Navigating PCA Through Pandemic

Stay Enthusiastic and Optimistic Amid Difficult Conditions
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Welcome to twelfth edition of PCA Bulletin.

It is a great pleasure and honor for me to give a foreword for this edition. As we know, this is a difficult time for all of us. It has been more than a year since the World Health Organization (WHO) declared the outbreak of COVID-19 as a global pandemic. The COVID-19 virus continues affecting life of million people around the world. Gratefully, numerous COVID-19 vaccines have been developed, clinically tested, and approved by the WHO. We hope that the COVID-19 vaccines could protect us from the severe disease.

The COVID-19 pandemic not only causes considerable restrictions in all sector, but also provides enormous impact on the economy. The government have issued several regulations in order to manage our daily activities during the pandemic. One of them is regulation on physical activities restriction which eventually affects some adoptions in conducting Post Clearance Audit (PCA). Today’s PCA are presented in a resilient and more demanding environment during the outbreak of COVID-19. Therefore, a breakthrough on the implementation of PCA is required. Indonesia Customs are implementing e-audit as an instrument in performing an effective and efficient audit. With Business Intelligence Software utilization, audit can be conducted virtually. This procedure creates immense impact on modernizing the implementation of audit, especially during the pandemic.

To carry out the implementation of e-audit, Indonesia Customs have already employed big data in expanding the scope of audit process and also increased the implementation of automation and artificial intelligence for larger populations of data. We are developing and implementing a Dashboard Analysis Application as a tool to analyze and assess the level of compliances and the tendency of potential fraud committed by the traders. We also establish Audit Management System Application and Management Systems Re-Examination applications in analyzing audit data system.
Furthermore, as the Country Coordinator of Strategic Plan of Customs Development (SPCD-08) on PCA, Indonesia has the responsibility in arranging the regional workshop to enhance the capacity of customs officers in ASEAN countries in order to achieve the implementation of PCA based on international best practices. During the recovery time, Indonesia Customs have already conducted some Technical Assistance on PCA via video conference. In October 2020, Indonesia Customs conducted Technical Assistance on PCA, specifically on “Targeting Auditee and Data Exchange’’ for Philippines Bureau of Customs Officers. In the following month of November 2020, Indonesia Customs also conducted Technical Assistance on PCA for Royal Customs and Excise Department of Brunei Darussalam Officers.

I would like to extend my sincere gratitude and appreciation to all ASEAN Member State who are willing to keep their determination on promoting cooperation between Customs and Tax Agency. This cooperation has proven to be beneficial for both Customs and Tax agency; not only promoting compliance as well as revenue collection, but also facilitating data automation and information exchange in an updated audit system.

Hereafter, I would like to engage all ASEAN Members to stay positive and remain optimistic through this difficult time. I always wish you a good, safe, and healthy condition. Finally, I really hope that this bulletin could enrich and widen our knowledge on PCA. We are looking forward to receiving your valuable feedbacks for our continuous improvement.

Best regards,

Nugroho Wahyu Widodo,
Acting Director of Customs and Excise Audit
Directorate General of Customs and Excise
Republic of Indonesia
As the regional and global economic integration has become prosperous, the increase of trade volume across borders among ASEAN Member States is significant. On the other side, it is seen that some stakeholders are going to improve their profit by avoiding the obligation of paying tax, doing tax evasion, and other illegal transactions which lead to material and non-material state losses. It is the Customs Administrations’ accountability not only to collect revenue and facilitate trade, but also to prevent abovementioned illegal transactions. In order to attain such vital tasks, Post Clearance Audit (PCA) is one of the productive controls for Customs Administrations to balance between trade facilitation and trade security – two targets of ASEAN.

As the Chair of the 29th ASEAN Directors-General of Customs, I really appreciate the great efforts made by the Customs Enforcement and Compliance Working Group (CECWG) for publishing the Twelfth Volume of the PCA Bulletin although the COVID-19 pandemic has caused all ASEAN Member States many unpleasant challenges. This performance would not be obtained without the able CECWG chairmanship of Malaysia and the good supervision of the Country Coordinator Indonesia, and the support of all ASEAN Member States in sharing cases encountered at their respective administrations for inclusion in the PCA Bulletin.

I do believe that the Twelfth Volume of the PCA Bulletin would be effectively applied by our Customs Administrations as a useful reference to escalate the competence of customs officials through the frequent exchange of new experiences, practices and knowledge.

Thank you.

