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Verifications Under a Self-Certification Regime

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Overview

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Introduction

- This presentation outlines the verification approach used by the Canada Border Services Agency (CBSA) to perform customs audits to validate the origin of imported goods that have benefitted from a preferential tariff treatment, negotiated under a free trade agreement (FTA);
- To expedite the release of goods at the border, origin verifications are conducted in a post-release environment, after the goods have been released;
- Compliance verifications are initiated based on a risk assessment.

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Self-Certification

- All FTAs negotiated by Canada use a self-certification system where the producer / exporter certifies the origin of the exported goods;
- Self-certification by a separate official entity is not required;
- Importer must be in possession of the self-certification (certificate of origin or producer's / trader's declaration) to claim a preferential tariff treatment at time of the import declaration;
- Under self-certification, the administrative burden to the producer / exporter is minimal.

Risk Assessment

- All origin verifications are identified based on risk assessment or analysis of specific intelligence (i.e. industry complaint);
- Prior to initiating the verification, the proof of origin (**self-certification** document) is requested and reviewed by a compliance officer to determine the eligibility of the claim for preferential tariff treatment;
- The compliance officer further analyzes system data and researches internal and external sources to assess the level of risk for non-compliance and its impact;
- If the risk of non-compliance is sufficient, an origin verification is initiated.

Verification Process

- The exporter / producer is sent a notification letter advising that the goods exported to Canada are subject to an origin verification, and is requested to complete an origin verification questionnaire and provide supporting documentation to support their self-certification of origin;
- The domestic importers of the goods under review are notified of the on-going verification;
- Based on a review of all of the information requested and received, a decision is made as to whether the goods under review satisfy their rule of origin, and are deemed originating, or whether a more in-depth review is required.

Verification Process *(cont'd)*

- Following the initial questionnaire submission, the producer may be requested to provide additional information or clarification;
- When the information provided by the exporter / producer is insufficient to make a determination of origin or that the manufacturing processes needs to be observed, an on-site verification of the producer may be requested (*written consent to the visit from producer is required*);
- A detailed audit plan is prepared in order to make efficient use of the time at the exporter / producer's premises;

Verification Process *(cont'd)*

- On-site verification at the exporter / producer's premises:
 - Conduct an opening interview with selected company representatives to better understand the client's procedures and systems; this meeting offers the opportunity to explain the verification procedures that will be conducted;
 - Conduct a tour of the production facilities (*if required*)
 - Review and assess data from compliance systems used to determine the originating status of the goods
 - Perform the specific verification procedures as detailed in the audit plan
 - Conduct a closing interview
- All audit findings and conclusions related to the applicable verification procedures, are documented and captured in a the structured verification case file.

Verification Process (cont'd)

- Written notice is sent to the exporter / producer to notify them of the results of the origin verification. The letter will indicate the determination of the originating status of all the goods that were reviewed. For non-qualifying goods the exporter / producer is allowed a 30 day representation period to provide additional information to rebut our negative determination;
- The exporter / producer is subsequently notified of the final results of the verification and is advised of the recourse provisions available to challenge the determination;
- The domestic importers of the goods under review are notified of the final results of the verification.

Verification Tools and Techniques

- **Verification letters:** Used to present the extent and scope of our verification and also to request supporting documentation from the exporter / producer:
 - Production Bill of materials
 - Description of the production process
 - Commercial invoices to support the material costs
 - Financial information to support amounts allocated for labour and overhead (direct and indirect labour costs and production costs)
 - Information on material sourcing with affiliates or related companies
 - Inventory records where fungible goods or materials are an issue
- **Origin Verification questionnaires:** Tailored to the different origin criteria that exist to certify the exported goods (*i.e.: tariff change requirement, value test of regional content requirement*) in order to gather the pertinent information to assist in determining the originating status of the goods;

Verification Tools and Techniques

- **Visit at the exporter / producer premises:**
 - Observation of the manufacturing process
 - Interviews with key company personnel (production, cost accounting, logistics)
 - Physical inspection of final goods and input materials
 - Walkthrough of computer systems and specific entries
 - Validation of information in the company's books and records
- **Third party confirmation:** Used to verify claims made by the exporter / producer, such as a supplier confirmation to substantiate the origin of key input materials.
- **Other tools:** Use of computer systems and analytical software for data extraction and analysis (ie. IDEA, Access). The CBSA obtains or extracts company system data to analyze information and perform specific audit procedures.

Questions?

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