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Auditing Techniques for Customs

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Introductions

- Name?
- Number of Years in Customs?
- Current Position?
- Previous Positions?
- Why are you here today?
- Tell us what you want from this workshop?

Our Approach for this training

- We want to build on any previous training
- We will discuss prior auditing experiences and expertise in Yemen Customs
- We will look at the latest trends in customs auditing
- We will discuss the various types of audits and the use and advantage of each type
- We will develop recommendations for the future of auditing against the YCA Risk Management Strategy

Current practice in YCA for audits

- Who is audited?
- What type of companies?
- How are companies selected?
- What is the general process?
- What is the audit objective?
- What is the outcome?

Customs Challenges

- Collect revenue
- Protect society by ensuring compliance with Customs laws
- Facilitate the flow of legitimate goods
- Ensure trade chain security
- Do all this with the same or fewer resources

Foundation – Three Rules

- For business – where the cost of compliance is lower than the cost of non-compliance, good businesses will be compliant
- For government – Voluntary compliance is more effective and economical than involuntary compliance
- For government and business – you can't enforce or comply with regulations if you don't know the regulations

The relationship of auditing to Challenges

- Audits are less labor intensive than inspections
- Audits provide more information than inspections
- Customs can use knowledge as basis for higher or lower confidence in transactions, therefore less or more inspection of shipments.

Financial Audits

- Purpose – review of financial records to determine payments for customs purposes
- Shift to WTO valuation – Value methodology 1 – Paid or Payable.
- Finding all payments critical

Conformance audits

- Purpose – conformance to regulations or standards
- How does conformance relate to customs mandate?

The “customs audits”

- Investigative audit – Confirm suspected or alleged violation
- Post entry control audit – Confirm declaration information
- Compliance measurement audit – validate statistical assumptions about traders historical activities
- Self regulation systems audits – Validate capacity to self regulate and project capacity for future compliance.

Investigative audit

- Based on evidence of suspected violation
- Purpose is to gather evidence to confirm suspected violation
- Targeted to narrow focus
- May be conducted simultaneously to the execution of a search warrant to permit wider latitude of opportunity to discover evidence

Post entry control audit

- No violation alleged or suspected
- Purpose is to confirm correctness of a series of prior declarations
- Targeted to narrow focus of sample of historical declarations
- Usually used in conjunction with a process where a large majority of shipments have received no or minimal inspections at time of entry
- Sample results basis for further audit if discrepancies discovered

Compliance measurement audit

- No violation alleged or suspected
- Purpose is to confirm prior compliance assumptions at company level and statistical agency level assumptions
- Based on statistical based sampling plan
- Audits planned in advance on at least an annual basis
- Company notified months in advance of on site audit
- Require substantial preparatory work with company assistance

Compliance measurement audit (cont)

- Companies very likely to pre-audit themselves resulting in voluntary disclosures and payments
- Statistical sampling methods applied
- Methodologies and expected targets matter of public record
- Results used to estimate future risk at company level
- Results used at customs risk strategy level
- Basis for statistical analysis of confidence levels for historical compliance with both tariff and non-tariff measures

Self regulation systems audits

- Most advanced audit process
- Similar to ISO standards audit
- Emphasis is on company capacity to self regulate by prevention of errors in the first place
- Requires company & customs agreement to documentation of processes requirements
- Used along with historical compliance to establish highest confidence levels in related transactions.
- Used as part of acceptance in an Authorized Economic Operator Program

The Role of Business

- “There is a growing realization that this degree of change can only be achieved with the active participation of legitimate business. This partnership... provides for greater efficiency and more effective controls which are based on knowledge of commercial operations.”

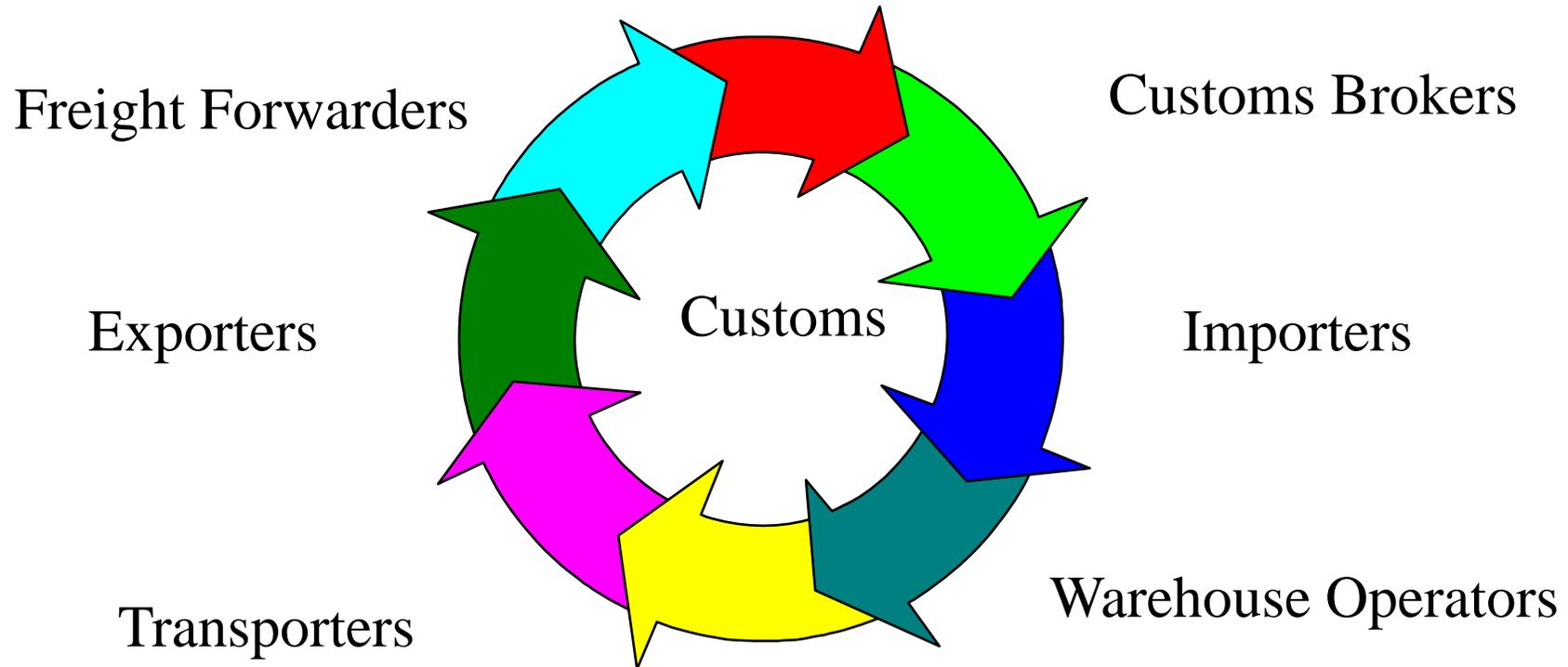
WCO Risk Management Guide

Shared Responsibility



Full circle due diligence

International Trade Community



Compliance and self regulation audit models

- U.S. Customs CAT Kit
- Jordan Golden List

Final Exercise – Write Yemen Customs Priorities for Compliance Auditing as a Business Practice

- What are the organizational changes needed?
- What are the missing skill sets?
- How and in what time frame should the YCA meet this objective?

Thank You!