

Revised Kyoto Convention Audit-based controls

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Agenda

- Customs Dilemma
- Kyoto Customs principles
- Kyoto Principles of Customs Control
- Definition
- Enabling environment
- Corporate Governance
- Provisions in Kyoto
- Pre-clearance audit
- Simplified procedures
- Authorized traders
- Post-clearance audit
- Audit process



Kyoto Customs principles

- Modern
- Simple
- Standards
- Effective and efficient
- Predictable, consistent and transparent
- Responsive and co-operative
- Accountable



Kyoto Principles of Customs Control

- Intelligence based
- Selectivity
- Audit based controls
- Authorized traders
- Simplified procedures
- Compliance measurement
- C2C co-operation
- Customs trade co-operation



Definition

- **Audit-based controls** (Definition E3/F4)
“Audit-based control means measures by which the Customs satisfy themselves as to the accuracy and authenticity of declarations through the examination of the relevant books, records, business systems and commercial data held by persons concerned.”
- **Systems-based controls**
“Measures to ensure that a trader’s system contains the checks and controls necessary for compliance with Customs laws.”

Enabling environment

- Customs
 - Legal authority to access premises, records, documents and book-keeping systems
 - Organization
 - Staff
 - Training of auditors
 - IT
- Business
 - Corporate governance



Corporate Governance

- Ensures that the board of directors is accountable for the pursuit of corporate objectives and that the corporation itself conforms to the law and regulations.
- Need for reliable and transparent accounting and financial reporting to support sound decision making by (among others) regulatory authorities.
- National accounting standards should be in conformity with international accounting standards established by the IASB, www.iasb.org.uk
- Disclosure and transparency
- OECD Principles on Corporate Governance www.oecd.org
- More information under: www.iccwbo.org/cg.htm



Provisions in Kyoto

- **Standard 6.6**
“Customs control systems SHALL include audit-based controls.”
- **Standard 6.10**
“The Customs SHALL evaluate traders’ commercial systems where those systems have an impact on Customs operations to ensure compliance with Customs requirements.”
- **Standard 9.9**
“The Customs SHALL issue binding rulings at the request of the interested person, provided that the Customs have all the information they deem necessary.”



Pre-clearance audit

- Binding rulings (tariff, valuation, origin)
- Authorizations granting access to simplified procedures or special business partnership programmes, such as BASC
- Systems-based controls, use of IT and e-declarations
- Compliance measurement

Simplified procedures

- **3.32 Transitional Standard**

For authorized persons who meet criteria specified by the Customs, including having an appropriate record of compliance with Customs requirements and a satisfactory system for managing their commercial records, the Customs SHALL provide for:

- release on minimum information
- clearance at the traders' premises
- periodic declarations
- use of traders' records for self-assessment
- local clearance.



Authorized traders

- Council Security resolution
- WCO standard development
 - Physical security
 - Facility security
 - Information security
 - Personnel security, i.e. integrity of staff
 - Corporate governance
 - Financial security
- BASC, APEC-STAR Initiative, C-T PAT, PiP



Post-clearance audit

- Continuous, cyclic or occasional compliance verification
 - valuation
 - origin
 - tariff classification
 - duty relief/drawback/remission programmes
- Regular review of authorizations/certifications



Audit process

- Risk management
- Communication and co-operation with the auditee
- Professional conduct
- Self assessment of the auditee, internal controlling
- Copy of final report to auditee
- Follow-up

