Contents

[CHAPTER ONE 4](#_Toc363182310)

[1. INTRODUCTION 4](#_Toc363182311)

[1.1 Back Ground of Post Clearance Audit 5](#_Toc363182312)

[1.2 Post Clearance Audit Concept 6](#_Toc363182313)

[1.3 Post Clearance Audit scope and Coverage 6](#_Toc363182314)

[1.4 Audit Types, Audit Versus Investigation 7](#_Toc363182315)

[1.4.1 Audit Types 7](#_Toc363182316)

[1.4.2 Audit Versus Investigation 7](#_Toc363182317)

[1.5 Objectives of Post Clearance Audit 10](#_Toc363182318)

[1.6 Benefits of Post Clearance Audit 11](#_Toc363182319)

[1.7 Over view of Audit Process 13](#_Toc363182320)

[CHAPTER TWO 14](#_Toc363182321)

[2. LEGAL AND OPERATIONAL FRAME WORK OF POST CLEARANCE AUDIT 14](#_Toc363182322)

[2.1. Definition of Post Clearance Audit 14](#_Toc363182323)

[2.2. Powers And Authorities of Post Clearance Auditor’s 14](#_Toc363182324)

[2.3 Rights of Auditees’ 17](#_Toc363182325)

[2.4 Obligations of Auditees’ 17](#_Toc363182326)

[CHAPTER THREE 18](#_Toc363182327)

[CHARTER OF TAXPAYER 18](#_Toc363182328)

[3.1 Introduction 18](#_Toc363182329)

[3.2 Charter of Taxpayer’s 18](#_Toc363182330)

[CHAPTER FOUR 20](#_Toc363182331)

[4. Auditing Standards AND CODE OF CONDUCT OF AUDITORS 20](#_Toc363182332)

[4.1 Auditing Standards 20](#_Toc363182333)

[4.2 Code of Conduct of Auditors 22](#_Toc363182334)

[CHAPTER FIVE 25](#_Toc363182335)

[5. STRATEGIC PLANNING FOR PCA 25](#_Toc363182336)

[CHAPTER SIX 30](#_Toc363182337)

[6. RISK MANAGEMENT For PCA 30](#_Toc363182338)

[6.1. Risk Management Process – Basic Concept 30](#_Toc363182339)

[6.2 Risk Indicators for PCA 33](#_Toc363182340)

[6.2.1. General Risk Indicators 33](#_Toc363182341)

[6.2.2 Specific Risk Indicators 34](#_Toc363182342)

[CHAPTER SEVEN 37](#_Toc363182343)

[7. AUDIT PROCESS 37](#_Toc363182344)

[7.1 Introduction 37](#_Toc363182345)

[7.2 Pre- Planning 37](#_Toc363182346)

[7.2.1 Development of Audit Programs and Standardized Audit 38](#_Toc363182347)

[7.2.2 Identification of the Potential Subjects Audit 38](#_Toc363182348)

[7.2.3 Selection of Audit Case 39](#_Toc363182349)

[7.2.4 Allocation of Audit Cases (SEE PCA/WP/002) 39](#_Toc363182350)

[7.2.5 Pre Audit Survey 39](#_Toc363182351)

[7.2.5.1 Analysis of Basic Data 40](#_Toc363182352)

[7.2.5.2 Analysis of the Import Declarations 43](#_Toc363182353)

[7.2.5.3 Analysis of the Commercial Invoice 43](#_Toc363182354)

[7.2.5.4 Analysis of Valuation declaration/ valuation detailed declarations/ 44](#_Toc363182355)

[7.2.5.5 Statistical data sheets on past imports and paid Customs duty 45](#_Toc363182356)

[7.2.5.6 Cross-checking with relevant Units (Internal And External) 46](#_Toc363182357)

[7.2.5.7 Perform Audit Sampling 46](#_Toc363182358)

[7.2.5.8 Audit survey and Planning Checklist (See planning phase EXHIBIT- A) 48](#_Toc363182359)

[7.2.5.9 Consolidation of Findings 48](#_Toc363182360)

[7.3 Planning Phase 48](#_Toc363182361)

[7.3.1 Notification to Client 50](#_Toc363182362)

[7.3.2 Client profile updates 51](#_Toc363182363)

[7.3.3 Develop Audit Program/Check List (See PCA/WP/003) 52](#_Toc363182364)

[7.4 Audit Exclusition Phase (Conduct of Audit) 53](#_Toc363182365)

[7.4.1 Prepare and Perform Initial Aduit Conference 53](#_Toc363182366)

[7.4.2 Conduct System review and walk-through 55](#_Toc363182367)

[7.4.3 Select or Review Sample Transactions for Audit 60](#_Toc363182368)

[7.4.4 Complete the Audit, analysis and Evaluation of the Program 61](#_Toc363182369)

[7.5 Closure of an Audit 69](#_Toc363182370)

[7.5.1 Exit Conference 69](#_Toc363182371)

[7.5.2 Final Report (Report Phase Exhibit A) 70](#_Toc363182372)

[7.5.2.1 Reporting Guidelines 71](#_Toc363182373)

[7.5.2.2 Reporting results to Client (SEE Reporting phase EXHIBIT A-F) 72](#_Toc363182374)

[7.5.2.3 Complete Reporting Requirements 73](#_Toc363182375)

[7.5.2.4 Demand Notice/Assessment (See PCA/WP/009) 73](#_Toc363182376)

[7.5.2.5 Closure of the audit and file archiving 74](#_Toc363182377)

[7.3.2.6 Returning of clients’ records 74](#_Toc363182378)

[7.6 Evaluation and Follow-Up 74](#_Toc363182379)

[ANNEX FOR PLANNING PHASE 75](#_Toc363182380)

[Exhibit A – Audit Planning Checklist 75](#_Toc363182381)

[*Exhibit B – Client Contact Information Sheet* 77](#_Toc363182382)

[Exhibit C - Notification Letter – Desk Review 78](#_Toc363182383)

[Exhibit D - Notification Letter – Limited Scope Audit (Issue Audit) 79](#_Toc363182384)

[Exhibit E - Notification Letter – Compliance Audit (field audit) 80](#_Toc363182385)

[Exhibit F – Appendix to Notification Letter (When additional information required) 81](#_Toc363182386)

[Exhibit G – System review Questionnaire 82](#_Toc363182387)

[Exhibit H. File Completion Checklist 87](#_Toc363182388)

[Exhibit I-Standard File Index 89](#_Toc363182389)

[ANNEX FOR EXECUTION PHASE 91](#_Toc363182390)

[EXHIBIT A- Accounting for Goods Checklist 91](#_Toc363182392)

[Exhibit B –Duties Relief/Drawback/Concessions Checklist 92](#_Toc363182393)

[Exhibit C End-Use Checklist 95](#_Toc363182394)

[Exhibit D Tariff Treatment (Importer) Checklist 97](#_Toc363182395)

[Exhibit E Origin (Exporters) Checklist 99](#_Toc363182396)

[Exhibit F – Tariff CLASSIFICATION CHECKLIST 100](#_Toc363182397)

[Exhibit G – Valuation Checklist 102](#_Toc363182398)

[ANNEXT FOR REPORTING PHASE 127](#_Toc363182399)

[Exhibit A – Interim/Final Audit Report INSTRUCTION 127](#_Toc363182400)

[Exhibit B – Cover Letter to Client- Interim report 128](#_Toc363182402)

[Exhibit C – Cover Letter to Client- Final report 129](#_Toc363182406)

[Exhibit D– Cover Letter to Client- Desk Review 130](#_Toc363182410)

[Exhibit E – Managers File Review 131](#_Toc363182414)

[Exhibit F – Managers Checklist 133](#_Toc363182416)

Annex to PCA Working paper……………………………………………………...…136-150

# **chapter one**

# **INTRODUCTION**

In the traditional customs practice goods become subject to customs control when they arrive in the port of entry or at the border. The goods will normally be stored in a warehouse or on a wharf waiting for the importer or his agent to present a declaration and supporting documents for clearance at a Customs office. The goods remain under customs control until all checks have been performed and requirements fulfilled, including payment of duty and taxes. Border controls still have a part to play in a modern Customs service; however, excessive and time-consuming checks at the point of clearance can be counterproductive. Besides globalization has increased the pressure on all countries to create business friendly borders, to retain and attract investment, jobs and industry. At the same time, growth of domestic populations, trade volumes, and increased terror threats, commercial fraud, cross border offences coupled with declaining resource bring ever increasing challenges to the customs task.

It becomes unfeasible, therefore, for Customs to make conclusive decisions regarding duty liability in the narrow time frame available. Neither is it appropriate to delay clearance of goods whilst resolving such enquiries, unless fraud is suspected. New tools and approaches are required to meet these challenges and deliver a better balance between enforcement and facilitation. Therefore customs now concentrate their controls on the post-importation environment, whilst retaining selective and targeted checks at the frontier.

By application of a post-clearance, risk-based approach, Customs are able to target their resources more effectively and work in partnership with the business community to improve compliance levels and facilitate trade. The Post-Clearance Audit (PCA) process can be defined as the structured examination of a business' relevant commercial systems, sales contracts, financial and non-financial records, physical stock and other assets as a means to measure and improve compliance.

## **Back Ground of Post Clearance Audit**

The transition from border-focused controls to PCA as the prime basis for Customs controls typically evolves over several years, as new processes and procedures are developed and new skills learnt. However, PCA implementation is not a standalone process; it needs to be embedded in a wider facilitation context, allowing simplified clearance procedures at the borders, warehousing procedures and other Customs regimes (e.g. regimes which build on a regularly functioning relationship between the Customs administration and the auditee).

Achieving self assessment and voluntary compliance is the goal of any modern Customs administration. Voluntary Compliance is maximized in an environment where citizens are provided the tools to comply, the opportunity to comply; they perceive the law and the administration of the law to be fair and evenly applied and the consequences of non compliance unacceptable. On the other hand, The level of resources available in ERCA to deal with the increased challenges of today’s world cannot increase at the same rate as the growth of trade.

Post-clearance audit driven by modern risk management techniques enables to identify national compliance priorities and opportunities for facilitation. This will enable ERCA to shift resources to areas of greatest risk where importer non-compliance could cause potential harm to Ethiopians either in health and safety, economically or politically.

Customs controls are normally migrated in stages from the border to the post-importation environment. Simlarly the Ethiopian revenues and customs authority had also introduced post inpection control (PIC) and post clearance control (PCC) dealing with post-importation transaction-based controls before adopting compliance-based PCA.

Post-clearance audit, properly implemented provides a clear and comprehensive picture of the transactions relevant to Customs as reflected in the books and records of international traders. It will take on an increasingly important role in assisting importers/exporters to improve and sustain compliance with ERCA administered legislations. At the same time it will provide further scope for ERCA to expedite the movement of low risk goods, while ensuring importers accurately report and account voluntarily.

## **Post Clearance Audit Concept**

Post-clearance audit means audit-based Customs control performed subsequent to the release of the cargo from Customs' custody. The purpose of such audits is to verify the accuracy and authenticity of declarations and covers the control of traders' commercial data, business systems, records, books and any other relevant customs commercial data held by persons directly or indirectly involved in the import or export of goods. Such an audit can take place at the premises of the trader/customs office and may take into account individual transactions, called "transaction based" audit, or cover the full range of imports and/or exports undertaken over a certain period of time, called "comprehensive" audit.

Audit-based control methods are normally implemented as part of a Customs modernization program as stated in the Revised Kyoto Convention (RKC) standard 6.6. In general RKC modernization programs introduce a number of reform elements, such as:

* Automated clearance;
* Pre-arrival clearance;
* Use of risk management methods and post-clearance audit;
* Separation of release from clearance.
* Client service scheme.

## **Post Clearance Audit scope and Coverage**

Potentially, all businesses involved in the import and/or export of goods or in the receipt, storage, manufacture and delivery of goods subject to Customs controls may be audited.

This may include:

* Importers/exporters;
* Declarants;
* consignees of the imported goods;
* owners of the imported goods;
* subsequent acquirers of the imported goods;
* Customs clearing agents of the imported goods;
* storage agents of the imported goods;
* transporters of the imported goods;
* Other persons/companies directly or indirectly involved in the transaction of the imported and exported goods.

The Authority’s inspections may be carried out at any customs branch office or at the premise of a person who is directly or indirectly involved in the business operations of the import or export of the goods or at the premises of any other person in possession of the data and documents subject to the inspection,

## **Audit Types, Audit Versus Investigation**

### Audit Types

There are three types of Customs Audit. These are: Desk Reviews, Limited Scope Audits and Compliance Audits.

1. **Desk Reviews (DR)**

The review of a single Customs program without an on-site Audit,This option is designed to look at and test a single/number of areas of non-compliance butwhere the client has either a limited number of transactions or few records. In thesecircumstances, a premises visit would not add significant value.

1. **Limited Scope Audit (LSA)**

The on-site Audit at clients’ premises or without an on-site of a single Customs program, this option is designed to look at and test a single area of non-compliance at the client’s premises or without an on-site.

1. **Compliance Audit (CA);**

the on-site of Audit of multiple Customs programs to determine a client’s compliance within a specific commodity area, This option is for use when conducting audits on big and small clients. The full and all aspects of the client’s Customs activities would be tested.

### Audit Versus Investigation

Customs Audit is, generally speaking, an examination of documents or records in order to ensure compliance with Customs legislation.

* **Points to Consider**
* Audit is an activity that does not normally attract implications under legislation that deals with citizens’ rights and freedoms such as - unreasonable search & seizure; - right not to incriminate one self, etc.
* Audit is directed at verifying compliance with the Customs administered legislation or regulations, not the gathering of information to support a prosecution.
* Audit is directed at, for example, the integrity of trade data and ensuring internal controls are present which will result in high levels of compliance with trade laws. Protecting the proper payment of revenue through Audit activities is a natural by-product of these activities.
* Once there is suspicion that an offence has been committed (i.e. deliberate non-compliance), the Audit should continue but the officer must be careful not to take any action that is beyond what is necessary for achieving the objectives of PCA stated in 1.5 of the manual.
* Audit may result in a demand for revenue owing, a refund to the client or changes to trade data, without any revenue implications.
* **Investigation is:**

An investigation can be defined as an in-depth inquiry into a particular incident or case whereby information is sought to determine whether or not there has been a deliberate contravention of Customs legislation or related import/export legislation.

* **Points to Consider**
* An investigation is a function that is carried out against known, suspected, or alleged fraudulent activities. These activities include non-report/smuggling, undervaluation, transshipment fraud, deliberate miss description of goods, etc.
* The investigation may be subject to increased scrutiny by the courts with respect to citizen’s rights and freedoms such as protections against incriminating oneself and unreasonable search and seizure.
* Where there are grounds to believe that an offence has been committed, entering the premises of a business for the purpose of obtaining information would generally be carried out with a search warrant.
* The investigation may result in civil penalties and/or criminal charges.
* Where it has been determined that fraud has not occurred, an investigation may result in the file being turned over or returned to the Post Clearance Audit Section. Even where fraud has occurred, a referral may be made to Audit once the prosecution has been completed in cases where a re-determination of classification/tariff treatment/value for duty appears to be warranted.
* **Definition of Fraud**

"Any offence against statutory or regulatory provisions which Customs are responsible for enforcing, committed in order to :

1. Evade, or attempt to evade, payment of duties/levies/taxes on movements of commercial goods; and/or
2. Evade, or attempt to evade, any prohibition or restrictions applicable to commercial goods; and/or
3. Receive, or attempt to receive, any repayments, subsidies or other disbursements to which there is no proper entitlement; and/or
4. Obtain, or attempt to obtain, illicit commercial advantage injurious to the principle and practice of legitimate business competition."

**Common Types of Fraud**

1. Miss description; the information provided in relation to the goods that are under clearance is false
2. False declaration of quality and/or quantity; The information furnished to Customs authorities concerning the physical attributes, nature, volume, quantity or measure of the goods declared is untrue.
3. Under-valuation or over-valuation; the value indicated in the Customs declaration is lower than the actual transaction value (on import) or higher than the actual transaction value (on export), with the intention to evade taxes and restrictions on import, or to obtain higher refunds on export.
4. Off-record Transaction; the amount of the goods indicated in the Customs declaration is lower than the actual amount. The surplus of the goods not declared to Customs is sold without paying taxes.
5. Smuggling; Goods subject to the payment of a Customs duty are not declared to Customs, hidden for Customs or withdrawn from Customs supervision.
6. Origin and/or preference Fraud; Any attempt to violate or abuse the rules of origin and/or Customs documentary requirements, in order to change the origin of the goods and/or the granting of zero or reduced rates of import duties.
7. Inward / outward processing relief Fraud; the rules for relief and remission in case of inward or outward processing are willingly not applied correctly, e.g. the amount of goods processed is declared not correctly, or the description of the processing is not true.
8. Temporary Admission Fraud; the rules for tax exemption in respect of temporary admission are willingly not applied correctly, e.g. documents proven that the goods have been re-exported are counterfeited.
9. Import / Export Licensing Fraud; The rules concerning prohibitions, limitations and licenses on import and export are evaded, e.g. the goods are described wrongly on the declaration, or documents granting the import or the export are counterfeited.

## **Objectives of Post Clearance Audit**

The key objective of the Post-Clearance Audit is to assure;

* That all imports and exports have been properly declared to the Customs.
* That the amounts of custom duties and other duties and taxes have been properly calculated and paid.
* That the national and international trade controls, prohibitions and restrictions (license, quota, CITES, etc.) have been fully observed.
* That the conditions relating to goods imported or exported under notified Customs concessions and special procedures (e.g. NGOs, Warehousing, Transit, Transshipment, Duty Free Investment etc.) have been fully observed and all liabilities relating to concessions and special procedures have been properly discharged.
* That the businesses involved in international trade have fulfilled their legal obligation to keep and maintain records and all supporting documents/correspondence for a period not less than that specified by the Ethiopian customs proclamation.
* That the traders, agents and other stakeholders who have been allowed special facilities for speedy clearance of international trade; like Authorized Economic Operators, manufacturing for export ,manufacturing for the local market, direct exporters and other special procedures, have complied with the relevant conditions in each case and that there has been no abuse of these facilities.
* To educate the traders, agents and other stakeholders carrying out such business as are regulated by the Customs Proclamation or any other law, directly or indirectly, and help them improve their level of compliance.
* To contribute towards the improvement of the systems and controls at the clearance levels and risk management inputs through the findings and experience gained during an audit activity.
* To facilitate international trade movements of the compliant trade sector;
* To ensure conditions relating to specific approvals and authorizations are being observed, e.g. Authorized Economic Operators approval, pre-authenticated transit documents, preferential origin/movement certificates, licenses, quota arrangements, Customs warehouses and other simplified procedure arrangements.

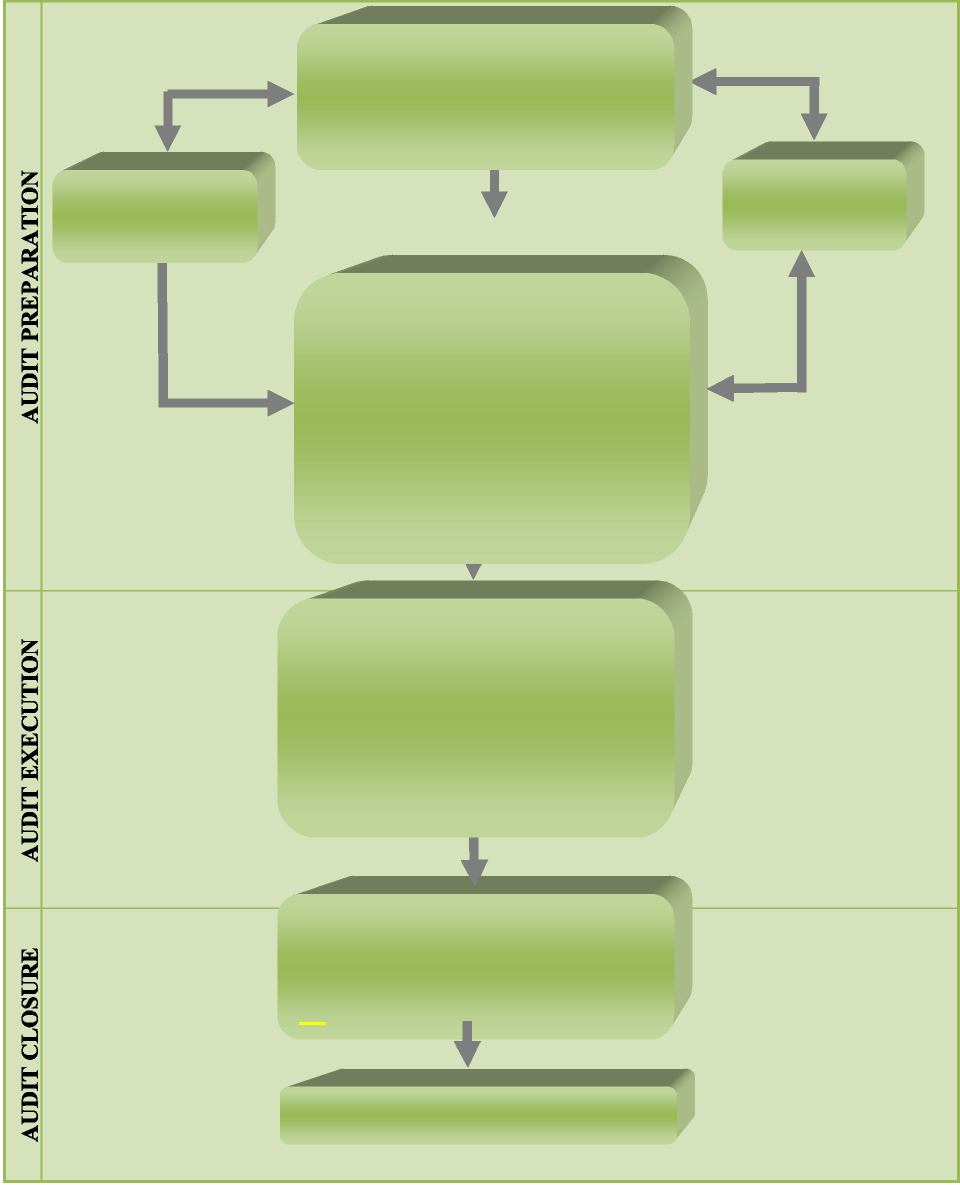
## **Benefits of Post Clearance Audit**

1. Customs efficiency and trade facilitation ; Post Clearance Audit enables faster clearance and release of goods by applying simplified procedures, shifting from close examination of every declaration to risk based examination of Customs declarations. The low risk declaration which got fast clearnce will be channeled to PCA for potential audit and dependeing on the audit findings suspected fraudulent activities may be identified and referred to enforcement unit for appropriate action;
2. Improved collaboration between Traders and Customs; Interaction between Customs and Traders through PCA is part of the process that fosters the assessment of risks related to goods carried or imported/exported by specific traders. This facilitates risk profiling that is beneficial to both Customs and Traders.
3. Improved compliance with Laws and Regulations ; It is a general experience that the improved efficiency in Customs together with the traders´ incentive to achieve faster release of goods brings about better compliance on the part of traders.
4. Better human resource allocation; following implementation of risk-based clearance, Customs management can upgrade staff from laborious work generating relatively low results to high quality work leading to better results.
5. Increased revenue yield; the improved efficiency and professionalism in Customs controls brought about by PCA leads to an increase in duty collection.
6. Reduced release time; Post Clearance Audit enables Customs Administrations to employ risk based management techniques which fosters efficiency in clearance of cargo.
7. Lower transaction cost; the fact that only a minimum percentage of goods are examined under efficient risk-based clearance implies that Customs can concentrate on this smaller portion of imports and release the vast majority of shipments immediately after the clearance documents have been lodged with Customs. This reduces the cost of doing business.
8. Facilitates client education, long-term and comprehensive compliance management focus to promote the concept of voluntary compliance and self-assessment;

## 1.7 **Over view of Audit Process**

PRE – PLANNING

* Development of audit program
* Identification of potential targates
* Selection of audit case
* Allocation of audit case
* Pre-audit survey: Client Profile, Audit sampling



RISK

MANAGEMENT

1. Evaluation and follow up
2. Exit conference
3. Final report
4. Funtions of report

|  |
| --- |
| 1. Conduct System review and   walk-throughwalk through |
| 1. Select or review samples for Audit |
| 1. Complete the audit, analysis and 2. evaluation of the program |
| 1. Preliminary audit report |

STRATEGIC

PLANNING

**PLANNING**

* Audit Planning, Objective

Scope,Resources

* Client notification
* Client profile update

Source: adopted from East African Customs

# **CHAPTER TWO**

# **Legal And Operational Frame Work Of Post Clearance Audit**

## **Definition of Post Clearance Audit**

As vested in the article 2/43 of the customs prolcamation of the “post clearance audit” means a process which enables the autority, after the release of goods, to verify the accuracy of customs declarations through the examination of the books, records , business systems and other relevant customs commercial data held by persons direclty or indirectly involved in the import or export of goods.

## **Powers And Authorities of Post Clearance Auditor’s**

As depicited in article 64 of the customs proclamation; with regard to post clearance audit;

1. The Authority may, after the release of goods, undertake surprise inspection to ascertain the accuracy of customs declaration.
2. The Authority may, after the release of goods, and for the purpose of ascertaining the accuracy of particulars contained in customs declaration, inspect commercial documents and data relating to the import or export operations in respect of the goods.
3. The Authority's inspections may be carried out at the premises of the person who is directly or indirectly involved in the business operations of the import or export of the goods or at the premises of any other person in possession of the data and documents subject to the inspection.
4. The findings of post-clearance examination may, if it reveals that the provisions governing customs formalities have been breached, entail civil or criminal liability or both.
5. The Authority's inspection under this Article may be carried out only within ten years from the date a customs declaration has been accepted

The auditors’ shall have the same power as customs officers as prescribed under the proclamation article 81-85, i.e.

**Article 81 General**

1. Any customs officer shall have the powers and duties to:
   1. while in discharging his duties, examine and detain or seize persons or goods and means of transport contravening this Proclamation or other laws to enforced by the Authority; and shall take necessary measures in accordance with this Proclamation;
   2. where there is sufficient ground to suspect an evidence relating to customs formalities may be lost within a short period of time, conduct a search at any time and place without court warrant;
   3. investigate offences committed in violation of customs laws, prepare files, gather necessary evidences and forward same to the prosecutor to institute criminal proceedings; release a suspect on bail in accordance with the Criminal Procedure Code;
2. Evidence produced by search conducted pursuant to sub-article 1(b) of this Article shall be acceptable by courts.
3. A customs officer shall, in exercising his powers and duties specified under sub-article 1(c) of this Article, have the powers and duties vested in a police officer under the Criminal Procedure Code.
4. A custom officer shall possess identification card and wear an officer uniform before he commences search in executing the customs laws. The search shall be undertaken by the same gender.

