

7 As the restrictions imposed by COVID-19 were being eased, QC 57 was a hybrid meeting hosted in Gdansk by the newly re-appointed QC Chair from the Polish Register, with half of the Committee joining remotely. The newly appointed QS also attended.

8 The QS reported to the Committee on his consolidated report on QSCS to the IACS Council, including providing an update on IQARB matters, the IACS (COVID) Task Force, AVC matters related to the HLWG on OC concerns and the QSCS Annual Review. The QC Chair advised that work was ongoing in drafting amendments to the QSCS procedures in Volume 3 to implement QC 56 actions and HLWG recommendations on OC concerns, covering: the planning and observation of ACB audits; assignment of auditors/lead auditors and their rotation; the review of findings; more active participation of OC in audits to ensure audit credibility and effectiveness; the terms of reference of QS and QC; anonymous observation reports; the gauging of ACB auditors; and harmonization of some terms. Future OC concerns would be dealt with at the lowest level (i.e. during audit) with escalation by OC direct to Council expected to be rare. The amendments were incorporated in a revised Volume 3 (Rev.12) which entered into force in January 2023, after review by the relevant IACS bodies and panels.

9 OC reported that, as much experience had been gained with remote audits, ACB performance benchmarking 2021 could be conducted fairly and consequently this was done. No VCA's were observed and most audits were observed remotely. The revised benchmarking criteria agreed at C 84 was used. All ACBs satisfied the benchmarking criteria of 80% of best in class. As in previous QC meetings, concerns over auditor age profile, ACB auditor succession planning and medical issues were also discussed, without decision. In discussing the comprehensive QSCS Annual Review for 2022, which includes, inter alia, an analysis of audit findings, focus areas, OC observations and performance, internal benchmarking and ACB benchmarking it was questioned whether it was too detailed and met the objective of 'identifying areas for continual improvement' as required in Volume 3. This issue will be considered in future on the basis of proposals to be developed by the QC.

10 On other issues, the Committee was keen to understand the proposed arrangements for future interaction between the work of the IQARB Technical Committee (TC) and the IACS QC, including clarity on the ownership of QMSR and the position vis-à-vis QSCS, which includes IACS PRs and other resolutions. The developments within DG MOVE on the revision of the third Maritime Safety Package was of interest, in particular the developments on EU RO Oversight and the consultation on article 14/regulation 391.

Advisory Committee: AVC 49 and AVC 50

11 AVC 49 was a hybrid meeting held at the offices of IACS in London with some members on-site and others attending remotely. The meeting was chaired by the USCG representative. Recent and anticipated changes to the AVC membership in respect of the IMO, P&I clubs and shipowners (ICS) representatives were noted.

12 The Committee received an update on developments on the work of the HLWG on OC concerns, comprised IACS and AVC members, that had been established to take matters forward. At its meetings earlier in the year the HLWG had agreed its first set of recommendations to be included in Volume 3. The Committee noted that the preparation of the necessary amendments had been undertaken by a small group comprising three members of the QC (ABS, IRS, and the chair) plus OC staff. The key aim of the various amendments was to set out a clear set of responsibilities for the various IACS bodies involved in QSCS and to remove any constraints on the OC to refer matters to Council, if considered necessary.

13 In considering COVID-related issues, the AVC noted that access to ships remains problematic in some areas of the world and VCAs remain difficult to arrange and undertake. The regional nature of the pandemic had led to some imbalance in the level of auditing with some locations being over-audited where less pandemic-related restrictions exist. AVC recommended that consideration be given to this imbalance in the 2023 audit programme. A discussion on the scope and extent of use of remote audits allowed experiences to be shared and suggestions made about an analysis of the use of remote audits and the possibility of new IACS policies and/or guidance. It was noted that IMO was set to discuss the use of remote audit and IACS had submitted a document on the matter. The fact that the ACBs work to the IAF standards and that there is IAF guidance on remote audits was also noted. The IQARB chair gave a recap of the development of IQARB and a status report following the hybrid IQARB 4 meeting held in London earlier in the year and drew attention to the good momentum of the work.

14 AVC 50 was again a hybrid meeting at the offices of IACS in London with the majority of members on-site and others attending via videoconference. The USCG representative chaired the meeting. The Committee noted that the vacancy for a shipowner representative had been filled and that a representative of the Shipbuilders Association of Japan will continue to sit on AVC for the time being.

15 AVC received a series of draft amendments to Volume 3 (see paragraph 8 above) and was given the opportunity to comment. A number of comments and questions were raised on the draft texts for clarity and accuracy and the QS was tasked with taking them on board before final submission to the Council and planned adoption and entry into force early in 2023. The QC Chair was also tasked with some work on definitions. As had been noted above, the amendments all aimed at empowering the QS to take early action in the event of future OC concerns with a direct escalation route to the IACS Council, should the need arise.

