



# ASEAN CUSTOMS

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2014



Brunei  
Darussalam



Cambodia



Indonesia



Lao PDR



Malaysia



Myanmar



Philippines



Singapore



Thailand



Vietnam

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## FROM THE COUNTRY COORDINATOR'S DESK

This month, we will, once again, enrich ourselves with the publication of the fifth PCA Bulletin of 2014/ This will not be possible without the full support of Customs Enforcement and Compliance Working Group (CECWG), Coordinating Committee on Customs (CCC), and Customs Directors -General, to whom I am very grateful/ In addition, I would like to appreciate ASEAN Member States that have been actively contributing their knowledge, experience, and solution to cases of PCA in this bulletin/ Along with the development of international agreements, Post Clearance Audit must be strengthened in order to cope with new ideas and techniques in international trade/

PCA must be improved in terms of the audit techniques, regulations, and human resources' competencies and capabilities, in particular/ Customs administrators conducting PCA must be able to enhance their insight about the current and upcoming international agreements, and PCA role to assure the success of its implementation/

Finally, I truly hope that this bulletin will become a necessity for our readers in expanding their capacity as customs administrators/ Moreover, I also expect more customs administrators to be actively participating in constructing the bulletin/ This will result in the improvement of the bulletin's materials, both in terms of quality and quantity, which, in the end, will benefit all the readers/

Regards,

**Agung Kuswandono**  
*Director-General of Customs and Excise  
Ministry of Finance of the Republic of Indonesia*





## FOREWORD BY THE CHAIR OF ASEAN DIRECTORS - GENERAL OF CUSTOMS

**P**ost clearance audit (PCA) is an important measure implemented by Customs administrations to facilitate international trade and ensure that customs requirements have been fulfilled/

In this current operating environment of rapid changes brought about by globalisation, member countries can ill afford to remain status quo in our practices and perspectives/ As colleagues within the ASEAN Customs fraternity, there is much scope for us to share notes and learn from one another/ Over the years, ASEAN Customs have shared valuable experiences case studies and best practices in PCA, allowing Customs officers to be updated on the latest modus operandi used by parties who try to circumvent the legitimate trading system/ I am pleased to note that ASEAN Customs have published the fifth volume of the PCA Bulletin/

I would like to thank the Customs Enforcement and Compliance Working Group and the Country Coordinator, Indonesia, for the good work and contribution to this fifth volume of the PCA Bulletin/ I look forward to seeing more good work that would help ASEAN Customs stay a step ahead of unscrupulous traders/

Thank you/

Regards,

**HO Chee Pong**

*Director-General, Singapore Customs*



## FROM THE CHAIRMAN'S DESK

**W**elcome to our 5th Edition of the Post Clearance Audit (PCA) Bulletin in 2014/ There are approximately 264 days 17 hours and 36 minutes to go before the ASEAN Economic Community (AEC) 2015 countdown, there is not much time left for us to act on the set vision as there are still lots to accomplish/ However, with the full cooperation and collaboration from the member states, I believe we'll be able to achieve it in time/

Many Customs administrations strived to become effective tax administrations by promoting voluntary tax compliance/ However, voluntary compliance can only be encouraged if the Customs is successful in establishing a strong PCA division to detect any non-compliance/ In realizing our ultimate goal of fostering voluntary compliance, audit activities through PCA send a strong signal to the evaders that any failure to comply would mean assuming a substantial risk of facing heavy penalties/ Many administrations, therefore, concentrate their controls on the post-importation environment, whilst retaining selective and targeted checks at the frontier/ Therefore the purpose of PCA is not only to verify the accuracy and correctness of the declarations but also to give importance to speedier and timely customs clearance/

The purpose of this Bulletin is to give readers an opportunity to know about new developments as well as to share our experience through some interesting PCA cases in this region/ I would like to thank all our officers for contributing feature articles and PCA cases to be compiled in this publication/ I also hope that readers gain a better understanding of what is happening around our region and the development of Customs PCA/

With that I would like to congratulate the Editor and the team for taking up this task and delivering in time/ We are also grateful to the many PCA officers who took time to pen their stories and contribute articles/ I hope you will enjoy reading this bulletin and that it will prove to be useful for all of you/

Best Wishes!

