



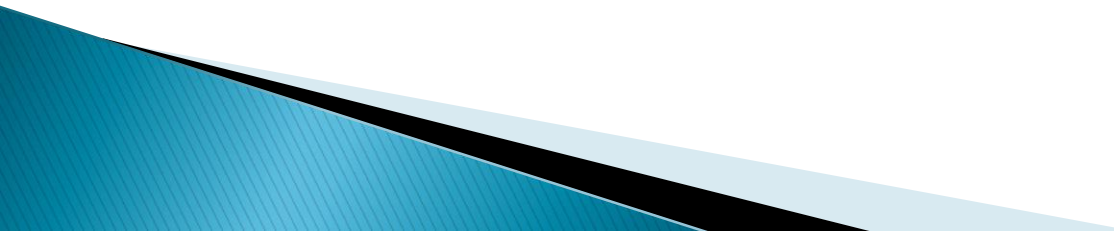
WORLD CUSTOMS ORGANIZATION

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 of 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

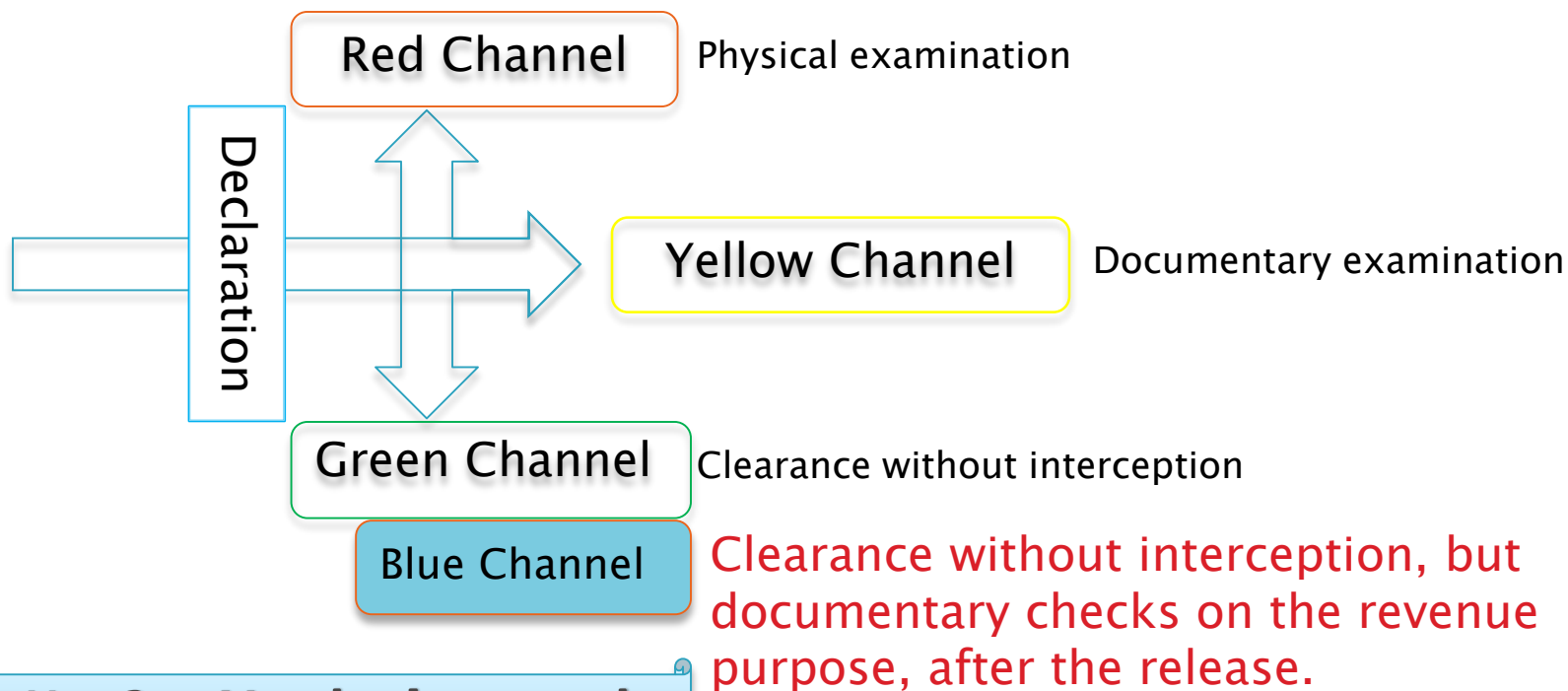


Revenue Risk



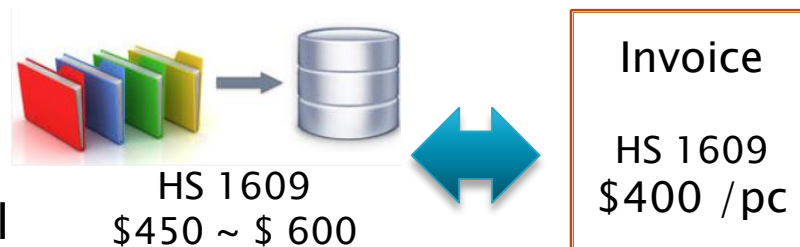
Ease the congestion at the border

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.

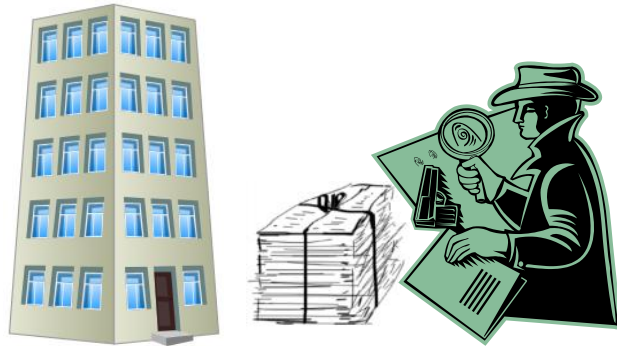