**Article 82 Power to Examine, Seize and Detain**

1. Any customs officer:
   1. may enter into any means of transport and, except the personal effects of the master of the means of transport, identity, examine and seal goods subject to payment of duties and taxes and make them pass through customs formalities;
   2. shall have the power to detain a means of transport where he has sufficient information or reasonable suspicion to believe that it is carrying import or export goods which have not undergone customs formalities and to seize the goods;
   3. may enter any place where goods which have not undergone customs formalities are deposited and examine and seize the goods;
   4. shall have the power to control the movement of any individual, goods and means of transport at customs crossings and in frontier strips;
   5. May use the Federal Police in discharging his powers and duties under this Proclamation.
2. Where goods are seized pursuant to the provisions of this Article in the absence of the owner or person responsible for them, the Authority shall immediately issue a notice to summon the owner or responsible person.
3. If the owner or the responsible person failed to report to the Authority or to take the case to the court within 30 days since the first date the notice is issued, he shall lose his legal right to the goods and they shall be disposed pursuant to Article 31 of this Proclamation.

**Article 83 Power to Remove Seals and Open Locks**

1. A customs officer shall have the power to remove the packages or open the container of goods found in any means of transport in contravention of customs laws or other laws enforced by the Authority.
2. A customs officer may enter any place where goods are believed to have been concealed in contravention of customs laws or other laws enforced by the Authority and examine the goods by removing their packages or opening their containers.
3. A customs officer may use the police force where he is denied to remove the packages or open the containers of goods for examination pursuant to the provisions of this Article after properly introducing himself to the concerned person.

**Article 84 Power to Examine and Seize Documents**

1. A customs officer may, while investigating cases of under invoiced goods or goods found without completing customs formalities, examine and take copies of documents under the possession of any person.
2. A customs officer may, where he has sufficient grounds to believe that the law is violated with respect to imported or export goods, examine the goods and their documents.
3. A customs officer shall have the power to seize documents examined pursuant to sub-article (1) or (2) of this Article where they are needed as evidence for instituting criminal proceedings.

**Article 85 Powers to Open and Examine Postal Goods**

1. A customs officer shall, for the purpose payment of customs duties and taxes, have the power to open and examine postal goods in the presence of the owner of the goods or his agent or a representative of the post officer.
2. The customs officer may seize or restrict the movement of postal goods upon the result of the examination conducted pursuant to the provisions of sub-article (1) of this Article.
3. For the purpose of sub-article (1) of this Article, the term *“owner”* means the consignee for import goods and sender for export goods Rights and Obligations of Auditees

## **2.3 Rights of Auditees’**

The rights of auditees are as follows, other than rights provided in the in tax and customs laws:

* + 1. To request PCA officers to show the Notification on auditing and customs identity cards;
    2. To refuse the auditing if the decision on auditing does not comply with the provisions of the laws;
    3. To lodge complaints and denunciations in relation to conduct in breach of the law by PCA officers during the course of an auditing;
    4. To provide explanations in the minutes on conclusions of the auditing and bon the proposals for measures as prepared by the PCA officers;
    5. To object to the decision by writing to the Director General of Customs within from the date auditees receive the Notice of the re-determination,
    6. To request the customs office to compensate for damages caused by any unlawful manner as the results of audit.

## **2.4 Obligations of Auditees’**

The obligation of auditees as follows:

1. To appoint competent persons to cooperate with the PCA officers;
2. To create good environment for the PCA officers to perform their tasks;
3. To provide all accounting vouchers and books and other documents relating to the exported or imported goods and copies of those materials at the request of the PCA officers;
4. The auditees shall be required to comply with the regulations on PCA, decisions on auditing and instructions on conclusions of auditing;
5. Not to obstruct the auditing activities in any way
6. To receive a notice on conclusions of the auditing;

# **CHAPTER THREE**

# **CHARTER OF TAXPAYER**

## **Introduction**

The Charter of Rights is a statement of the taxpayer’s rights and an affirmation by the ERCA of its determination to ensure that these rights are duly protected. A high degree of co-operation from taxpayers is vitally important for the smooth and efficient operation of the post-clearance audit system. The taxpayers are more likely to co-operate if they believed that their rights would be respected. The Auditors, in common with all Revenue Officials, are, therefore, required to discharge their duties within the framework of the Charter and code of conduct of audit.

* 1. **Charter of Taxpayer’s**

With refernce to the taxpayer’s team charter to be seen inconjuction with this manual the auditors need to consult and cooperatee with tax payers to obtain information;

* Conduct reviews and audits in an impartial, fair, reasonable and professional manner;
* Treat in accordance with the law, ERCA policy and the principles outlined in the taxpayers’ charter;
* Listen to and take relevant circumstances into account when making decisions;
* Try to minimize cost and inconvenience;
* Complete reviews and audits as quickly;
* Inform the outcome of the review or audit;
* Explain the decisions when there is increase an assessment or impose a penalty;
* Conduct quality assurance checks on our reviews and audits.

**WHAT IS EXPECTED FROM THE TAX PAYERS?**

***The tax payers should:***

* Be truthful and honest in dealings with the authority;
* Tell the authority as soon as possible about anything that may delay the review or audit;
* Provide complete, accurate and timely responses to requests for information;
* Allow auditors to make copies of, or take extracts from, records and documents:
* Provide auditors with reasonable facilities and assistance for example, the auditors may need a desk and chair in a work area with adequate lighting and access to office equipment such as a photocopier
* Should also provide the officers with full and free access to buildings, premises, records and documents that are in confidence between you and your barrister, solicitor, or professional accounting adviser. Records or documents may be in confidence because of legal professional privilege, or the administrative concession applying to professional accounting advisers’ papers.

# **CHAPTER Four**

# 

# **Auditing Standards AND CODE OF CONDUCT OF AUDITORS**

## **Auditing Standards**

Audit standards ensure national consistency and quality. They provide a context for the Audit processes described throughout this manual. Officers are expected to support and apply these standards to all aspects of the Audit.

The Audit Standards are an adaptation of the Generally Accepted Auditing Standards and the internationally recognized Codification of Standards for the Professional Practice of Internal Auditing from the Institute of Internal Auditors.

The standards provided herein are not intended to replace the Code of Ethics and Conduct that apply to all employees.

Officers and management are expected to support and apply professional standards of conduct while performing post-clearance Audit activities. Here are the main standards to be followed when performing any type of post-clearance Audit:

1. **Managers should ensure that the Audit is performed by Officers who have adequate technical training and proficiency in post-clearance Audit.**

The audit is to be performed by persons having adequate technical training, proficiency and experience in Customs, accounting and auditing.

1. **Audits should be adequately planned, executed, supervised and reviewed.**

***What is found to be adequate is;***

* to do the work considering the Audit objectives,
* To obtain all the information possible out of every possible source from the client,
* To consider the clients compliance history and to get the proper expertise involved (computer audit specialists, auditors, client services, etc).

To assist in achieving the adequacy of auditing, a documented Audit planning memo should be prepared, and when necessary, file completion checklists should be completed.

1. **Audits should be conducted, allowing due consideration for the company's business circumstances.** Due consideration in this case, means to respect the clients ongoing business activities.
2. **Audits should be conducted with objectivity.**

The Principle of objectivity requires auditors to base their judgments solely on the facts of reality and in accordance with the provisions of the law. Sufficient and appropriate evidential matter is to be obtained through inspection, observation, inquiries and confirmations to afford a reasonable basis for an opinion regarding the accuracy of declarations under audit. They should not be influenced by emotions or personal prejudices. Therefore, auditors should be fair, intellectually honest and free of conflict of interest or influence of their colleagues or clients overriding their objectivity.

1. **Sufficient and appropriate Audit information should be obtained by inspection, observation, inquiry, confirmation, computation and analysis, to afford a reasonable basis upon which to support the findings, conclusions and recommendations of the report.**

Sufficient relates to the quantity of Audit information that was gathered, while appropriate refers to the quality of that information. The question, therefore, is whether or not enough information was collected considering the quality of the information available. The more relevant and reliable the information is, the less the officers need to collect.

1. **Officers should perform the Audit with professional due care.**

The officer is expected to fulfill their duties diligently and carefully. This includes consideration of the completeness of the working papers, the sufficiency of the Audit information, and the appropriateness of the final report.

1. **Audits should be completed and a report presented to the client within a reasonable time**.

For all an interim report should be provided before giving a final report. An Audit is a long process and the question often asked is "how long should it take?” Time standards should be developed, as a general guide for how long an Audit should take; however, factors come into play that can affect each case differently. The size of company, the level of complexity of the business systems and level of cooperation offered by the client are all examples of factors that could affect the time needed to complete the Audit.

The officers should, while waiting for information from the client, make the best use of their time. They should work on other parts of the Audit whenever possible. For example, they can work on the indexing and cross-referencing of the file, update the outstanding issues working paper and the planning memorandum or input data into the reporting mechanisms available.

Bear in mind that clients may face delays in supplying information requested by the officers. To avoid this, it is suggested to give reasonable deadlines when asking for information and to follow up on information requests.

1. **Audits should be conducted in a transparent manner**.

Post-Clearance Audits are to be executed in an open and transparent manner. Communication and co-operation between the Customs organization and the client is paramount, if the Audit is to be successful. The officer in charge of the case should be in contact with the client on a regular basis, to keep them informed of Audit progress and results. In addition, the client's response to the Audit results is included in the final report.

1. **Reporting Standards**

Reporting is the manner by which Officers communicate the results of Audits to the client and to senior management.

* Reports should include the purpose, objectives, scope, and summary of errors, as well as applicable conclusions, requirements and recommendations.
* Reports should be accurate, objective, clear, concise, constructive, complete and timely.
* The communication of findings to the client is an ongoing process, which takes place throughout all phases of the Audit. Findings may be communicated by exit interviews, letters and final reports. It is important to remember the main user of the report is the client.
  1. **Code of Conduct of Auditors**

Besides the code of conducts and ethical principles stipulated in laws of the authority including employees administrative Regulation No-155/2000, Post Clearance auditors MUST have the following ethical principles.

* 1. **Integrity**

Post Clearance auditors shall perform their work with honesty, diligence and responsibility. It is the core valve of a code of Ethics. They must not use their position to gain any advantage in their personal affairs. Auditors have a duty to adhere to a high standard of behavior in the course of their work. The relationship with fellow colleagues and external contacts should be one of honesty and fairness. This establishes an environment of trust, which provides the basis for reliance on all activities carried out by the auditor team. Integrity can be measure in terms of what is right and just. Integrity requires the auditors to observe both the form and the spirit of auditing and ethical standards. The Customs Auditors will seek to collect only the correct amount of duties and taxes using sound professional judgment. Where it comes to the notice of the auditor that duties and taxes have been overpaid, or any exemption has not been claimed, these matters shall be brought to the attention of the trader.

* 1. **Independence**

An independent mental attitude for an auditor is a state of mind of not being biased or fraudulent. That is, being objective in thinking and undertaking. The auditor should be free from prejudice and be able to express his/her opinion without fear or favour. It is of fundamental importance that the auditor is and remains independent of the subject being audited and should be seen as such.

* 1. **Privacy and Confidentiality**

During the course of a trader’s audit, the auditors are likely to acquire considerable information relating to the trader’s business activities. The auditors must respect the confidentiality of the information acquired during the audit. It is the policy of the ERCA to treat personal and business information provided by traders with strict confidence. The auditors shall neither disclose the information without authorization nor use it for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate business activities of the traders. The auditors are required to exercise due professional care to ensure the security of:

* Trader’s books, records, accounts, etc.
* Official papers.
* Commercial or other trade related or private information in their possession in relation to the enterprise being audited, e.g. process of manufacturing, sources of import/export, etc.
  1. **Competency**

Members of audit team should apply the knowledge, skills and experience needed in the performance of their duties. They should carry out their work according to the standards set out in the Audit Standards. They should not accept or perform work that they are not competent to undertake unless they receive adequate advice and support to competently carry out the work.

* 1. **Equality**

Auditors should maintain fair and just judgment over similar cases and should not treat them arbitrarily. They should ensure that their actions do not result in inequality before the law.

# **CHAPTER FIVE**

# **STRATEGIC PLANNING FOR PCA**

1. **General**

The audit plan determins how many audits will be conducted and who will be audited over a specified period. The development of an audit plan should also be linked to the overarching strategy for conducting pre-arrival controls and controls at the time of clearance. It aslo reflects the linkages with other customs departements to achieve its stated objectives, mainly with customs clearance procedures(transit, assessment and valuation ), risk managments, intelegence and enforcement. This ensures a unified strategy to the complete Customs control cycle Effective strategic planning is critical to the success and credibility of PCA through:

* Optimum use of a scarce resource – the time and budget available to conduct audit is limited and resources should be allocated on the basis of risk;
* Minimum disruption of trade,
* Uniformity of standards – only trained Customs officers should conduct audits.

In this phase, Customs needs to define:

* Objectives;
* Scope and coverage;
* Risk areas;
* Resource management. and
* Promoting improved compliance

1. **Objectives**

The objectives of audit-based control

* To ensure compliance with Customs laws and regulations while facilitating legitmate trade; and
* To detect infringements related to taxes and duties.

1. **Scope and coverage**

PCA is retrospective examination, which takes place after release of goods. PCA demonstrates remarkable effect if it takes place to persons/companies who have continuously deal with the Customs for a certain period, based on prior analysis of their historical records.

In the operation, PCA relies largely on documents or electronic data that record the transactions made by auditees. Usually, business entities make, exchange, and keep various kinds of record in the ordinary course of business for their own business purpose, whether or not it is legal obligation.

Audits should generally be conducted for compliance verification purposes in the areas of valuation, origin, tariff classification, duty relief/drawback/remission programs, etc., but other areas should be targeted as necessary. Therefore, the scope or coverage of PCA should not necessarily be only the importers but also other persons/companies involved in international trade as stated in the chapter one of the manual.

1. **Targeting: Risk Areas and Selection for Audit**

This work is normally carried out by a dedicated risk analysis/targeting team. The selection should be based on risk assessment and take into account the human resources available to conduct audits. The team will then present or propose a plan to the PCA team who will be responsible for carrying out the audits.The frequency for auditing a particular business entity will vary depending on the perceived risk.

It is important that the results from an audit are fed back to the risk analysis/targeting team so that the risk rating of the business in question can be adjusted accordingly. This information will also help to determine the need for follow-up repeat audits.

Special exercises may be conducted in particular areas (e.g. trade sectors or countries of origin) for a limited period where high levels of irregularities are anticipated. This can be an effective use of resources and help to improve compliance.

1. **Resource management**

The redirection of controls from the border towards the post-importation environment poses significant resource implications for a Customs administration. The increase in PCA activities should coincide with a commensurate decrease in border controls; based on an adequate risk assessment, it may be considered to reduce the number of staff in ports and border posts and to increase staff in PCA teams. New offices may also need to be set up. This raises anumber of considerations, including the need to retrain officials, upgrade IT infrastructure and consider a number of human and financial resource issues.

1. **Required Expertise for PCA Auditors**

PCA should be carried out by professionally trained Customs personnel/auditors. With the increased use of electronic record-keeping and the sophistication of global trade, the need for higher standards of training becomes increasingly important. Customs administrations should be committed to providing auditors with the levels of training necessary to equip them to perform their duties.

* 1. Professional skills

All auditors need a range of general skills relevant to the task of auditing. These skills include:

* Accounting techniques and principles, based on Generally Accepted Accounting Principles (GAAP);
* Knowledge of auditing standards and procedures;
* Familiarity with Customs laws and regulations;
* General knowledge of Customs procedures (valuation, classification, origin, etc.);
* Knowledge of computer-based accounting systems;
* Commercial awareness and knowledge of business strategies in international trade including banking procedure.
  1. **Ethical Standards for auditors ;**

Auditors must avoid any arrogation when they exercise the authority to conduct PCA. Neither individual human rights nor a peaceful private life must be violated by unjustified use of the PCA authority. Auditors must exercise their authority strictly complying with relevant laws and regulations. Particular emphasis is placed on the virtues listed in chapter four of this manual.

* 1. **Training Policy**

PCA should be carried out by professionally trained officers. Therefore, Ethiopian Revenues and Customs authority should establish a series of training sessions to enable the assigned personnel to not only acquire the minimum knowledge and skill but also enhance them to a higher level. In consideration of high specialty required for auditors and rapid transfiguration of business environment, the training for the Customs personnel should take place in two phases: initial training for new appointees; and continuous training for in-service auditors.

1. ***For New Appointees***

In this phase, Customs administration should provide new appointees with a comprehensive package of training curriculum. Particularly, the PCA technique should be given the core position in the entire curriculum, supported by the other areas such as background knowledge for carrying out PCA. As to contents and levels of each curriculum (or area), it should be set in accordance with nominated trainees' previous capability.

1. ***For In-Service Auditors (Skill Enhancement)***

In this phase, Customs administration should continuously provide in-service auditors a variety of training programs for enhancing their knowledge and skill. These programs include:

* On-the-job training under the guidance of experienced senior officers;
* In-house trainings for studying significant audit cases and profiling; and
* Lectures on emerging trend and development in trade industry.

1. **Promoting Improved Compliance via Self-Assessment and Awarness Creation**

PCA provides an opportunity for Customs to encourage commercial operators to comply with Customs requirements through self-assessment and to provide advice accordingly. Customs administrations should actively promote the benefits of compliance to the business community and provide information and advice via telephone enquiry lines, Internet or other publicity. In the course of an audit, auditors should make recommendations that encourage auditees to establish, maintain, and improve their internal controls and systems. This can be effective in a number of areas such as the reliability of financial accounting and compliance with applicable laws and regulations. Internal controls can also detect and prevent fraud, negligence, or operational errors which may have affected Customs declarations. When auditors judge that the auditee's internal controls are well designed and performing effectively, this should be reflected in the business’ risk rating. Where internal control is sufficient to fulfill the conditions set by Customs, such a person/company may be considered eligible for a facilitated Customs procedures. Importers and brokers can also be given the opportunity to voluntarily request for paymentes taxes and duties without penalty when errors have been identified by self assesment, before PCA conduct an audit. To increase the awarness of importers, exporters and onther customers and stakeholders to customs continous education program to disseminate necessary information to make them aware of the objectives of PCA, raise awareness and improve the level of cooperation.

In order to improve the compliance level of Customs declarations through self-assessment, it is effective to inform declarants, including brokers and importers/exporter, about typical and frequent errors found on Customs declarations, and assist them in avoiding such errors in future. It is also important to encourage a mutual responsibility between importers and their brokers to ensure declarations are accurate; the importer should provide all necessary information to his broker and, likewise, the broker should actively challenge the information provided by an importer if he considers it to be inaccurate or incomplete.

# **CHAPTER SIX**

# **RISK MANAGEMENT For PCA**

Risk can be defined as the potential for non-compliance with laws, which the Customs are required to administer, measured in terms of probability, magnitude and impact.

## **6.1. Risk Management Process – Basic Concept**

The risk management process comprises:

1. Establishment of the risk management context;
2. Risk identification;
3. Risk assessment;
4. Addressing the risks; and
5. Monitoring and review of the process through compliance measurement.

The following outlines the process to be followed in managing risk, whether it is a high –level strategic examination of risk to nationwide PCA planning, or lower-level operational activities like the selection of auditees to a monthly audit plan.

1. **Establishment of the Context**

Establishing the risk management context involves establishing the goals, objectives, strategies, scope and parameters of the activity, or part of the organization to which the risk management process is being applied. This step is also about establishing the risk criteria, i.e., criteria against which risk will be measured. Examples of risk criteria are revenue leakage, customs’ image and delivery of government policy intent. These will form a fundamental basis for decisions made in the later steps of the cycle. These criteria should be used to determine acceptable and unacceptable levels of risk (i.e., what level of revenue leakage is acceptable, what negative effects on customs’ image can be tolerated, what level of movement away from government policy intent is acceptable). Risk Management within the PCA context can be:

* + 1. Strategic;
    2. Tactical; and
    3. Operational. Risk management process can apply across all of these levels.
    4. **Strategic Risk Management**

By studying comprehensive information, Customs Administrations can identify areas of risk, shift out those minor importance, and intervene only where experienced and practical judgment indicates it is necessary. Strategic risk assessment is based upon Customs being able to identify the overall risk posed by an entire sector or a group of importers. In identifying this industrial sector, Customs administration will be able to target all or selected companies within the industry sector as high risk. An industry sector could be classified as high risk for various reasons, such as:

* The strategic importance of the industry to the national interest;
* The international trade agreements which govern the industry
* Public health and safety considerations
* Intellectual property rights
* Economic impact of the imports

Studies on specific commercial sector

A general study of the commercial sector or import involved will help the officer deal with the specific information in context. The use of specific sector studies is becoming increasingly valued as a reliable source for collecting information in the field. For example, sector studies may be on specific program areas such as:

* Fraud;
* Valuation;
* Intellectual Property Rights
* Duty free previlages, etc.;

Once the sector is chosen, information must be defined and collected on the various components, at both macroeconomic (sector size, production, consumption, etc.) and microeconomic levels (the number of firms involved, their technological capacity, structure, the type of fraud to which they are exposed, etc.). This work will be useless if not stored on information media, which are accessible for use when needed.

* + 1. **Tactical risk management**

This is the process of identifying groups of high risk transactions by particular importers/ exporters. Consideration when identifying these groups of high risk transactions include:

* Importer’s/exporter’s volume of imports/exporters
* Total value of imported goods
* Types of goods imported/exported
* Prior importer or compliance problem
* First time importer/exporter, etc
  + 1. **Operational risk management**

This deals with specific import transactions. Factors to consider when identifying high risk transactions may include:

* Who the importer is
* What commodity is involved
* Prior discrepancies or violations involving the commodity
* Major high value importation
* Country of origin
* Whether any special regulations or programs apply to this type of import (such as quotas)
* Value declared for the commodity is outside the previously established high –low range.
* Referral information from other Customs units
* Potential of revenue recovery
* Risk of revenue loss
* Government program priorities or specific intelligence, etc.

1. **Risk Identification**

Know exactly what the risks are, and how and why they might arise.

**To identify all possible risks, ask:**

* what can happen; and
* When, where, how and why can each risk occur.
* The following elements can assist in identifying risk:
  + performance of an industry against legislative/administrative requirements;
  + performance of individual clients;
  + elements of individual clients operations (e.g., internal control, separation of duties/tasks, results of external reviews if appropriate

1. **Risk Analysis**

After identifying each risk, analyse it. Determine how often defined risks may occur and the magnitude of their likely consequences.

Risks must be analysed to decide which risk factors will potentially have the greatest effect and will therefore need to be managed.

Risk is analysed in terms of

* 1. likelihood (or probability and/or frequency) and
  2. Consequence (or the outcome of an event) in the light of existing controls.

1. **Addressing Risk**

Customs shall accept and monitor low-priority risks in the above risk analysis.

As for the other risks, a specific management plan should be established. The plan includes consideration of resources (human, financial and technical).

1. **Monitoring and reviewing risk**

Monitoring and review are a continuous process and an integral step in the process of managing risk. All steps of the cycle must be monitored and reviewed to:

* determine if risks previously identified are current and if new risks have emerged, as few risks remain static;
* re-evaluate the levels of risk assigned previously in the light of recent risk address activity; and
* evaluate the effectiveness of compliance activity undertaken

## **Risk Indicators for PCA**

### General Risk Indicators

Given that the main objective of the PCA is check compliance and to recover deficiency of duties/taxes, the following risk indicators can be used for the assessment of the risk and the targeting of high risk business for PCA:

**Profile of Importers**

* + Ownership (mostly in relation to related party transactions)
  + Capital
  + Establishment Data
  + Business Connections
  + Type of Transaction
  + Method of Payment, etc.

**Trade Data**

* + Volume of Importation
  + Amount of Duties Paid
  + Imported Items and their duty Rates
  + Valuation Declarations
  + Origin of Goods
  + Ports of Loading
  + Transportation Type, etc.

**Past Records**

* + Audit Records
  + Entry Errors
  + Offense Records, etc.

**Information/Intelligence**

* + Under/over-valuations
  + Separate Payments
  + Supply of Assists
  + Undisclosed Arrangements
  + Irregular Cases of the Same/similar Industries, etc.

### Specific Risk Indicators

1. **Risk Indicators on Invoices**

* No VAT/GST Registration number
* Linguistic error (Color, Lobor Vs Colour, Labour)
* Errors on Letterhead-Ex Incorporated (US), Limited (British), France (S.A), Germany (G.m.b.H), Italy (N.V), Switzerland (N.V or A.G) etc
* Same type facing on all documents
* Date
* Address
* Telephone number
* Currency
* Arithmetic errors

1. **Relief Fraud**
2. **Risk Indicators for Pre Entry Stage**
3. Too generalized description of goods
4. High Duty Goods
5. First Time applicant
6. No listing in trade registry
7. **Risk Indicators for Import Stage**
8. First time Importer
9. Unrealistic time taken for completion of Customs formalities
10. Inconsistent point of Clearance
11. Generalized description of goods
12. Incomplete documentation
13. Quality/Quantity of imported goods inconsistent with goods to be produced
14. **Risk Indicators for Manufacturing Stage**
15. Excessive amount of wastage
16. Excessive delay between import and processing
17. Importing high quality materials to make low quality goods
18. Disproportionate import of raw materials to manufacturing capacity
19. **Risk Indicators For Export Stage**
20. Quality and quantity does not match Imported goods
21. Weight of container too light or too heavy
22. Nature of exported goods
23. Value of exported goods too low
24. Unlikely market destination
25. Abnormally long delay between the import and export stages.
26. **Risk Indicators for Pre-exportation stage**
27. Too generalized description
28. High duty goods
29. **Risk Indicators for Exportation Phase**
30. Substitution of equipment with superior technology for equipment with inferior technology
31. Substitution of original manufacturing number with false identification number
32. **Risk Indicators for Re-Importation phase**
33. Incorrect or false declaration concerning goods exported originally
34. Incorrect declaration regarding the processes completed on the goods during the processing phase abroad.
35. False shipping documentation
36. Incorrect declaration concerning the value of the goods.
37. **Temporary Admission Fraud**
38. **Risk Indicators for import Phase**
39. First time importers
40. Inconsistent with importer’s business practices
41. Inconsistent use of points of clearance
42. Too generalized description of goods
43. Related parties
44. Inconsistent values for the goods
45. **Risk Indicators for Temporary Stay**
46. Goods not found at declared premises
47. Facilities are not consistent with goods Imported
48. **Transit Fraud**

**Risk Indicators**

1. Seal and locks are tampered with
2. Undue delay made between the arrival of goods and the request to grant transit facilities
3. Documents found to be substituted or tampered with
4. Unusual breakdown or malfunctioning of conveyance
5. Unscheduled change of routing without sufficient cause
6. Inconsistency and incompleteness in the documents furnished at the office of destination.
7. Inconsistency in weight, quantity, package, container or receptacles.