**Dato' Hj; Zulkifi Bin Yahya**

*Chairman, ASEAN Customs Enforcement and Compliance Working Group*





## UNDERVALUATION OF DECLARATION PRICE

- The Forwarding service conducted customs clearance
- Undervalued the declaration price
- Undervalued the transportation charge
- Modus to avoid more duty to be paid

**A**BC Pty Ltd was importing a huge quantity of furniture based on a 2 year contract with one of the government agencies/ ABC Pty Ltd has engaged a BAA Forwarding on their behalf

to clear the good from customs/

PCA section at Royal Customs and Excise Department (RCED) received an information from a Valuation Unit where declaration price was considered to be low/

### FINDINGS

ABC PTY Ltd was totally relying on BAA Forwarding to handle the importation and declaration process with RCED as well as the delivery of the furniture to the end user/

Upon investigation it shows that ABD Pty Ltd was not aware of the undervalued and the cost of transportation declared as all the documentations is kept by BAA Forwarding/

PCA section also found out that the documents submitted by ABC Pty Ltd where the value declared was different from the payment made to the supplier thus eventually declared lower price to the RCED resulted in \$14,890/00 short/

declared was different from the payment

made to the supplier thus eventually declared lower price to the RCED resulted in \$14,890/00 short/

### MODUS OPERANDI

BAA Forwarding purposely lowered the value and transportation charges during declaration to avoid more duty to be paid to RCED/

### DECISION

Adjustment has been made to the actual value in accordance to the Rule 4 and adjusted to the actual cost of transportation in accordance to the Rule 12 in Customs (Valuation of Imported Goods) Rules, 2001 (*Constitution of Brunei Darussalam*).

The underpaid duty was paid by the ABC Pty Ltd upon summon by RCED/



## CASE 1

## LICENSE FEE

"There's license tained from supplier which associated with non-exclusive rights to importer as the only company in a country can serve as manufacturer"

### FACTS OF THE CASE

**P**T A in country X imported vehicles from B in country Y/

Through the comparison between the import declaration and invoice, payment to B, bank statement, and book keeping of PT A, a license fee that had not been added to the transaction value was found/

### PCA FINDINGS

That the license obtained from B that was associated with a non -exclusive right to PT A as the only company in country Y to manufacture licensed products was protected by a trademark/

The importation was for production purpose with payable license fee/ This could be categorized into "related to the goods being valued" (related to the imported goods)/

### RESULTS

The license fees paid by PT A should be added to the transaction value as a part of sales requirements (condition of sales) prior to the importation of goods and the association with imported goods (in relation to the goods being valued)/



**CASE 2****CUSTOMS HS CODE****FACTS OF THE CASE**

YXZ Ltd in 2013 imported security plastic laminate for passport production from CC Ltd/ in country A/ YXZ Ltd declared the customs tariff code for the goods as follows.

Customs tariff code	Description	Import Duty (%)
39.19	Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls.	
3919.10	- In rolls of a width not exceeding 20 cm:	
3919.10.90.00	- - Other	5

The goods was not made by YXZ Ltd, instead, it was produced by DD Ltd in country B/ YXZ Ltd only acted as the trader for the goods/

**PCA FINDINGS**

The security plastic laminate for passport has a generally well-known brand whose HS code is publicly available for viewing in the Internet/ A search identified that the customs tariff code that is mainly declared for similar goods was not plastic (Chapter 39. Plastic and articles thereof), but printed matter (Chapter 49. Printed books, newspapers, pictures and other products of the printing industry-manuscripts, typescripts and plans)/

Based on that preliminary information, Auditor obtained sample of goods ogcial ly from YXZ Ltd and had it tested at the Customs Laboratory/ The testing result

showed that the sample was indeed printed matter made from paper (celulose) 68,18% and plastic (polyethylene terephthalate) 31,82%/

In addition, upon the inquiries for documents to YXZ Ltd/, Auditor obtained the invoice and packing list of the goods from supplier CC Ltd/ and the Delivery Note from DD Ltd/ from country B (producer of the goods) to CC Ltd/ in country A (as the buyer to DD Ltd/, and re-seller to YXZ Ltd/ in Indonesia)/

The packing list issued by CC Ltd/ as the re-seller or trader of the goods stated that the custom tariff code was 3919/10/90/00, similar to the custom tariff code declared by YXZ Ltd as the importer/ On the other hand, the Delivery Note issued by DD Ltd/ as the producer stated that the customs tariff code for the goods was 4911/9100/

**MODUS OPERANDI**

There had been an indication of intentional customs tariff code alteration to HS code with lower import duty to avoid the 5% difference between the declared tariff and the actual tariff/

The modus was not to directly order and purchase goods from its original producer (DD Ltd.), but to import them from the trader company (CC Ltd/) to gain lower duty tariff that could be manipulated by the trader company/

Based on the two supporting evidences. Laboratory test result and Delivery Note from producer of the goods, Auditor determined customs tariff code and import duty for the goods as follows.

