



**Asia-Pacific
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Verification and Audit Techniques

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Australian Government
Australian Customs and
Border Protection Service

Verification and Audit Techniques



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Australian Government
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Border Protection Service

Introduction

The role of Australian Customs and Border Protection is to provide effective border protection for the Australian community and ensure compliance with Australian legislation and border controls



Compliance Environment

- The Compliance Assurance Branch monitors the effectiveness of cargo process systems and undertakes activities designed to improve compliance
- All intervention is based on an intelligence-led risk-based approach
- In 2009-10 goods on approx 9,984,000 air waybills and 2,340,000 sea cargo manifest lines entered Australia. Shipments were inspected and paperwork such as declaration of origin or certificate of origin was requested on a risk assessed basis



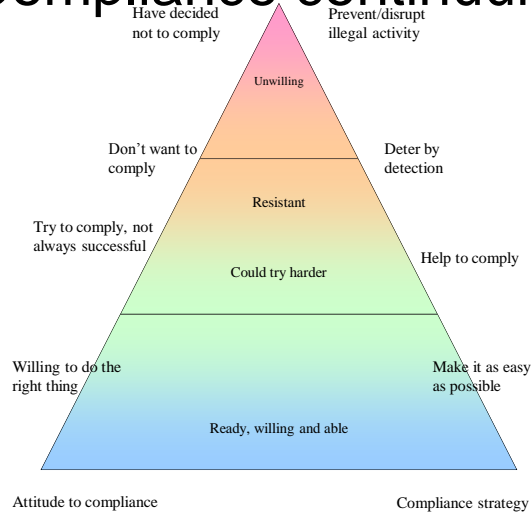
Compliance Environment cont.

- In 2009-10 approximately 161,000 lines of cargo were assessed by the pre-clearance intervention (real time) team, whereas the post transaction verification team conducted 244 audits and 259 other post transaction verification activities. Most audits involve the verification of details relating to 30-60 lines of cargo.
- The level of intervention is proportional to client behaviour (perceived risk)
- We encourage voluntary compliance and disclosure of entity identified errors





Compliance continuum



Australian Government
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COMPLIANCE CONTINUUM

Customs and Border Protection is committed to providing effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics. Customs and Border Protection also contributes to the whole-of-government approach to secure Australia from potential terrorist threats.

the perceived levels of risk in a given situation.

Non-compliance can manifest itself in a variety of ways ranging from simple error, to indifference, to intentional disregard. In recognition of the different levels of non-compliance, different compliance responses are required.

Compliance responses can range from client education to comprehensive audits, sanctions or prosecutions. There is no need for extensive compliance mechanisms to be applied to those clients considered generally compliant. Similarly, an education strategy is unlikely to modify the behaviour of an individual who has intentionally disregarded the law.

The following diagram of the Customs and Border Protection Compliance Continuum demonstrates a range of client behaviours and possible compliance responses.

Our aim is to improve the level of voluntary compliance by our clients. We use intelligence analysis and risk assessment to make strategic decisions about the short-term placement of resources and to tailor compliance improvement programs to particular industry sectors. The results provide further information for the fine tuning of our strategies.

For more information on any Customs and Border Protection matter, contact the Customs Information and Support Centre on 1 300 363 263 or email information@customs.gov.au or browse the website www.customs.gov.au

REGULATORY PHILOSOPHY – COMPLIANCE CONTINUUM

CLIENT CATEGORIES – BEHAVIOURS AND MOTIVATION

SELF REGULATION	ASSISTED SELF-REGULATION	DIRECTED REGULATION	ENFORCED REGULATION
<ul style="list-style-type: none"> Informed self-assessment Management is compliance oriented 	<ul style="list-style-type: none"> Not yet compliant Misinterpreting compliance Developing internal control systems 	<ul style="list-style-type: none"> Resistance to compliance Lack of compliance Limited/your system 	<ul style="list-style-type: none"> Deliberate non-compliance Criminal intent Illegal activity

CUSTOMS AND BORDER PROTECTION OPERATIONAL RESPONSE

<ul style="list-style-type: none"> Education and training Maximum pre-arrival/Departure clearance Maximum real-time pre-clearance intervention Some compliance verification: - xray - checks of documents and goods Sanctions may be imposed 	<ul style="list-style-type: none"> Education and training Some real-time pre-clearance intervention Some compliance verification: - xray - checks of documents and goods Sanctions may be imposed 	<ul style="list-style-type: none"> Pre and post-clearance intervention Post-clearance compliance audit Pre-clearance major examination Sanctions may be imposed 	<ul style="list-style-type: none"> Pre and post-clearance intervention Comprehensive audit Customs searches may be covert Surveillance Investigation by multi-disciplined teams Sanctions imposed
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LOW ← RISK → HIGH
October 2009

Compliance continuum fact sheet



Client charter: Our obligations

- Be open, transparent, accountable
- Maintain client confidentiality
- Be professional, responsive, fair
- Make compliance as easy as possible
- Provide advice, assistance, help
- Reduce the cost of compliance
- Firm, effective response to non-compliance



Client charter: Client obligations

- Be truthful
- Keep records
- Exercise reasonable care
- Comply with regulated time constraints
- Pay duties and taxes
- Cooperate



Client Service Charter and Standards



Baggage and Cargo Examination

11. When your baggage is examined: Baggage at international air and seaports may be x-rayed and/or examined. In doing so, we will treat you in a professional and courteous manner and handle your belongings with care. A Customs and Border Protection officer will usually help you to re-pack your bags following the examination.

