

LOCAL VESSELS ADVISORY COMMITTEE
Audit Survey of Local Vessels Surveyed by Authorized Surveyors

Purpose

This paper seeks members' views on the revised procedures for audit survey of local vessels surveyed by authorized surveyors (ASs).

Background

2. Under Section 7 of the Merchant Shipping (Local Vessels) Ordinance (Cap. 548), the Director of Marine (DM) may authorize a person as an AS to carry out survey or approve plans of local vessels for the purpose of Cap. 548 subject to such conditions as DM thinks fit and specified in the authorization. At present, ASs can conduct surveys and approve plans of low-risk Class II vessels, Class III vessels and certain types of Class IV vessels. Under Section 7(4) of Cap. 548, the Marine Department (MD) may from time to time conduct survey on any vessel in respect of which an AS has carried out the services. The audit survey is to ensure that the vessels comply with the established safety and survey requirements.

3. MD has recently completed a review of the existing arrangements for audit survey of local vessels surveyed and plans approved by ASs and prepared revised procedures for audit surveys with a view to enhancing the efficiency and effectiveness of the auditing work. In drawing up the revised procedures, MD has taken into account the comments in a recent study report of the Independent Commission Against Corruption on the Authorization and Monitoring of ASs.

Revised procedures for audit surveys

4. Under the current audit survey procedures, 10% of all the vessels surveyed by ASs are randomly selected for audit and there are often long delays of audit survey on a significant proportion of selected vessels.

5. To improve the efficiency and effectiveness of the auditing work, the following changes in the audit procedures will be introduced:

- (a) A suitable ratio of vessels in each class of vessels surveyed by each AS will be fairly selected for survey. The total number of vessels to be audited may be less than 10% of the total number of vessels surveyed by all ASs.
- (b) Before the completion of audit survey on a selected vessel, a Certificate of Survey (CoS) lasting for three months will be issued to the vessel concerned. No further CoSs will be issued to the selected vessel before the completion of the audit survey unless in exceptional circumstances where the vessel owner/agent has genuine difficulties, which are supported by documentary proof, to make arrangement for MD to conduct survey on the selected vessel. Upon the completion of audit survey, MD will issue a CoS which will cover the remainder of the normal CoS validity period for the vessel concerned.
- (c) The plans approved by ASs will be audited following the principles in (a) above.

The revised procedures above will facilitate a fair and effective selection of vessels/plans for auditing purpose, and to ensure that the audit surveys on selected vessels are conducted within a reasonable period after the completion of survey by ASs on the vessels concerned. It is worth noting that the conditions of a selected vessel may change after a survey by an AS. A long delay in conducting audit survey on a selected vessel may give rise to legitimate doubts on the reliability of the audit results and it will defeat the purpose of the audit survey.

Consultation

6. MD has consulted the Sub-committee on Survey Work of Local Vessels, Sub-committee on Class II Vessels and Sub-committee on Class III Vessels under the Local Vessels Advisory Committee. Some members are of the view that the validity period of the CoSs of the selected vessels should be extended from one month to three months in order to meet the daily operations of the vessels. As the above amendments involve significant changes against the self-regulatory practice of arranging audit surveys of vessels by the industry in the past, MD takes into account the impact on the daily operations of the industry while enhancing the effectiveness of the audit surveys. Therefore, the validity period stated in paragraph 5 (b) above is revised from the originally proposed one month to three months, which will be subject to further review in the light of the results. **In addition, some members deem that under the current**

procedures for audit surveys, there is often a time gap between the completion of survey by an AS and the receipt of audit survey notification by the vessel owner or agent. At the time the notification is received, the vessel may have work commitments and arrangement for audit survey cannot be made shortly. Members suggest that MD should, on receipt of Notices of Engagement, select vessels for audit surveys so that it can notify the vessel owners or agents concerned immediately after receiving the selected vessels' Declarations of Survey. MD notes members' suggestion and will review the current audit procedures to further shorten the time gap. The progress of the review will be reported in next meeting. Meanwhile, ASs are advised to submit the Declaration of Survey to MD as soon as possible after the completion of survey on a vessel.

Apart from that, members agree to the revised procedures for audit surveys.

Advice Sought

7. Members are invited to comment on the revised audit procedures in paragraph 5 above.

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