



PEA Development Stages

2001

**Article 1 in
the Customs
Law of the
RK**

2003

**Chapter in
the RK
Customs
Code,
13 articles**

2005

- Clarification of audit types;
- Audit frequency;
- Grounds for
 - audit

2007

**Methodolo
gical basis**

2008

**New
strategy**

Staff

2001

**Services
within the
Department**

2004

**Independent
divisions**

2008

**Departments in
territorial customs
houses**

The views expressed in this presentation are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank (ADB), or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequences of their use. Terminology used may not necessarily be consistent with ADB official terms.



Qualifications

Knowledge of:

**Customs
legislation**

**Tax
legislation**

**Administrative
legislation**

Judicial law

**Investment
legislation**

**Criminal
legislation**



Interaction with other government agencies

with tax
authorities

with the Financial
Police

with prosecuting
bodies

with courts

with banks



Quality Standards

- ✓ Clear legal frameworks
- ✓ Minimization of uncertainty and risks for entrepreneurs
- ✓ Fighting corruption and embezzlements
- ✓ Reducing costs for entrepreneurs and optimization of costs for governments



Effective system of post-entry audit

1) Amendments to customs legislation are required to envisage:

- *reducing the types of inspections (including patrol inspections);*
- *mandatory notification of a subject to be audited about the planned audit;*
- *clarification of rights and obligations of auditors and audited entities;*
- *limitation of frequency and duration of each type of audits;*
- *specification of the list of grounds and the procedure for assigning each type of audits*



2) Development and introduction of standards on procedures for conducting and documentation of audit results.

Benefits:

This will make the procedure of control predictable, more understandable for business and, consequently, will facilitate the compliance with legal requirements by enterprises. Besides, these measures will reduce opportunities for inspectors for embezzlements.



3) Development of “audit questionnaires” or “checklists” to be used during audits.

This is the list of issues to be covered by the audit.

Benefits:

Introduction of checklists will enable to:

- simplify and accelerate audit procedures, as well as prevent embezzlements during audits (only issues in the checklist are covered by the audit);
- make audits more effective (the audit quality is less dependent on the inspector's qualification, ensuring a uniform approach to audit subjects);
- ensure equality in relations of the inspector and the entrepreneur;
- improve enforcement of requirements (less requirements, they are more specific – the entrepreneur can prepare for the audit in advance).



4) Development of criteria to classify traders by risk groups, establishment of a maximum frequency and duration for audits in each risk group. Audit frequency shall reflect the risk level represented by the trader.

Benefits:

Enables, not affecting the economic security, to:

- focus the customs bodies on high risk entities;
- rationally use human, time and budgetary resources of customs bodies.

Clear timelines and frequency of audits:

- will limit the possibility for interference into operations of enterprises and embezzlements by customs bodies;
- will reduce the time taken from company staff for audits (less frequent and quicker audits)



5) Shift focus of customs control from identifying offences and imposing penalties to prevention of offences and consultations. Audits shall not be of a punitive nature, but of preventive and explanatory nature.

Benefits:

Enables to depart from the practice of enforcement by punishing and shift to the achievement of this goal through explanations and consultations.

Enables to create conditions for trustful, partnership relations between customs bodies and traders.



6) It is assumed that during audits customs bodies will use the approach of “voluntary observance of legislation” envisaging incentives for compliance with legislation.

Given the existing moratorium on inspections of small and medium businesses, in the current year audits covered to a maximum extent all large businesses.

Based on the audits conducted during this year, the system for evaluation of the financial situation and compliance of companies will be developed to apply to them simplified and accelerated customs clearance.

The level of compliance by the company, for which each company will wish to qualify on a voluntary basis, will be the basis to apply specific simplified customs clearance and control procedures to the company engages in moving goods.