Customs tariff code	Description	Import Duty (%)
49.11	Other printed matter, including printed pictures and photographs	
	- Other:	
4911.91	- - Pictures, designs and photographs	
4911.91.90.00	- - - - Other	10

As the result of the false declaration of customs tariff code, Auditor claimed the payment of the remaining import duty to XZY Ltd/



**CASE 1**

- Each invoice from supplier will be collected and put into combined commercial invoice for customs declaration by freight agency
- Freight agency will issue another invoice as freight charges
- Freight charges has not been included in customs declaration
- Short payment of duties

## **FREIGHT ADJUSTMENTS UNDER REGULATION 5 (1) (A) (Vii) Of the Customs (Rules of Valuation) Regulations 1999; Wrong Classification of Imported Goods As Required Under the Customs Act 1967**

### **1; FACT OF THE CASE**

1/1 The HA Co/ imports and sells liquor locally, and has license to import alcoholic beverages/ Its main importation is wine from Australia and Chile/

1/2 The audit covers the period from January 2010 to December 2012/

2/3 The findings revealed that the payment was made in accordance with the proforma invoice which is equal to the actual invoice received/

Payments are made directly to each wine supplier, but each invoice from the supplier will be collected and put into a combined commercial invoice for customs declaration purposes by the freight agency in Australia/

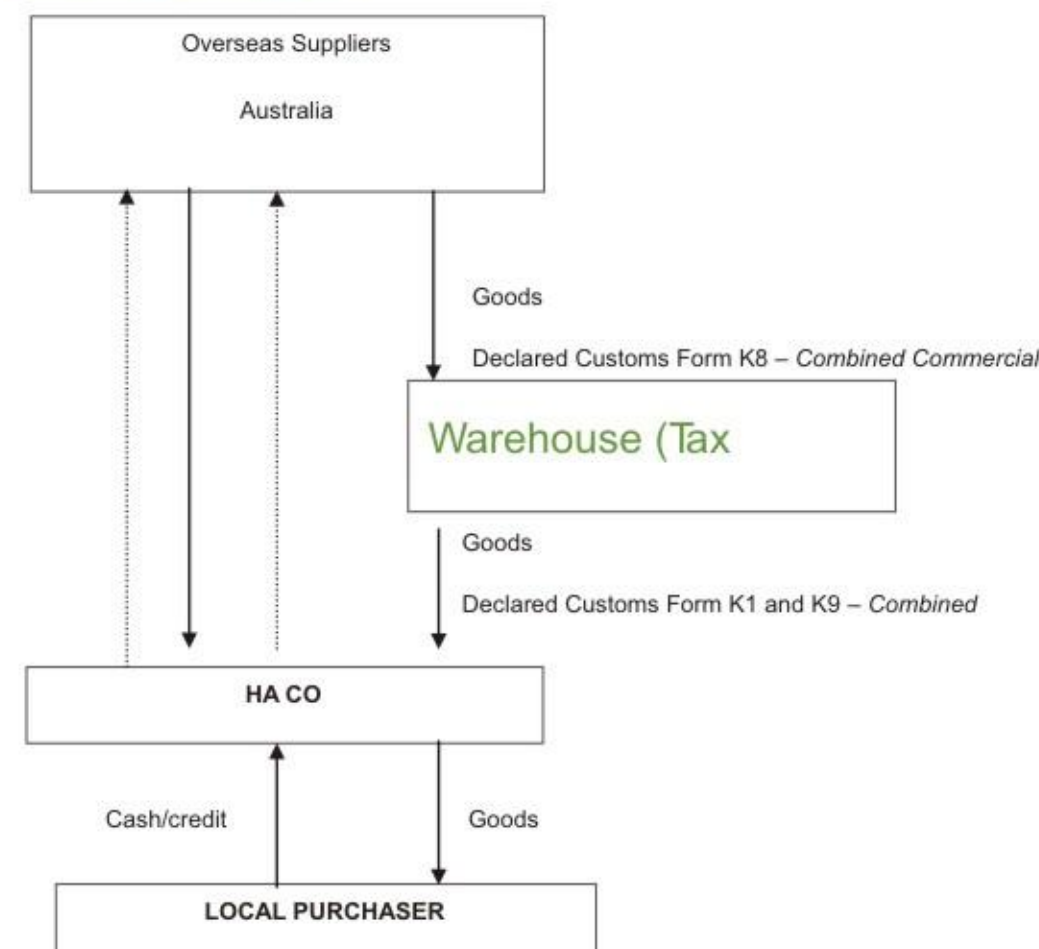
2/4 Upon further verifications the amount of each invoice equals the combined commercial invoice hence no errors detected/ However, the freight agency will issue another invoice as freight charges/ These freight charges are not included in the declaration made when paying duties involved/

2/5 The HA Co/ also failed in making a proper classification on a certain type of wine that is categorized as a sparkling wine

a sparkling wine which has different tariff code and draws different duty/ The audit officer inspected the sample of this wine and made search on the internet and found that it is a sparkling wine/

a sparkling wine which has different tariff code and draws different duty/ The audit officer inspected the sample of this wine and made search on the internet and found that it is a sparkling wine/

### **3; Modus Operandi (MO)**



### **4; Decision**

4/1 Value declared should be adjusted to include the cost of airfare not included in the transaction value in accordance with regulation 5(1)(a)(vii) of the Customs (Rules of Valuation) Regulations 1999/ Combined commercial invoice used by the HA Co/ in the declaration does not include freight charges/