# **CHAPTER SEVEN**

# 7. **AUDIT PROCESS**

## **7.1 Introduction**

Quality of the Audit is important to the client, the Audit Officer and the Customs Administration. Quality, in the context of Post-Clearance Audit, means: ensuring that risks of non-compliance are addressed; that the process works effectively to avoid having to repeat steps and redo work; and that the result demonstrates fairness to the client; and delivers on the commitments that the Administration has made to the public and expressed through its values. Achieving these goals comes from a combination of an effective audit process, as well as the way in which the auditors and Managers carry out the work, in relationship with the client.

The audit process generally have the following phasses and steyps conducted in according to the tyes of an audi

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Aduit process phases** | **Sub Process For Audit** | | **Type of Audit** | | |
| **desk audit** | **limited scope audit** | **field audit** |
| 1. Audit Preparation | pre- planning | 1. Developemnt of audit program and standardized audit procedure | X | X | X |
| 1. Identifcation of potential risks | X | X | X |
| 1. Selction of audits case | X | X | X |
| 1. Allocation of audit case | X | X | X |
| 1. Pre- audit survey  * client profiling , * audit sampling | X | X | X |
| planning | 1. Audit planning objective,scope, and resources | X | X | X |
| 1. Client notification | **if required** | X | X |
| 1. Client profile update | **if required** | X | X |
| 1. Audit.excution (conducting audit) | | 1. Prepare and perform initial conference |  | **if required** | X |
| 1. Conduct System review and walk-through |  | X | X |
| 1. Select or review samples for Audit |  | X | X |
| 1. Complete the audit, analysis and evaluation of the program |  | X | X |
| 1. Preliminary audit report |  | X | X |
| 1. Audit Closure | | 1. Exit conference |  | **if required** | X |
| 1. Final report | X | X | X |
| 1. Functions of report | X | X | X |
| 1. Evaluation and follow up | |  | X | X | X |

### 

## 

## 7**.2 Pre- Planning**

### 7.2.1 Development of Audit Programs and Standardized Audit

Audit Program” is a ground design of the Customs audit-based control, which sets a direction of the measures to be taken by Customs. The Program is drawn up taking fully into account the Strategic Planning of chapter five (scope of PCA, potential riks, objectives) and based on the Risk Management methodology out lined in chapter six of this manual.

* **Annual/ monthy working plan ( See PCA/WP/001)**

Depending on the strategic plannig of the customs an operational planning base on annual or monthly base is mandatory to bring into effect the stated objectives. The operational Audit planning may take place on annual basis, taking into account the availability of the auditor or audit team, in relation to work in progress and the start of new audits. Each audit area could be assigned standard hours of completion and each available auditor or audit team hour could be calculated in order to determine how many audits each auditor or audit team can perform in a given year. As a matter of course, depending on the circumstances, the planning could take place on monthly basis.

### 7.2.2 Identification of the Potential Subjects Audit

The importer/exporter is the principal subject of an audit who has filed import declarations to the Customs but also other persons/companies involved in international trade can be audited. However, where it is considered impossible to carry out necessary and sufficient verification of the declarations in question only by auditing the declarant, due to a lack of evidence records for example, PCA to the other auditees shall be conducted to complete the verification of identified high-risk import declarations.

There are two major reasons, when PCA should target those persons other than importers/exporters:

* Firstly, when a importer rejects PCA, or provides the auditor with insufficient information, the auditor needs to gather adequate information from other sources having business relations with the declarant; and
* Secondly, under the WTO valuation methods, Customs value is principally determined by transaction value between a seller and a buyer, who is not necessarily the declarant of imported goods. The buyer in terms of the WTO valuation methods may be in the lower reaches of market marketing channel of the imported goods. PCA should cover such buyers when the importer/exporter are unable provide sufficient information related to Customs value.

### 7.2.3 Selection of Audit Case

The selection of clients for audit shall be as a result of risk profiling. The following risk parameters shall guide the selection of audit cases:-

* **Volum**e ;The total volume of clients transactions may be an indication/sign of risk. An analysis should be carried out on the frequency and size of shipments.
* **Value ;** A large value for imports may be considered a high risk. In addition, an analysis of value and quantity, as well as average unit values for commodities, by country, should be undertaken as part of a risk assessment strategy.
* **Rate of duty** ; A zero rate of duty does not pose a valuation risk unless other factors come into play. Very high duty rates on the other hand do pose a risk, even where the value may be low, because the resultant duty liability (or loss thereof) would be significant.
* **Country of origin**; The country where goods are produced, manufactured or supplied may also become a factor in determining risk.
* **Others** ; These may include such risk parameters like compliance history of the importers/exporters, nature of commodity/industry, referrals from other units, strategic importance of the sector, duty exemption, countriy of consignment and e.t.c.

### 7.2.4 Allocation of Audit Cases (SEE PCA/WP/002)

Audit cases shall be allocated to auditors every financial year taking into consideration such factors as staff numbers, skills, knowledge, experiences and other available resources.

### 7.2.5 Pre Audit Survey

The first step in the audit process is to assess and evaluate the strength and weaknesses within the clients business system. The size and location of the client to be audited may give Customs an option to perform an on-site survey or request corporate data of the client via an audit questionnaire.

Such survey may include gathering data regarding corporate organisation and structure, commodity information, method of payment, value of commodities, cost associated with commodities, related party transactions, record keeping systems and any other relevant information.

The objectives of the pre-audit survey are to identify and focus on specific risk areas through analysis of available data and to draft an audit plan that includes audit objective, tests, scope and resources.

Pre-audit survey should include analysis of basic data, cross-checking with relevant units (internal and external), performing audit sampling, review of audit survey and planning checklist and consolidation of findings (documentation of integrated study parameters) number of different tariff codes used, number of Customs procedures used, previous audit results and risk of revenue loss.

### Analysis of Basic Data

The examination of basic data is based on two profiles:-

* + - 1. **Client profile**

|  |  |  |
| --- | --- | --- |
| **Category** | **Analysis items** | **Possible source of data** |
| Company outline | * Address | - Import (Valuation Detailed Delcation, VDD), ASYCUDA++, ECVS & declarations supporting documents (invoice etc.) |
| * Organizational form (form of business entity, capital,   Shareholders, business items, business (accounting) year, etc.) | - Past audit records  - Publications and other available sources |
| * Organization structure | - ditto - |
| * Accounting system | - ditto - |
| * Business performance | - ditto - |
| Summary data of transactions | * Total amount and quantity of import | - Import (Valuation Detailed Delcation, VDD), ASYCUDA++, ECVS & declarations supporting documents (invoice etc.) |
| * Major items’ shipping point, total amount and quantity | - ditto - |
| * Existence of transactions between related parties | - ditto - |
| * Records of export transactions with the seller of imported goods | - Export declarations  - Publications and other available sources |
| Others | * Past audit records | - |
| * Past offense records * Content of internal/external intelligence | - - |
| * Content of other internal/external data | - |

* + - 1. **Transaction profile**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Category | | | **Items for survey** | **Possible source of data** | |
| Price | | | * Price-related terms (price, delivery and payment) | - Import (Valuation Detailed Delcation, VDD), ASYCUDA++, ECVS & declarations supporting documents (invoice etc.) | |
| * Amount of freight and insurance, and payees | - ditto - | |
| * Fluctuation in declared value * Comparison with values of identical or similar goods (if any) | - ditto -  - Other importers ‘declarations & supporting documents (invoice etc.) - Price list/data-base | |
|  | |  | | | |
| Category | | Items for survey | | Possible source of data | |
|  | | * Foreign and domestic market price and resale profit ratio (if any) * Application of valuation declaration and its contents | | * Publications * Import (Valuation Detailed Delcation, VDD), ASYCUDA++, ECVS & declarations supporting documents (invoice etc.) | |
| Volume of trade & the number of declarations | | * Quantity, amount and the number per imported item (or HS) | | -Import (Valuation Detailed Delcation, VDD), ASYCUDA++, ECVS & declarations supporting Statistical data-base, documents (invoice etc.) | |
| * Quantity, amount and the number per exporter | | - ditto - | |
| Tariff | | * Tariff codes (HS) of imported items | | -Import (Valuation Detailed Delcation, VDD), ASYCUDA++, ECVS & declarations supporting documents (invoice etc.) | |
| * Tariff rates per imported items | | - ditto - | |
| Import/Export restrictions | | * Content of import restriction involved in imported goods, if any | | - Import (Valuation Detailed Delcation, VDD), ASYCUDA++, ECVS & declarations supporting documents (invoice etc.) | |
| * Content of export restriction in export country, if any | | - Publications | |
| Country of Export | | * Export country and shipping point | | - Import (Valuation Detailed Delcation, VDD), ASYCUDA++, ECVS & declarations supporting documents (invoice etc.) | |
| * Production and collection points | | - ditto - | |
| * Domestic circumstances in export country | | - ditto - | |
| Exporter | | * Name of exporter | | - Import (Valuation Detailed Delcation, VDD), ASYCUDA++, ECVS & declarations supporting documents (invoice etc.) | |
| * Name of exporter concerning identical or similar goods, if any | | - ditto - | |
| Others | | * Specification (nature, shape, quality and usage) of imported goods | | -I-import (Valuation Detailed Delcation, VDD), ASYCUDA+, ECVS & declarations supporting documents (invoice etc.) | |
| * Status of documentary/physical examination at customs clearance | | - Records of entry examination | |
| * Status of offense and errors   involved in trade item, exporter, and export country | | - Records of investigation for customs offense | |

The most basic and important sources of data include the following:-

1. Import declarations and attached documents
2. Statistical data sheets on past import and paid Customs duty

### Analysis of the Import Declarations

Most of the entered particulars of imported goods, including the following items, should be compiled as a data sheet for analysis.

1. Date of declaration/release
2. Declaration number
3. Country of shipment
4. Country of origin
5. Description of goods and/or tariff classification code (full digits)
6. Quantity (units and weight)
7. Customs value of goods (CIF and FOB basis)
8. Rate of duty
9. Amount of duty
10. Rate of tax
11. Amount of tax
12. Customs regime
13. Customs procedure code (CPC)
14. Status of valuation declaration
15. Status of price range (if available)
16. Other items in case of need

### Analysis of the Commercial Invoice

The Commercial invoice is the most useful supporting document to the import declaration that represents essential terms and conditions of a transaction including price of goods. Each invoice should be analyzed from the following viewpoints:-

1. **Participation of third parties in a transaction**

Particular descriptions are often shown in a commercial invoice to imply any indirect transaction. One example is a third party's name preceded with "c.c". In such cases, the party under “c.c” could be a commission agent. Findings of such indications should be input into an audit plan, and fact concerning payment of commission and brokerage should be examined during the field audit.

1. **Delivery terms**

The delivery term might not be presented in an invoice. Even if presented, it might differ from the fact. For instance, it might be "Ex-works" in fact, even if represented as "FOB" in an invoice.

1. **Additional payment or refund**

When actual payment is not in accordance with the payment terms agreed between a seller and a buyer, it may cause a change of the transaction value since it could include an additional payment or a refund.

1. **Shipping points**

Places where imported goods are produced, collected and shipped are checked to identify required expense elements for transportation.

1. **Signature of an exporter**

Blank invoices might be sent from an exporter to an importer to utilize them for false declarations. Such fake invoices may be detected by comparing consistency in signatures on other invoices for other consignments from the same supplier.

1. **Unit price**

It is necessary to examine whether unit price, tariff classification and duty rate of the same item are unified in every invoice, and whether the same unit price is given to different goods.

### Analysis of Valuation declaration/ valuation detailed declarations/

The valuation declaration and the attached documents, if any, provide very useful data for the preaudit survey. The following facts should be examined with the valuation declarations:-

* 1. Status of the importer and the exporter in terms of whether they are a buyer and a seller respectively.
  2. Relation between a seller and a buyer that affects transaction value
  3. The involvement of third parties in the import transactions.

Analysis points of the valuation declaration

1. **Relation between a seller and a buyer**

Various relations among parties involved in the import transactions are taken into consideration to determine the Customs value of imported goods. These relations include: a head office and branch office, a parent company and subsidiary/associated company, a core company and affiliated company, a principal and an agent and others.

1. **Price list**

In case where a price list of imported goods is attached to a valuation declaration, reliability of the price list should be examined by using ECVS and other systems. For instance, a price list that is typed and addressed only to an importer may be an indicator that the listed price is only applicable to the importer. Even if a price list is a printed catalogue, it should be examined whether any special instructions concerning condition for application of listed prices are described. In examination of a price list, it is necessary to pay attention not only to content of description but also to peculiarity of appearance such as a queer blank column in a list, difference of the fonts of characters, and a particular note like "net price".

1. **Separate payment**

Payment separate from price of goods include a part of transaction value, such as royalty and license fee, commission and brokerage, and so on. If separate payment exists, it is necessary to examine the amount, rate, and calculation base of payment as well as the existence and the content of the contract.

1. **Comparative examination with other declarations of the same transaction**

Comprehensive examination with other transactions is necessary in addition to the examination of each item of an individual valuation declaration. For instance, commission once added in a valuation declaration might not be declared for another transaction even though both transactions were made by the same parties dealing the same commodity.

### Statistical data sheets on past imports and paid Customs duty

The auditor should obtain a statistical data sheet from ASYCUDA and other sources of the importations made by the company for the period under audit. The datasheet should contain information that is pertinent to country of origin, HS code, CIF, quantity and other relevant details. Similar information for Companies in the same line of business should be obtained for comparison purposes.

All file notes made should be clearly indicated on the face of the document since all documents form part of audit working papers.

### Cross-checking with relevant Units (Internal And External)

In the pre-audit survey, it is necessary to request for professional opinions of other units that processed data for analysis, depending on circumstances. The auditor should consult with all the relevant divisions/sections like specialists of cargo clearance, valuation and offence investigation. These consultations should be recorded and may include the following:-

1. Valuation division on all cases where issues of value are in question.
2. Reference to all past tariff and valuation rulings given on the item (s) under audit.
3. Reference to all relevant information circulars issued.

These specialists may provide useful information, which could lead to the identification of irregularities that may have occurred during Customs declarations either by intention, negligence or error. This is crucial in implementing efficient and effective PCA for the following reasons:

* 1. It helps in identifying potential risk areas. The existence of possible fraud, negligence and errors already indicates potential risk areas.
  2. It aids in clarifying types of information that should constitute the client’s profile, which is necessary for appropriate assessment of client’s risk.
  3. It assists in clarifying types of records that should be examined in the field audits.

### Perform Audit Sampling

Sampling refers to the application of audit procedures to less than 100% of the items within an account balance or class of transactions to enable auditors to obtain and evaluate audit evidence about some characteristic of items selected in order to form or assist in forming conclusion concerning the population which makes up the account balance or class of transactions.

Generally, sampling is the examination of few items (or sampling units) drawn from a mass of data (population), with a view of inferring characteristics about the mass of data as a whole.

Options for sampling available to PCA:-

* + 1. **Statistical sampling**

Involves the use of techniques from which mathematically constructed conclusions regarding the population can be drawn. It is used to determine: -

(i) How large the sample should be?

(ii) Whether to accept or reject the population on the basis of the results from the sample.

This permits quantification of sampling risk. For example if a sample is selected on the basis of a 95% confidence level, there is a 5% sampling risk implying that there is a 5% risk that the sample is not representative of the population and as a result, incorrect conclusions may be drawn about the population.

* + 1. **Non-statistical (Judgmental)**

Sampling is not statistically based and results should not be extrapolated over the population, as the sample is unlikely to be representative of the population. The auditor relies on his judgment to decide.

* When to use Statistical Sampling Statistical sampling methods should be used when any of the following criteria applies:-

1. Cost-benefit analysis supports the additional costs and time required.
2. The sample errors or exceptions must be extrapolated to quantify for the population or a defensible expression of the test results is required.
3. The objective of the audit is to state an opinion on the reliability of the balances reported.
4. The availability of computer software for sampling makes statistical sampling simple to apply.
5. When employing statistical sampling, it is important to quantify the risk of a sampling error.

* **When to use non-statistical sampling**

Non-statistical sampling methods may be used when any of the following criteria applies:-

1. An auditor encounters a well-designed, well-controlled system, good management, well-trained
2. employees and a feedback mechanism that highlights errors and it would therefore be
3. extravagant to spend a great deal of time performing extensive substantive tests.
4. An auditor encounters a system that is so weak (for example inadequate controls and/or procedures, insufficiently trained personnel) that no reliance can be placed on the system of internal controls and it would therefore be extravagant to spend a great deal of time performing extensive substantive tests.
5. The audit objectives are fully met by a non-statistical sample.
6. It is known that the population has no variability.

* **Documentation of sampling methodology and process**

Auditors should make sure that the audit working papers include sufficient detail to describe clearly the sampling objective and the sampling process used. It should be noted that all aspects of selecting the sample must be clearly and fully documented in the audit working papers.

The working papers should include the source of the population, the sampling method used, size of sample, sampling parameters (for example random start number or method by which random start was obtained, sampling interval, and others) items selected, details of audit tests performed and conclusions reached.

### Audit survey and Planning Checklist (See planning phase EXHIBIT- A)

On completion of pre-planning, an audit survey and planning checklist shall be submitted for review and approval.

### Consolidation of Findings

Any irregularities identified from the analysed data should be consolidated in a certain format in order to draw up focal points and examination methods of the audit. Each outcome of the analysis should be summarized for ease of reference.

## **Planning phase**

The audit plan is a summary of the information gathered during the planning phase. It outlines the type, objectives, scope, tests and resources needed for the audit, roles and responsibilities and other specific areas of concern.

It should be noted that when conducting a desk audit or single area premises audit, an audit planning memorandum may not be necessary or would be less extensive than in the case of a comprehensive audit.

The following should be contained in an audit plan:-

(a) Company information.

(b) Reason(s) for selection.

(c) Type, objectives and scope of Audit

(d) Company Profile.

(e) Resources needed for the audit.

(f) Roles and responsibilities of auditors.

(g) Tests to be performed for example valuation, HS classification, origin, quantities and others. Auditors should develop detailed audit program for the test to be conducted.

(h) Time frame for each activity to be carried out.

PCA teams must establish and agree on the type of audit approach to be used and the reasons for the selection shall be recorded as part of the planning stage of the audit.

Planning of time to be spent on individual audits is key to the achievement of audit objectives and optimize on output.99

Planned audit time depend on the level of audit risk and overall complexity of the client transactions. As the resource is scarce and limited in order to be effective, efficient and economical in accomplishing audit work; effective control of individual audits is important. Taking into consideration the levels of risk, nature of the business, complexity of the audit case, the audit scope and the availability of resources determins indicative hours to be spent on audits from entry conference to issuance of management letter.

The auditors are responsible for making sure that when the indicated/planned hours are likely to be exceeded the supervisor is informed. The supervisor is also supposed to monitor the time spent on audits. The alternatives are: -

(a) If justifiable the audit time should be increased.

(b) If not, the audit should be brought to an end.

It is important to note that, in spite of the type of audit, in practice and normal circumstances the idea of a hundred percent (100%) verification is impractical. All audit testing plans as indicated in the programs should be based on sufficient information that allows for percentage-based program. For example where a percentage of clients’ SADs within a given time period have been selected for testing and results show a high level of compliance then the results should be used to determine whether further time should be spent on the audit or not. Similarly a high level testing failure rate would necessitate more time to be spent on the audit. Circumstances where 100 % verification is justifiable (mostly for invetstigation audit):-

* Normally this is for cases of suspected fraud
* High level error or non compliance
* Where complete breakdown in the client systems and/ or accounting records has occurred.

### Notification to Client

The person to be audited shall be informed in writing prior to commencement of the audit (see Planning exhibit B,C,D,E and F). The letter will have the following details:-

(a) Legal authority to conduct the audit

(b) Proposed period to be audited

(c) Proposed commencement date of the audit

(d) Name of contact person for purposes of the audit

(e) Assurance of confidentiality

(f) Relevant documents, books and records relating to the audit period required by the auditor for verification.

*These books and records may include:-*

* 1. Commercial invoices
  2. Shipping records
  3. Purchase orders
  4. Delivery notes
  5. Chart of accounts
  6. Record of contracts
  7. Royalty and marketing agreements
  8. Inventory records
  9. Journals
  10. Ledgers
  11. Business correspondence
  12. Records of payments, among others

The notification letter will be accompanied by an audit questionnaire to be completed by the person to be audited. This questionnaire is one of the tools employed in pre-audit survey. The information collected may be commercially sensitive and should, therefore, be treated as confidential.

**Audit Questionnaire (see Phaninig Phase Exhibit G)**

The purpose of the audit questionnaire is to gain an understanding about the company’s

organizational structure, internal processes and controls related to Customs transactions.

The questionnaire assists the auditor to focus on the main areas of concern. Since each company’s operations are unique, questionnaires may be designed to meet purposes of each audit.

When the importer responds to the questionnaire comprehensively, the audit team can plan its approach for the audit. The results of the questionnaire, interviews with company officials and Customs personnel, survey of company procedures, and limited testing will be used to determine the effectiveness of the company’s internal control system. A Pre-Audit Survey of the company’s importing operations and internal controls will be used to determine whether more extensive testing is necessary.

### Client profile updates

Prior to moving to the execution phase of the audit, it is important to review the client’s submitted documents, as requested in the notification letter and the completed audit questionnaire. All of this information may raise specific concerns and issues that need to be clarified and addressed during the execution phase. From the questionnaire, the teams should identify the key systems and significant types of transactions relevant to Customs and the key accounting, Customs and systems personnel. All concerns identified must be addressed. Some may be short lived, but taking note of them ensures that questions raised are satisfactorily answered.

*The following are client profile concerns*:-

* 1. Invoice descriptions that are too complex or vague may lead to misclassification.
  2. Intelligence data (complaints, results of past audits or current border examinations, prosecutions and seizures may have identified goods, clients or suppliers that have a history of non-compliance).
  3. New policies/requirements may be a risk indicator because they are new.
  4. First time imports may pose a risk because the goods have never been imported.
  5. First time importers may carry an element of risk because they do not know the rules.
  6. The number of entry points the client imports through.
  7. The nature of the commodity (high value for duty, high rate of duty/revenue risk, high volumeand others).
  8. The number of different commodities imported and possibilities of wrong HS classifications.
  9. Existence of peak season shipments may have correlating higher Customs errors.
  10. Goods which previously were the object of a negative ruling i.e. one that resulted in additional duties owing.
  11. Whether the entries are completed in-house or by a broker/consultant.
  12. Whether or not the client is related to the supplier.
  13. The company has experienced rapid growth and has not been able to keep up with Customs requirements.
  14. Comparisons of duty paid against value declared for current year to prior years.

### Develop Audit Program/Check List (See PCA/WP/003)

Audit program is a tool primarily used by officers to examine the level of compliance in the areas of tariff classification, value for duty, origin and others. Each Audit program has its own set of procedures to be followed.

The list of procedures provides columns for reference, officer’s initials and dates. As each procedure is completed, the officer responsible for completing the procedure will initial and cross-reference the corresponding working paper.

If a procedure has not been completed, an explanation must be documented in those areas in lieu of auditor’s initials and reference. An explanation must also be given when a procedure has been altered or modified. To ensure that minimum standards as well as a systematic approach is maintained, a series of audit programs have been developed to provide broad guidance to auditors.

**Audit Planning Memorandum** (**See PCA/WP/004**)

The Audit Planning Memorandum is a summary of the information gathered during the planning phase. It outlines the type and scope and issues of the Audit; the Audit period; the vendors and commodities to be reviewed; locations to be visited (if applicable); roles and responsibilities; and specific areas of concern.

It should be noted that when completing a Desk Review an Audit Planning Memorandum may not be required or would be less extensive than when a Limited Scope or Compliance Audit is being performed.

**File Completion Check List (see phaninig phase exhibit H) and File Index (phaninig phase exhibit I)**

The objective file completion check is to assist the officer in assembling the working papers and supporting documentation into a structured and well organized file.

## **Audit Exclusition Phase (Conduct of Audit)**

### Prepare and Perform Initial Aduit Conference (see PCA/WP/OO7)

The first step of the field audit is the initial conference. Auditor/audit team should meet with representatives of the auditee to deal with administrative matters necessary for conducting the audit.

A senior member of the audited company should be requested to ensure a high level of cooperation. Occasionally, auditee may request attendance of consultants, accountants, or lawyers to the meeting. Unless laws and regulations restrict their involvement in the audit, their participation should be welcomed. Their professional advice usually helps smooth execution of the audit.

The initial conference is required for Limited Scope and Compliance Audits, but not for Desk reviews. The purpose of the initial conference is to gain a basic understanding of the Client’s processes, systems and approaches in preparation for the Systems walk-through. It also serves to educate the Client about the Audit process, explains to them in detail the scope of the Audit and identifies what is required in terms of co-operation and documentation.

The officer should prepare an agenda for an initial conference at the client’s premises. If any questions or concerns have arisen during the client profiling step or the review of the Systems Review Questionnaire, the officer should address these questions with the client during the initial conference.

Key Steps

* Arrange time and location of initial conference
* Complete analysis of requested information and questionnaires
* Prepare draft Agenda including a list of questions and concerns for initial conference
* Ensure required support information is on hand
* Meet with Client to make presentation and provide opportunity for questions and answers.

The information below outlines a typical initial conference agenda. It should be noted that not all information is always available or always appropriate to a particular Audit. The Agenda should be customized to meet the needs of the particular Audit.

**Introduction**

* Introductions of Post Clearance Audit team
* Explanation of purpose of Audit
* Why company was selected
* Overview of Customs legislation and requirements
* Importance of confidentiality
* Additional on site work requirements
* Explanation of Audit Process ( systems questionnaire, walk-through, sampling, program execution, exit meeting, final report

**Administration**

* Who will be the primary Client contact?
* Who will be the primary Customs contact?
* Arrange plant tour.
* Discuss security issues (security passes, signing in/out, clients file security, etc.)
* Discuss working space for Audit team.
* Discuss working hours.(usually the same as the Clients Office hours)
* Discuss Photocopy procedures.
* Discuss Access to records and key staff.
* Schedule meetings with various departments
* Outline reassessment/penalty policies

**Scope**

* Period covered by the Audit
* Commodities/Issues being Audited
* Programs being Audited (Valuation, Origin, Classification, Concessions, etc.)

