

Seminar on Risk Management and Post-Entry Audit
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Post-Clearance Audit

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Post-Clearance Audit

Definition

Post-Clearance Audit is a process which enables Customs Officers to verify the accuracy of declarations through the examination of the books, record, business systems and all relevant Customs commercial data held by persons / companies directly or indirectly involved in international trade



Benefits for Customs

- Facilitate the movement of goods;
- Protect revenues;
- Ensure greater compliance with Customs laws, regulations and agreements;
- Obtain more latitude in deployment of control resources;
- Combat fraud more comprehensively;
- Provide greater control in areas such as licensing, quotas, dumping, etc.



Basic Requirements for PCA

Legal authority

- Enables Customs officers to examine the commercial records of all persons / companies directly or indirectly involved in international trade
- Requires such persons / companies to maintain records of their transactions
- Outlines penalty procedures for failure to comply with these requirements



Basic Requirements for PCA

Expertise for auditors

- Accounting techniques and principles as outlined in GAAP
- Auditing standards and procedures
- The international trade / business process, including banking procedures
- Customs laws, regulations and procedures (Valuation, Origin, etc)
- Electronic record-keeping and computer systems



Post-Clearance Audit Process

1. Planning and selection

2. Field Audit

3. Measurement and evaluation



1. Planning and selection

Development of audit programs

- To identify the PCA categories
 - importer/exporter audit,
 - value verification,
 - free-trade zone audits,
 - broker audits, etc



1. Planning and selection

Targeting and selection for Audit

- Customs has to select “high-risk” Companies / persons
- Criteria for the selection of audit candidates should be developed
 - Intelligence
 - Trade trends
 - High-risk priority area



1. Planning and selection

Strategic Audit Planning

- Customs must optimize the use of available resources
- An annual/monthly audit plan should be developed
 - Man-hour availability
 - Work in progress / new audit initiative
 - Standard hours of audit completion



2. Field Audit

(1) Pre-audit survey

- **Assess and evaluate the strength and weakness within the system of the auditee**

e.g. Organization and structure

Commodity information

Method of payment

Value of commodities

Costs associated with commodities



2. Field Audit

(2) Initial importer contact

- To notify the date and period of audit, number of auditors of
- To request detailed information on the type of records and documentation to be presented
- Audit questionnaire can be sent



2. Field Audit

(3) Opening conference

- To discuss the scope and objectives of the audit

Should be attended by:

- Auditor or audit team
- Representatives of the auditee (e.g. consultants, accountants, controllers, lawyers, etc.)



2. Field Audit

(4) Field audit



- On-site inspection on documents
- Cross-check of books and records
- Inquiry for persons
- Audit coordination

Field audit should be conducted in a professional manner.



2. Field Audit

(5) Exit conference

- To present the findings, and to provide an opportunity for the auditee to give any explanations needed to assist preparation of the final report



2. Field Audit

(6) Final Report

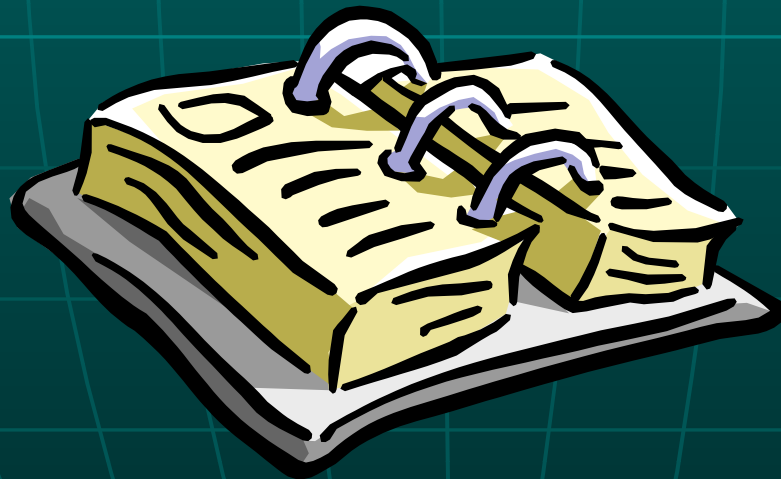
- **Customs should prepare a final report and let the auditee have a copy, provided the national law provides for this.**
- **A copy should also be sent to the appropriate Customs office for resolution of any issue which has arisen.**



2. Field Audit

(7) Follow-up visit

- To ensure any findings and recommendations for changes are carried out



3. Measurement / Evaluation

- Customs should develop a mechanism to measure, assess and evaluate the success of its PCA

e.g.

Additional revenue collected

Number of investigation referrals

Cost / benefit analysis



WCO Deliverables

**Customs Valuation Control handbook
(July 1999)**

**Commercial Fraud Investigators'
Handbook (Updated in 2001)**

**Guidelines on the Development and use
of a national valuation database as a risk
assessment tool (July 2004)**



Thank you for your attention!

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