Kyaw Htin
Director-General
Myanmar Customs Department
From the Chairman of ASEAN CECWG’s Desk

The Customs Enforcement and Compliance Working Group (CECWG) is honoured to showcase the ASEAN Customs Post Clearance Audit (PCA) Bulletin – Volume XII published by the Directorate General of Customs and Excise (DGCE) of Indonesia.

Although the CECWG has not been able to meet face-to-face for the past year, a couple of activities were able to be carried out via virtual conference, namely EU-ABC Virtual Risk Profiling Workshop for the CECWG and CECWG- Institute for Development of Economics and Finance (INDEF) Virtual Workshop on Excise and Trade Enforcement. Capacity building such as these are of worth to learn modern and effective methods of investigation, filing, and assessment in PCA.

While the world is being confronted by the Covid-19 pandemic, PCA activities has to keep going to ensure that Customs declarations are completed in compliance with Customs legal requirement. This allows a more comprehensive and holistic evaluation of the particulars necessary for the calculation of duties and taxes, which in turn lead to a significant revenue collection.

On that account, this PCA bulletin was published to share best practices on PCA amongst ASEAN Member States (AMS). Thus, I wish to extend my appreciation to all AMS for contributing interesting PCA cases and the Publication Team for their excellent effort.

We shall continue to work together in this environment in which knowledge can be created, discovered, captured, shared, distilled, validated, transferred, adopted, adapted, and applied.

With warm regards,

Mr Sazali Mohamad
Chairman
ASEAN Customs Enforcement and Compliance Working Group
PCA CASES
CASE 1

Facts of the Case:
1. In January 2020, PCA Unit conducted assessment on companies involving in the importation of machineries for projects under the oil and gas industry.
2. JB Pte. Ltd. was one of the companies assessed by PCA Unit.

Findings:
1. Initial assessment was from the importation data with the details on high valued items.
2. PCA Unit decided to assess the importation of JB Pte. Ltd. from March 2019 as one of the new companies doing importations in 2019.

Modus Operandi:
1. The supplier provided invoices to both the company and the forwarding agent responsible for all of their declarations.
2. The invoices provided directly to the forwarding agent were of lower values and it is not as the same price as the payment made.

Decision:
1. The shortage amount of import duties of $11,359 (USD 8,230@1.38) including compound penalty was paid.
2. JB Pte Ltd was given a warning letter and reminded to inform the forwarding agent on the real value of invoices.
CASE 2

Facts of the Case:
1. In March 2020, one of RCED branch gave information on a doubtful valuation to PCA Unit for the importation of heavy machineries.
2. These machineries were imported by CEC company.

Findings:
1. Initial assessment showed the value of the machineries is much lowered than usual prices imported by other importers.
2. PCA Unit decided to assess the importation of CEC company from April 2019 till March 2020 particularly on those heavy machineries which comprised of six declarations.

Modus Operandi:
1. The supplier provided invoices to both the company and the forwarding agent responsible for all of their declarations.
2. The invoices provided directly to the forwarding agent were of lower values and it is not as the same price as the payment being made by the company.
3. CEC company used falsified invoices for the undervalued declarations of goods (double invoices).

Decision:
1. The shortage amount of import duties of $16,629 (USD 12,050 @1.38) including compound penalty was paid.
2. CEC company was given a warning letter and reminded to inform the forwarding agent on the real value of invoices.
Facts of the Case:
1. Company A is recognized as one of the Best Trader Group Members imported mainly cosmetic products to distribute locally.
2. For anti-acne products, the company declared the products under the HS Code 3401.30.00 (7%+0%+10%) as the preferential tariff rate under ASEAN Free Trade Agreement to get Zero rate of ATIGA form D with the rate of 0%+0%+10%.

Findings:
1. With random sampling, PCA team chose the above products imported from 2015 to 2019 to conduct the audit.
2. In Cambodian Customs tariff, this products declared in HS Code 3401.30.00 are organic surface-active products and preparations for washing the skin/ However, it is not clear that it best describes the objective characteristics of the products as anti-acne products at all.
3. PCA team found that HS Code of anti-acne products is 3304.99.20 with MFN rate 35%+10%+10% due to the fact that the products equipped with 7 functions. These functions includes; 1) helps prevent acne, 2) helps reduce 99% of acne causing bacteria, 3) removes excess oil, 4) helps reduce blackheads, 5) unclogs pores, 6) helps reduce dullness, and 7) helps reduce whiteheads. Therefore, these functions best describe with 3304.99.20.
4. However, the company disagreed with the findings, and came up with explanation from their products expert to support their claim.
5. Since there is a controversy over the HS code used for the products, PCA team has requested for the opinion from WCO attached with the description of the products.