**General Audit Objectives**

* Assess the level of compliance with Customs Legislation
* Provide the Client with client assistance to increase compliance
* Identify areas of concern for which corrective action may be required

Concerns

* In advance of the meeting, prepare a list of outstanding items to obtain such as those items not supplied from the request for information or system questionnaire sent with the notification letter. This may include any of the following:
  + - Company organization chart showing structure, ownership, divisions and key personnel
    - Location of head office, records, manufacturing and warehouse facilities
    - Most recent annual report, financial statements and corresponding trial balances
    - List of importer names and numbers
    - Copies of license/royalty agreements, etc.
    - Foreign vendor list
    - List of any trade related programs the company utilizes, such as concessions, etc.)
    - List of matters currently before the Customs Administration and not yet finalized.

Audit Process

* Roles and responsibilities of Audit team members, including Manager
* Sources of information
  + Meetings with company personnel ( purchasing, receiving, accounting, Customs)
  + Systems descriptions, procedures, manuals
  + Plant tours
  + Source documents

Sampling

* + Once a source for sample selection has been determined (ASYCUDA or other Customs System vs. Company records) an electronic (Win IDEA or other database system or a manual sampling technique will be employed to select the actual sample.

Questions

* + Be prepared to answer client’s questions about the process and any other concerns that may be relevant

### Conduct System Review and Walk-Through

The System review and walk-through is required for Limited Scope and Compliance Audits but not for Desk reviews. The purpose of this step is to assist the officer in acquiring an overall understanding of the client’s automated or manual systems and processes in order to determine the strengths and weaknesses and risk areas of their systems in relation to reporting and accounting of imported goods to Customs, and to detrmine risk areas of the bussines. The review will also assist in determining the most efficient source of transactions for testing compliance (drawing the sample from ASYCUDA or other Customs System vs. the client’s records).

**Key Steps**

* Review outstanding issues with System Questionnaire with Client
* Walk-through of transactions with key personnel in purchasing, receiving and accounting to determine how information relating to import and export activity is captured. (process and document flow)
* Determine if links are in place for Customs control.
* Tour plant if required
* Analyze information received, validate understanding of process flow with Client, complete working papers and draft systems report for review by Client
* Determine approach to be taken for sampling.

* + - 1. **General Overview of the Systems Walk-Through**

The officers task in obtaining an understanding of the import process is to find out: which systems and processes have been developed by the client; see that they have been implemented and are understandable; determine where errors can occur; assess the adequacy of the client’s systems and processes to prevent the errors; and document the information obtained in a useful manner.

In order to accomplish this, the officers perform a walk-through, which is a trace of one or a few relevant transactions (related to importing), through all of the business systems to final accounting (including adjustments) to Customs. This requires the officer to use the information gathering techniques of inquiry, inspection, observation, and review (explained in more detail below) and perform the following steps:

* Review the completed Systems Review Questionnaire to gain an understanding of the client’s systems and processes (note that this step will have already been performed during the opening interview);
* By inquiry and observation, determine the relevant transactions related to the import process and how they are initiated;
* By inquiry and inspection, determine which documents exist and their nature;
* By inquiry, observation and inspection, determine how transactions are processed from initiation to completion, including the extent and nature of computer use and identification of all personnel required to complete the process;
* By inquiry, observation and inspection, determine the nature and details of how this information is stored and for later retrieval and reporting; and
* By inquiry, inspection, observation and review, identify the points in the flow of transactions where errors could occur, that is, the points where data are initiated, transferred, or otherwise changed (it is generally at these points where systems and procedures need to be present to prevent of detect errors) and then assess the adequacy of the client’s systems and procedures. In other words, determine whether any policies and procedures appear to have been established to prevent or detect the types of potential errors that have been identified.

The methods that can be used to document the walk-through are the Systems Review Questionnaire, narrative descriptions and flow-charting.

More will be provided here on the information gathering techniques followed by methods of documenting and finally determining where errors can occur and assessing the adequacy of the Client’s systems and procedures.

#### Information Gathering Techniques

* **Inquiries of Client Personnel**: A logical starting place for obtaining information initially is with client personnel. This includes inquiries at the management, supervisory and staff level. Care must be taken to document any information collected.
* **Inspection of Documents and Records**: Confirmation of the client’s processes and the details of the business systems will all involve the creation of many documents and records. These will be presented to some degree in the policy and systems manuals (see Review Client’s Policies and Systems Manuals below). By inspecting actual completed documents and records, the officers can bring the content of the manuals to life and better understand them. Inspection also provides substantiation that the systems and processes have been placed in operation.
* **Observation of Entity Activities and Operations**: In addition to inspecting completed documents and records, the officers can observe client personnel in the process of preparing them and carrying out their normal activities. This further enhances understanding and knowledge that control policies and procedures have been placed in operation.
* **Review Client’s Policies and Systems Manuals**: To design, implement, and maintain its effective systems and procedures, an entity must have extensive documentation of its own. This includes policy manuals and documents (such as a corporate code of conduct) and business systems manuals and documents (such as an accounting manual, Customs manuals and guides and organization chart). This information can be reviewed by the officers and discussed with personnel to assure that they are properly interpreted and understood.

#### Methods of Documenting

* + - 1. **Systems Review Questionnaire:** The Systems Review Questionnaire asks a series of questions pertaining to the systems and procedures used by the company to account for imports to Customs. It will assist the officers in gathering and organizing information in order to:
* document the client's systems, e.g. purchasing, receiving, payables and disbursements, accounting to Customs, Customs release and reporting and any separate systems for Customs purposes;
* determine strengths and weaknesses of client systems and processes as they relate to accounting to Customs; and
* Provide information for future Audits.
* **Note that the system review questionnaire is generally sent out with the notification letter and later obtained from the client and reviewed for understanding once the officer is on-site for the opening interview.**

* + - 1. **Narrative Descriptions**:

A narrative description is a written description of a client’s procedures and processes and can be written by the officer, by the client, or a copy can be taken directly from the client’s policies and systems manuals. A good narrative includes four characteristics:

* + 1. The origin of every document and record in the system, for example, the description should state where purchase orders come from (who orders, who records the information and who authorizes), and how goods are received into inventory (where they physically come into the building, who receives them and checks that they were ordered and whether there are overages or shortages);
    2. All processing that takes place. For example, it would be necessary to describe if the recorded cost of purchases into inventory is determined by a computer program that multiplies quantities received by standard costs, which in turn determines the value for duty declared to Customs;
    3. The disposition of every document in the system. For example, the filing of documents, sending them to customers, or destroying them should be described; and
    4. An indication of any internal control procedures relevant to ensuring the accuracy of accounting to Customs. This would include a description of how the client determines values for Customs, how goods are classified and tariff rates are applied.

* + - 1. **Flow Charting:**
* A flowchart is a symbolic, diagrammatic representation of the client’s documents and their sequential flow in the organization. An adequate flowchart includes the same four characteristics identified above. A flowchart is advantageous because it can provide a concise overview of the client’s systems and give a clear understanding of how the system operates. For most uses, it is superior to narrative descriptions as a method of documenting the flow of information.
* For many clients, the results of the Systems Review Questionnaire and a combination of flowcharts and narrative descriptions may be useful. The decision to use one or the other, or a combination of the two, is dependent on two factors: relative ease of understanding by the officer, and the amount of time required to prepare the information.

#### Determining Where Errors Can occur and Assessing the Adequacy of the Client’s Systems and Procedures

At a minimum, there are seven objectives that client’s systems and processes must meet to prevent misstatements in the processing of transactions. The client’s systems and processes must be sufficient to provide reasonable assurance that:

1. Transactions are valid (validity). The client’s systems and processes should not permit the inclusion of fictitious or non-existent transactions to Customs;
2. Transactions are properly authorized (authorization). The client’s systems and processes should include steps to authorize all imported transactions. If a transaction that is not authorized takes place, it could result in the transaction not being reported to Customs;
3. Existing transactions are reported to Customs (completeness). The client’s systems and procedures should prevent transactions from being omitted from the Customs declaration;
4. Transactions are recorded at the proper time (timing). Systems and processes must ensure that imported goods are accounted to Customs on time;
5. Transactions are properly valued (valuation). The client’s systems and procedures should include steps to avoid errors in applying the correct value according to the Customs valuation legislation;
6. Transactions are properly classified (classification). The client’s systems and procedures must include steps to ensure that the proper Tariff Classification is applied; and
7. Transactions have the appropriate Tariff Treatment (origin). The client’s systems and procedures must include steps to ensure that the proper Tariff Treatment is applied, and that a Certificate of Origin has been completed for all goods receiving preferential tariff treatment.

If, in the judgment of the officer, there are inadequate systems and procedures in place to satisfy any of the above objectives, the expectation that errors will occur, increases. For any type of transaction in a client’s system, several types of recording errors (misstatements) can occur.

Further to gaining an understanding of the flow of transactions, it is important for the officer to determine where errors can occur in the client’s systems and processes, insofar as accounting to Customs. The aim is to determine if the client has adequate systems in place, with adequate links, to ensure that all goods imported are reported to Customs and properly accounted for. If deficiencies are found, they are brought to the attention of the client and corrective measures will be recommended.

### Select or Review Sample Transactions for Audit

The purpose of sampling selection is to select a sample of transactions that are representative of the importations pertaining to the specific commodity. The sample will consist of major transactions and items, vendors, classifications, seasonal merchandise, related party transactions, etc. The samples will be used as a measure for determining the compliance levels with Customs Programs. For Desk Reviews and some Limited Scope Audits, samples may have been extracted from Customs data during the Planning Stage.

Key steps

* Identify data source. (Custom’s data or Client’s data)
* Determine the population of transactions to be audited.
* Select number of transaction items for representative sample.
* Obtain documents from client and ensure documents are sufficient and appropriate.

### Complete the Audit, Analysis and Evaluation of the Program

Once the final sample has been selected and received, the specific steps of the Program(s) Audit can be performed. The purpose is to achieve the objectives as outlined in the program Audit procedures.

1. **Instructions for Review, Analysis and Evaluation for Audits**

* **Desk Review**

In general, every Desk review will require the officer to complete the Audit program for the specific priority commodity or issue.

* **Limited Scope Audit**

In general, every Limited Scope Audit will require the officer to complete the Audit program(s) for the specific priority commodity or issue. Each sample must be reviewed for each of the program(s). If program usage was identified in the client profile, but these programs are not represented in the samples, supplemental sampling may be performed. This process involves selecting additional transactions for review.

* **Compliance Audit**

In general, every Compliance Audit will require the Audit team to complete a Programs Audit for Valuation, Tariff Classification, Origin (often referred to as Tariff Treatment) and Accounting for goods. Other Programs identified as being utilized in the Client Profile will also require a Program Audit

**All Audits**

It is important to keep the client up-to-date on all findings throughout the Audit. The client may be able to provide other information that may be valuable for making the correct decisions. This may prevent the escalation of future problems. It is good practice to establish weekly meetings and allow the client to respond to any findings (on-site Audits only).

1. **The steps of the applicable Program must be followed.**
2. Review Audit procedures for all programs that are to be covered in the scope of the audit (explained in detail below).
3. Determine adequacy of samples selected to ensure appropriate coverage.
4. Complete the Audit program(s) using the sample selected to ensure compliance with Customs laws and regulations.
5. Complete working papers in preparation for internal and external reporting requirements.
6. Complete any required reassessments and penalty documentation.
7. Review File Completion Checklist to ensure all steps have been completed ( **as outlined in Planning phase Exhibit H)**
8. **Review Audit procedures for all programs that are to be covered in the scope of the Audit**

**Accounting for Goods Checklist** ( **Execution Phase Exhibits A)**

This section outlines the Audit procedures required in order to determine whether all imported goods have been accounted for to Customs.

**Audit Objectives;** For the selected sample:

* Determine whether all imported goods are completely and accurately accounted for to Customs (including reporting of any overages).
* Determine whether the client has on file a copy of the Customs import Document. Compensating Procedures to test for non-account when ASYCUDA/Other Customs System are used as the sampling source. During a Limited Scope or Compliance Audit it is acceptable, during the execution phase, to select a sample from the client’s records or from ASYCUDA. When a sample is selected from the client’s records, it is a requirement for the Officer to trace each sample to a Customs Accounting Document, in order to ensure that it was properly accounted to Customs. If, however, the sample is drawn from ASYCUDA a compensating procedure needs to be performed to test the completeness of accounting by the client.

There are two specific tests that must be performed to test for non-account when sample selection is from ASYCUDA. The first test is an analytical procedure used to determine the potential risk of non-account for specific significant vendors and the second is a test sample from the client’s records used to substantiate /validate the assessed risk. These tests can be made on any import transaction to test whether the client is compliant with Customs accounting requirements.

The objective of compensating procedures is to obtain a reasonable measurement of the client’s level of compliance with Customs’ accounting requirements so that Customs and the client can take the appropriate action to ensure that compliance is improved and sustained in the future.

**Analytical Procedures**

Analytical procedures can be used as a means to identify whether non-account is a serious risk. To do this, the officer compares the value of imports in the client’s records for specific vendors (for example - a few large vendors) over a specified time frame, to the same client, vendor and time frame in the Customs ASYCUDA database.

If after analysis of the client’s records, and considering additions to price paid or payable and any other adjustments, it is determined that the difference between what is in the company’s records and what is in the ASYCUDA database is within a tolerable level of acceptance, (for example 5%), then the officer can establish that the potential risk of non-account is low for this client. This means that the officer can select a smaller sample from the client’s records to substantiate /validate the assessed risk. If differences exceed the threshold then the officer must inquire with company officials to determine the cause and whether the cause is justified. If not justified then the officer would conclude that there is a higher risk of non-account and this would require a larger sample be drawn from the client’s records (see below) to test non-account.

Possible client sources to use for these comparatives may include a client vendor history report or using monthly accounts payable sub-ledger records. The information from the client’s records could be obtained by one of two methods. It could be obtained by downloading specific files from the client’s records or by taking the information straight from reports available from the client. Knowing which method to use would be determined when performing the systems walkthrough. To ensure that the client is not withholding entire vendors from Customs, a comparison of the names of international vendors from the client’s records should be compared to ASYCUDA.

Note that this analytical procedure should only be performed on significant suppliers that were identified as part of the profiling exercise during planning.

**Duties relief/drawback/concession checklist (Execution Phase Exhibit B)**

This section deals with a variety of Customs Programs that provide the importer with relief from paying duty and/or taxes. The relief may be at the time of Customs accounting; by way of license or special authority, or by way of refund after accounting.

**Audit Objectives;** For the selected sample:

* Ensure that the importer using a Duties Relief certificate/license is entitled to do so and that all conditions of duties relief are met.
* Ensure that refunds granted for drawback are correct. (i.e., determine that claims are substantiated with documentation, as required by the regulations, and that the goods imported relate to the goods claimed.)
* Ensure relief or drawback claims are not subject to time limits imposed by regulations.
* Review Systems being utilized by the company to prepare Customs refunds information and drawback claims to ensure they are sufficient to support eligibility and accuracy of relief or claims.
* Ensure that goods qualify for any relief currently being utilized by the company.
* Ensure that there is no duplication of duty being alleviated with respect to refunds, drawbacks, remissions, tariff treatment, valuations, etc. in relation to the same goods. Where necessary another program participant may be required to supply or confirm records.
* Ensure that the company has reported and accounted for any diverted goods or goods no longer in compliance with conditions of relief and are within the appropriate time limit.
* Establish, where necessary, an amount of relief or drawback to which the company is entitled.
* Initiate action to recover duties relieved or drawback claims overpaid where companies have not complied with the program.
* Explain results of the Audit to company.

**End-Use (Execution Phase Exhibit C )**

This section deals with a those instances where the Customs Tariff contains provisions that require that a specific use be made of the imported goods in order to be classified under a specific (usually beneficial classification).

Audit Objectives for the selected sample:

* Ensure that the goods qualify for the provisions of the Customs tariff
* Ensure that the client has a system for recording and reporting diversions.
* Ensure that the time limits for reporting of diversions are in accordance with the regulations.
* Ensure that the appropriate end-use provisions form an integral part of the classification-rating guide.

**Tariff Treatments (importer checklist) (Execution Phase Exhibit D)**

This section deals with those instances where the Customs Legislation requires Importers to support their claim for preferential tariff treatment.

Audit Objectives; for the selected sample:

* To ensure that the appropriate tariff treatment has been claimed for the goods in question.
* To ensure that the direct shipment requirements have been met.
* To ensure that proof of origin requirements have been satisfied.

It is incumbent upon the importer, whether a resident or non-resident, to support the claim for a Preferential Tariff treatment. Under this component of the Post Clearance Audit Program, Customs should not request any information from the exporter or producer to support the origin of the goods as this is addressed through the conduct of a single program exporter origin audit

**Origin(Exporters Checklist)( Execution Phase Exhibit E)**

The section deals with those instances where the Customs Legislation contains provisions for reduced tariff rates under a preferential tariff treatment. In order to qualify for the preferential tariff, goods typically must meet specific origin rules to be considered as originating, must not undergo any non-qualifying operations and must not be transshipped. Foreign Suppliers often deal with many importers in a given country, so once non-originating goods have been identified, many importers may be impacted.

Audit Objectives; for the selected sample:

* To calculate the revenue risk should the goods from a foreign supplier be determined to be non-originating under a preferential tariff treatment (e.g. COMESA) and to identify all importers to be notified with respect to the Exporter/Producer Origin Audit.
* To determine the most effective method for Officers to utilize in order to verify the validity of a claim for preferential tariff treatment.
* To ensure that the Certificate of Origin is completed in accordance with the preferential tariff regulations.
* To ensure that the questionnaire responses are properly analyzed in order to determine areas of risk in the Audit.

Typically, preferential tariff treatments require exporters to provide evidence that the goods they are exporting qualify under the terms of that preferential tariff agreement. The proof requirements vary greatly. In some cases, the foreign government certifies that the goods originate in that country, in other cases, the exporter or manufacturer must complete a certificate of origin for the goods being exported. Local Customs Legislation must be consulted in order to determine the requirements for a given trade agreement.

In most cases, determination of Origin does not form part of a Compliance Audit. Rather, it is typically determined via Desk Review or in some cases a limited Scope Audit through the review and analysis of documents such as: Certificates of Origin, Origin Questionnaires, shipping documents, etc.

**Tariff Classification Checklist** (**Execution Phase Exhibit F)**

This section deals with the determination of tariff classification under the Harmonized Commodity Description and Coding System (HS).

Audit Objectives; for the selected sample:

* Determine whether the imported goods are properly and accurately described.
* Determine whether the tariff classification applied to the imported goods is in full accordance with the Customs legislation*.*
* Determine whether the commodity profile (rating guide) is maintained by the importer/broker and is accurate.

It must be emphasized that a product cannot be classified or a previous classification cannot be verified without a thorough understanding of the product or finished article.

**Valuation Checklist (Execution Phase Exhibit G)**

This section deals with the determination of Value for Duty. As most rates of duty and rates of taxes are *ad valorum* (a percentage of the value), it is extremely important from a revenue perspective that the declared Value for Duty is accurate and includes all appropriate costs.

Audit Objectives; for the selected sample, determine if:

* The proper valuation method is being used as set out in the Customs Legislation.
* The declared value is in agreement with the importer’s financial records and documents.
* In the case of transaction value method: that the price paid or payable, and the specified additions or deductions have been properly declared.
* In the case of other methods of valuation, verify that the declared values are in accordance with the Customs Legislation

**Note:** Valuation issues will vary according to the method of valuation.

Valuation risks exist essentially when:

* The value for duty declared does not match the amounts in the client’s records.
* The proper method of valuation is not being used.
* Under the transaction value method, the wrong sale is being used or the elements of the price paid or payable or the additions to the price paid or payable are not being included in the value for duty
* Under the other methods of valuation, the value is not calculated in accordance with the Customs Legislation, regulations, and policies.

It should be noted that because of the relatively low risk associated with the limitations to the use of the transaction value method (restrictions respecting the disposition or use of the goods, condition or consideration for which a value cannot be determined, adjustment for subsequent proceed,) other than related party transactions, no Audit procedures have been designed.

The valuation program checklist includes all related valuation issues that may be identified as risks. For each issue, you will find the specific elements required to conduct the Audit. It should be noted that not all the information listed below is needed in all cases. Officers should use their discretion in deciding what information is needed for the issue at hand.

The materiality of the steps and findings within these procedures must be considered when conducting the review.

Overview of Valuation Audit Procedures:

1. Preliminary Procedures
2. Transaction Value Requirements – Purchaser in Home Country
3. Transaction Value Requirements – PPP (Price Paid or Payable)
4. Limitations - Related Parties
5. Adjustments to Price Paid or Payable – Commissions
6. Adjustments to Price Paid or Payable – Assists
7. Adjustments to Price Paid or Payable – Royalties
8. Adjustments to Price Paid or Payable – Subsequent Proceeds
9. Adjustments to Price Paid or Payable – Transportation Charges
10. Adjustments to Price Paid or Payable – Other
11. Transaction Value of Identical and Similar Goods
12. Deductive Value Method
13. Computed Value Method
14. Non Resident Importers
15. Closing Interview
    * 1. Preliminary audit report

Having concluded the examination of the taxpayer’s records, the audit team shall summarize the findings and generate a preliminary audit report to the supervisor for review and approval in preparation for the exit conference. The preliminary report shall highlight the following:-

(a) Taxpayer’s particulars

(b) Case origin

(c) Objectives of the audit

(d) Methodology used to carry out the audit

(e) Records examined

(f) Audit work done

(g) Audit observations/findings

(h) Recommendations

# **Closure of an Audit**

## **Exit Conference (PCA/WP/008)**

A formal meeting should be held with the auditee to present and discuss the conclusion and findings. Where appropriate, the auditor/audit team explains his/her observations on the causes of problem areas and recommends specific actions to remedy them. It also provides an opportunity for the auditee to give any explanations needed to assist preparation of the final report.

The auditee should be made aware of the fact that:

* The meeting is to convey the results of the audit to the auditee, and will be followed by a written report;
* The results only apply to the period audited;
* Where documents/samples have been taken for verification, the audit may be re-opened;
* Where follow-up visits to warehouse tenants are to take place, the outcome of the audits is contingent on satisfactory results from these; and
* They may be liable to audit again at any time in the future.

The auditor will present a summary of the audit findings to the company officials. Any negligence and errors will be brought to their attention and the necessary action to avoid repetition of these should be discussed.

Where errors in relation to an auditee’s procedures have been discovered and documented they must be discussed at the end of exit conference. The auditor should make recommendations to ensure that corrective action is taken. The auditor must agree an implementation timetable with the auditee for the necessary changes. The auditee should be requested to reply in writing to the Customs within the time set by Customs, indicating the action management has taken, or intends to take, as a result of the audit. In most cases, agreement is reached once the auditee is satisfied that the auditor’s conclusion is appropriate. If formal agreement is not reached, the auditor notifies the auditee that appropriate assessments will be needed. The auditor should respect the auditee’s right to request a second opinion or to avail of the statutory appeal procedure and facilitate the auditee who wishes to make such a request or lodge an appeal.

## **Final Report (Report Phase Exhibit A)**

The reporting phase starts when the execution process has been completed and the Audit findings have been determined. The Audit findings will be documented in an **interim report** that is presented to the client for their review and feedback within the days specified in the report letter. At this point, the final report is completed incorporating any relevant comments and issues raised by the client.

**Reporting Phase Summary by type of Audit**

|  |  |  |  |
| --- | --- | --- | --- |
| Process steps | Type of Audit | | |
| DR | LSA | CA |
| Reporting Results to Client |  |  |  |
| * Write Interim Report | If required | X | X |
| * Manager review/approval | If required | X | X |
| * Present Interim Report to Client | If required | X | X |
| * Incorporate Client responses | If required | X | X |
| * Complete Final Report | X | X | X |
| Complete Reporting Requirements |  |  |  |
| * Input Information | X | X | X |
| * Complete time reporting | X | X | X |
| * Close reporting | If required | X | X |
| * Complete File Completion checklist | If required | X | X |
| * Complete Managers file review and checklist | If required | X | X |

Note that the steps within this phase of the process are significantly reduced in scope when conducting a desk review. Ensuring adequacy of information gathered remains a key step; however, reporting to the client and completion of national reporting requirements require fewer tasks.

## **Reporting Guidelines**

The Audit Report is the final step in the Audit process. It is an essential part of the process because it explains to the client or reader what the Officer’s have done, what has been found, conclusions reached, and requirements and recommendations made. It is important that the Audit report be:

**Accurate**

* Each statement and reference must be based on documented evidence contained in the Audit files.
* The Interim Audit Report should make reference to relevant appendices or attachments to allow the reader too easily locate supporting information.

**Objective**

* The report should be constructed in an objective and informative manner.
* The report should be unbiased and fair.

**Clear**

* Matters should be reported in their proper perspective by explaining the relevant circumstances, in addition to the presentation of factual findings.
* The recommendations will be clear to enable the client to understand the errors and to make corrections to increase compliance in the future.
* The report should be transparent, with no surprises.

**Conciseness**

* The report should include only relevant and significant information —expressed logically and concisely. However, conciseness should not be at the expense of clarity.
* Sufficient information — aided by references to supporting appendices or attachments — must be given to enable the reader to understand the issues.

**Constructive**

* The requirements and recommendations section of the report should provide practical and useful instructions, to assist the client in correcting and improving non-compliance

**Complete**

* The report should be comprehensive and provide the client with a complete picture of the results and requirements of the Audit.
* The report should contain findings and recommendations with respect to the client’s compliance levels with Customs administered legislation.

**Timely**

* The work should be planned with the objective of reporting results to the client as quickly as possible.

## **Reporting results to Client (SEE Reporting phase EXHIBIT A-F)**

The purpose of this step is to report Audit findings, requirements and recommendations to the client. For on-site Limited Scope and Compliance Audits, this step ensures that after an interim report is provided to the client, the client’s responses, where required, are incorporated into the final report.

Key Steps

* For Limited Scope and Compliance Audits, draft cover letter and interim report. (Reporting Exhibit B, and Reporting Exhibit C). Note: the interim/final Audit report may be modified and used for limited scope Audits as appropriate.
* For Desk Reviews, an interim report is not normally required, just a final letter (Reporting Exhibit D)
* Obtain approval of draft interim report from Manager
  + Manager completes File review (Reporting Exhibit E)
  + Manager reviews Review Checklist (Reporting Exhibit F) and completes stage 1.
* Present interim Audi report to Client for their review and feedback.
  + Contact client to set up a closing interview and present interim report.
  + Present report and provide a verbal overview;
  + Instruct client to post entries as required, referencing the Audit case number, date of Final Audit Report and Audit period. Ask the client to provide a list of post entries to the officer in charge of the Audit.
  + Provide the name and telephone number of a Client Services representative, who will be able to assist the client in the post entry process if required.
* Receive client feedback on interim report and incorporate comments into final report; resolve those that are acknowledged as valid; escalate any issues to manager if officer feels unable to resolve.
* Ensure that all client comments are incorporated into the report as received i.e. do not edit. This is in order to maintain transparency of process.
* Respond, if necessary, to any of the comments submitted by the client.
* Finalize Desk Review Letter and mail, Fax or E-mail to the client. (See Reporting Exhibit D). A modified version of the Final Audit Report could also be used

## **Complete Reporting Requirements**

The Purpose of this step is to ensure that all results of the Audit are communicated internally and that the Manager reviews and signs off the file.