e)To fight against fraud?

1. Information from Customs / business rivals / open resources



2. Visit company



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

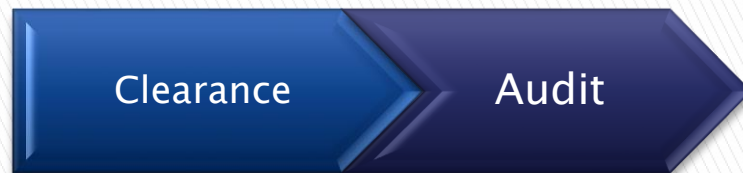
5. Difference between AEO audit and PCA

► 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)*

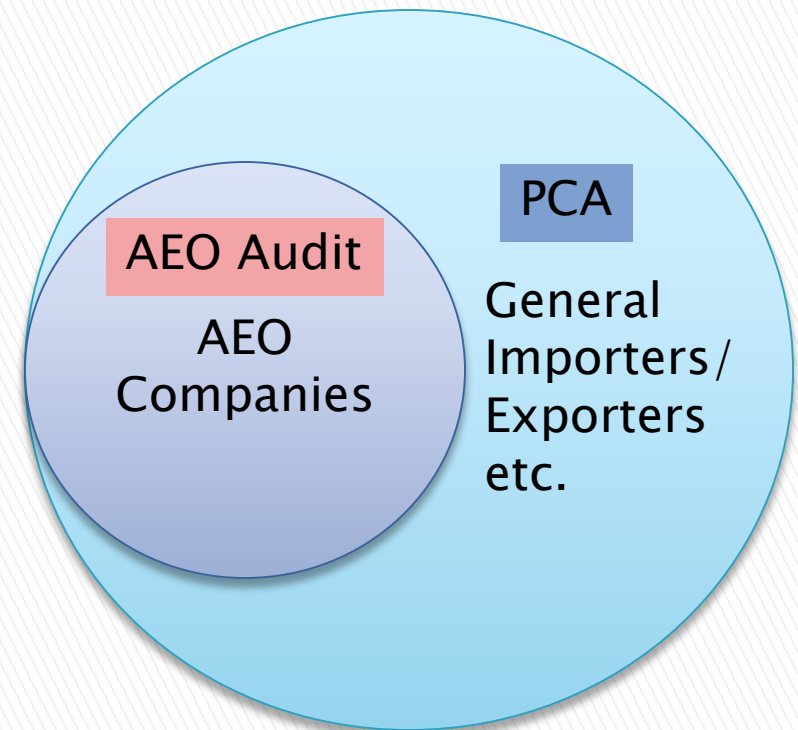
◦ AEO

- Company's compliance assurance system
- Security requirements
- Financial status

