



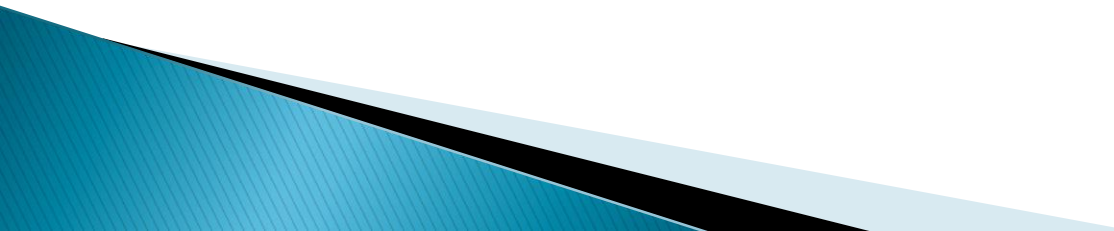
WORLD CUSTOMS ORGANIZATION

# Post Clearance Audit (PCA) and AEO

solutions for the effective management of  
compliant traders and global supply chain security

# Presentation Overview

## Participants understand:

- 1) Background on Risk Based Approach
  - 2) WCO Concept of PCA
  - 3) Articles on PCA in the WTO TFA
  - 4) Objective of PCA
  - 5) Difference between AEO Audit and PCA
  - 6) AEO Validator Guide
  - 7) WCO Tools on PCA
  - 8) WCO Tools on AEO
- 

# 1. Background

*What does Customs do, to tackle the influx of cargo*

*while the Customs resources are limited?*



## ► Risk based approach

- *Revised Kyoto Convention*

- 6.4. *Standard*

- *The Customs shall use risk analysis to determine ... which goods ... should be examined ...*

- *WTO Trade Facilitation Agreement*

- *4.4. Each Member shall base risk management on an assessment of risk through appropriate selectivity criteria.*



## ► ...because

- *It is impossible to check all the cargo*
- *It is impossible to correct all the irregularities.*
- *Of course, we try to minimize irregularities.*

- ▶ To minimize the irregularities with limited resources, Customs...
- need to use the most cost-effective method
- want to manage the risk



*Minimize the risk of cargos which **will** go through border without Customs' check*

**WCO's concept on PCA**



## 2. What is PCA

### What is WCO's concept on PCA?

*“A means to measure and improve compliance”*



WCO PCA Guidelines (2012)

The PCA process is the structured examination of a business' relevant commercial systems, financial records etc.



## a) Measure the compliance



Trustworthy?  
(*signs, appearance*)  
Corresponds to  
import goods?



Understand the manufacturing process



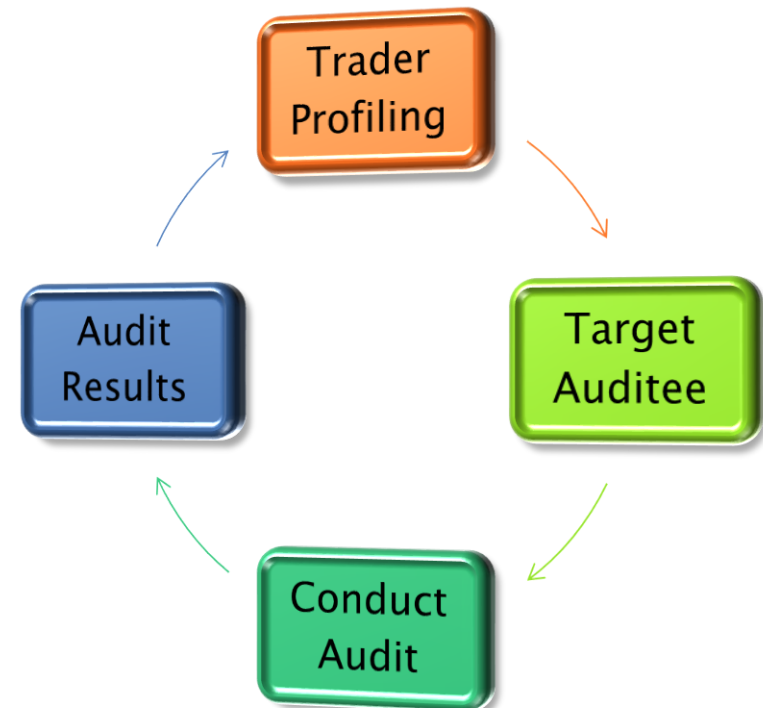
Properly kept records?