* Input Information into National Reporting System (as applicable)
* Ensure that all time reporting requirements for this Audit have been completed.
* Close reporting
* Complete Manager’s Checklist (Reporting Exhibit F “Manager’s Checklist”) Stage 3.
  + Review File Completion Checklist to ensure that all steps are complete. See Planning Exhibit H, “File Completion Checklist”).
  + Obtain Manager’s signature on Manager’s File Review Checklist and add completed checklist to working papers file.
  + File the completed Audit working papers file as determined by official procedures.
  + Ensure that both hard copy (paper) files as well as softcopy (spreadsheets etc.) are cross referenced and filed / archived (where applicable)

## **Demand Notice/Assessment (See PCA/WP/009**)

This is a notice issued to the taxpayer calling for payment of additional taxes resulting from an audit.

It is done through a written notice to the taxpayer giving him a time frame within which payment of the additional taxes must be made

### Closure of the audit and file archiving

* 1. Complete audit performance evaluations for each auditor and compile lessons learnt.
  2. Provide input for future Post Clearance Audit office audit plans, for example update the audit entity risk profile or client file, and recommend follow-up activity.
  3. Archive audit file.

### Returning of clients’ records

All documents that were submitted by the taxpayer to the PCA for audit verification should be returned intact and acknowledged by the client after the completion of the verification exercise.

Records obtained internally shall be returned to the respective offices.

## **Evaluation and Follow-Up**

If the audit report recommends that the auditee or Customs takes specific actions, a follow up review should be conducted to determine if the corrective action was taken and whether the desired results were obtained. As appropriate, the PCA Unit may carry out follow-up checks, such as a desk audit in Customs office or a re-visit to the auditee's premises for observation.

Follow-up will be determined on a case by case basis and as such, the instructions for this Phase are limited to key actions that should be consistent at some stage in the process.

The purpose of Follow-up is to ensure that any actions required, as a result of the Audit, are followed up on. This will include observations made during the Audit that requires follow up to ensure compliance by the client or actions that require further activity within Customs.

* Determine what follow-up action is required, by who and when
* Identify those items in the Final Audit Report that require follow-up with client to ensure compliance
* Identify those items in the file that require follow-up with other areas within Customs (such as debt management, seizure, Enforcement, and Client Services).
* Identify any other actions in the file that require communication and / or action to be taken by another 3rd party, including Other Government Departments (OGD).

# **ANNEX FOR** **PLANNING PHASE**

## **Exhibit A – Audit Planning Checklist**

COMPANY\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_FILE NO.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

PERIOD\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_TO\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Instructions

Use this planning checklist as a guide to ensure that all important aspects have been covered. This also acts as a reference tool for the officers and reviewers to assist in locating the information in the file.

| AUDIT PROCEDURE | Done By | Ref. |
| --- | --- | --- |
| 1. Set up dockets with labels, client name and file number. Print the Standard File Index (See Planning Exhibit I Standard File Index) once you have inserted the client name and file number. |  |  |
| 1. Retrieve Customs files or previous Audit file, if applicable, and review sections on the programs to be verified including, Valuation, Origin, Tariff Classification, End Use or Tariff Codes, Concessions. |  |  |
| 1. Generate ASYCUDA or other Customs System report for the specified time period. Where an Audit period has not been set, run the reports for a maximum two-year period. |  |  |
| 1. Retrieve Customs Legislation, procedures, policies, etc. related to the industry. |  |  |
| 1. Review for previous rulings. Review for client’s profile, commodity profile, end-users, etc. Obtain copies of rulings relating to any principal tariff items used by the client. Verify if a concessions client |  |  |
| 1. Consult with officers associated with the previous Audit file, if applicable, to obtain additional information on the previous file. |  |  |
| 1. Contact other Customs Personnel (or other relevant Government stakeholders) to ensure there is no ongoing government activity. If an audit or investigation is underway, request what action, if any, should be taken with respect to the Customs Audit |  |  |
| 1. Determine if the company has any outstanding issues with Customs. |  |  |
| 1. Research the Company through outside sources as available. (e.g. Internet, business directories |  |  |
| 1. Send out the appropriate notification letter. Appendix to Notification Letter and System Review Questionnaire should be included as appropriate (Planning Exhibits B-E). |  |  |
| 1. Ensure client profile information is input (Planning Exhibit I) |  |  |
| 1. Notify other Customs Personnel that the company has been selected for Audit. |  |  |
| 1. Consult with other Government Departments, when required. If applicable, consult with outside agencies, associations, etc. to get information on company or sector. |  |  |
| 1. Review the client’s profile for pertinent information on the company’s operations. |  |  |
| 1. Review the appropriate sections of the Customs Legislation, Customs Tariff and any other relevant Customs policies and procedures. |  |  |
| 1. Analyze the import transaction population through a review of the ASYCUDA or other Customs System reports, giving consideration to the types of goods, their tariff classification, tariff treatment, rate of duty, country of export, country of origin, value, quantity, end-use and dates |  |  |
| 1. If an on-site Audit, Contact the client to discuss the scope and timing of the Audit. Arrange for the Opening Interview and plant tour. Confirm the location of the Customs and accounting records. |  |  |
| 1. Confirm all of the agreed arrangements |  |  |
| 1. Request that as much information as possible be forwarded to the officer in advance of the Audit. his may include financial information, organization charts and completed questionnaires |  |  |
| 1. Review correspondence and documentation received from the client and note any matters which may have an impact on the Audit |  |  |
| 1. Continue completing the Client Profile using the information received to date. The following information will assist in developing the Client Profile.:  * type of priority commodity * the corporate structure including affiliated companies and their business relationships, the directors and corporate CEOs; * usual business activity and types of products and services, including trademarks used by the company and the existence of manufacturing operations within the Country or abroad; * major imported products and suppliers and the nature of any corporate relationships with suppliers (list all related suppliers); * Whether the goods are shipped in company owned or common carriers some idea of routing and terms of shipping, F.O.B. or C.I.F. * location of Customs and accounting record |  |  |
| 1. Prepare the Audit Planning Memorandum ( see PCA/WP/004 ) , giving consideration to factors which may contribute to non-compliance (see below for examples):  * complex invoice descriptions, or descriptions that are too simple, may lead to misclassification; * intelligence data (complaints, audits, convictions and seizures ) may have identified goods, clients or vendors that have a history of non- compliance; * high seasonal shipments may have higher error rates due to errors associated with high volumes; and * New importers. |  |  |

## 

## **Exhibit B – Client Contact Information Sheet**

Client Contact Information Sheet

Client Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Business #: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date of Contact: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Contacted by\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Commodity Area: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Total VFD: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Priority Type: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Period for VFD: \_\_\_\_\_\_\_\_\_ to\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Contact Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Title/Department: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Mailing Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Telephone #:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Facsimile#:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Website/E-mail Address:

Physical Address (if different from above): Warehouse Address (if different from above):

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Head Office (if different from above): Other Branches/Locations:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Location of Customs Records Other Location(s) of Customs Documents

(if different from above): (if they exist):

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

In what format (s)? Hardcopy: Electronic:

Major Business Activity: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Fiscal Year-End:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Has it changed in the last four years?

Do you have any other business names/numbers?

Customs Broker(s):\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Address:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Other details:

## **Exhibit C - Notification Letter – Desk Review**

REGISTERED MAIL

Customs Audit Division

Insert Company Name

Insert Address

Insert Address

Attn: Insert Client Contact name and title Insert Date

Dear Insert Client Surname

This letter is to inform you that your company has been selected for a Customs Post Clearance Audit concerning, insert commodity or issue pursuant to insert Customs Legislation The objective of this Audit is to promote and ensure compliance with all legislation administered by Customs of the above-noted insert commodity or issue.

It is anticipated that this Audit will be conducted as a “Desk Review”. However, you may be contacted to arrange an on-site visit to the company’s premises, if required.

This Audit will be conducted using a sample of the company’s Customs import transactions to verify compliance within insert Customs Program(s). Please provide the following information. (Suggested supporting documentation could include any of the following: purchase order, commercial invoice from foreign vendor, packing slips, bills of lading, manifests, freight invoices, certificate of origin, Customs accounting package (declaration, product literature, or narrative description of the commodity at issue or other information the officer believes is pertinent to the case.). The information you provide will be kept confidential.

The Audit period will be from insert date to insert date. The principal contact for this Audit is insert Officer’s name who can be reached at insert telephone number. Please submit all requested information to insert Officer’s name at the above noted address, within insert number of days from the date of this letter.

Upon completion of the Audit, you will receive a letter summarizing our findings and outlining any additional requirements and/or recommendations for future compliance. Where non-compliance is identified, it will be corrected and a re-determination will be made for the transactions verified.

Please contact me should you require additional information.

Insert Manager’s name and Title

Telephone: insert telephone number

Facsimile: insert fax number

## **Exhibit D - Notification Letter – Limited Scope Audit (ISSUE AUDIT)**

REGISTERED MAIL

Customs Audit Division

Insert Company Name

Insert Address

Insert Address

Attn: Insert Client Contact name and title Insert Date

Dear Insert Client Surname

This letter is to inform you that your company has been selected for a Customs Post Clearance Audit concerning, insert commodity or issue pursuant to insert Customs Legislation The objective of this Audit is to promote and ensure compliance with all legislation administered by Customs of the above-noted insert commodity or issue.

This Audit will be conducted using a sample of the company’s Customs import transactions to verify compliance within insert Customs Program(s). The Audit will include a review of the company’s purchasing, receiving and accounting systems as they pertain to Customs activities

To assist us in our Audit, please complete the enclosed Systems Review Questionnaire by insert date. Receipt of this information before the opening interview will facilitate the systems review and serve to minimize time required at the company’s premises. Also, please provide the following information. (Suggested supporting documentation could include any of the following: purchase order, commercial invoice from foreign vendor, packing slips, bills of lading, manifests, freight invoices, certificate of origin, Customs accounting package (declaration, product literature, or narrative description of the commodity at issue or other information the officer believes is pertinent to the case.) The information you provide will be kept confidential.

The Audit period will be from insert date to insert date. The principal contact for this Audit is insert Officer’s name who can be reached at insert telephone number. Insert Officer’s name will contact you to arrange a suitable date for the opening interview. During this visit, a brief presentation will be provided outlining the Audit process. We would also request a tour of your premises to obtain an overview of your operations and to confirm the practices and activities described in the Systems Review Questionnaire. This tour should include your Customs and traffic operations, manufacturing or warehousing facilities, purchasing and accounting departments.

You will be informed of our findings, throughout the course of the Audit. Upon completion of the Audit you will receive a detailed report and be given an opportunity to respond to the findings, requirements and recommendations. Where non-compliance is identified, it will be corrected and a re-determination will be made for the samples verified.

Please contact me should you require additional information.

Insert Manager’s name and Title

Telephone: insert telephone number

Facsimile: insert fax number

Enclosures: Systems Review Questionnaire

List of Required Information

## 

## **Exhibit E - Notification Letter – Compliance Audit (field audit)**

REGISTERED MAIL

Customs Audit Division

Insert Company Name

Insert Address

Insert Address

Attn: Insert Client Contact name and title Insert Date

Dear Insert Client Surname

This letter is to inform you that your company has been selected for a Customs Post Clearance Audit, pursuant to insert Customs Legislation. The objective of this Audit is to promote and ensure compliance with all legislation administered by Customs.

This Audit will be conducted using a sample of import transactions to determine compliance with Customs programs, such as: Tariff Classification and End Use; Origin (Tariff Treatment); and Valuation. The Audit will include a review of the company’s purchasing, receiving and accounting systems as they pertain to Customs activities.

To assist us in our Audit, please complete the enclosed Systems Review Questionnaire by insert date. Receipt of this information before the opening interview will facilitate the systems review and serve to minimize time required at the company’s premises. Also, Please provide the following information: insert document requirements (Suggested supporting documentation could include any of the following: purchase order, commercial invoice from foreign vendor, packing slips, bills of lading, manifests, freight invoices, certificate of origin, Customs accounting package (declaration, product literature, or narrative description of the commodity at issue or other information the officer believes is pertinent to the case.)

The Audit period will be from insert date to insert date. The principal contact for this Audit is insert Officer’s name who can be reached at insert telephone number. insert Officer’s name will contact you to arrange a suitable date for the opening interview. During this visit, a brief presentation will be provided outlining the Audit process. We would also request a tour of your premises to obtain an overview of your operations and to confirm the practices and activities described in the Systems Review Questionnaire. This tour should include your Customs and traffic operations, manufacturing or warehousing facilities, purchasing and accounting departments.

You will be informed of our findings, throughout the course of the Audit. Upon completion of the Audit you will receive a detailed report and be given an opportunity to respond to the findings, requirements and recommendations. Where non-compliance is identified, it will be corrected and a re-determination will be made for the samples verified.

Please contact me should you require additional information.

Insert Manager’s name and Title

Telephone: insert telephone number

Facsimile: insert fax number

Enclosures: Systems Review Questionnaire

List of Required Information

## **Exhibit F – Appendix to Notification Letter** **(When additional information required)**

List of Required Information

The list below outlines typical information that may assist in the Audit. It should be noted that not all information is always available or always appropriate to a particular Audit (e.g. audited financial statements); some of this information is extremely sensitive and the company may not supply it willingly (e.g. privately held company’s annual reports). The list of additional information should be customized to meet the needs of the particular Audit.

* A company organization chart showing structure, ownership, affiliates, divisions and key personnel.
* The locations of the company’s head office and where books and records are maintained.
* Copies of the most recent annual report, audited financial statements, chart of accounts and corresponding trial balances.
* A list of business numbers, import/export accounts, and associated names.
* Copies of license and royalty agreements, patents, trademarks, copyrights, quota and profit sharing arrangements.
* A list of foreign vendors.
* The nature of any corporate relationships between the company and foreign vendors.
* A list of Customs-related programs the company takes advantage of (for example: duties relief/drawbacks)
* A list of outstanding matters presently before Customs (for example: appeals)
* A copy of the Tariff Classification Rating Guide used by the company.
* A sample package containing all pertinent commercial documents relevant to Customs Declarations import transaction #. This package should include a copy of the Purchase Order, Commercial Invoice, Packing Slip, Customs Invoice, Certificate of Origin (if applicable), Receiving Record, Proof of Payment, Quantity ordered, Freight Bill or Contracts and Bill of Lading.
* A description of how files are generally maintained within the company (i.e. electronic format of manual). How long is it retained and where is the data located?
* Any additional, industry-specific information that Customs may deem of value.

## **Exhibit G – System review Questionnaire**

Insert Company Name

Insert Address

Insert Address

FILE# insert file number

This document is intended as a preliminary review of your operating procedures and business systems. The controller or another officer with similar responsibilities and knowledge is requested to complete the following questionnaire in as much detail as possible. Please use the additional comments section at the end of this questionnaire and/or include a separate sheet for any section where there is insufficient space for your response.

Customs

Post Clearance Audit

This Systems Review Questionnaire was completed by:

Name Signature

Title

Date

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| SYSTEMS REVIEW QUESTIONNAIRE  GENERAL INFORMATION | | | | |
|  | | | Provide details of any outstanding matters currently before the Customs | |
|  | | | Describe the nature of your business? | |
|  | | | Do you have a company website? If yes, please provide the address. | |
|  | | | What is your fiscal year-end? | |
|  | | | List all importer names and associated business numbers utilized by your company. | |
|  | | | What is the location of your Head Office? | |
|  | | | List all other locations including manufacturing and warehousing facilities | |
| SYSTEMS REVIEW QUESTIONNAIRE  DATA RETENTION | | | | |
|  | | | What type of system or accounting package does your company utilize? | |
|  | | | Describe how files are generally maintained within the company (i.e. electronic; manual; or a combination of both)? | |
|  | | | How long is the information retained? | |
|  | | | What is the location of your detailed books and records relating to import transactions? | |
|  | | | Has your operating system changed from the Audit period to present? If yes, please elaborate. | |
| SYSTEMS REVIEW QUESTIONNAIRE  PURCHASING | | | | |
|  | | Who is responsible for the purchasing of imported goods? | | |
|  | | Do you have documented purchasing procedures? If so, when was the last time they were updated? | | |
|  | | Do you have an on-line purchase order system? If so, describe it. | | |
|  | | Please fully describe all internal controls relevant to the purchasing system. | | |
|  | | Do you issue different types of purchase orders and, if so, how are they distinguished? | | |
|  | | Are procedures different for placing orders with related companies? | | |
|  | | What type of documentation do you use to record purchases (confirmation of sale, informal, purchase order, etc.)? | | |
|  | | Who is responsible for issuing purchase orders? | | |
|  | | Are purchase orders issued in all instances? | | |
|  | | Are purchase orders numbered? If so, how (provide an example) | | |
|  | | Are internal or external numbers used? | | |
|  | | How many copies comprise a purchase order and how are they distributed? | | |
|  | | How do you distinguish between domestic and foreign purchases? | | |
|  | | How are cancelled purchases orders handled? | | |
|  | | Do you issue blanket purchase orders? If so, please describe the process. | | |
|  | | How shipments against the blanket purchase orders controlled are (e.g. release numbers, etc.)? | | |
|  | | Are all purchases orders closed within the fiscal year? | | |
|  | | Are purchase orders retained? If so, for what period? | | |
|  | | Is the Purchasing system linked to the receiving, accounting or Customs systems? If so, How? | | |
| SYSTEMS REVIEW QUESTIONNAIRE  RECEIVING | | | | | |
|  | | List the locations of your receiving docks. | | | |
|  | | Who is responsible for the Receiving Area? | | | |
|  | | Do you have documented receiving procedures? If so, when was the last time they were updated? | | | |
|  | | What are the procedures when goods are received? | | | |
|  | | Is there a receiving report prepared each time? | | | |
|  | | Are the reports numbered consecutively? If so, how (provide an example). | | | |
|  | | How many copies comprise a receiving report and how are they distributed? | | | |
|  | | How many different types of receiving reports do you maintain (e.g. domestic receiving reports, imports receiving reports)? | | | |
|  | | How are different types of receiving reports distinguished? | | | |
|  | | What is the retention period for the reports? | | | |
|  | | Is the receiving system linked to the purchasing, accounting or Customs systems?  If so, how? | | | |
|  | | Is shipping notification given? If so, in what format (hard copy or electronic) and by whom? | | | |
|  | | Are physical receipts compared to the shipping notification? | | | |
|  | | Is the shipping notification compared to the purchase order? | | | |
|  | | How are the following types of goods reported to Customs   * No-charge goods? * Own Country Goods Returned? * Drop Shipments (i.e. goods delivered directly to a third party)? | | | |
|  | | Are controls in place to ensure the above transactions are reported to Customs? | | | |  |
|  | | Can a separate report be generated for these transactions? | | | |
|  | | How are discrepancies handled with respect to the vendor (i.e. shortages, overages, damaged, no-charge or incorrect goods received) | | | |
|  | | Is a report generated of these discrepancies and to who are they reported and resolved? | | | |  |
|  | | SYSTEMS REVIEW QUESTIONNAIRE  ACCOUNTING | | | |
| 1. | | Who is responsible for the accounting area? | | | |
| 2. | | Do you have documented procedures for the accounting area? Is so, when was the last time they were updated? | | | |
|  | | Is it possible to readily identify foreign purchases within the accounts payable system? If so, please explain. | | | |  | |
|  | | What payment methods are used (i.e. cheque, bank transfer, etc.)? | | | |
|  | | How are inter-company purchases paid? | | | |
|  | | How are credits accounted for? | | | |
|  | | How are no-charge invoices handled? | | | |
|  | | Are there any existing controls to ensure that all receipt of foreign goods/importations are reported to Customs? If so, describe. | | | |
|  | | What steps are taken if there is a discrepancy between receiving reports, purchase orders and invoices in terms of quantity or price? | | | |
| SYSTEMS REVIEW QUESTIONNAIRE  CUSTOMS REPORTING | | | | | |
|  | | | | | Who is your primary contact person for Customs matters? |
|  | | | | | Do you maintain a separate system for Customs purposes? |
|  | | | | | Where is Customs-related documentation maintained? In what format, and for how long? |
|  | | | | | What system is in place to record Customs transactions (e.g. mainframe, micro computer, manual, etc.)? |
|  | | | | | Do you use the services of a Customs Broker? If so, please provide the name(s). |
|  | | | | | What arrangements do you have with your broker? |
|  | | | | | Does the company provide input or instruction to the broker or person(s) responsible for Customs clearance? |
|  | | | | | Do you have a Tariff Classification Rating Guide? |
|  | | | | | Who prepares Customs’ release documentation and from what source (i.e. purchase orders, invoice, etc.)? |
|  | | | | | Who determines the following:  Tariff Classification?  Value for Duty?  Tariff Treatment?  Customs Single Administrative Document (SAD) Coding  Concessionary application to imported goods? |
|  | | | | | Are import transactions linked to purchasing, receiving and/or accounts payable transactions? If so, how? |
|  | | | | | Are entry transactions ever reviewed for quality and completeness?  If so, how often and by whom? |
|  | | | | | Where are the Exporter's Certificates of Origin maintained? |
|  | | | | | Do you receive shipments from foreign sources that are no-charge? If so, how are they accounted for to Customs? |
|  | | | | | Do you have imports as Home Goods Returned (e.g. goods sent out of the country for repairs)? If yes, why are the goods being returned? |
|  | | | | | How do you determine the value for duty of Home Goods Returned? |
|  | | | | | How are discrepancies handled with respect to Customs (i.e. shortages, overages, no-charge, wrong or damaged goods)? |
|  | | | | | Provide copies of any existing Customs Rulings, if applicable. |
|  | | | | | What procedures are in place to ensure that all imported goods are properly reported and accounted for to Customs? |

## **Exhibit H. File Completion Checklist**

| PLANNING | done by | ref. |
| --- | --- | --- |
| Ensure that the Audit team prepared a detailed client profile, including all relevant issues and concerns and incorporated this into the Audit Planning Memorandum. |  |  |
| Ensure that the Audit team has identified all relevant issues and concerns and incorporated them into the Audit Planning Memorandum. |  |  |
| Ensure that the Audit Planning Memorandum has been submitted to the Manager for approval. |  |  |
| Ensure that the detailed Audit Planning Checklist has been completed. |  |  |
| EXECUTION | DONE BY | REF. |
| Ensure that the opening interview (presentation) has been performed and documented. |  |  |
| Ensure that the system review questionnaire and walkthrough has been completed and all issues and concerns identified in the planning have been addressed. |  |  |
| Ensure that client processes and control systems have been documented in the working papers. |  |  |
| If a plant tour was taken, any issues or observations requiring follow-up were resolved at a later time. |  |  |
| Ensure a representative sample has been selected (from either ASYCUDA or the client’s records), which addresses the imports identified in the profiling step (vendors, classifications, country of origin etc.). |  |  |
| If the sample was taken from ASYCUDA, ensure compensating procedures were performed to test for non-account using the guidelines in Exhibit H of the Execution appendices. |  |  |
| Ensure that the Audit procedures detailed in the Audit Planning Memorandum have been completed:   * Accounting * Valuation; * Tariff Classification / End Use; * Origin * Other Government Departments * Statistics * Concessions |  |  |
| Ensure that all samples and determinations have been recorded |  |  |

|  |  |  |
| --- | --- | --- |
| REPORTING | DONE BY | REF. |
| Ensure the interim / final report template was used to prepare the interim report. |  |  |
| Ensure that the interim report contains all significant findings and conclusions from the Audit. |  |  |
| Ensure that the interim final Audit report has been reviewed and approved by the Manager prior to being sent to the client. |  |  |
| Ensure that the Exit Interview has been conducted with company officials to discuss Audit findings and all client and Customs concerns have been documented. |  |  |
| Ensure all outstanding issues from the Exit Interview have been followed up and, where applicable, resolved. |  |  |
| Ensure that feedback obtained by the client has been incorporated into the “comments” sections of the final Audit report and, where warranted, our conclusions have been modified. |  |  |
| Ensure that any penalties assigned as a result of non-compliance have been properly authorized. |  |  |
| Ensure that the working paper file copy of the interim report has been cross-referenced to the applicable sections of the Audit file. |  |  |
| Ensure that the final Audit report has been reviewed by the team leader / manager prior to submitting a final copy to the client. |  |  |
| Where warranted, ensure that the “ruling-type decisions” and findings have been recorded. |  |  |
| Ensure that the recorded information has been updated for any changes in determinations. |  |  |
| Where appropriate, ensure that assessments have been prepared. |  |  |
| Ensure that the final Audit report is sent to the client. |  |  |
| FOLLOW-UP | DONE BY | REF. |
| Any follow-up action that is required has been documented in the file and brought forward to the attention of the appropriate person(s) or Other government Department (OGD). |  |  |
| Ensure the procedures are followed to close Audit file and adequately store the information. |  |  |