16 On COVID-19, the Committee agreed that the IACS position paper/policy statement be allowed to lapse at the end of the year and be removed from the relevant COVID-19 pages on the IACS website. AVC was also updated on developments and progress with IQARB. Attention was drawn to the documents submitted to MSC 106 proposing that IQARB factual statements might be used as part of RO oversight by Member States.

End-user workshop 2022 (29 and 30 November 2022)

17 This was the first face-to-face workshop since 2018. The aim of the workshop is to bring together all the key stakeholders in the Scheme and other organizations with an interest in IACS QSCS. Presentations were made by IACS OC and QC chair, EC, IQARB chair, QACE and the IMO observer, plus representatives of three IMO Member States (Liberia, UK and USA) and the three ACBs (BSI, Dekra and SGS). The workshop was chaired by the AVC chair. A number of non-IACS classification societies also attended. The IACS Secretary-General gave a brief introduction and reminded attendees that Quality is one of the four pillars of IACS and that QSCS underpins IACS constant improvement. He drew attention to the development of a six-year strategic plan and commented favourably on the development of IQARB.

18 The QS provided feedback from the OC and reported on the results of the benchmarking exercise for 2021, noting that all ACBs were above the 80% threshold. He explained the seven criteria used (and related sub-criteria, 240 points in all) and the aim to demonstrate a robust and consistent audit standard to ensure the integrity of the QSCS. By the end of November 2022, 40% of office audits had been conducted remotely; 25 of the scheduled 28 new build VCAs had been completed and 97 (of 114) other VCAs done (ISM DOC etc.). The QS reported positively on an improving situation through 2022 and he recognized with thanks the way that ACB auditors had overcome the many challenges caused by COVID-19. It was noted that there will be only three ACBs (previously four) from the start of 2023 (BSI, Dekra and SGS). The workshop was also advised of the three joint Focus Areas for 2023.

19 As noted above (paragraph 16), the QC Chair reported that the IACS COVID-19 position paper was to be revoked at the end of 2022 and that the existing guidance on remote auditing, i.e. in exceptional and justified circumstances, remained relevant. He also reported on the amendments to Volume 3 (see paragraph 8) related to the outcome of the considerations of the OC concerns from 2018 with the aim to strengthen the role of the QS to take action in the light of any identified ACB audit shortcomings.

20 The issue of remote auditing was discussed in depth at various times throughout the workshop and various views expressed. All realized that, with the experience gained over the previous two years, remote auditing was feasible and effective but was not necessarily equivalent to on-site work. Issues raised included: reducing screen time, shorter days when there are large time differences and language issues. More pre-audit preparation was among the proposals to improve remote auditing. Other suggestions included setting an upper limit for each year (e.g. 20%) and undertaking an analysis of experience to date across the IACS membership.

21 Presentations were made by representatives of three IMO Member States (Liberia, UK and USA (USCG)). All explained their respective RO oversight mechanisms and monitoring activities. All supported the development of IQARB. The IQARB chair gave a

detailed recap of the development of IQARB and a status report, emphasizing that IQARB was a journey and that transparency and independence are key to its success. He noted the positive progress at MSC 106 and looked forward to further progress at III 9 and welcomed greater engagement by flag States.

22 QACE reported completion of 70 assessments to date in 2022 (of which 53 were conducted remotely). The good knowledge and experience of ACB auditors and the robust audits were welcomed. DG MOVE gave a presentation on the initial Commission proposals to implement article 14(1) of regulation EC 391 (2009), which requires the development of criteria to measure the effectiveness of recognized organizations. Presentations were also made by the three ACBs. All drew attention to the increased use of remote auditing due to COVID-19 and also issues related to auditor numbers, skills and recruitment, without any clear way forward. There are currently 14 IACS approved auditors available but most are 60+ years of age. The situation is well known but little effective response to the potential problem is evident.

ACB auditors' seminar (24 to 26 January 2023)

23 The 2023 Seminar for Accredited Certification Bodies' (ACBs) auditors was hosted by Lloyds Register (LR) in Southampton, UK. As this was the first in-person seminar after two years disrupted by COVID-19 (seminars in 2021 and 2022 were held online), the participants took full advantage of the opportunity to exchange views, share experiences and offer comments on the many topical issues discussed. Eleven ACB auditors (of 14) attended the Seminar. The event was organized and led by IACS Operation Centre (OC) staff. The LR Head of Regulatory Affairs provided an overview of the new IMO and IACS rules and regulations entering into force in 2023.