4/2 One of the items (wine) branded Step Road, Sparkling First Step of World was declared as the tariff code, 2204/21/100/ This wine is a sparkling wine which has a specific tariff code 2204/10/000 and attracts higher duty / tax/

4/3 A claim of short payment of Import, Excise duties and Sales tax of RM78, 500/00 was issued/ The claim was paid by the HA Co/



**CASE 2**

- Undervalued the declaration by only declare one payment from two-payments terms of transaction

- Falsified the invoice by making invoice translation using only one payment from two-payment terms

- The fake invoice is used to declare the value of imports for customs purpose

## UNDER DECLARATION OF IMPORTED GOODS AND FAILURE TO CHARGE SALES TAX FOR LOCAL SALES

### 1; Fact Of The Case;

1/1 HAI Co/ enjoys tax exemption under section 14 ( 2 ) of the Customs Act 1967 to import raw materials for manufacturing purposes and also is a holder of the Sales Tax License under the Sales Tax Act 1972 /

1/2 HAI Co/ imports two categories of goods, i/e/ raw materials and finished goods/ The finished goods are for trading activities/ HAI Co/ manufactures electrical products for several brands such as Pensonic , SINGER , CHELSTAR , SHARP , IZOTON and others/

### 2; Findings

2/1 Local Sales  
2/1/1 Local Sales only made to HAM Pvt/ Limited which is a marketing arm for HAI Co/

2/1/2 The findings revealed that HAI Co/ failed to collect sales tax on sales of finished goods on 27 invoices for 2012/

2/2 The under declared price and invoice manipulation

2/2/1 Import documents were inspected at HAI Co premise and noticed that there were two situations in which under declaration of import prices was traced/  
2/2/2 First Situation.

Two invoices are issued for each importation of which is broken down to 40 % and 60 % / HAI Co/ only declares using 40% of the invoice value to customs/ Payment can also be broken down into two payments one for 40 % and one for 60%/

### 2/2/3 Second Situation.

Invoice issued by the supplier is in Chinese language , but each item can be identified by a specific code number and the value of the goods in USD / Payments are made using the invoice/

2/2/4 HAI Co/ makes invoice translation into English and reduces the real value of goods by 60 % for the purpose of declaration to Customs/ Invoice number is also created by HAI Co, but were identified by the audit officer based on the container number, payments, good received notes ( GRN ) and also from records in the entry of the purchase ledger and stock ledger of HAI Co/

### 3; Modus Operandi (MO)

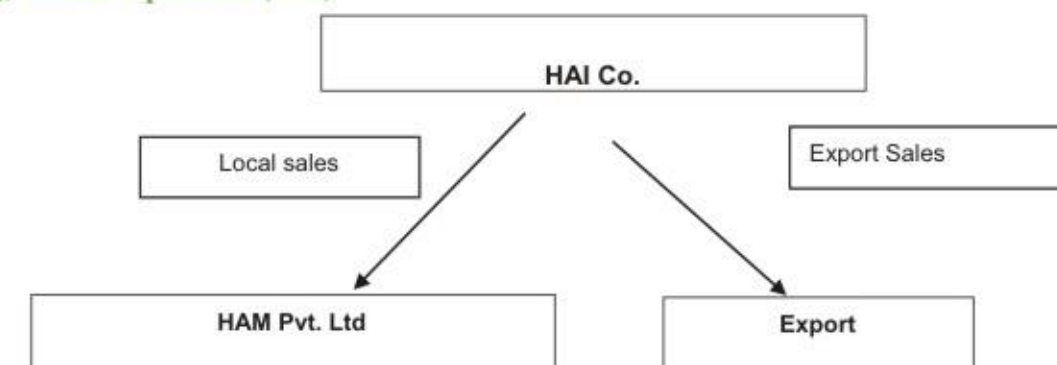


Figure 1. MO for Local Sales

3/1 Finished goods are sold in the domestic market and also exported/ As provided under section 6(a) of the Sales Tax Act, 1972, companies are required to charge sales tax on local sales but HAI Co/ failed to do so/

