

SHIP MANAGEMENT

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Your People
Don't lose sight
of what matters



Look after the accounts team and the dollars will look after themselves

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Keeping a tight control of what is being paid out to suppliers is a vital part of shipmanagement. But ITIC has identified a recent trend of ship managers not paying as much attention as they should to getting the money in, due to mistakes around invoicing and accounting.

In one instance, a ship manager received an email from an owner in relation to a voyage in an area where there was a high risk of piracy. Attached to the message was a freight invoice, plus another invoice for the cost of armed guards, which was payable by the charterer under the terms of the charter party. The ship manager noticed that the freight invoice had been incorrectly addressed, so, rather than passing on the message, it reverted to the owner requesting a revised freight invoice. In time, it received a revised invoice from the owner which it passed on, but it failed to notice that the new message did not have the invoice for armed guards attached to it.

Some time later, the owner's accounts department enquired about the unpaid invoice for armed guards amounting to \$80,000. Realising that an error had occurred, it sent the invoice to the charterers, who rejected the claim because it had not been submitted within the period permitted under the charter party. The owner claimed against the ship manager, which had to settle the invoice and was reimbursed by ITIC.

In another case, a commercial manager fixed a ship with provision for the freight invoice to be payable eight days after signing the original bill of lading. This stipulation was overlooked, and the freight was not collected ahead of cargo discharge. Upon completion of the voyage, it transpired that demurrage had been earned as well. But the charterers had been dissolved and the commercial manager had no-one to recover the money from. As it had not complied with the terms of the fixture, the commercial manager was held to be

at fault and had to pay the freight and demurrage due, amounting to \$275,000.

Good accounting is especially important when managing a pool, since it is necessary to distribute funds to the pool partners. On one occasion, a pool manager paid a pool partner more than the ship had earned. By the time the error was uncovered, the pool partner had gone into liquidation and there was no recourse for the overpayment of \$180,000, which sum was reimbursed by ITIC.

In a further pool management claim, the manager was meant to calculate on a quarterly basis each vessel's share and then arrange for settlement. At the end of one of the quarters, as the manager had received a rebate for some port services, it looked at rebating the pool partners. It transpired that port calls over the previous two quarters were incorrect. The result was that one of the pool partners had received higher returns and had not been debited for port costs. The balance due was \$650,000. The ship owner refused to pay on the basis that it had not received the correct accounts at the right time. It maintained that, had the items been notified on time, it would have been able to pass on some of the costs. Negotiations took place and the matter was settled for \$250,000.

Whilst there is a focus in most shipmanagement offices on the technical staff, be they superintendents or chartering personnel, attention needs to be paid to the quality of accountancy teams, especially since fraud is on the increase. Look after the accountancy staff and the dollars will look after themselves. ●