## b) Improve the compliance

PCA provides a perfect system to **lead the traders** to be **more compliant** by:

Feed back the results to risk management cycle

More compliant =  
Less border control  
and/or audit





Also **Lead** the traders by direct contact:

- ✓ **directly responding** to queries / requests from traders
- ✓ **directly providing guidance** on Customs procedures or book keeping practices, about benefits of being compliant
- ✓ **directly requesting cooperation to Customs**

It is an opportunity to  
**educate the trader** and  
**build a mutual trust**



### 3. WTO TFA Articles

(1) Establish or Maintain PCA – 7.5.1

(2) Using Risk Management – 7.5.2 & 7.5.4

*For  
selection  
and  
feedback*

(3) In a transparent manner- 7.5.2

(4) Information can be used for  
future actions - 7.5.3



# 4. Objectives of PCA

## a) Trade Facilitation



- ✓ Physical Inspection
- ✓ Questioning



- ✓ HS
- ✓ Origin
- ✓ Valuation

At Border Customs

Post Clearance Audit

Security / social Risk



Informal Trader

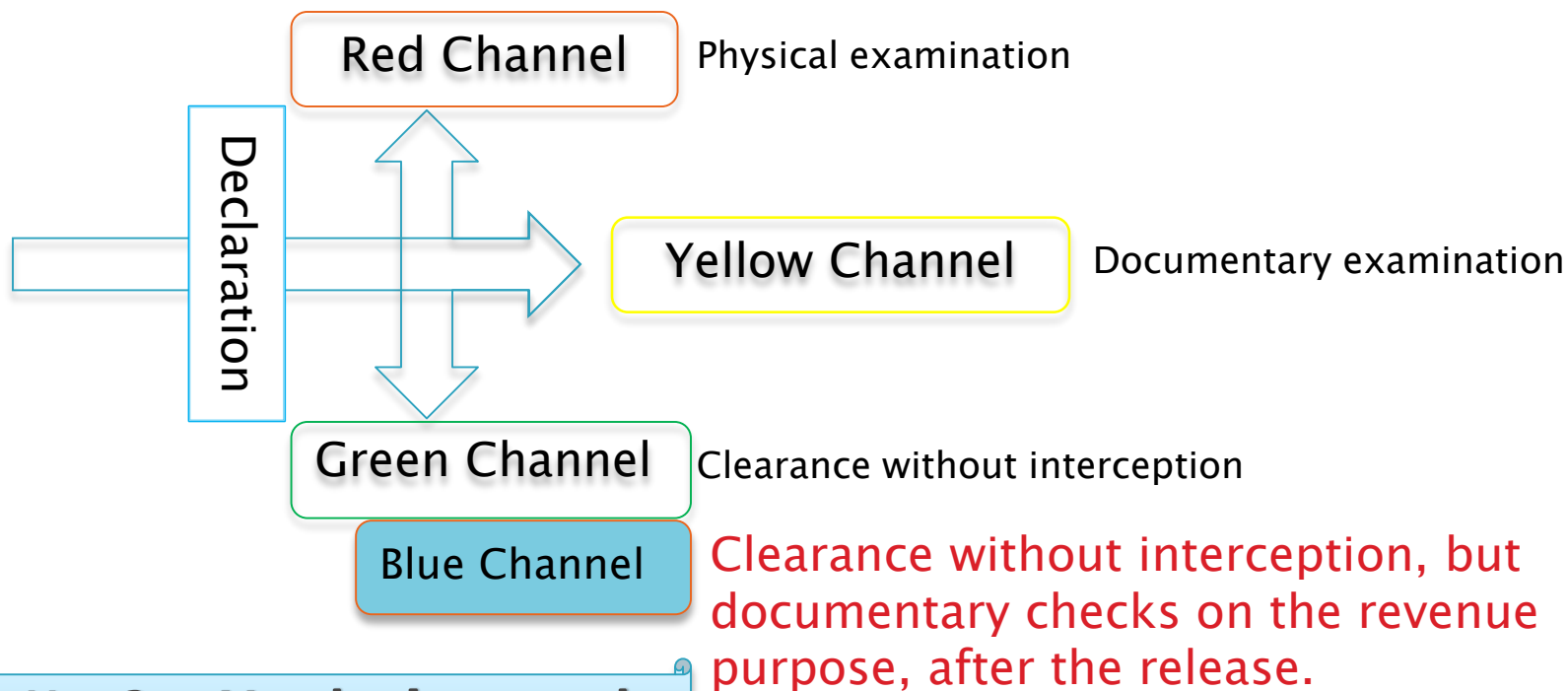


Revenue Risk



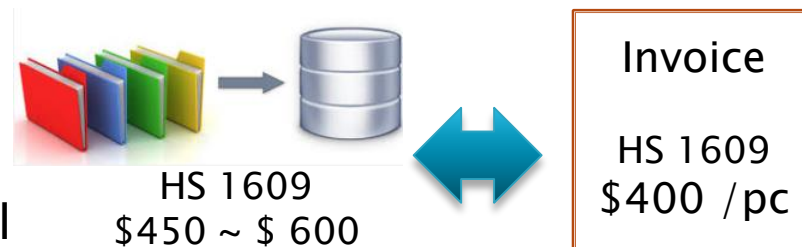
Ease the congestion at the border

## Example: PCA by ASYCUDA



### How? – Member's example

- ✓ by comparing with value database **to see if the value need to be further examined**