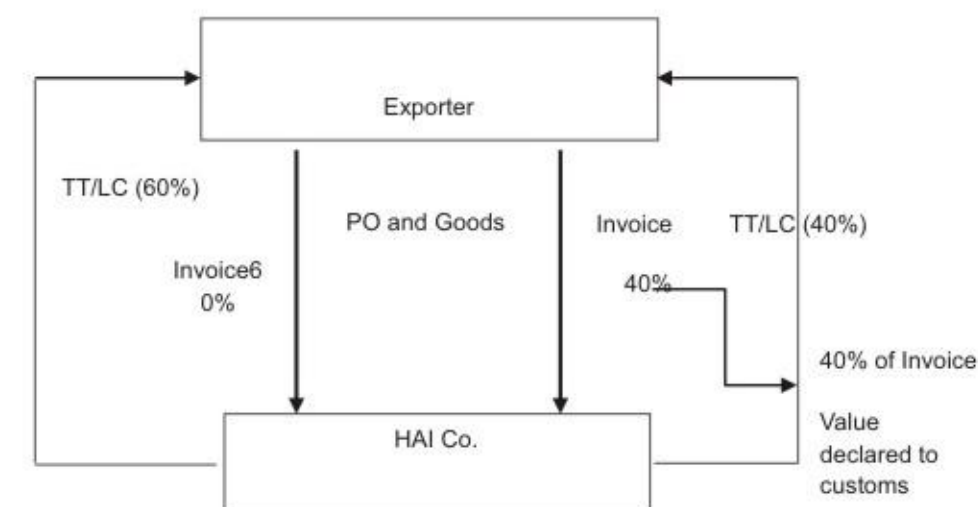


Figure 2. MO using only one invoice (at lower value) for declaration - First situation

3/2 There are two invoices issued for each importation of which is broken down to 40 % and 60 % of the actual value/ HAI Co/ declares using 40% of the invoice value/ Payment can also be broken down into two parts, one for 40 % and one for 60 %/



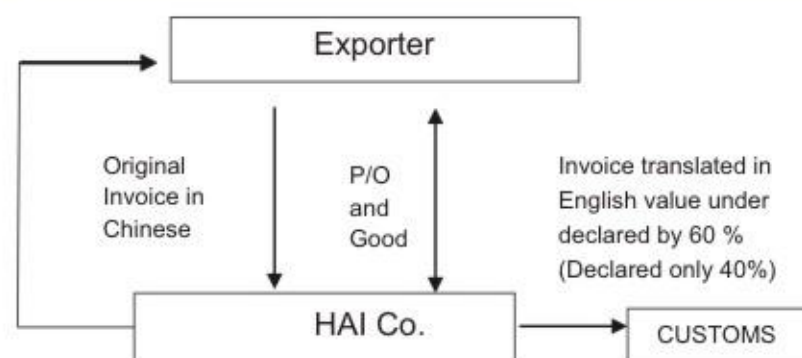


Figure 3. MO invoice manipulation - Second situation

3/3 The invoice issued by the supplier is in the Chinese language, but HAI Co/ has made translations into English and reduce the real value of goods by 60 % for the purpose of the declaration / Total payment is made based on the original invoice in Chinese/ The claim was paid by HAI Co/ accordingly/

#### 4; Decision

4/1 For the modus operandi as shown in Figure 1 , the results of the inspection found that HAI Co/ had committed an offense under section 43 ( a ) of the Sales Tax Act 1972 i/e/ Fails to pay sales tax on the sale of taxable goods /

4/2 For the modus operandi as shown in Figure 2 , HAI Co/ has committed an offense under section 133 ( 1 ) ( a ) of the Customs Act 1967 because under declaring the value of imports for imported merchandise/

4/3 For the modus operandi as shown in Figure 3 , HAI Co/ has committed an offense under section 133 ( 1 ) ( c ) of the Customs Act 1967 for the use of forged documents or manipulating the value stated in the original documents/

4/4 A claim of short payment of Import duties and sales tax of RM 650,000/00 was issued/ The claim was paid by HAI Co/ accordingly/

### CASE 3

## RO Co; Adjustment to Price Actually Paid or Payable; Article 8, WTO (Valuation Agreement)

- Goods were declared in FOB value instead of CIF value
- There were royalties paid for brand name which had not been declared

#### Facts Of The Case

**R**O Company is importers of medical related goods and also imports Vacuum Cleaners during year 2010 and 2011/ The holding Company is located in Singapore whilst its subsidiary is located in Malaysia/ Most of the importation is from Singapore/

RO Company was audited by Post Clearance Audit Section of the Royal Malaysian Customs Department in year 2011/

#### Findings Of PCA

There exist relationship between buyer and seller, Regulation 2 (4) of the Malaysian Customs Regulations, 1999/ The audit team requested documents from Registrar of Company to ascertain the shareholding and directors involvements in the exporter and importer companies/

The relationship did not influence the value of goods imported/

Goods were declared in FOB value and not CIF value/ These were traced by inspection the invoices and purchased orders documents/ The payment records were scrutinized and there were separate payments made for the transport and insurance that were not declared to customs/

Royalties for brand name RO were paid for imported goods/ Royalties Agreement were

requested and inspected to ensure that royalties were paid for the goods imported and it was a condition of sale/

#### Modus Operandi

RO Company evaded duty by not declaring the CIF value and also did not inform to Customs regarding royalty payments in its Value Declaration Form ( Form KIA)

Company commits an offense under section 133 (1) (c) of the Customs Act 1967 for having failed to make a correct declaration of dutiable goods imported/

Bill for short payments on the issue of adjustment to Price Actually Paid or Payable related to insurance, transport and royalties were issued to the RO Company and the Company paid the short payments to the Department accordingly/



**CASE 4****ABC Limited;**

Failure to make declaration as required by Customs Act 1967;

**1; FACTS OF THE CASE**

1/1 ABC Limited/ was incorporated under the Companies Act 1965 on 12 June 2006/ The Company activities includes importation and trading/ Imported goods as per table below.