# 

# **Exhibit I-Standard File Index**

**Standard File Index**

|  |  |  |
| --- | --- | --- |
| A. Audit Report | A10 | Final Report including Cover Letter |
| A20 | Company Submissions |
| A30 | Interim Report including Cover Letter |
| A40 | Assessments |
| A50 | Penalty Assessments |
| B. File Review | B10 | Reviewer’s Comments |
| B20 | Manager’s File Review Checklist |
| B30 | File Completion Checklist |
| C. Matters for Future Audit | C10 | Recommendations for Future Audit |
| C20 | Unresolved Issues |
| D. Client Assistance | D10 | Issues |
| D20 | New Initiatives |
| D20 | Follow-up |
| E. Client Profile | E10 | Client Profile |
| E20 | Company Contact Information Sheet |
| E30 | Supporting Documents |
| F. Audit Planning Memorandum | F10 | Audit Planning Checklist (Planning Exhibit A) |
| F20 | Audit Planning Memorandum (Planning PCA/WP/004) |
| F30 | Supporting Documentation |
| G. Correspondence and Meetings | G10 | General Correspondence (Notification Letter) |
| G20 | Log of Correspondence (cross referenced to program) |
| G30 | Record of Phone Calls - Telephone log cross referenced to program |
| G40 | Record of Meetings /Log of Meetings |
| H. System Review | H10 | Systems Review Questionnaire |
| H20 | Systems Review Summary Working Papers |
| H30 | Systems Descriptions |
| H40 | Walk through |
| I. Sampling Methodology | I10 | Sampling Methodology |
| I20 | Sampling Summary Working Paper |
| I30 | Spreadsheet Sample |
| I40 | Supporting Documentation |
| J to P Program Compliance | J10 | Accounting Procedures  (Execution Exhibit A) |
| J20 | Accounting Summary Working Paper |
| J30 | Spreadsheet - No Transaction Found |
| J40 | Supporting Documents |
|  |  |
|  | K10 | Duties relief/Drawback/Concessions |
| K20 | Summary- Working Papers |
| K30 | Spreadsheets |
| K40 | Supporting Documents |
|  |  |
| L10 | Tariff Classification |
| L20 | Tariff Classification Summary |
| L30 | Spreadsheets |
| L40 | Supporting Documentation |
|  |  |
| M10 | Valuation (Execution Exhibit G) |
| M20 | Valuation summary working papers |
| M30 | Spreadsheets |
| M40 | Supporting Documents |
| N10 | Tariff Treatment(Importer) (Execution Exhibit D) |
| N20 | Summary-Working Papers |
| N30 | Spreadsheets |
| N40 | Supporting Documents |
| O10 | Origin (Exporter) Execution Exhibit E |
| O20 | Origin Summary working papers |
| O30 | Spreadsheets |
| O40 | Supporting Documents ( Execution Exhibit C) |
| P10 | End-Use |
| P20 | End-Use Summary working papers |
| P30 | Spreadsheets |
| P40 | Supporting Documents |

# 

# **ANNEX FOR**

# **EXECUTION PHASE**

## **EXHIBIT A- Accounting for Goods Checklist**

COMPANY\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ FILE NO. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

PERIOD \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ TO \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |  |
| --- | --- | --- |
| ACCOUNTING (COMPENSATING)  AUDIT PROCEDURES | Done By | Ref. |
| Using a sample of transactions selected from the clients records: |  |  |
| 1. Validate the amount recorded in the client’s records from which all source documents were obtained such as:  * Financial Statements; * Detailed Adjusted Trial Balance; * List of suppliers; * Purchasing, inventory, receiving, or payables records from the client’s records. |  |  |
| 2.Obtain all source documents (e.g. commercial invoice, receiving documents, cancelled cheques) necessary to verify the completeness and accuracy of the client’s declaration (or adjusted declaration where applicable) |  |  |
| 1. Identify information necessary to match the selected item from the client’s records to the Customs declaration: such as:  * source document number * date of receipt * part number and/or description of goods * quantity * value * currency |  |  |
| 1. Match each of the selected items (imported goods) to the corresponding Customs declaration. |  |  |
| 1. Compare the quantity and value recorded in the client’s records to the declaration (or adjusted declaration where applicable), and note any discrepancies (shortages and overages). |  |  |
| 1. Determine if the discrepancies have been reported to Customs. |  |  |
| 1. Record results which will be included in the Final Audit Report to the client. |  |  |
| 1. Document in the Final Audit report whether or not all goods have been completely and accurately accounted for and whether or not the client has on file a copy of the Customs Accounting Document. |  |  |
| 1. Prepare requirements and recommendations, on the accounting for goods, to be incorporated into the Final Audit Report. |  |  |

## **Exhibit B –Duties Relief/Drawback/Concessions Checklist**

* FILE NO. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* PERIOD \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ TO \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |  |
| --- | --- | --- |
| DUTIES RELIEF/DRAWBACK/CONCESSIONS  AUDIT PROCEDURES | Done By | Ref. |
| Using a sample of transactions selected from the clients records: |  |  |
| 1. Validate the amount recorded in the client's records from which all source documents were obtained such as:  * Financial Statements; * Detailed Adjusted Trial Balance; * Cost sheet of the related product; * Company organization chart showing structure, ownership, affiliates, divisions and key personnel. |  |  |
| 1. Verify the quantities exported or used. Procedures would include the verification of export sales records, sales analysis and account receivable records for accuracy, returns and adjustments |  |  |
| 1. Verify the amounts claimed through review of bills of material, specification sheets, formula, costing records, production records, waste, etc. |  |  |
| 1. Verify the relief application by checking inventory records, raw material turn over, purchase orders and accounts payable records. |  |  |
| 1. Verify that any claims for goods destroyed were destroyed under Customs supervision, that they were not damaged prior to their destruction and that any resultant scrap is properly taken care of. |  |  |
| 1. Determine if consumable/expendable materials (if claimed) are imported and used in a qualifying manner. |  |  |
| 1. Determine if the manufacturing process results in merchantable by-products that may require an adjustment to the amount claimed reclassification or the creation of a value out turn statement. |  |  |
| 1. Verify permits and waivers are properly used and that conditions of permits or waivers are met. These are normally Other Government Department and import for re-export permits and waivers. If goods intended for export remain within the Country, a tariff classification review should be done i.e. depending on the permit or waiver the tariff classification may be amended. |  |  |
| 1. Determine if the manufacturing process results in scrap or waste, which may require an adjustment in the amount claimed or the creation of a scrap statement. |  |  |
| 1. Determine the accuracy of any refund claims submitted. Verify certificates, waivers, documentation and entitlement to claim relief/drawback from one eligible claimant to another eligible claimant. |  |  |
| 1. Write off entries, ensuring quantities are sufficient and all extensions are verified. |  |  |
| 1. Write off entries, ensuring quantities are sufficient and all extensions are verified. |  |  |
| 1. Ensure the Audit findings are properly documented, types of records examined are clearly specified and the audit report details are complete. |  |  |
| 1. Determine if the company needs to be authorized for the relief or concession and if so that they meet the requirements to use the order. |  |  |
| 1. Determine that the conditions of duties relief are complied with. |  |  |
| 1. Ensure that the opening inventories for this Audit period match the closing inventories of the last Audit period as shown on the previous Audit file. |  |  |
| 1. Determine whether adequate controls and mechanisms are in place to identify and pay duty on any diversions |  |  |
| Determine receipts (importation) for the period to be Audited by:   * Ensuring that all import accounting documents are reported on the company's reports by comparing the reports with an ASYCUDA report as well as the client's copies (or Customs) of the accounting documents * Any accounting documents refunded into the program or refunds by way of drawback should be verified to ensure that they are included as receipts. |  |  |
| 1. Determine that the Importer has properly accounted for parts and materials by:  * Verifying that the importer has properly accounted for parts and materials enumerated on the import accounting documents in the inventory systems and company reports * Ensure that all transaction numbers, amounts of duties remitted for each transaction and dates of duty payment are correctly recorded on the company reports. * Any missing information should be recorded. |  |  |
| 1. Determine the total inventory of parts and materials for the period by adding opening inventory and total receipts. |  |  |
| 1. Determine if the disbursements have been used in accordance with the requirements. |  |  |
| 1. Determine the closing inventory for the Audit period by subtracting the total of all disbursements of parts and materials for the period from the total quantity of parts and materials available for the period. |  |  |
| 1. Review any voluntary duty payments to determine their accuracy. |  |  |
| 1. The company must reconcile any discrepancies found in the Audited closing balance and the amount that they have reported for the Audit period. Any differences, which cannot be substantiated, may result in a demand for payment. |  |  |
| 1. If the company is required to post security for the program being verified, verify that the security is an amount acceptable under the terms of the program. |  |  |
| 1. Record the findings including the reporting of goods diverted to other eligible relief programs. |  |  |
| 1. Conclude as to whether or not all goods have been accounted for in accordance with the duties relief provisions and those diversions are reported to Customs and duty paid where necessary. |  |  |
| 1. Prepare requirements and recommendations to be incorporated into the Final Audit Report. |  |  |

## **Exhibit C End-Use Checklist**

* **COMPANY**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **FILE NO.** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* **PERIOD** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **TO**  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |  |
| --- | --- | --- |
| END-USE  AUDIT PROCEDURES | DONE BY | REF. |
| Using a sample of transactions selected from the clients records |  |  |
| 1. Review Customs rulings to ensure that they were valid at the time of accounting and cover the goods under review |  |  |
| 1. Review the tariff classification of the imported goods by obtaining information such as:  * Manufacturer’s literature which describes and illustrates the imported goods; this could include information regarding: material of composition, integration into a complete machine, chemical composition, functions, etc. * A complete parts list that illustrates each of the imported parts and shows how each is integrated into a complete unit. * Mill certificate; * Any previous classification opinions issued by the Customs on these goods; * Copy of the relevant purchase order(s) and commercial invoice(s); * A sample of the imported product. . |  |  |
| 1. Review policy papers for any end-use tariff items. |  |  |
| 1. Review the technical or commodity specifications to ensure that the goods meet the wording of the end-use provision claimed at the time of accounting |  |  |
| END-USE  AUDIT PROCEDURES | DONE BY | REF. |
| 1. Review the disposition of the goods (e.g. manufacturing processes) to ensure the goods were used in accordance with the end-use or end-user provision described in the wording of the tariff. Classification claimed at the time of accounting |  |  |
| 1. Request and review end-use certificates to ensure their validity, including that they are signed by the actual qualified end-user, unless the goods are deemed to be committed-by-design, or are covered by a percentage arrangement. |  |  |
| 1. Review the importer’s system of recording and reporting diversions to ensure that it is adequate. |  |  |
| 1. Review the recording and reporting of diversion to ensure that they are done so within the limit specified in the law |  |  |
| 1. Review those diversions reported to ensure that interest and penalty charges are levied against diversions that were accounted for outside the stipulated period |  |  |
| 1. Conclude as to whether or not all goods have been accounted for in accordance with end-use provisions |  |  |
| 1. Prepare recommendations to be presented to the client |  |  |
| 1. Record results to be included in the Final Audit Report to the client. |  |  |

## **Exhibit D TARIFF Treatment (Importer) Checklist**

* COMPANY\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ FILE NO. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* PERIOD \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ TO \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |  |
| --- | --- | --- |
| TARIFF TREATMENT (IMPORTER)  AUDIT PROCEDURES | Done By | Ref. |
| Using a sample of transactions selected from the clients records |  |  |
| 1. Determine from Customs Legislation what acceptable proof of Origin is for the Preferential Tariff being claimed. Proof of Origin requirements vary greatly between trade agreements. These include:  * Customs Invoice, commercial invoice, or other document, indicating origin of the goods as a beneficiary country. * “Form A” Certificate of Origin. * Exporter’s statement of origin. * Free trade Certificate of Origin. |  |  |
| 1. Obtain appropriate proof of origin for each sample transaction and review it for completeness and accuracy. Document your findings  * NOTE: Proof of Origin generally does not have to be submitted with the accounting documents, but must be provided when requested by Customs. Allow a minimum of 5 working days from the date requested before denying the Preferential Tariff treatment. In addition, proof of origin generally does not have to be the original; photocopies are acceptable |  |  |
| 1. Review the Proof of Origin documents for completeness and accuracy in accordance with the Proof of Origin requirements of the Preferential tariff Treatment being claimed. |  |  |
| 1. Review the Proof of Origin documents for reasonableness with other available documentation. Depending on the degree of the discrepancy found with any of the points below, it may indicate a lack of understanding of the Origin requirements on the part of the exporter which may lead the Officer to a more in depth review, or it may indicate that amended proof of origin documents are required.  * Ensure that the exporter listed on the proof or origin documents matches the exporter listed on the commercial invoice as well as other documents. * Where applicable, ensure that the listed preference criterion is relative to the good being imported. * Where applicable, ensure there is a link between the description of the goods on the Proof of Origin document and the commercial invoice, Customs declaration, and other documents. * Determine that the country of origin is eligible for the Preferential Tariff Treatment being claimed. * Where applicable, an authorized officer of the company who could be reasonably expected to have knowledge of the information on the Proof of Origin has signed it. |  |  |
| 1. Verify the tariff classification to ensure that:  * The classification utilized is applicable for the Preferential Tariff Treatment being claimed. * Where applicable, the classification on the proof of Origin document matches the classification on the Customs declaration * Where applicable, if the classification is incorrect, identify the impact on the tariff treatment claim, including the need for the importer to obtain amended proof of origin documentation. |  |  |
| 1. Verify that the goods have met the direct shipment requirements.  * Review the bill of lading or other shipping documents to ensure the goods are shipped directly from a beneficiary country. * Note: the original document is not required; a photocopy is acceptable). |  |  |
| 1. For some Preferential Tariff treatments, import permits are also required. Where applicable, analyze the import permit provided by the importer to ensure:  * The importation occurred within the permit’s validity date. * The permit type is correct * The exporter, country of origin, country of export, classification, and importer are the same as on the proof of origin document. |  |  |
| 1. Conclude as to whether or not all goods meet the proof of origin requirements and the direct shipment requirements have been accounted for in accordance with end-use provisions |  |  |
| 1. Prepare recommendations to be presented to the client |  |  |
| Record results to be included in the Final Audit Report to the client. |  |  |

## **Exhibit E ORIGIN (Exporters) Checklist**

* COMPANY\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ FILE NO. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* PERIOD \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ TO \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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| ORIGIN (EXPORTER)  AUDIT PROCEDURES | DONE BY | REF. |
| Using a sample of transactions selected from the clients records |  |  |
| 1. Read the background information for the Audit (Certificate of Origin, Customs referral package, Origin Questionnaires, previous decisions, etc.) to determine:  * the name of the exporter/producer; * the places of export; * the Audit period; * the goods to be verified and their classification numbers; and * the tariff treatment codes and the rates of duty claimed. |  |  |
| 1. Using ASYCUDA, determine the vendor codes used by Customs for the exporter being audited. |  |  |
| 1. Using the information gathered in Audit steps 1 and 2, generate ASYCUDA reports and prepare an analysis of the revenue risk if the goods under review are determined not to be eligible for Preferential Tariff Treatment. |  |  |
| 1. Using the ASYCUDA reports generated in Audit step 3, obtain the importer numbers for all importers claiming Preferential Tariff Treatment. Obtain the importer name and address corresponding to each importer number and prepare the importer notification letters. |  |  |
| 1. Using the information gathered in 1 and 2, generate ASYCUDA reports and prepare an analysis of imports under non-preferential tariff treatments. |  |  |
| 1. Determine if there are or have been appeals associated with the good/exporter by generating ASYCUDA reports. Note if there were tariff treatment adjustments claimed by importers for importations from the exporter. |  |  |
| 1. Document the Audit concerns. |  |  |

## **Exhibit F – Tariff CLASSIFICATION CHECKLIST**

* COMPANY\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ FILE NO. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* PERIOD \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ TO \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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| TARIFF CLASSIFICATION  AUDIT PROCEDURES | DONE BY | REF. |
| Using a sample of transactions selected from the clients records |  |  |
| 1. Review the tariff classification of the imported goods by obtaining information such as:  * Manufacturer’s literature which describes and illustrates the imported goods; this could include information regarding: material of composition, integration into a complete machine, chemical composition, functions, etc. * A complete parts list that illustrates each of the imported parts and shows how each is integrated into a complete unit. * Mill certificate; * Any previous classification opinions issued by the Customs on these goods; * Copy of the relevant purchase order(s) and commercial invoice(s); * A sample of the imported product. . |  |  |
| 1. Review the supporting documentation obtained in Step 1 to identify what goods were imported. It must be emphasized that a product cannot be classified or a previous classification cannot be verified without a thorough understanding of the product or finished article. |  |  |
| 1. Determine the tariff classification of the item, through the application of:  * General Interpretive Rules (G.I.R.) for the interpretation of the Harmonized System; * Legal notes; * Explanatory Notes; |  |  |
| 1. Reference should be made to:  * Decisions or advance rulings * Compendium of Classification Opinions (H.S.); * Court decisions; * Administrative Policies Memorandum; * Customs Notices; * Laboratory reports on identical or similar products |  |  |
| 1. Consideration should be given to any Tariff or other Concessions that may relate to goods or their use |  |  |
| 1. Compare the classification as determined in Step 3-5, with the classification declared on the Customs declaration document. Identify any discrepancies and note the level of classification (i.e., heading or subheading at which the error occurred. |  |  |
| 1. Where it exists, request from the client a copy of their rating guide and assess:  * if the information (description, identification numbers, etc.) is sufficient to allow the goods to be classified correctly; and, * whether or not opinions or decisions on previous importations have been cross-referenced and incorporated into the rating guide. |  |  |
| 1. Obtain any previous classification rulings issued by Customs for the goods being imported. They would serve as evidence of the proper classification. |  |  |
| 1. Conclude determination of tariff classification for the goods included in the sample. |  |  |
| 1. Prepare recommendations to be presented to the client |  |  |
| 1. Record results to be included in the Final Audit Report to the client. |  |  |

## **Exhibit G – Valuation Checklist**

Overview of Valuation Audit Procedures:

1. Preliminary Procedures
2. Transaction Value Requirements – Purchaser in Home Country
3. Transaction Value Requirements – PPP(Price Paid or Payable)
4. Limitations - Related Parties
5. Adjustments to Price Paid or Payable – Commissions
6. Adjustments to Price Paid or Payable – Assists
7. Adjustments to Price Paid or Payable – Royalties
8. Adjustments to Price Paid or Payable – Subsequent Proceeds
9. Adjustments to Price Paid or Payable – Transportation Charges
10. Adjustments to Price Paid or Payable – Other
11. Transaction Value of Identical and Similar Goods
12. Deductive Value Method
13. Computed Value Method
14. Non Resident Importers( Fallback Method)
15. Closing Interview