24 After introducing changes to the OC team since the last seminar – the new Quality Secretary and an Audit Manager – the OC provided an overview of issues related to COVID-19 and its impact on 2022 Audit Programme, viz: 43% of audits were undertaken remotely and nine (of 11) Head Office audits held on-site. All of the office audits for three societies (27%) were conducted on-site. In a general discussion, on-site audits were considered more robust whereas remote audits had a role in particular and limited cases. The decision to use online audits lies with the ACB taking into account relevant IACS guidance. Feedback was provided by OC on the Focus Areas during observed audits and on specific issues of interest to ACB auditors arising from IACS meetings and workshops; the Quality Management Review and Benchmarking findings; and the agreed amendments to Volume 3 to address the OC concerns. Particular attention was drawn to the new requirement for ACBs to plan the rotation of audit team leaders and auditors. Timeliness was also a theme in discussions on the annual audit programme with OC noting that late changes to dates and locations resulted in 18 versions of the 2022 plan. Many ship-in-service VCA audits were postponed, ostensibly due to COVID-19 restrictions, but the auditors expressed the view that, in some cases, it appeared that shipowners may have used this as a justification to avoid or delay audits.

25 In considering ACB auditors' specific issues, the guidance on selection of ship-in-service VCAs (Volume 3, Annex 8, paragraph 4) was discussed with a request to broaden the selection criteria. OC will raise this at the next Quality Committee meeting. Clarification was also given on the application of VCAs to floating docks; the appropriateness of endorsing a class certificate for the third annual survey but not the required intermediate survey (UR Z7); and whether IACS QSCS audits should also address Marine Equipment Directive (2014/90/EU) certification (applicable to ships on EU registers).

26 As in previous years, the OC had selected a number of examples of actual auditor findings for discussion. Both good and poor examples were discussed (anonymously). Of particular interest at this seminar was a case study of a critical situation that occurred during a ship-in-service vertical contract audit (VCA). Critical situations are defined in Volume 3 (11.1). The case study was very much in line with one of the examples given in Volume 3 and related

to evidence of gross non-conformity with class/statutory requirements which may lead to potential threat of danger for the safety of life at sea or of damage to the environment. The case sparked considerable discussion on the appropriate action to be taken by auditors when faced with such a situation and provided a good learning opportunity.

Attendance at ACB audits of classification societies

27 As part of the consultant/observer's activities, a limited number of societies' audits conducted by ACBs are observed every year. In the period under review, two five-day Head Office surveillance audits of IACS members were observed on-site and one five-day Head Office audit on-site of an applicant society aiming to demonstrate compliance with QSCS – one of the requirements to gain IACS membership.

28 As the last applicant society to gain IACS membership was in 2011, it was instructive to observe the work of the ACB in an unknown setting without any prior audit knowledge. Among other things, the audit programme covered rule development and statutory legislation; ships-in-service; quality management; fleet monitoring; new building; surveyor and auditor qualifications and training; IT services; plan approval and engineering and also overall management. The Focus Areas were also included in the programme. The overhaul of many procedures over time and the development and introduction of new information systems demonstrated well the clear intent to gain IACS membership. In addition to the Head Office audit, audits of two survey locations and 12 VCAs, six of which on ships-in-service, were also planned. The benefits of introducing a risk-based fleet quality monitoring system – IACS PR 39 – (including removing poorly performing ships from the register) was demonstrated through the reducing frequency of detentions under port State control over time.

29 A common theme in the other Head Office audits was the increasing use of, and reliance on, comprehensive computer systems for data analysis and monitoring of performance. In comparison with previous years, there were a higher number of audit observations, probably reflecting the fact that on-site audits had not been held in the previous two years and internal audits scaled back. Many remote surveys, force majeure cases and certificate extensions were occurring with previous survey history and fleet performance used to determine potential risk. The focus on training and qualifications for GHG, EEDI, new fuels and cargoes demonstrated the need for additional skills and training resulting in a high demand for expertise and some challenges for recruitment.

IMO CONSULTANT/OBSERVER'S COMMENTS AND CONCLUSIONS

30 The gradual reduction over the year of the restrictions put in place due to COVID-19 has resulted in a welcome return to on-site events and audits. The consultant/observer shares the general view of IACS and the ACBs that, while remote auditing and observation has demonstrated that it is a viable and practical option, on-site and face-to-face audits are more effective and preferable, when and where practicable. Good planning, records in accessible (electronic) format, reliable technology and sufficient time are prerequisites. The development of guidance on the circumstances when auditing remotely is appropriate is to be welcomed. The fact that the three ACBs utilize the services of 14 IACS approved auditors provides for a measure of standardization across the QSCS but not full interchangeability due to the limited numbers. This remains a challenge and a potential risk to the Scheme, which the recently- adopted amendments to Volume 3 may go some way to address. The identification of Focus Areas annually and their close scrutiny in audits provides impetus for improvement. The lessons learned throughout the audits, including analysis of findings, are effectively collated for future feedback to the quality system and used effectively in the auditors' seminar.