12. Border Security – Cargo: We examine a significant proportion of air and sea cargo and aim to complete these examinations as soon as possible. We will release cargo as soon as possible after the examination is completed.

13. If we need to arrange with you to examine your cargo: We aim to schedule a physical examination with you or your representative – for air cargo within one working day or for sea cargo within two working days of you contacting us to arrange for the examination to be conducted. When we cannot schedule an examination within these times we will agree to a mutually suitable time.

If the goods require special treatment, such as chemical analysis or safety testing, examination may take longer to schedule. We will tell you if there are delays.

Compliance monitoring activity

14. If your business is subject to compliance monitoring activity: We aim to contact you at least 48 hours before undertaking compliance monitoring activities at your premises. Our monitoring officers are qualified personnel who will seek your consent in writing prior to entering your premises. Alternatively, monitoring officers may exercise monitoring powers under a warrant issued by a Magistrate.

Charges

15. If there are charges associated with any services that Customs and Border Protection provide: We will publish the nature and amount of any charges.

Goods and Services Tax and Wine Equalisation Tax

16. If you claim a refund of the Goods and Services Tax and/or Wine Equalisation Tax under the Tourist Refund Scheme: We aim to process credit card and Australian bank account refunds within five business days and post cheque refunds within 15 business days.

Tariff Concession Orders

17. Tariff Concession Orders (TCO): We are committed to providing a prompt, efficient and courteous service to ensure your TCO application, objection, revocation or review is processed within legislative timeframes. Trained and knowledgeable Customs and Border Protection officers are available to provide advice on TCO matters.



Compliance Risk Analysts

- Conduct operational and tactical research for specific industry sectors
- Make recommendations based on entity/industry risks which guide all compliance risk management activities
- Provide targets to operational areas for action



Monitoring activities

- Monitoring
 - Compliance monitoring program (7000 lines of cargo per annum)
 - Compliance data monitoring team (analyses data for trends or anomalies and feeds data back to compliance risk analysts)



Targeted activities

- Prioritised in the annual Compliance Action Plan
- Pre Clearance (real time) intervention
- Cargo control activities
- Post transaction verification
- Industry referrals





Pre Clearance Intervention

- Use profiles to identify current import consignments that may be non-compliant and undertake real-time checks of the relevant documentation before the goods are released. Cargo may be referred for physical inspection.
- Revenue
GST
Preference (inc FTAs, origin)
SACs (no duty/tax if under \$1000)
- Restricted goods
Medicines and restricted substances
Intellectual property
Other restricted goods



Post Transaction Verification

- Documents and records can be requested for up to five years after a transaction has occurred.
- PTV activities include:
- Audits - Focused field audits or desktop audits
Number of audits set by Government
Currently 120 per annum
 - Focused visits
 - Programmed desk verification activities
 - Leverage exercises
 - Voluntary disclosures





Post Transaction Verification

Verification is conducted which involves a check of the details on the declaration against the commercial documents provided. These include:

- Invoices
- Bills of lading
- Permits
- Proof of payment
- **Certificates or statements of origin**



Post Transaction Verification

Types of issues/errors identified:

- Prohibited or regulated goods imported without a permit
- Incorrect values declared
- Price related costs (buying commissions, production assists, packing charges, auction fees, royalties) not included in the Customs Value
- Misuse of GST exemption codes
- Misuse of concessional codes (TCOs, warranty returns, returned Aus goods)
- Misuse of Self Assessed Clearances (not to be used for prescribed goods or goods over \$1000!)
- **Misuse of preference**
- **Incorrect origin**
- Incorrect invoice terms
- Unentered invoices
- Incorrect export data





Free Trade Agreements

- Preference (Free Trade Agreements). We ensure that the goods on declarations claiming preferential duty rates stipulated in current FTAs meet the rules of origin under these agreements. List of current agreements: <http://www.dfat.gov.au/trade/ftas.html>
- [the Australia-New Zealand Closer Economic Relations Trade Agreement \(ANZCERTA\)](#)
- [the Australia-United States Free Trade Agreement \(AUSFTA\)](#)
- [the Singapore-Australia Free Trade Agreement \(SAFTA\)](#)
- [the Thailand-Australia Free Trade Agreement \(TAFTA\)](#)
- [New Zealand and the Association of South-East Asian Nations \(ASEAN\)](#)
- [Australia-Chile FTA](#)

A further 7 agreements are under negotiation.



Results of PTV work

- Declarations are corrected via electronic amendments
- Revenue recovery action (via demands or civil action)
- Infringement Notice Scheme (INS) penalty action
- Further compliance intervention (including real time)
- Client education
- Requests/referrals to OSCORD
- Referral to investigations section for prosecution
- Referral to other government agencies such as the Australian Federal Police, Australian Taxation Office, Office of Chemical Safety, Australia Pesticides and Veterinary Medicines Authority, Australian Therapeutic Goods Administration



Further Information

Please contact:

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Questions?