- ✓ by checking already submitted documents or request additional docs





## b) To verify the declarations

[example] WTO Valuation Agreement

➤ Price actually paid or payable for the goods  
plus :

- Selling Commissions
  - “Assists”
  - Dutiable Royalties
- etc.

\* Unless

- there is no sale, or
- transaction value cannot be confirmed



## c) To verify Customs procedures

- Checks on procedure for duty exemption scheme
- Audit on strategic goods (i.e. dual use goods)



- ✓ Purpose?
- ✓ End user?



## d) Verification of compliance

- Measure the compliance level,
- Lead the traders,
- Educate the trader, and
- Build a mutual trust.

*As a result, revenue can be recovered but ultimate goal is to reduce the recovery at PCA and collect the right amount at the border.*

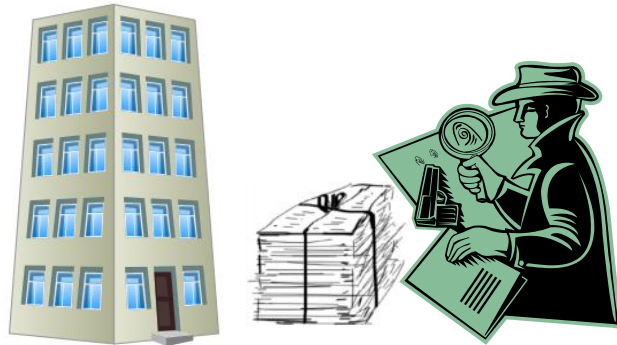


## e)To fight against fraud?

1. Information from Customs / business rivals / open resources



2. Visit company



After confirming the fraudulent activities, audit is conducted to collect the evidence.



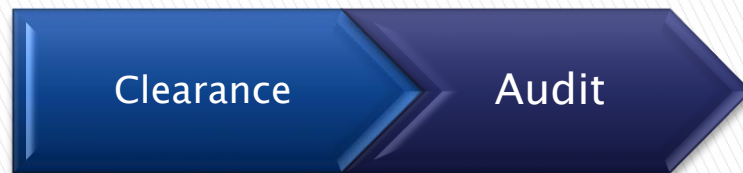
# 5. Difference between AEO audit and PCA

## ► Direction/ Purpose

- **AEO Audit or validation:** verify that the applicant meets, and the AEO continues to meet, the requirements of the scope of authorization.