NO	COMMODITY	TARIFF CODE	IMPORT DUTY	SALES TAX
1.	Screw	7318.13.000	30%	10%
2.	Nut	7318.16.000	30%	10%
3.	Washer	7318.22.000	30%	10%
4.	Rivet	7318.23.000	5%	10%

1/2 All imported goods are from the same exporter i/e YY Industrial (Hong Kong) Co/ Ltd which is located at Hong Kong/ Post Importation Audit was carried out covering the period from August 2009 to June 2011/

**2; FINDINGS OF PCA;**

2/1 Based on the review of records of the Customs Information System (CIS) and cross check between the purchase ledger with payment vouchers available the audit officers discovered that company did not make declaration of several invoices during declaration of the Customs Form No/ 1/

2/2 Below are details regarding the number of invoices that were not declared by the company according to year .

2/2/1 Year 2009 . 1 invoice  
2/2/2 Year 2010 . 4 invoices  
2/2/3 Year 2011 . 3 invoices

2/3 Upon inspection of documents at the company premises it was discovered that invoices which were not declared to customs authorities have been recorded in purchase ledger and payments made to suppliers for year 2009, 2010 and 2011/ All payments were made via telegraphic transfer (TT)/

2/4 Statements were recorded from company directors and officers in charge of the company accounts to verify the importation of goods for invoices that were not declared/ ABC Limited admitted the importation transactions occurred and goods have been received by the company

**3; MODUS OPERANDI**

ABC Limited evaded duty by not declaring certain goods to the customs authority/ Declarations made did not cover all goods/ The company did not declare eight invoices to the customs authorities/

**4/ DECISION BY CUSTOMS**

- Company commits an offense under section 133 (1) (e) of the Customs Act 1967 for having failed to make a declaration of dutiable goods imported/
- Bills to claim short payments of duty / tax of RM244, 803/64 was issued to the company/
- Claims were paid in full by ABC Limited/





## Car Importer Fined SG\$3.5 million for Tax Fraud

### FACTS

A parallel importer evaded nearly SG\$800,000 in taxes on 469 Japanese cars, by under-declaring each by SG\$6,000 in 2007/

On Oct 2013, the parallel importer was fined SG\$3.5 million or two and a half years in jail in default, for the under-declaration of excise duties of the cars/

### MODUS OPERANDI

The parallel importer had informed his Japanese suppliers to list a lower price in the invoice/ He would then pay his suppliers the difference between the actual and listed price through remittance companies/ As a result, he paid lower excise duties between July and December 2007/



## CASE 1

## Cost of additional payment

### FACTS

"Does installation cost conducted in importer's country have to be added to the import price?"

Company I in country of importation Y made a purchase for press machine from seller E in country X as the amount USD 100,000/ Company I paid USD 500, after purchasing the machine, entrusted an additional testing to expert from company A in the same country as the seller in order to confirm the machine/

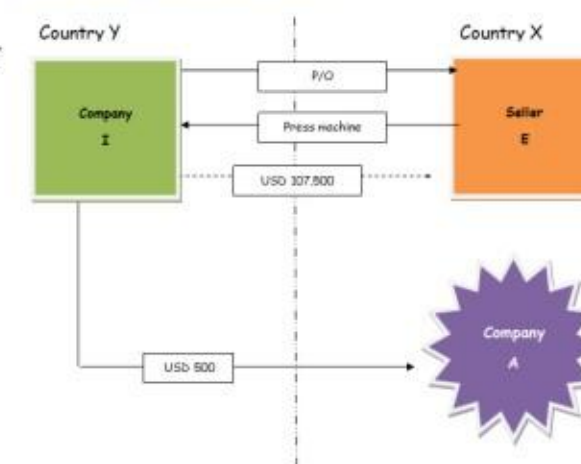
### FINDINGS

The information in debit note No/AA-0903 of seller E indicated as following .

Machine . USD 100,000  
Spare parts . USD 500  
Inland freight . USD2,000  
Installation . USD5,000

- There were no relationship between company A and seller E/
- Payment as USD 500 for testing from company I to company A in order to confirm that the machine met the specifications in the sales contract/
- The imported entry declared to Customs for the press machine value as USD 100,000/
- Company I received the spare parts and also paid USD 500 to seller E/

### MODUS OPERANDI





**DECISION/OPINION**

There were no relationship between company A and seller E/ The payment USD 500 for testing the machine by company I to company A was not considered to be an indirect payment to the seller because its undertaken by the buyer on the buyer's own account, therefore, the cost of testing should not be added to the price actually paid or payable in determining the customs value according to Note to Article 1(2) of GATT Valuation/

The customs value of the press machine should be USD 102,500 as following.

