

Name of company Transocean Offshore Deepwater Drilling Inc.	DNV id. no. 195724	Job Id.. 196115
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Summary

The North America Division branch office of the subject Company was attended to carry out an ISM Code DOC Periodical Branch Office Audit, together with an ISM Code DOC Additional Branch Office Audit to confirm satisfactory implementation of corrective actions regarding the rig "DISCOVERER DEEP SEAS" having gone overdue for Intermediate SMC Audit (ref. CA 627 and NC 1 of 2010-04-11).

The audit was carried out as per the attached audit programme agreed with the Company representative. Purpose of the audit was to assess the ability of the Safety Management System (SMS) to meet the provisions of the ISM code, and on a sampling basis, to ensure that these were implemented and understood at all relevant levels of the organisation of the Company. Specific flag state requirements were audited on a sampling basis.

The methods used to verify the ability of the company's SMS to meet the objectives of the ISM Code included:

- Review of the SMS documentation, with emphasis on all modifications and amendments since previous document review. Verification that changes to the SMS documentation comply with the requirements of the ISM Code, and that despite any such changes, the overall SMS continues to comply with the ISM Code and relevant national requirements.
- Discussion and interview with personnel at all levels in the Company, holding responsibility for functions within the SMS, to verify that these personnel know and support company policies and procedures necessary for meeting requirements of the ISM Code and national requirements.
- Examination of records and other objective evidence having the potential to facilitate verification of compliance with the ISM Code. Records from: class; statutory certificates; internal audits; master's reviews; management reviews; corrective actions; maintenance records; records of emergency exercises and other relevant reports have been reviewed as objective evidence. This includes review of the Company's two-way ship-shore and internal reporting and communications links vital to the effective functioning of the SMS.
- A review of non-conformities reported in relation to previously conducted external audits of the company and a sample of ships, verifying the effectiveness of corrective actions taken, including investigation and analysis aimed at avoiding future recurrence of detected deficiencies.

The audit was based upon a sampling process. When no non-conformities or other findings have been identified in a certain area does not mean that they do not exist there. The Company is responsible for determining and initiating corrective action needed to correct any non-conformity and its cause.

Observations

1. Completed satisfactory ISM Code Branch Office Periodical Audit together with Additional Audit to confirm implementation of corrective actions regarding an external non-conformity regarding ensuring timely scheduling and follow-up of external audits and surveys (i.e. CA 627, "DEEP SEAS" recent, past ISPS ISSC Intermediate Verification completed outside window).
2. Last external audit of this office was 2006-12-11, and external Company audit plan not found available. This is in progress with DNV Houston and Company to be reviewed, agreed upon and established in writing.
3. Also with regard to the above, it is noted that the office is managing more than 10 ISM certified rigs. DNV and Company to review frequency of branch office, external audits, as DNV guidelines indicate offices with direct management responsibilities are to normally be audited externally on a more frequent (annual) basis.
4. Increased focus and attention was clearly evident to ensure all surveys, outstanding requirements are reviewed and followed up in proper fashion. This includes monthly, scheduled meetings regarding each rig's status with respective class societies.
5. Company's internal auditing program found well implemented and observed reports found to be thorough and detailed.
6. Status of training of Company's offshore personnel noted to be well monitored, with sampled rigs noted to be achieving 90% compliance to the Training Matrix. Company is in process of implementing a Training Matrix for onshore personnel.

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Non-Conformities, Conditions and Memoranda – Given		Due Date
NC 1	<p>Severity: Normal</p> <p>Compliance with mandatory rules and regulations; Implementation of corrective action</p> <p>Finding(s) / Objective Evidence: [ISM Chapter 1.2.3.1: Compliance with mandatory requirements, laws and regulations] Procedure not adequately defined</p> <p>An external ISM audit was carried out in April 2008 on the Transocean Driller operating offshore Brazil, and 8 non-conformities and 2 observations were issued based on deficiencies with the safety management system operating on board and local Coastal State requirements. The non-conformities were deleted based on the Corrective Action Plan proposed, with the proviso that the effectiveness of the corrective action implemented would be verified during the next audit. The corrective action was closed in the Focus deficiency tracking system within Transocean, indicating that it had been successfully implemented. The Flag State requested that a follow up audit be carried out by DNV, and during this audit (carried out March 2009) it was discovered that the corrective action had not been implemented as reported. A Major Non-Conformity was then issued and a further corrective action plan was proposed. The Major non-conformity was then downgraded to a non-conformity.</p> <p>Within Transocean a procedure exists for the implementation of corrective action, and a deficiency tracking system exists, however currently there is no means to verify that corrective action has actually been implemented as reported.</p> <p><i>Immediate Corrective Action: The Company is to determine and implement a means to verify that corrective action has actually been implemented as reported.</i></p>	2009-07-16

Agreed date for sending corrective action plan to DNV (Houston - In-service & class support) for acceptance	2009-05-07
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The audit was carried out successfully. All participants were open and honest and their participation is appreciated. A total of one non-conformity and eight observations were given. A Short Term Document of Compliance on behalf of the United States of America was issued, with expiry 2009-09-16.

Observations

1. It was noted that progress on the merging of Transocean and Global Santa Fe policies, procedures and positions within the combined organization has been considerable, and that the Company's Next Step process of controlled distribution of the Management System combined with education and training and follow up re-evaluation and incorporation of best practices has been successful. The Company is to be commended as statistics suggest that focus on safety and environmental protection has been maintained during the period of change (ref ISM Code 1.2.2).
2. It was again noted despite an observation in the 2008 Corporate Audit that training and career development plans for onshore staff positions are not formalized. It was however noted that progress has been made on the development of the Succession Program and Talent Management Program currently being developed by the HR Department. Further progress is expected and will be verified at the next audit (ref ISM Code 6.5).
3. Progress on the development of the tool (Audit Compliance Monitoring System) to manage overview of Fleet ISM certification, internal/external audit status, and Master's Review status was noted. The Company has committed to implement this system in the 3rd quarter of 2009 (ref ISM Code 1.2.3, 1.4.6, 5.1.5).
4. A new ISM/ISPS manual HQS-HSE-HB-02 has been developed and distributed. It was however noted that although common Flag State requirements are listed, Coastal State requirements are not. The Company is requested to consider adding this information to the manual (ref ISM Code 1.2.3).
5. No job description could be found for the Corporate Operations Manager – Assets, although a similar job description exists for a Divisional position title. The Company is requested to define and document the responsibility and authority for this position (ref ISM Code 3.2).
6. Initiatives within the QHSE department were noted as follows: Fleet management guide (containing relevant contact information for each unit) and development of a standardized audit reporting module within the Company's new reporting tool GMS. These initiatives are to be commended (ref ISM Code 1.2.2.3, 12.1).
7. The "Clear Agreement Plan" (agreement between Corporate management and local unit management on focus areas and targets for Safety And Environmental performance) is a good practice, and is to be commended (ref ISM Code 1.2.2.3)
8. As previously observed, the statement of Master's Authority is still not clearly and completely stated within the Company Safety Management System. Although there are various statements of the Master's authority, there is no clear and absolute indication of the Master's overriding authority and responsibility. The company is requested to address this (ref ISM Code 5.2).