- **PCA:** audit to check the trader's books, records and systems of internal control to measure and improve compliance

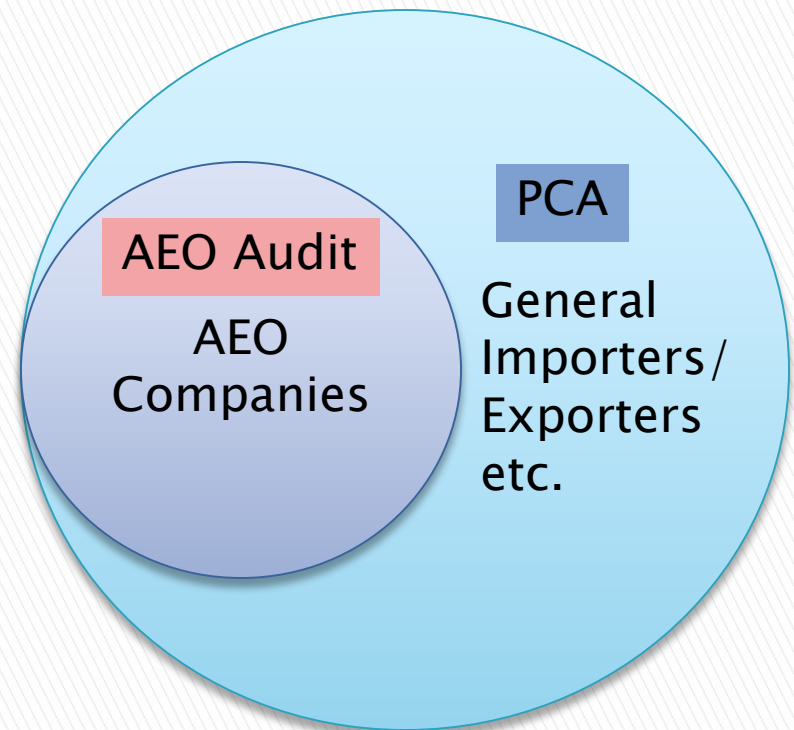


# Difference between AEO and PCA

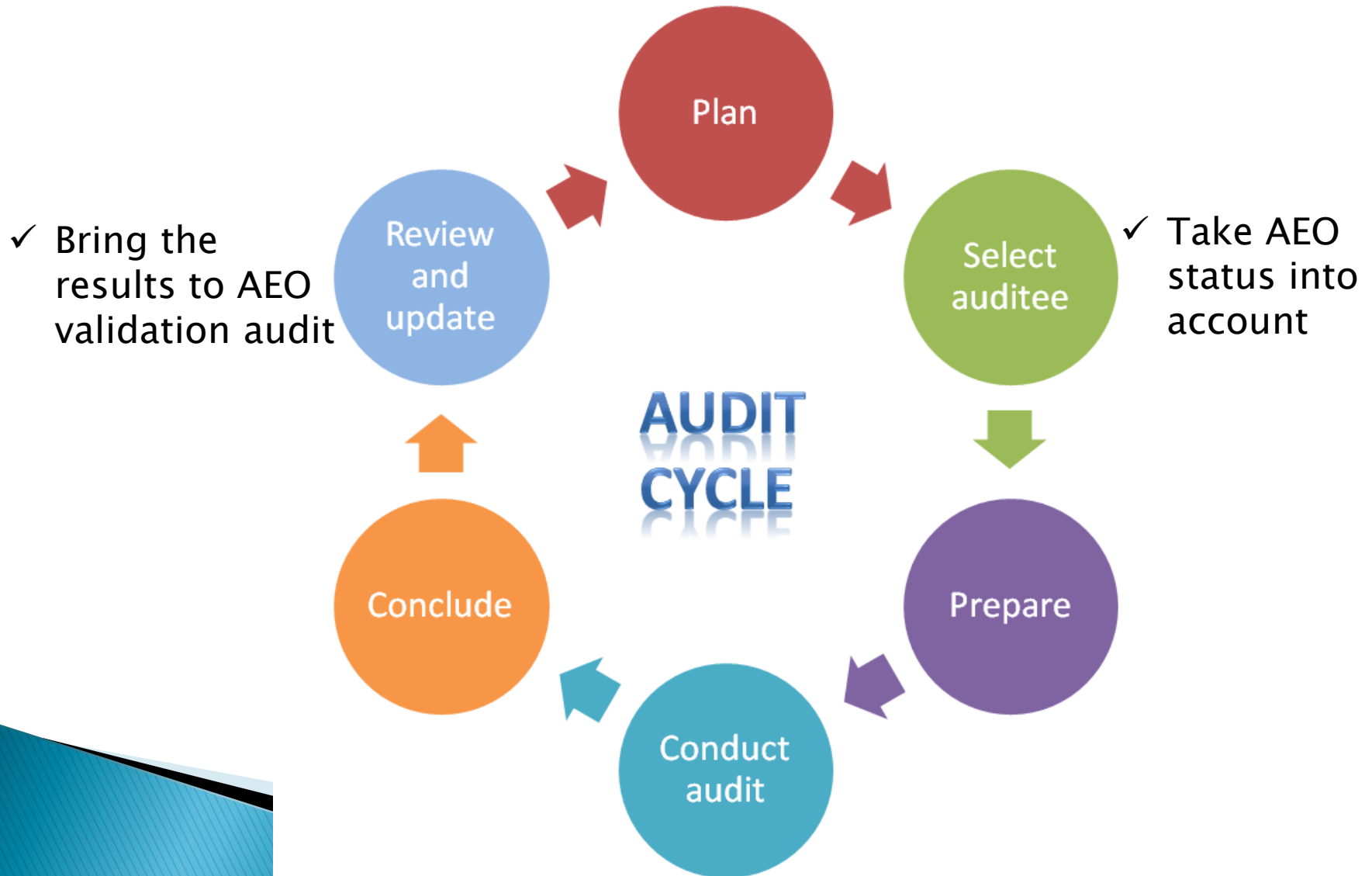
## ▶ What to audit *(Scope)*

- AEO
  - Company's compliance assurance system
  - Security requirements
  - Financial status
- PCA
  - Contracts to reveal the transaction
  - Accounting books and records to check the payment
  - Catalogues for classification etc.

## ▶ Target traders for audit *(in terms of number of auditees)*



# Inter-link between AEO and PCA



# 6. Customs AEO Validator Guide

## ▶ Provides Validation Testing Techniques

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>▶ 1. Demonstrated Compliance with Customs requirements and other related laws and regulations</li><li>▶ 2. Satisfactory system for management of commercial records</li><li>▶ 3. Financial Viability</li><li>▶ 4. Consultation, Co-operation and Communication</li><li>▶ 5. Education, Training and Awareness</li></ul> | <ul style="list-style-type: none"><li>▶ 6. Information Exchange, Access and Confidentiality</li><li>▶ 7. Cargo Security