USD 100,000 for the machine and parts  
 USD 2,000 for inland freight  
 USD 500 for spare parts

The charge USD 5,000 for installation undertaken after importation on imported goods, therefore should not be added to price actually paid or payable/

**CASE 2****Transaction value in a series of sales****FACTS**

Company A was a retail store in country of importation I, company B was a distributor located in country Z and company C was a manufacturer located in country X/ There were no relationship among A, B and C/

On 10 January 2012, company A and company B signed the contract for the purchase/sale of motors/ Pursuant to the terms of the A-B contract.

Company A agreed to purchase 3,000 pcs of motors from company B for USD 300,000/

All of the motors shown A's name and address/

Company B can obtained the motors from any manufacturer in country X

The motors would be shipped directly from the manufacturer to company A/

Payment was due within 30 days of shipment/

In addition, payment of the products/ Company A agreed to pay B 10% of the resale price of the products prior to 1 March 2012/

On 12 January 2012, company B contracted with manufacturer C for purchase/sale of motors/

Pursuant to the terms of the B-C contract.

Company B agreed to purchase motors 3,000 pcs from company C for USD 210,000/

Each of motors displayed A's name and address/

Company C would shipped the motors directly to company A/

On 8 February 2012, company C shipped 3,000 pcs of motors to A and company A must be made the imported entry in order to declare to Customs/ Company A paid B as USD 300,000 on 15 February 2012/ On 20 February 2012, company B paid C USD 210,000/ Prior to 1 March 2012, company A sale 50 pcs of motors at USD 150 each/ On 5 March 2012, company A paid company B USD 750/

**FINDINGS**

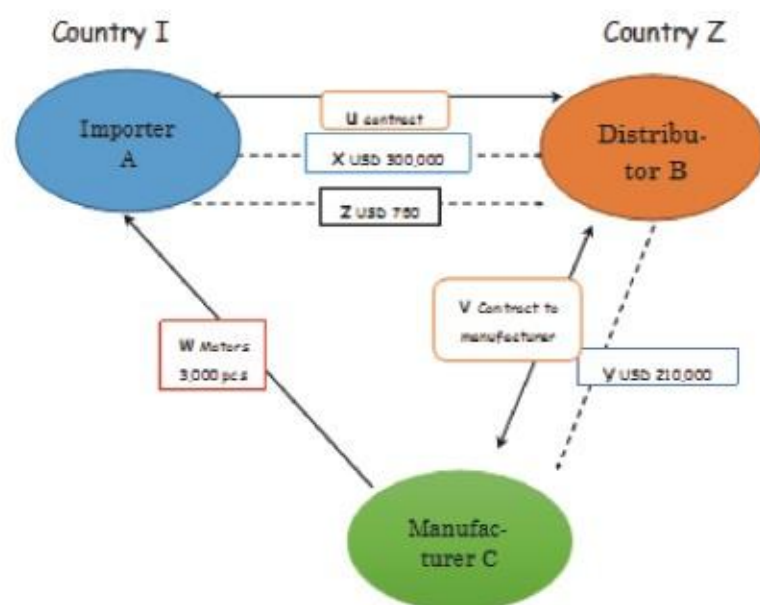
There was a contract between company A and company B to purchased 3,000 pcs of motors for USD 300,000/

Company A made a imported entry declared USD 300,000 as Performa invoice and paid to company B on 15 February 2012/ In addition, company A also paid to B as USD 750/





## MODUS OPERANDI



## DECISION/OPINION

There were the sale between company A and company B by transfer the goods when sold for export to the country of importation/ So, transaction value should be USD 300,000 but the value of any subsequent resale (USD 750), disposal of the imported goods that accrues directly to the seller should be added to the price actually paid or payable/ Finally, the customs value should be USD 300,750/

# Post Clearance Audit



By: Nuni N Auliya and Indri Riesfandiari  
Auditor and staf at Directorate of Audit  
DGCE of Indonesia

**D**irectorate General of Customs and Excise of Indonesia (DGCE) is a unit under the Ministry of Finance with the authority to carry out the main task of the Ministry of Finance in customs and excise/ Additionally, DGCE is also responsible to enforce government policies concerning the flow of goods entering and leaving customs territory, and to collect duties and excise, as well as other state levies in accordance with the prevailing government regulations and laws/

The role of DGCE in conducting post clearance audit (PCA) is probably not as widely known as other roles of DGCE, such as in screening passengers at the airport and securing the flow of goods entering and leaving the border/ To highlight this less-known function of DGCE, this article will review the definition and practice of PCA, parties involved in PCA, and the current and future role of PCA/

## Definition and Practice

According to Law Number 10 of 1995 as amended by Law Number 17 of 2006, and Law Number 11 of 1995 as amended by Law Number 39 of 2007, PCA (referred to as 'customs and excise audit') is an examination of financial statements, books, records, and documents as the source of bookkeeping, documents/letters related to business activities including electronic data, documents/letters related to customs excise activities, and/or goods inventory with regard to the implementation of customs and excise law and regulation/

PCA, as it is conducted after customs clearance process and release of goods, is part of post clearance activities/ This form of audit

aims to assess the compliance level of auditee or audit object to the prevailing customs and excise laws and regulations/

Article 86 of Law Number 10 of 1995 as amended by Law Number 17 of 2006 states that PCA is a consequence of the implementation of customs policies, for example.