|  |  |  |
| --- | --- | --- |
| VALUATION  AUDIT PROCEDURES | DONE BY | REF. |
| 1. **Preliminary Procedures** |  |  |
| 1. Obtain an ASYCUDA report for all importations made during the period under review, sort by vendor, VFD code, origin, and tariff classification.  * Analyze the ASYCUDA results. Who are the main vendor(s), main products, sources of origin, and duty rates? What is the total value imported and total duty involved? What valuation method(s) is being claimed? Are they declaring a relationship or is one implied through a similar vendor / importer name? What segment of the population is being examined and segregate it. * Select 1-2 entries that represent the majority of their imports (i.e. principle valuation method, main vendor(s), main product, related party, high dollar amount). Request full supporting document (i.e. purchase order, commercial invoice, proof of payment, bill of lading, freight invoice, etc.) for this pre-sample prior to the review. |  |  |
| 1. During the planning phase, request / obtain and review the following documents:  * Financial Statements; * Detailed Adjusted Trial Balance; * List of foreign goods suppliers; * Company organization chart showing structure, number of employees, ownership, divisions and key personnel; * Names and locations of any related or affiliated companies and their business relationship with respect to imports; * Flow chart indicating the complete process from the time an order is made by the purchaser until the product is delivered; and * Explanation as how goods are valued for Customs purposes (valuation method and what the value for  duty represents / consists of). |  |  |
| 1. Review the documentation provided for the pre-samples selected in part 1 in conjunction with the documentation requested in part 2. Identify any valuation issues such as:  * Importer is claiming a “sale” under transaction value but no sale exists (i.e. inter-company transfer, branch operation, consigned goods, etc.). See Section C “Transaction Value – Sale For Export”. * Importer is “buying” goods from their parent but may not qualify as a purchaser in home Country (due to limited presence and responsibilities in home Country). See Section B “Transaction Value – Purchaser In Home Country” * Importer is declaring “production cost” or using the computed method. See Section M “Computed Value Method” * Importer is claiming a prior sale to which they were not a party as the value for duty (i.e. series of sales). See Section C “Transaction Value – Sale For Export” * Possible adjustments to the transaction value have been identified through analyze of the commercial invoices, proof of payment, trial balance, importation flow chart, etc. See Section of this Audit Plan. * Related party concerns such as “cost” being used as an inter-company transfer price. See Section C “Transaction Value – Sale For Export” |  |  |
| 1. In the event that there are significant valuation issues and / or if a valuation method other than transaction value may be applicable, you should consult with manager and policy staff. . |  |  |
| 1. **Transactional Value Requirements- Purchaser in Home Country** |  |  |
| 1. Purchaser in Home Country (Home Country refers to the Country of import) issues typically occur with related parties where the Home Country operation may not have a significant presence or authority in the Home Country. |  |  |
| 1. The typical means of qualifying as a purchaser in the Home Country is for a company to have a permanent establishment through which they “carry on business”. |  |  |
| 1. The factors to be considered in determining whether someone is “carrying on business” include:  * Whether one or more employees in the Home Country have been granted the general authority to contract on behalf of the business entity without the approval of another person outside of the Home Country. Consider the following factors:   + Who negotiates the resale terms of the goods sold in the home Country?   + Who has been granted the authority to contract purchases of goods and services inside and outside the home Country, including sales for export to the home Country;   + Who negotiates human resource issues for the business entity in the Home Country; and   + Who has the authority to make the necessary withdrawals, issue cheques, and other such activities to process payment of goods and services acquired or used by the business entity in the Home Country. |  |  |
| (cont) Documents that may assist in determining whether someone is :carrying out business” include:   * Copies of contracts entered by the person located in the Home Country; * A sample bank statement and corresponding; cancelled cheques * Warranty contracts; * Insurance policies; * Minute book; * Banking resolutions; * Instrument of Incorporation (copy); * Register of Directors; * VAT Registration; * Job description for most senior officer in the Home Country * Copies of offers of employment and letters of dismissal; * Property taxes; and * Rent agreement |  |  |
| 3.(cont) Determine the extent to which the business entity’s activities are conducted in the Home Country by determining the following   * Where is payment for the goods made? * Who pays for the goods, how, from where, from which account? * Who determines and pays salaries? * Are purchase orders solicited in the Home Country? * How and whom determines the selling price? * Are records maintained in the Home Country? * Who negotiates the purchase and/or lease agreements for premises? * How are the quantities ordered and imported determined? |  |  |
| * Is inventory maintained in Home Country? * From the Register of Directors, determine their function in the decision making of the company, in particular, Home Country named directors * Who is responsible for the provision and costs of after-sale services, repairs, and/or warranties? * Does the entity file tax returns in the Home Country? * Are bank accounts for the business entity maintained in the Home Country * Determine who is the VAT registrant Obtain copies of VAT returns and compare to sales on income statement. * Determine if responsibility for risk, damage or loss is the responsibility of the Home Country operation by reviewing insurance policies. |  |  |
| 1. If it is determined that the person is carrying on business in the Home Country through a permanent establishment, then the person will be considered a purchaser in the Home Country. |  |  |
| 1. If it is determined that the person is not carrying out business in the Home Country, a method of Valuation other than the Transactional Value Method must be utilised. |  |  |
| 1. **Transactional Value Requirements- Sale for Export, Price Paid or Payable** |  |  |
| 1. Examine judgmental sample of entries selected at the planning stage from the ASYCUDA report. Trace samples: from import documents, and the books of accounts (see step 3.a below).  Ask controller to perform a complete walkthrough of at  least one importation. |  |  |
| 2. A. For all transactions selected as part of the audit sample, agree the following documents to the records:   * commercial invoice * purchase order; * Customs Declaration; * proof of payment; and * Freight invoice and bill of lading.   Note: Where payment is for multiple invoices, trace all invoices paid back to ASYCUDA importations. This procedure may detect any possible double invoicing, deposits, etc. |  |  |
| 2.B.Also, for all transactions selected:   * Confirm method of valuation being used; * Identify the parties involved in the transaction; * Determine if there is a sale; * Verify that the sale is for export to the Home Country; * Examine the dates shown on the purchase orders and/or commercial invoices and compare with dates of importation; * Determine the price paid or payable for the imported goods; and |  |  |
| * Be wary of evidence of other payments made or to be made, directly or indirectly, in respect of the goods by the purchaser to or for the benefit of the vendor. Such payments may include:   + Storage expenses   + -Credits in respect of earlier transactions   + -Warranty payments   + -Settlement of debt   + -Price escalation clauses   + -Export duties   + -Quota payments and discounts (refer to section 4a below)   + -Confirming commissions |  |  |
| 2.C.Also, be alert for irregularities such as:   * Invoices ending with –A or –1, suggesting a second –B or –2 invoice. * Payment to the vendor exceeds invoice amount and the difference cannot be reconciled to other importations * Unusually payments for services such as packing, financing, handling, or commission. (i.e. 30% commission paid separately to the vendor or 50% for packing and financing charges) |  |  |
| 3. A. Select a (judgmental) sample from the accounting books (accounts payable, purchases...) of approximately 10 to 15 transactions. |  |  |
| 3. B. For all transactions selected from the accounting records as part of the audit sample, agree the amount recorded in the books to:   * commercial invoice; * purchase order; * Customs entry; and * Proof of payment. * freight invoice and bill of lading |  |  |
| 3. C. For all transactions selected, follow the same steps as # 2.a and 2.b explained above. |  |  |
| 3. d. Prepare flow chart of importation process. Ask importer to review flow chart to ensure you understand the importation process. |  |  |
| 3.e.Other Considerations in determining Price paid or Payable   * Agree/total cost of goods sold from trial balance amounts, using importer-prepared reconciliation as a basis, and trace to financial statements to ensure the accuracy and reliability of the figures. * Compare total cost of goods sold as per trial balance and financial statements to VFD declared. Ask importer to explain any discrepancies. * If discrepancies (see 3 above), consider the following: * Low value shipments may not be captured in ASYCUDA; * Timing differences for goods in transit and differences in reporting date versus accounting date for Customs; * Cost of goods sold may include manufacturing inputs and domestic sourced goods * Materiality of the discrepancy   Note: If the importer sells both domestic and foreign sourced goods, you could select 2-3 main foreign suppliers and then reconcile the amounts recorded in the accounts payable sub-ledger for theses suppliers to the ASYCUDA VFD by vendor. If goods from multiple vendors are consolidated and reported as coming from one vendor, this reconciliation is not possible. |  |  |
| Quota Payments  4. A. Ask the importer if they have paid for any quota during the period under review.   * If yes, determine whether the quota charges were paid to the vendor. If yes, determine if the charges were included in the value for duty of the imported goods: * Obtain quota invoice, proof of payment and entry. * Ensure that the declared amount agrees to the amount paid to the quota supplier. * If the importer states that no quota is purchased, during the course of the review of the general ledger transactions and the analysis of the audit sample, be alert for any evidence of quota charges. Review contracts, correspondence files of agents and suppliers. |  |  |
| 4. B. Three different situations can happen in respect of quota payments   1. The exporter/vendor has paid for the quota  * In this case, the exporter/vendor will recover this cost from the purchaser, whether through inclusion in the selling price or through separate billings. * The quota is to be added to the price paid or payable.   The importer has acquired the quotas   * The payment will be reflected in the accounting records   The importer through his agent paid for the quota and is free to choose the vendor   * The payment will not be shown on the supplier’s invoices but will be covered by the commission paid to the agent or by separate payment to the agent. * The quota in this case is not made for the benefit of the vendor and does not form part of the Price Paid or Payable. |  |  |
| Related Parties  By focusing on all payments (price paid or payable) and adjustments, the transaction value can be applied. Should an officer have concerns that the relationship may have influenced the price, after having completed the following steps, we suggest that you consult with manager and policy expert |  |  |
| 1. Examine documentation for all inter-company transactions for the period under review to determine the nature of payments being made between related/affiliated companies. Document the nature and amount of such payments. |  |  |
| 1. Ensure that all payments to the vendor have been identified and all adjustments to the price paid or payable have been made (refer to sections E-J below) |  |  |
| To understand, examine, support and verify the inter-company price declared (i.e. PPP), some or all of the following may be performed. |  |  |
| 1. Contact International Tax to determine if they have previously audited the transfer price. If yes, obtain a copy of the results of their audit. (This should not be done until a communications protocol/system is in place) |  |  |
| 1. Determine if the importer has entered into an Advance Pricing Agreement “(APA”) with the International Tax Directorate. (see number 7 above) |  |  |
| 1. Determine if there is a formal corporate policy. If yes, obtain operating manuals and/or policy statements or directives. |  |  |
| 1. Determine if a transfer price study was recently performed by the company or by external professionals. If yes, obtain a copy of the study. |  |  |
| 1. If a transfer price study is available:  * Review transfer price study to determine the transfer price method used; * Ensure that the transfer price study is home Country oriented; * Ask importer if a copy of the functional analysis performed for the transfer price study is available and obtain a copy; * Confirm that no material changes occurred since the transfer price study was performed; * Ensure that the price paid or payable that serves as the basis for determining the transaction value is the transfer price reflected in the transfer price study; and * If the transfer price study was based on comparables, ensure that the company has been updating the comparable figures on a regular basis. |  |  |
| 1. If there is no written corporate policy or transfer pricing formula, obtain an explanation of how the transfer price was established. Ensure exploration is documented and confirmed (by the importer) to be accurate. |  |  |
| 1. In discussions with audit team, determine if the transfer price is supported. |  |  |
| 1. **Limitations-Related Parties** |  |  |
| Generally, the transaction value method will be accepted. However, where we have 3rd party data (e.g. complainant) that supports an influenced price between related parties, we may apply the test values and if a limitation exists, apply another valuation method (it should be noted that test values in general are rarely applied) (we currently are not rendering decisions concerning price influence due to relationship. Also, an industry complaint is not indicative of price relationship, i.e. price may be lower due to purchaser taking on additional marketing functions, etc.  It is not the responsibility of Customs to perform test value calculations. Rather, this is an importer responsibility. The importer should compute test values when price influence due to relationship is suspected. We can then verify whether the calculations are correct. This would result in less resources being utilized, as the onus is clearly on the importer to provide these test values. More policy development is required in this area prior to implementing this requirement).  In all cases where it is suspected that the price paid or payable is influenced by relationship the verifier must consult with manager or policy expert. |  |  |
| 1. **Adjustments to the Price Paid or Payable- Commissions** |  |  |
| 1. Determine if the transactions involved the use of a middleman (e.g. selling agent, buying agent, and broker). If yes, determine what the role of this middleman was. |  |  |
| 1. Browse through the trial balance and the general ledger of the company in order to identify an account(s) for commissions. Obtain the General Ledger detail report for the commission account(s). |  |  |
| 1. Enquire about the nature of the commissions paid. |  |  |
| 1. List the agents used abroad to purchase goods imported to the Home Country. |  |  |
| 1. Obtain copies of any agency agreements/contracts. |  |  |
| 1. For each agent, select a sample of transactions and:  * Agree the amount recorded in the accounting records (commission account) to the commission invoices and proof of payment to ensure recorded amounts are accurate and that there are no items on the commission invoice that have not been recorded in the ledgers; * If payment is by letter of credit (L/C), scan L/C for items of interest: what is being paid for - goods? Assists? Freight? Who is being paid - the agent or the supplier? Is the L/C transferable? Revocable? What are the terms of the L/C - at sight? Is L/C cashed before or after goods are produced? Before they are shipped? Note any items of interest and ensure details are consistent with other supporting documentation (commercial invoice, purchase order, freight invoices, bill of lading, etc.); * If the agent is invoicing for other items, determine whether these items have been included in the VFD. |  |  |
| * Obtain copies of manufacturer's invoice and agree it to the commission invoice to ensure that the agent is not applying an additional mark-up to the cost of the goods; * Determine if the manufacturer or the importer is paying the agent's commission; * Determine if the commission rate is reasonable through discussions with members of audit team. If it appears high, determine if the agent is being compensated for assists or quota, etc. that would otherwise be dutiable but are being hidden in the commission rate; and * Determine if the agent is taking risk in the goods by examining whether the agent is paying for the goods and subsequently being reimbursed by the importer, or if the importer is paying the manufacturer/supplier directly. |  |  |
| 1. Request and examine correspondence file with agent:  * look for evidence of agent not always acting in best interest of the purchaser; * be wary of evidence suggesting impediments preventing the agent from acting in the interest of the principal; * look for evidence that agent related to vendor; * Is there evidence that the agent is financially profiting from the sale of assists or quota (An agent may profit on the transaction aside from the commission as long as disclosure of the agent’s interest is made to the principal and the principal decides to continue with the relationship after such disclosure.)? |  |  |
| 1. Total, for the period under review, the commissions paid to each agent that you feel may be of a dutiable status. |  |  |
| 1. **Adjustments to the Price Paid or Payable- Assists** |  |  |
| 1. Explain Assists to the importer and ask the importer if they or any other company supplied assists to the manufacturer(s). |  |  |
| 1. If yes, determine if the assists have been included in the VFD of the imported goods:  * Is the importer invoiced separately for the assists? * Who pays for the assists? The importer? Parent company? Agent? * Examine documentation, which shows how the value of the assists has been declared in the value for duty. For example, is there a separate Customs Accounting Document to declare the assists, or has the importer performed calculations to include the value of the assists in the value of the goods; and * Obtain proof of payment for the assist under review, in order to determine if there are other items being paid to the supplier that were not declared for Customs purposes and that might be of a dutiable nature. |  |  |
| 1. If the importer states that no assists are being provided, during the course of the review of the general ledger transactions and the analysis of the Audit sample, be alert for any evidence of assists. For example, if there is a payment to a company named XYZ Company; this should be further examined to determine if an assist might be present. |  |  |
| 1. Compare suppliers on ASYCUDA report to supplier list provided by the importer and/or to suppliers in books of accounts. Identify foreign suppliers that are on the list prepared by the importer and/or in books of accounts but not on the ASYCUDA report. Foreign suppliers not listed on the ASYCUDA report may be assists suppliers. Ask importer to provide explanation. Select a sample of transactions involving these suppliers |  |  |
| 1. Determine the nature of each assist and note the supplier of the assist. |  |  |
| 1. There may be transportation costs incurred to send the assist to the place where it is used in the production of the imported goods.  * Analyze freight invoices to determine if assists have been shipped: * from the Home Country to a foreign manufacturer for use in the manufacture of the imported product; * From one foreign country to another foreign country to be used in the manufacture of the imported product. * Quantify the transportation costs associated with the assist |  |  |
| 1. Examine purchase orders to determine if there is any mention of assists to be provided. |  |  |
| 1. Obtain correspondence files with suppliers and agents (fax, telex, product record files, specification sheets, etc.) and search for any indication of assists being provided or arranged for. |  |  |
| 1. Enquire from executives of importer if they utilize the services of Cut Make and Trim (“CMT”) operations. If yes, review a sample of these transactions by examining commercial invoices, proof of payment, P.O., and Customs Accounting Document to ensure that material costs have been correctly added to the CMT charges in declaring the VFD |  |  |
| 1. Review general ledger accounts to detect samples purchased by the importer outside of the home Country in order to design and manufacture his own lines of products abroad. |  |  |
| 1. Verify certain Home Country supplier invoices to determine if there is any indication that items are being shipped abroad which might constitute an assist. |  |  |
| 1. Determine if the company has any manufacturing operations in the Home Country and identify in the structure of the chart of accounts the accounts that relate to manufacturing operations outside of the Home Country. |  |  |
| 1. Use best available means to find unrecorded costs such as assists for support facilities.   For example:   * Inquire where Research & Development related to the imported goods is done; * Review published corporate structure to determine the existence of R & D centers or other service centres; * Determine where R & D costs are in corporate accounts and how they are accumulated and allocated; and * Find out if there is any written corporate policy or directives, which identify how R & D costs are assigned. |  |  |
| 1. Determine the value of assists |  |  |
| 1. If produced, determine how production costs arrived at. |  |  |
| 1. Determine the method of allocation / apportionment of the value of the assists. |  |  |
| 1. **Adjustments to the Price Paid or Payable- Royalties or License Fees** |  |  |
| Through review of royalty or licence agreements and communication with the importer or their representative, determine the existence of any copyright, trademark, trade name or patent utilized by the importer, or any right to distribute or market retained by the importer. |  |  |
| 1. Determine if the importer makes any payment with respect to the items included in (1) above. Determine if an “all-in-fee” payment is made is in respect of different rights, or if different payments are made in respect of different rights. |  |  |
| 1. Identify company accounts through which payments/inter-company transfers are made. Verify that payments from these accounts are in respect of imported goods. |  |  |
| 1. Review the importer trial balance and general ledger to identify any other accounts from which royalties and licence fees are paid. Obtain the general ledger detail report for these accounts. |  |  |
| To establish the dutiable status of the royalty or license fee payments: |  |  |
| 1. Refer to the royalty/licence fee agreement. Determine the exact nature of the payment, (i.e., what is being paid for, how it is derived/calculated, how and when it is paid, to whom it is paid) |  |  |
| 1. Discuss the rights and obligations identified in the agreement with the importer officer or representative most familiar with its content. |  |  |
| 1. Determine if the licensee is following the express terms included in the agreement. |  |  |
| 1. Confirm that the payment is a royalty or licence fee payment a royalty or licence fee payment made in respect of imported goods and as a condition of sale of the goods for export to the Home Country. To satisfy the condition of sale requirement, the vendor’s prerogative to refuse to sell the goods or repudiate the contract of sale must be explicitly indicated in the documentation between purchaser and vendor or in the royalty/license agreement where the vendor is the licensor of the goods. |  |  |
| 1. Determine if any standing purchase order with the vendor maintained by the Purchaser includes a notation that would entitle the vendor to repudiate the sale if the licensee fails to pay the royalty or licence fee. If such a notation is identified, the amount of royalty fee payment made in respect of the goods is an addition to the price paid or payable of the goods |  |  |
| 1. Select a small sample of transactions of imported licensed goods to verify if commercial invoices include a notation indicating that if the licensee fails to pay the royalty or licence fees the vendor will refuse to sell the goods or repudiate the contract for their sale. If such a notation is identified, the amount of royalty fee payment made in respect of the goods is an addition to the price paid or payable of the goods |  |  |
| 1. If the vendor is the licensor of the goods or is related to the licensor, verify if the license agreement includes any reference to the vendor/licensor’s right to refuse to sell the licensed goods or repudiate the contract of sale if the licensee fails to pay the royalty or licence fee. If such a reference is identified, the amount of royalty fee payment made in respect of the goods is an addition to the price paid or payable of the goods. |  |  |
| 1. (A).If the payment made by the purchase is a “bundled” payment that includes an amount for royalties or licence fees, verify that the purchaser can accurately apportion the amount of payment between the royalties or licence fees and the other requirement(s) for payment. If a payment is identified for other than royalties or licence fees, consider its applicability |  |  |
| 8. (B).If the payment cannot be apportioned satisfactorily, the transaction value method cannot be applied an alternative valuation method must be identified. |  |  |
| 8 (C).If the payment can be apportioned satisfactorily, the amount apportioned as royalty or licence fee payments may be identified as an addition to price paid or payable in accordance with the procedure indicated in (5) or (6) above or (7) above if the vendor and licensor are related or are the same entity. The amount apportioned as other than royalties or licence fees should be considered under the alternative Audit procedures for additions to price paid or payable |  |  |
| 1. **Adjustments to the Price Paid or Payable- Subsequent Proceeds** |  |  |
| 1. Examine documentation for all inter-company transactions for the period under review to determine the nature of payments being made between related/affiliated companies. Document the nature and amount of such payments. |  |  |
| 1. Obtain a copy of income tax schedule which lists the related and affiliated companies the importer deals with. |  |  |
| 1. Obtain a copy of income tax schedule, which lists all related party transactions. |  |  |
| 1. Obtain a copy of the Management agreement if applicable. |  |  |
| 1. Review correspondence file and contracts with related party manufacturers/suppliers |  |  |
| 1. For management and administration fees, research and development expenses, and marketing and promotional fees, obtain a breakdown of what elements are covered under the payments. For example, advertising; use of legal/accounting/computer system, etc. Review the nature and method of management payments (i.e. As a percentage of gross/net sales) |  |  |
| 1. Examine the method of allocation for the management and administrative fees and research and development expenses. |  |  |
| 1. Determine whether the management fees and/or administrative fees are reasonable, justified and for actual services rendered by tracing to source documents and proof of payment. |  |  |
| 1. **Adjustments to the Price Paid or Payable- Transportation Charges** |  |  |
| 1. Browse through the trial balance and the general ledger of the company in order to identify the freight account(s). Obtain the General Ledger detail report for the account(s). |  |  |
| 1. Select approx. 3-5 freight transactions from the accounting records and note the following:  * Describe the method of transport for the goods - F.O.B. or C.I.F., etc. * From shipping documents, note the location and date of direct shipment of the goods to the Home Country.   NOTE: Any reasonable date of direct shipment that the importer relied on for exchange rate purposes (i.e. invoice date) should be accepted if it is necessary to substantiate / validate that the proper date has been declared. However, all unreasonable dates (i.e. each Wednesday) should be considered an error.  The date of direct shipment need only be verified if there would be a material or substantive impact on the value for duty (e.g. the place of direct shipment is incorrect for purposes of determining transportation charges or any rate fluctuation would result in a substantive effect on the value or using the wrong currency exchange).  There are a number of documents that the importer may rely on based on the information relative to the movement (direct shipment date) of the goods. These documents might be one of the following: bill of lading, P.O., freight invoices, commercial invoices, and confirmation of sale.  If there are inland freight charges, determine if they have been included in the value for duty. |  |  |
| 1. Examine through the disbursement records or accounts payable for the freight charges actually paid to determine that any amounts deducted as C.I.F. charges are accurate; to determine whether the importer is receiving any rebates; to determine whether there are any additional charges, which may be of a dutiable nature. |  |  |
| 1. Obtain copies of all insurance contracts (policies) on exported goods and verify amounts claimed. |  |  |
| 1. Compare terms of sale on shipping documents with terms quoted on invoices and/or contracts.  * Determine point where the title changes hands as well as risk of loss. |  |  |
| 1. Determine the nature of any warehousing or storage expenses, domestic or foreign. Determine the reasons for the storage with shipper’s agents for purposes of transhipment or is there a new point of direct shipment. Verify amounts actually paid against amounts claimed. |  |  |
| 1. Where shipping agents are utilized, i.e., freight forwarders or freight consolidators obtain copies of bills and compare all amounts with those on the actual shipping documents. |  |  |
| 1. **Adjustments to the Price Paid or Payable- Other.** |  |  |
| 1. Construction, erection, expenses incurred after goods are imported:  * Obtain an explanation of any costs or charges included in the invoiced selling price incurred for the construction, erection, assembly or maintenance of the goods and/or any technical assistance in respect of the goods after importation, purchase order and agreement and all related correspondence. |  |  |
| 1. Duties and taxes deducted:  * Obtain amounts for any Home Country duties and taxes included in the price paid or payable for the goods under review. Purchase order and agreement and all related correspondence.   Note: any actual amounts can be deducted. For example, if the duty rate is 10%, the importer may deduct 9.09% of the selling price (1/ (1+10% duty rate)). This deduction should only be effected after deductions for freight / erection has been made. |  |  |
| 1. Rebate after importation  * Obtain full details regarding any discounts, rebates or any other decrease in the price extended to the purchaser by the vendor in respect of the goods under review. Purchase order and agreement and all related correspondence, |  |  |
| Note:  The purchaser may be receiving a cash discount for early payment but not declaring the discount at the time of importation. This is not to be treated as an error but should be pointed out to the importer as a possible benefit. |  |  |
| 1. **Transactional Value of identical or Similar Goods.** |  |  |
| 1. Find a T.V. of identical or similar goods exported at the same or substantially the same time. |  |  |
| 1. Obtain price list and establish if it is a bona fide price list by tracing to a sample of sales invoices. |  |  |
| 1. Make adjustments for trade level and quantities if necessary. |  |  |
| 1. Look at freight invoices to the place of direct shipment in order to make adjustment for differences in the transportation costs resulting from differences in the mode of transport and in the distance the goods are shipped. |  |  |
| Note: the next two methods of valuation are the deductive value method and the computed value method. If the exporter is not the manufacturer, these two methods require information that the importer cannot usually provide. They are more theoretical than usually applied, but must be considered. Valuation Audit Procedure N. will outline a flexible application under the residual method in situations where a nri transfers/import goods to the home Country on speculation or is not a valid purchaser in the Home Country. |  |  |
| 1. **Deductive Value Method** |  |  |
| Price per Unit:  Determine, for each product (where applicable), the selling price at which the greatest number of units is sold. Ensure that the sales are made to persons at the first trade level after importation, and that this person is not related to the importer and that the person has not provided any assists. Ensure the selling price is exclusive of VAT |  |  |
| Commission or Profit and General Expenses   1. Determine the amount for commissions, which is generally earned or reflected on a unit basis in sales of imported goods of the same class or kind in the Home Country. |  |  |
| 1. Or, when no commission is paid:  * Compare the importer’s amount for profit and general expenses to the amount for profit and general expenses generally earned in connection with sales in the home Country of goods of the same class or kind. (the procedures for identifying such amounts are currently under review) |  |  |
| 1. Or, when no commission is paid and the amount for profit and general expenses generally earned is not available:  * Determine the general expenses that have been incurred in the home Country in selling the imported goods. Verify that these expenses have been incurred in the Home Country by tracing a sample to supporting commercial documents. |  |  |
| 1. For management and administration fees and research and development expenses, obtain a breakdown of what elements are covered under the payments. Examine the method of allocation for the management and administrative fees and research and development expenses. Determine if the Home Country operations have been allocated their fare share of all management and administrative expenses (this procedure is relevant when procedure #4 is applied). |  |  |
| 1. If an amount for profit and general expenses (mark-up) is already included in the transfer price to the Home Country business entity, determine if this amount for profit and general expenses resembles an arm’s length amount. Refer to “Related Party Transactions” section of this document. (How is this done?) |  |  |
| 1. If importer is a VAT registrant, no deduction from the selling price should be allowed for VAT paid on any purchase transaction (i.e. hydro, photocopier lease payments, etc.) |  |  |
| 1. Examine the deductions for duties, brokerage and transportation |  |  |
| 1. Tabulate and express all deductions from the price per unit as a percentage of sales in the Home Country. |  |  |
| 10 .An amount for profit must be allowed under the deductive method. Ensure that the amount claimed for profit and general expenses are reasonable. |  |  |
| 1. **Computed Value Method** |  |  |
| 1. Determine the production cost of the imported goods. Ensure that the following costs, charges and expenses are included:  * materials employed in producing the goods being appraised; * the production or other processing of the goods being appraised; * packing costs and charges; * the value of goods and services provided free of charge or at a reduced cost (assists); and * any costs, charges and expenses incurred by the producer in respect of engineering, development work, art work, design work, plans or sketches undertaken in the Home Country. |  |  |
| 1. Ensure that the above costs, charges, and expenses are supplied by or on behalf of the producer of the goods and prepared in accordance to the Generally Accepted Accounting Principles (GAAP) of the country of production. |  |  |
| 1. Determine the amount for profit and general expenses to be added to the cost of production of the imported goods. Ensure that this amount is that which is generally reflected in sales for export to the Home Country of goods of the same class or kind as the goods being appraised made by producers in the country of export. (the procedures for identifying such amounts are currently under review) |  |  |
| 1. For the purpose of calculating the producer’s amount for profit and general expenses over costs, the value of goods or services provided free of charge should not be included in the cost of production of the goods. The value of these goods and services should be included in the cost of production only after the amount for profit and general expenses as been calculated. |  |  |
| 1. The value of an assist provided at a reduced cost is to be treated as above, for the portion of the value provided at no cost to the producer. The portion of the value for which the producer incurs a cost or charge is to be added to the cost of production when calculating the amount for profit and general expenses over cost. |  |  |
| Note:  The calculation of the combustive method requires a significant understanding of cost accounting, financial statements, accounting issues, and records. |  |  |
| 1. Residual Method ( Fallback Method) |  |  |
| 1. If the value for duty of the imported goods cannot be determined under any of the previous methods of valuation, it is to be determined using the Residual/Fall Back Method. This Method is the flexible application of one of the other methods of Valuation that requires the least amount of Adjustment. |  |  |
| 1. In the flexible application of one of the other methods of Valuation, Customs will be guided by the World Trade Organization (WTO) Valuation Agreement which principals state that the Values should be fair, reasonable, uniform, and neutral and reflect commercial reality. |  |  |
| 1. The Residual/Fall Back method permits the requirements of the other methods of Valuation to be flexibly applied, but it does not disregard them completely. |  |  |
| 1. Valuation under the residual/Fall-Back Method cannot be determined on the basis of:  * The selling price in the Home Country of goods produced in the Home Country. * A system which provides for the acceptance for Customs purposes of the higher of two alternative values * The price of goods on the domestic market of the country of exportation * The cost of production other than the computed values which have been determined for identical or similar goods in accordance with the Computed Method of Valuation. * The price of goods for export to a country other than the Home Country * Minimum Customs Values * Arbitrary of fictitious values. |  |  |
| 1. **Closing Interview** |  |  |
| 1. Prepare and distribute an agenda to company representatives in advance, to give them time to prepare for the meeting and to ensure that the appropriate personnel are available to attend. |  |  |
| 1. Take notes during the Closing Interview. |  |  |
| 1. Review with the company representatives the Audit procedures followed. |  |  |
| 1. Ensure that there is agreement between the team members and the importer on factual matters. |  |  |
| 1. Prepare document for the company officials’ signature that includes the following elements:  * statement of facts made by the company representatives; * the Customs officers’ understanding of the statements made by the company representatives; * a list of the documents and/or information which were requested and not yet provided (including time commitments for providing the outstanding documents and/or information); and * a list of the documents and/or information which were requested and that the company declined to provide. |  |  |
| 1. Discuss with importer the audit findings and their implications. |  |  |
| 1. Prepare working paper for audit file. |  |  |

# **ANNEXT FOR Reporting Phase**

## **Exhibit a – Interim/Final Audit Report INSTRUCTION**

The Audit report should contain the following components:

1. Purpose

* The purpose of the report.

1. Objectives

* The objectives of the Audit

1. Scope

* The period and goods being audited; the focus of the Audit; and programs being reviewed

1. Audit Error Summary

* The number of samples verified and whether the samples were drawn from ASYCUDA or the Clients records; Customs Program Summary Charts

1. Requirements

* This part explains the “requirements” section of the Tariff Classification, Valuation and Origin portion of the report and provides the client with the legislative references relating to corrections under the Customs Legislation.

1. Dispute Procedures

* This part advises the client of the procedures in the event of a dispute.

1. Appendices

* Containing the results of the programs audited.( Detailed findings on systems review, Accounting records, duty relief /concession/ drawback, tariff treatment, end use ,origin, tariff classification and valuation)

1. Attachments

* Containing the roll up of Samples Review for Customs (See Reporting Exhibit C Report Template)

# **Exhibit b – Cover Letter to Client- Interim report**

Below is a sample covering letter used to submit the interim report to the Client.

REGISTERED MAIL

Customs Audit Division

Insert Company Name

Insert Address

Insert Address

### Attn: *Insert Client Contact name and title*

*Insert Date*

Dear Insert Client Surname

SUBJECT: *Insert Client name* Customs Post Clearance Interim Audit Report

Please find attached the Customs Interim Audit Report, hereafter referred to as the Interim Report, dated *Insert date*. This Audit was conducted on imports of insert *commodity(s),* pursuant to *insert Customs Legislation* by *insert Country* Customs at *insert location*, for the period of *insert audit period*.

The Interim Audit Report contains the following:

* results of the Audit
* a description of the errors found;
* requirements and recommendations to assist you in correcting the identified errors;
* a listing of any penalties and information ; and
* Your rights with regard to Dispute Resolution.

The Interim Report is being presented for your review and comments prior to the issuance of the Customs Final Audit Report. Space has been provided for your response in the body of the report. You are also being provided with a diskette for you to document and submit your comments electronically, should you wish to do so. The file “Company Response.doc” contains comment boxes for each of the Customs programs audited.

Please forward your comments to the undersigned by *insert date.* If comments are not received by this date, it will be assumed that you agree with the findings and recommendations and a Customs Final Audit Report will be issued.

Should you have any questions, please contact insert Manager or Officer Name, title and contact number

On behalf of the Audit team, I would like to take this opportunity to thank you for your cooperation and assistance throughout this process.

Yours truly,

Insert Manager or Officer Name, title, address

Attachment

# **Exhibit c – Cover Letter to Client- Final report**

Below is a sample covering letter used to submit the final report to the Client

REGISTERED MAIL

Customs Audit Division

## ***Insert Company Name***

Insert Address

Insert Address

### Attn: *Insert Client Contact name and title*

Insert Date

Dear Insert Client Surname

SUBJECT: *Insert Client name* Customs Post Clearance Final Audit Report

This letter finalizes the Customs Post Clearance Audit that was conducted on imports of insert *commodity(s),* pursuant to *insert Customs Legislation* by *insert Country* Customs at *insert location*, for the period of *insert audit period*.

This report supersedes the Customs Interim Audit Report dated *insert date.*

Please find attached the Customs Final Audit Report dated *insert date* which contains the following:

* results of the Audit
* a description of the errors found;
* requirements and recommendations to assist you in correcting the identified errors;
* a listing of any penalties and information ;
* your rights with regard to Dispute Resolution; and
* your comments regarding the Audit findings

Should you have any questions, please contact insert Manager or Officer Name, title and contact number

On behalf of the Audit team, I would like to take this opportunity to thank you for your cooperation and assistance throughout this process.