and Conveyance Security</li><li>▶ 8. Premises Security</li><li>▶ 9. Personnel Security</li><li>▶ 10. Trading Partner Security</li><li>▶ 11. Crisis Management and Incident Recovery</li><li>▶ 12. Measurement, Analysis and Improvement</li></ul> |
|---|---|



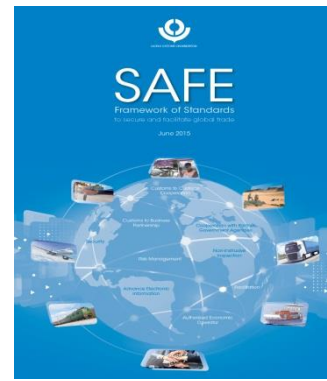
# 7. WCO's PCA Tools and Instruments

- ▶ PCA Guidelines
- ▶ PCA Diagnostic Tools
- ▶ PCA Implementation Guidance
- ▶ How to audit typology



# 8. WCO's AEO Tools and Instruments

- ▶ AEO Implementation Guidance
- ▶ AEO Compendium - 2017 edition
- ▶ Model AEO Appeal Procedures
- ▶ AEO Benefits: Contribution from the WCO Private Sector Consultative Group
- ▶ The Authorized Economic Operator and the Small and Medium Enterprise
- ▶ Mutual Recognition Arrangement/Agreement Guidelines
- ▶ AEO Template
- ▶ AEO Validator Guide



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- 4) Objective of PCA
- 5) Difference between AEO Audit and PCA
- 6) AEO Validator Guide
- 7) WCO Tools on PCA & WCO Tools on AEO

Presenter: Thabo Pase  
WCO PCA Content Specialist  
Compliance and Facilitation Directorate  
+32(0)22099493  
[thabo.pase@wcoomd.org](mailto:thabo.pase@wcoomd.org)