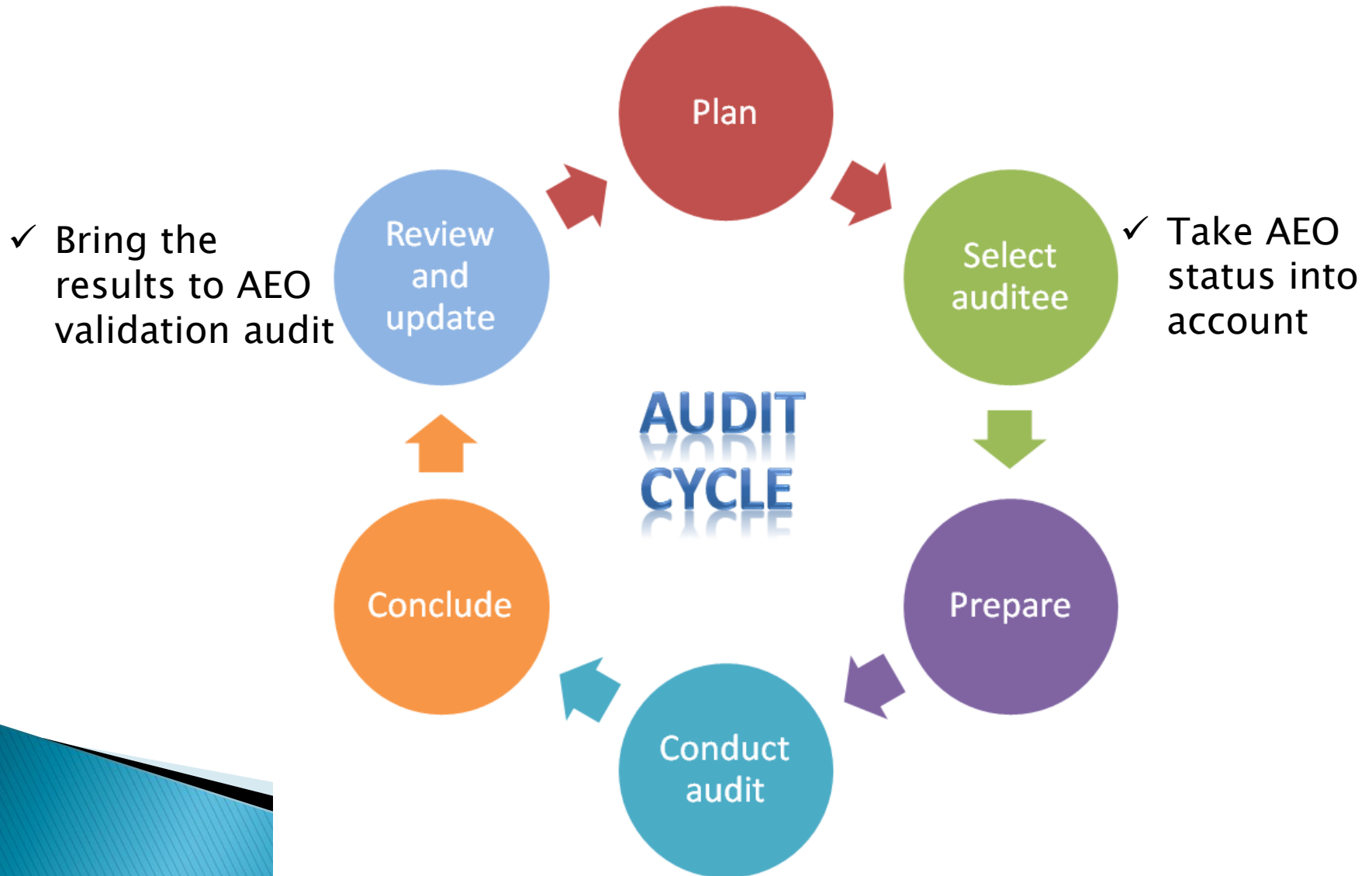
◦ PCA

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

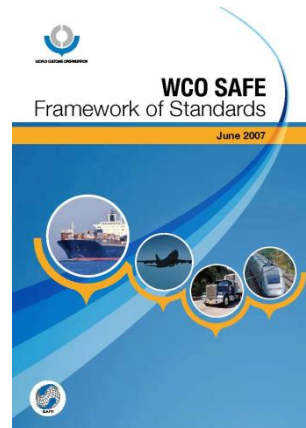
7. WCO's PCA Tools and Instruments

- ▶ 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

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