Yours truly,

Insert Manager or Officer Name, title, address

Attachment

# **Exhibit d– Cover Letter to Client- Desk Review**

Below is a sample covering letter used to submit the final Desk review report to the Client

REGISTERED MAIL

Customs Audit Division

Insert Company Name

Insert Address

Insert Address

### Attn: *Insert Client Contact name and title*

Insert Date

Dear Insert Client Surname

SUBJECT: *Insert Client name* Customs Post Clearance Final Audit Report

This letter finalizes the Customs Post Clearance Audit that was conducted on imports of insert *commodity(s),* pursuant to *insert Customs Legislation* by *insert Country* Customs for the period of *insert audit period*.

Please find attached the Customs Final Audit Report dated *insert date* which contains the following:

* results of the Audit
* a description of the errors found;
* requirements and recommendations to assist you in correcting the identified errors;
* a listing of any penalties and information ;
* your rights with regard to Dispute Resolution;

Should you have any questions, please contact insert Manager or Officer Name, title and contact number

On behalf of the Audit team, I would like to take this opportunity to thank you for your cooperation and assistance throughout this process.

Yours truly,

Insert Manager or Officer Name, title, address

Attachment

# **Exhibit E – Managers File Review**

Purpose of File Review

* To ensure that the entire Audit procedures were followed and that the working papers corroborate the findings in the Audit report.
* To carry out quality control

When File Review should be done

* The review must be done when the interim report is completed, before it is given to the client.

Steps to take when reviewing a file

* Each section of the file must be reviewed individually, bearing in mind its special features. Some things are common to all sections. For example, each working paper must have a complete heading, which includes the client name, the working paper title, the period audited, the author of the working paper, the date the working paper was completed and the page number. Information must also be provided to explain the rationale for all the working papers. There must also be appropriate references on each working paper (see Planning Exhibit H)

**A- Audit Report**

When the report is reviewed, special attention must be paid to the conclusions and recommendations. It is important that the recommendations be a logical extension of the conclusions, which must specify the goal sought, but not indicate how to achieve it.

**B- File Review**

These are notes taken during the file review which must be indicated on working papers and inserted in the file.

**C- Matters for Future Audit**

This section should contain information that will facilitate the planning of a future Audits.

**D- Client Assistance**

Review the notes taken and ensure that there will be follow-up, if necessary.

**E- Client profile**

The information indicated in the file concerning the client profile must be relevant to the Audit (organization charts, annual report, information on imports, etc.). The reviewer must ensure that the necessary referrals were made.

**F- Audit Planning Memorandum**

Ensure that the team responded to all the concerns identified in the Audit Planning Memorandum by checking that the appropriate referrals were done (Step 1 on the checklist).

The reviewer must ensure that all the steps on the checklist for Audit planning were taken (see Planning Exhibit H). If certain steps were not taken, you must ensure that the steps were not forgotten, and if N/A is indicated, you must find out why the officers consider this step not applicable.

**G- Correspondence and Meetings**

Correspondence must be placed in chronological order. If it is a letter or memo in which information is requested, you must ensure that the team indicated the date the information was received and the person who sent it.

**H- Systems Review**

It is important to find a conclusion. The conclusion must stem logically from the findings from the work done (see Planning Exhibit H). When there is a flowchart, it must be a reflection of the narrative description of the systems. A client may incur substantial expenses when it changes its systems. For this reason, special attention must be paid to the recommendations stemming from the systems review.

**I- Sampling Methodology**

Ensure that the methodology was followed. In cases where hypotheses were formulated to explain changes to the methodology, ensure that they are reasonable under the circumstances.

**J to Q - Program Compliance**

You must find the summary of findings with a conclusion, the Audit program, working papers and source documents in each section. You must ensure that each step in the Audit program was carried out. If one or more steps were not taken, ask yourself "Was the objective of the program achieved?” The working papers must be reviewed as suggested above. The source documents that accompany the working papers must be relevant and have headings and references like the working papers. It is important to keep only the relevant documents in the file. As a general rule, confirm the negative and keep only the source documents that relate to the adjustments that the team made (see Planning Exhibit H)

**R to V – Other Areas of Concern**

File review is an important step in the Audit process, and the necessary time and energy must be devoted to it. A review may take up to six hours, depending on the size of the file to be verified.

The process does not, however, stop there. There is still the final report; this includes the client’s comments and the evaluation of the action plan proposed by the client.

Consideration must also be given to the remaining steps on the checklist. Some of these steps are not always applicable, but you must nonetheless take the time to consider them. (See Planning Exhibit H)

# **Exhibit F – Managers Checklist**

# Objective

To assist the Manager in reviewing the completed file to ensure all Audit procedures have been completed and that findings in the Audit report are substantiated in the working papers.

File Number:

Client Name & Number:

Audit period:

Fiscal period:

Date of review:

Manager:

***Stage 1:*** The Manager should complete stage 1of this checklist upon the completion of the Interim Report but prior to sending it to the client.

|  |  |  |
| --- | --- | --- |
| AUDIT PROCEDURE | DONE BY | REF. |
| 1. Ensure that all issues and concerns identified in the Audit Planning Memorandum and throughout have been satisfactorily resolved and appropriately documented. |  |  |
| 2. Ensure that objectives for each Audit program have been met. |  |  |
| 1. Ensure that the working papers reflect the work actually performed and that all observations and conclusions are supported in the file by sufficient and appropriate information. |  |  |
| 1. Ensure that all the working papers are legible, organized in a logical order, correctly titled and adequately cross-referenced. |  |  |
| 1. Ensure that the appropriate conclusions have been drawn from the results obtained. |  |  |
| 1. Ensure that penalties issued have been correctly calculated / applied. |  |  |
| 1. Ensure that the Interim report has been proof read to ensure it is clear and concise and ensure all recommendations made to the client are reasonable and relevant. |  |  |
| 1. Ensure that the Interim report has been proof read to ensure all corrections have been made regarding:  * Inaccurate dates; * Typographical errors; * Grammatical errors; * Spelling mistakes; * Numerical errors located in tables / charts; and * Legislative reference errors. |  |  |

***Stage 2:*** The Manager should complete stage 2 of the checklist once feedback has been obtained from the client, but before the final report is sent.

|  |  |  |
| --- | --- | --- |
| AUDIT PROCEDURE | DONE BY | REF. |
| 9. Ensure that all comments received from the client have been considered and when applicable have been included in the final report. |  |  |
| 10. Ensure that all review queries have been satisfactorily answered. |  |  |
| 11. Ensure that action was taken where client assistance was required. |  |  |
| 12.Ensure that decisions of national or sensitive consequence have been discussed with the senior management |  |  |

***Stage 3:*** The Manager should complete stage 3 of the checklist after the final report has been sent to the client.

|  |  |  |
| --- | --- | --- |
| AUDIT PROCEDURE | DONE BY | REF. |
| 13. Ensure senior management is advised of situations where application of law or policy results in inadequacies, if any. |  |  |
| 14. Ensure that time spent by all officers has been captured |  |  |
| 15. Ensure that the required recording documents have been completed. |  |  |
| 16. Ensure that the client’s action plan has been received and reviewed and forwarded to appropriate area for monitoring. |  |  |
| 17. Other quality problems, suggestions for improvements; identify situations that relate to client’s exploitation of the current provisions of the law and unintended consequences. |  |  |

ANNEX TO

PCA WORKING PAPERS

**PCA/WP/001**

**የ ------------------------- ቅ/ጽ/ቤት**

**-------------------------branch office**

**የድህረ-ዕቃ አወጣጥ ኦዲት**

**Post clearance audit**

የ--------------በጀት ዓመት

**-------------Budget Year**

**ዓመታዊ ዕቅድ**

**Annual Plan**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ተ.ቁ | የኦዲት ዓይነት  Audit type | የሚከናወኑት ተግባራት  Duty to be performed | የሚከናወንበት ጊዜ  Audit time | | | | | | | | | | | |
| ሐምሌ  julay | ነሐሴ  augest | መስከረም  Sept. | ጥቅምት  Oct. | ህዳር  Nov. | ታህሳስ  Dec. | ጥር  Jan. | የካቲት  Feb. | መጋቢት  Mar. | ሚያዚያ  Apri. | ግንቦት  May. | ሰኔ  jun |
|  | ዴስክ ኦዲት  Desk audit |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | ውሰን ኦዲት  Limited scop audit |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | የመስክ ኦዲት  Comprehensive audit |  |  |  |  |  |  |  |  |  |  |  |  |  |

የቡድን አስተባባሪ ስም\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ፊርማ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Team coordinetor\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ signiture \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

የስራ ሂደት አስተባባሪ ስም \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ፊርማ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Process owner\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ signature \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

የሩብ እና የግማሽ ዓመቱ በዚህ መሠረት ይዘጋጃል፡፡

Quarterly and semiannual plan will be prepared based on this form

**PCA/WP/002**

**ለኦዲተሮች ለኦዲት የተመረጠ ድርጅት ማሳወቂያ ቅጽ**

**Allocation of Selected Companies**

የአስመጪው ስም :- \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Importer name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

የቲን ቁጥር :- \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Tin number\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

የኦዲቱ ዓይነት ዴስክ ውስን የመስክ

Audit type Desk audit Limited scop audit Comprehensive audit

ለውስን ኦዲት ፡-

TO Limited scop audit

ታሪፍ ታሪፍ ቁጥር \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Classification Classification\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ዋጋ የዕቃው ዓይነት (ስም) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

valuation Type of commodities\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ሲፒሲ የሲፒሲ ኮድ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

cpc cpc code \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

የስሪት አገር የዕቃው ዓይነት (ስም) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Country of orgin Type of commodities\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ከላይ ከተጠቀሱት ውጪ ከሆነ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Others \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

የኦዲት ወሰን ከ\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_እስከ\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Scop of audit from\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_to\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ኦዲቱ የሚከናወንበት የኦዲት ጊዜ ከ\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ እስከ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date of Proposed Audit from\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_to\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**ለስራው የተመደበ/ቡ ኦዲተር/ሮች**

**Assigned Auditors Name**

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ፊርማ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ ቀን \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ፊርማ \_\_\_\_\_\_\_\_\_\_\_\_\_ ቀን \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**ስራውን የሰጠው ኃላፊ/ Responseble person**

ስም \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ፊርማ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ቀን \_\_\_\_\_\_\_\_\_\_\_\_\_

**name**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ signature\_\_\_\_\_\_\_\_ Date\_\_\_\_\_\_\_\_\_\_\_

**PCA/WP/003**

**የኦዲት ፕሮግራም**

**Audit Program**

**የ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ቅ/ጽ/ቤት**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Branch office**

**የድህረ-ዕቃ አወጣጥ ኦዲት**

**Post clearance Audit**

|  |
| --- |
| ኦዲት የተጀመረበት ቀን \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Started date  ኦዲት የሚጠናቀቅበት ቀን \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Final date  በስታንዳርድ የተቀመጠው ጊዜ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Estimated time  ኦዲቱ የፈጀው ጊዜ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Actial Time  ልዩነት \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Differnce  ልዩነቱ ከፍተኛ ከሆነ ምክንያቱ ከታች በተሰጠው ቦታ ላይ ይገለጽ  If the difference is Material state the reason |

**ኦዲት ተደረጊው ድርጅት \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

Company Name:-

**የኦዲት ዓይነት \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

Audit type

**ኦዲት የሚደረገው የበጀት ዓመት /budget year \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

|  |  |  |
| --- | --- | --- |
| የሚከናወነው የኦዲት ተግባር ዝርዝር  Duty to be performed | አጠቃላይ መጠን  Population size | የናሙና መጠን  Sample size |
|  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **ተ.ቁ** | **የኦዲት ቅደም ተከተል** | | | | |
|  | የኦዲት ዓላማ ( Objective) | | | | |
|  | የሚከናወኑ ተግባራት ( Audit procedure )   * የኦዲት ዝግጅት ( preparation) * ቅድመ ኦዲት ቅኝት ( Pre-audit survey) * ኦዲት ተደራጊን ማሳወቅ ( Client Notification ) * የመግቢያ ስብሰባ ( Inter conference ) * ኦዲት ማከናወን ( Execution ) * የመዝጊያ ስብሰባ ( Exit conference ) * ኦዲት ሪፖርት ዝግጅት( Audit report ) * ቀሪ ሂሳብ ከተገኘ ማሳወቅ ( Demand letter ) * ክትትልና ግብረ-መልስ ( Follow-up ) | የሚከናወነውን ጊዜ  Date of Proposed Audit | የተከናወኑ  Performed | ያልተከናወኑ  Not performed | ምርመራ  Remark |
|  |  |  |  |

ያዘጋጀው የኦዲት ስም \_\_\_\_\_\_\_\_\_\_\_\_\_\_ ፊርማ\_\_\_\_\_\_\_\_\_\_\_\_\_ ያረጋገጠው ስም \_\_\_\_\_\_\_\_\_\_\_\_ ፊርማ \_\_\_\_\_\_\_\_\_\_\_\_

Prepared by\_\_\_\_\_\_\_\_\_\_\_\_\_\_ signature\_\_\_\_\_\_\_\_\_\_\_ Approved by\_\_\_\_\_\_\_\_\_\_\_\_ signature\_\_\_\_\_\_\_\_\_\_\_\_

**Audit Preparation Memorandum**

**የ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ቅ/ጽ/ቤት**  **PCA/WP/004**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Branch office**

**የድህረ-ዕቃ አወጣጥ ኦዲት**

**Post clearance audit**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | ኦዲት ዝግጅት ማስታወሻ ቅጽ  AUDIT PREPRATION MEMORANDOM | | | | | | |  | | |
| የኩባንያው ስም  Company Name:- | | | | | | የተ.እ.ታ ቁጥር  VAT No:- | የግብር ከፋይ መለያ ቁጥር  TIN:- | | | |
| የተመረጠው የኦዲት ጊዜ  Audit period Selected:- | | | ኦዲትየሚደረግበት ቀን:-  Date of Proposed Audit | | | | የገቢ/ወጪ ጠቅላላ ዋጋ  Total Value for Imporets/Exports:- | | | |
| የቀረጥና ታክስ ዝርዝር  Total duty Breakdown | | የጉምሩክ ቀረጥ  Duty Birr:- | | | የተ.እ.ታ.ብር  VAT : Birr | | ኤክሳይዝ ታክስ ፡ብር  Excise Birr:- | | | ሌሎች ታክሶች ፡ ብር  Other Birr:- |
| የኦዲት ጊዜው ዲ/ን ብዛት  Total no Of SADs for audit period:- | | | |  | | | | | ዋና ዋና አስመጪ /ላኪ/ወኪል  Main Declarants:- | |
| የተሰጠ ማረጋገጫ  Reasof For Selection:- | | | | | | | | | | |
| የተመረጠበት ምክንያት  Reason for Selection | | | | | | | | | | |
| የተለያዩ የስጋት ዓይነቶች  Risks identified: eg Preferences, Values, Freight, Origins, Anti-Dumping Duties, Classification, SAD Routings, Exemptions Clamed, Suspended Headings, Document Numbers missing in box 44 of SAD | | | | | | | | | | |
| ቀድሞ የተካሄደ ኦዲት ውጤት  Results of previous Custom Audits:- | | | | | | | | | | |
| የቀረጥ አከፋፈል ሁኔታ  Revernue compliance record:- | | | | | | | | | | |
| ሌሎች አስፈላጊ መረጃዎች  Any other relevant information | | | | | | | | | | |
| ቅጹን ያዘጋጀው ስም \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ያረጋገጠው ስም\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Prepared by\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Approved by\_\_\_\_\_\_\_\_\_\_\_\_  ፊርማ\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ቀን\_\_\_\_\_\_\_\_\_\_\_\_\_ ፊርማ\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ቀን\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  signature\_\_\_\_\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_\_\_\_\_\_ signature\_\_\_\_\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_\_\_\_\_\_ | | | | | | | | | | |

**PCA/WP/005**

**የ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ቅ/ጽ/ቤት**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Branch office**

**የድህረ-ዕቃ አወጣጥ ኦዲት**

**Post clearance audit**

**ሰነዶች መጠየቂያና መፍቀጃ ቅጽ**

**Document Query Request and Approval Form**

1. **በጠያቂው የሚሞላ**

Fill by requeter

* 1. እንዲቀርቡ የተፈለገው ሰነድ ዝርዝር መግለጫ

List of documets

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **ተ.ቁ** | **የአስመጪው ስም**  **Imported** | **የዲክላራሲዮን(Dec.or fill)** | | **CPC** | **መግለጫ**  **Rember** |
| **ቁጥር ( number )** | **ቀን Date** |
| 1 |  |  | |  |  |
| 2 |  |  | |  |  |
| 3 |  |  | |  |  |
| 4 |  |  | |  |  |
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* 1. የጠያቂው ስም \_\_\_\_\_\_\_\_\_\_\_\_\_ፊርማ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ የስራ ኃላፊነት \_\_\_\_\_\_\_\_\_\_\_\_\_\_ቀን \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Request by\_\_\_\_\_\_\_\_\_\_\_ signature\_\_\_\_\_\_\_\_\_\_\_ Responsibility\_\_\_\_\_\_\_\_\_\_\_

* 1. የጠያቂው የቅርብ ኃላፊ ስም \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ፊርማ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ቀን \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. **በቡድኑ የሚሞላ**

የተጠየቀው ሰነድ እንዲሰጣቸው ተፈቅዷል አልተፈቀደም

Permited Not permited

ፊርማ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ቀን \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

signature\_\_\_\_\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_\_\_\_\_

**PCA/WP/006**

**የ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ቅ/ጽ/ቤት**

**የድህረ-ዕቃ አወጣጥ ኦዲት**

**በሠነድ ላይ ሊሞሉ የሚገባው መረጃ መጠይቅና ማብራሪያ መየጠቂያ ቅጽ**

**Additional document and Information Requisition Form**

1. በኦዲተሩ የሚሞላ

Fill by Auditor

* 1. የአስመጪ ስም \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Importer name

* 1. የወኪሉ ስም \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Agent

* 1. የዲ/ዮን ቁጥርና ቀን\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Declaration \ files number and date)

* 1. **በዲዮን ውስጥ የሚገኙ ሊብራሩ /ሊሟሉ/ የሚገቡ መረጃዎች**

**Detail information and document**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**ማሳሰቢያ፡-** ከላይ ለቀረበው ጥያቄ በሁለት የስራ ቀናት ውስጥ ካልተሰጠ ቀጣይ እርምጃ የምንወስድ መሆኑን እንገልጻለን፡፡

**N:B The document must be retered within tow days, if not we oblige to take action**

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Response for the above request/

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**PCA/WP/007**

**የ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ቅ/ጽ/ቤት**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Branch office**

**የድህረ-ዕቃ አወጣጥ ኦዲት**

**Post clearance audit**

**Initial Conference Format**

Place of conference held

Date of conference

Time of conference

Participants

**From the Auditee Company**

**Name Position** Signature

1. -------------------------------------------------- ------------------------------------------------- -----------------------

2. ------------------------------------------------- ------------------------------------------------- -------------------------

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**From the Customs Authority**

**Name Position** Signature

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Agenda 1.

Agenda 2.

Agenda 3

**PCA/WP/008**

**የ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ቅ/ጽ/ቤት**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Branch office**

**የድህረ-ዕቃ አወጣጥ ኦዲት**

**Post clearance audit**

**Exit Conference Format**

Place of conference held

Date of conference

Time of conference

Participants

**From the Auditee Company**

**Name Position** Signature

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From the customs authority

Name Position signature

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**Agenda of the conference**

Starting from the initial conference held on insert date, we have conducted an audit on your company. Based on the audit the following finding were identified,

1. Finding related to customs program/tariff ,origin , valuation, end-use, etc/
2. Finding related to the company’s system
3. Other finding
4. Agreements reached
5. Conclusion

## **PCA/WP/009**

*Insert Company Name*  Insert Date

Insert Address

Insert Address

*Insert Customs clearing agent*

Insert Address

Insert Address

**RE:** DEMAND NOTICE FOR DUTY AND TAXES PAYMENTS.

As per The Ethiopian customs proclamation number 622/2009 Article 64, branch post clearance audit carried out audit examination from Insert Date to Insert Date on Insert Declarations imported from Insert Date to Insert Date; unpaid customes duties and Taxes amounting to birr Insert tax and duty amount . Insert reason for audit finding as enclosed detail attachments duties and taxes was found.

You are therefore required as per directive number 69/2004, to pay the said amount to the authourty within 15 days or sumit an appeal on the audit proceduer to the brach office appeal commitee from the date of this letter. If the appeal is not summitted on the due date it is considered as you accepte the decision. Please note that, ìf payment is not effected on the due date, the amount of duty and taxes demanded will be collected according to article 7 of directive number 69/2004 .

The branch’s revenue collection team as per 69/2004 is responceple to collect the duty and taxes and its status the post clearance audit team.

**Yours,**

Attachement pages assementes **Mangemet OF PCA**

**CC:** Insert concerend body

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|  | **PCA/WP/010**  **የ---------------------------- ቅ/ጽ/ቤት ቀሪ ሒሳብ ስሌት ማሳያ ቅጽ/Audit Finding Assessment Sheet**  **የድህረ-ዕቃ አወጣጥ ኦዲት**  የአስመጪው ስም\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Importer name | | | | | | | | | | | | | | | | | | | | | | | |
|  | ወኪል \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Agent Dec/Date | | | | | |  |  |  |  | | | | | | | | |
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| ዲ/ዮን ቁጥር Dec/No. | **ልዩነት የተገኘበት ዕቃ አይነት**  Type of Discrepancies | **ታሪፍ ቁጥር**  HS Classification number | **ልዩነት የተገኘበት ምክንያት**  Reason | **በሰነድ የተገለጸው** Document recorded | **መሆን የነበረበት**  To be | **ልዩነት**  Difference | **ጠቅላላ ዕቃ ብዛት**  **Total quantity** | **ጠቅላ ዋጋ**  **Total Value In USD** | **ምንዛሪ**  **Exchange rate** | **ጠቅላላ ዋጋ በብር**  Total Duty payable in Birr | **ኢንሹራንስ**  insurance | **ማስጫኛ ዋጋ**  Freight Value | CUSTOM DUTY | | VAT | | SUR TAX | | WITH HOLD | | TOTAL TAX | የተከፈለ ቀረጥ  ቀረጥ | ቀሪ ሂሳብ |
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ቅጹን ያዘጋጀው ስም \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ያረጋገጠው ስም\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Prepared by\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Approved by\_\_\_\_\_\_\_\_\_\_\_\_

ፊርማ\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ቀን\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature\_\_\_\_\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_\_\_\_\_\_ signature\_\_\_\_\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_\_\_\_\_\_

Response for the above request

**PCA/WP/011**

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| **የ---------------------------- ቅ/ጽ/ቤት PCA/WP/008**  **የድህረ-ዕቃ አወጣጥ ኦዲት**  **ቀሪ ሒሳብ ስሌት ማሳያ ቅጽ/ Audit Finding Assessment Sheet**  የአስመጪው ስም\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ዲ/ዮን ቁጥር \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Importer name Dec/No  ወኪል \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ዲ/ዮን ቀን \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Agent Dec/Date | | | | | | | | | | | | |
| **ልዩነት የተገኘበት ዕቃ አይነት**  Type of Discrepancies | **ታሪፍ ቁጥር**  HS Classification number | **ልዩነት የተገኘበት ምክንያት**  Reason | **በሰነድ የተገለጸው** Document recorded | **መሆን የነበረበት**  To be | **ልዩነት**  Difference | **ጠቅላላ ዕቃ ብዛት**  **Total quantity** | **ጠቅላ ዋጋ**  **Total Value In USD** | **ምንዛሪ**  **Exchange rate** | **ጠቅላላ ዋጋ በብር**  Total Duty payable in Birr | **ኢንሹራንስ**  insurance | **ማስጫኛ ዋጋ**  Freight Value | **ጠቅላላ ቀረጥ ማስከፊያ ዋጋ**  Total Duty payable in Birr |
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|  | | | | | | | የቀረጥ ዓይነት  Type of duty and Tax | | | በመቶ | Base value | ቀረጥ መጠን  duty and Tax |
| ቅጹን ያዘጋጀው ስም \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ያረጋገጠው ስም\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Prepared by \_\_\_\_\_\_\_\_\_\_\_\_\_\_ Approved by\_\_\_\_\_\_\_\_\_\_\_\_  ፊርማ\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ቀን\_\_\_\_\_\_\_\_\_\_\_\_\_  Signature\_\_\_\_\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_\_\_\_\_\_ signature\_\_\_\_\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_\_\_\_\_\_ | | | | | | | Duty tax | | |  |  |  |
| Excise tax | | |  |  |  |
| VAT tax | | |  |  |  |
| Sur tax | | |  |  |  |
| With hold | | |  |  |  |
| መክፈል የነበረበት ቀረጥ  To be paid | | |  |  |  |
| የተከፈለ ቀረጥ  Paid duty and tax | | |  |  |  |
| ቀሪ የሂሳብ  Balance duty and tax | | |  |  |  |

**PCA/WP/012**

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| **የመረጃ መመዝገቢያ ቅጽ/ INFORMATION RECODING FORMAT/** | | | | | | | | | | | | | | | | | | | | | | | |
| **ፋይል ቁጥር/ FILE No.** | **የአስመጪው ስም ( Importers' name)** | **አድራሻ /Address/** | **የግብር ከፋይ መላያ /TIN/** | **የተሰማራበት የስራ ዘርፍ /Sector/** | **የወኪሉ ስም /Agent/** | **የኦዲቱ አይነት /Audit Type/** | **ኦዲቱ የሚሸፍነው ጊዜ /Audit secope/** | **ኦዲቱ የተከናወነበት ቀን ከ/እስከ/ Audit Execution Date/** | **የዲ/ዮን/ ቫውቸር ቁጥርና ቀን/Dec/Voucher No./** | **CPC** | **የስጋት ደረጃ/Risk Level/** | **በዋስትና ለገባ/Bond** | | **በቀረጥረ ነፃ የተፈቀደበት/Duty free import** | | **ግኝበት የተገኘበት/Finding** | | **የተገኘ ልዩነት/Difference** | | | **ሰነዱን ያጣራው የአሰሰር ስም /Assessor/** | **የኦደተሩ ስም /Auditor/** | **ምርመራ /Remark/** | |
| **የፈቀደው ኢንሾራንስ ስም /nsurer Name/** | **የሚያልቅበት ቀን /Expired date/** | **ደብዳቤቁጥር/ቀንLetter No./date/** | **የፈቀደው ኃላፊ/Authorized person/** | **የዕቃው ዓይነት /Commodity Type/** | **የግኝት ምክኒያት/Reason/** | **በሰነድ የተገጸው /Discribed/** | **መሆን የነበረበት/To be/** | **አዲስ ዲ/ዮን ቁጥር/ቀን/New Dec.No/** |
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