- self assessment on customs declaration-
- determining customs value based on the transaction value;
- customs duty and/or tax facility scheme non-taxation, free import duty/tax, relief on import duty, return on import duty/tax, or postponement of import duty), which can only be evaluated after the import goods are transported out of customs territory/

PCA is mandated in Article 86 of Law 17 of 2006 and Article 39 of Law 39 of 2007, stating that customs and excise officer has the authority to conduct PCA on a person/party/ The person/party audited by PCA auditor or auditee partly acts as the importer, exporter, management of temporary storage, management of bonded storage, customs broker, carrier, management of excise factory, management of excise goods storage, importer of excise goods, distributor, and user of excise goods with excise facility /

Although Audit is usually associated with the evaluation of financial statement by public accountant, or in Indonesia's case by Supreme Audit Board (BPK) or State Development Audit Agency (BPKP), PCA does not aim to examine or state opinion on a financial statement/ Customs auditor cannot give his opinion towards auditee's financial statement despite his authority to obtain and examine such document/



## Post Clearance Audit

The financial statement is used as a check and balance tool to reassure that auditee produces records correctly and eventually summarize them in a financial statement/ Such records are some of the main data sources in audit/

A team consisting of Audit Manager, Audit Supervisor, Senior Auditor and Auditor conducts PCA under the assignment letter of Director of Audit or Director General of Customs and Excise/ To improve the effectiveness and efficiency of PCA, DGCE collaborate with Directorate General of Tax under Joint Audit scheme, and with BPKP under State Revenue Optimization Team scheme/

### Determination of audit object/target

Audit object/target is determined through analysis on customs and excise data, audit inquiries and/or information available at Directorate of Audit, Regional Office, and/or Primary Office by implementing risk management/ There are currently 33,000 companies listed as customs and excise service user/ auditee and possessing Customs Identification Number (NIK)/ When such condition is compared to the small number of audit teams, 53 teams, it becomes apparent that a more accurate and effective method in determining audit object is necessary while continuing to improve the audit coverage ratio to further increase state revenue from duty and tax/

Data analysis criteria in targeting audit object are as follows.

- auditee profile, audit record, amount of customs and excise facility obtained, import/export frequency, information regarding breach of regulations, and nature of business-
- goods/commodity profile (risks related to the commodities), goods classification and tariff- and national issue regarding customs and excise activities/

### Role of Audit

PCA supports two of DGCE's main roles/ As a revenue collector, DGCE has annual fiscal target to achieve through various measures, one of which is PCA/ Additionally, DGCE's international engagement in multilateral agreement that facilitate and expedite goods clearance and release necessitate the presence of PCA as one of trade facilitation tools to ensure the effectiveness of post clearance surveillance method/

The final result of PCA in the form of audit result is compiled in audit database and further used to equip analyzing tools to determine audit target, and to be one of the sources for surveillance unit to assess or update importer/exporter profile and risk/

Indonesia's active role in multilateral agreements, such as Authorized Economic Operator (AEO) as initiated by World Customs Organization (WCO), and Agreement on Trade Facilitation (ATF) as initiated by World Trade Organization (WTO) has helped PCA to be highlighted as one of surveillance mechanisms/ In AEO, which focuses on standards to secure and facilitate global trade and supply chain, audit serves as a tool to validate the application and certification process of an economic operator to be granted AEO status and as a monitoring mechanism to ensure that operators comply with AEO standards/

Moreover, in relation to the upcoming implementation of the agreements on trade facilitation that focuses on expediting goods clearance and release, PCA will serve as an effective tool to assess the competence of an importer/exporter to be granted customs and excise, and/or tax facilities, and to provide feedback regarding the inherent risk of an importer/exporter in risk management process/

## Post Clearance Audit

As PCA continues to grow in its significance, especially as one of the inputs in formulating risk management, there are elements that require further improvement, as follows.

- the quality and availability of data to be used in determining audit target/object-
- auditor competency in validating and monitoring operators applying for AEO certification-
- Information that are subject to the requirement of AEO and ATF that must be provided in PCA result- and
- Improvement and modification of audit procedure, if any, related to the role of PCA in multilateral agreements, such as AEO and ATF/

*(The information contained in this article is solely of the writers based on their experiences and opinions)*

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