Modus Operandi:
In response to the PCA team, Tariff and Trade Affairs Directorate, WCO, explained that it is clear that the products should be considered under the heading 3304 as what PCA team has found. Therefore, they should be classified under HS code 3304.99.20 (35%+10%+10%).

Decision:
Company A had to pay additional duty and tax with penalties 2,355,164,600 KHR or around 588,791 USD.
**Facts of the Case:**
Company Y(ID) is an automotive and spare part trading company that does most import activities with its parent, Company X(VN). In conducting an audit on customs valuation, the audit team examined the requirement fulfilment of transaction value on imported goods. Audit team also examined additional cost that must be added to the customs value.

**Findings:**
While doing customs audit, the audit team assessed whether the relationship between Company X(ID) and Company Y(VN) has influenced the price. Audit team compared the price with test value. From their examination, it is known that the relationship happened between those two companies has influenced the price. It has been proved by looking at company's notes of financial statements, transfer pricing value and test value result. Transaction value requirements cannot be fulfilled and the transaction value (method 1) cannot be used as customs value.

**Modus Operandi:**
1. The data of identical goods transaction value did not meet the requirement to calculate customs value. Hereby, the audit team could not use the deductive method (method 4) as well.
2. Later, audit team used other customs value method (that is computed method). They used this method based on valid data from goods price per unit information gained from doing retroactive check to Korea Customs Service (KCS). Audit team did retroactive check by conducting direct communication through video conference with KCS. Conducting video conference was considered more effective to build good communication between Indonesia Customs and KCS so that the process of retroactive check could run well.

**Result:**
Twenty-five import declarations were re-determined using computed method (based on hierarchical order of determining customs value method). Company Y was obliged to pay the shortage of import duty with the amount of 13,838,770,000 (approximately USD 935,098).
Facts of the Case:

ABC is a trading company that imports and sells clothing, pants, jackets, jeans and shirts. During the importation period, the majority of ABC (ID) import transactions originated from ABC (HK) and there were buying agent services namely ABC (SG). Based on that import activities, audit team conducted audit on customs values, goods' quantity and type, COO, tariffs as well as classifications.

Findings:

Audit team did examination on the fulfillment of transaction value requirement and price actually paid or payable. Document used in examining customs value were deed of incorporation, purchase order, commercial invoice, account payable ledger, movement cash ledger, import transaction payment, royalty payment, freight payment, income tax and license agreement.

According to deed of incorporation, it is known that ABC (ID), ABC (HK) and ABC (US) were related parties. Result of examination stated that ABC shall add royalty fee to customs value. This finding was based on audit team's examination on the agreement between ABC (ID) as a licensee and ABC (US) as a licensor. The agreement stated that the licensee shall pay the royalty to the licensor. Audit team also established cooperation with Directorate General of Tax for supporting annual tax report.
Modus Operandi:

1. According to deed of incorporation, it is known that ABC (ID), ABC (HK) and ABC (US) were related parties. ABC (US) is an ultimate parent company of ABC (ID), ABC (HK), ABC (SG).

2. There was royalty agreement between ABC (ID) and ABC (US). ABC (ID) shall pay Licensor royalties to ABC (US) 9% from net sales of the products in the territory.

3. Based on royalty agreement, stated that “royalties payable to licensor, if any, will accrue on the date on which the relevant products are billed, invoiced, shipped, delivered, or paid whichever event occurs first…”

4. According to company’s bookkeeping, it is known that ABC (ID) admitted that the royalty paid to licensor was a liability to be paid on “Intercompany Accrued Royalties Payable” account.

5. According to company's recording, it is known that ABC (ID) only bought and sold ABC (US) product and royalty that must be paid to licensor was royalty from sold product of ABC (US) and product that could be specified to the level of product types based on the product code number.

6. There was income tax payment of royalty to ABC (US).

Result:

ABC company shall pay the shortage of import duties and taxes. The audit team concluded that the royalty fees which had been paid to licensor and the royalty fees owed to licensor must be added to the customs value. Based on the examination on additional cost costs that must be added to the price actually paid or payable, ABC Company shall pay IDR 33.052.652.000 (approximately USD 2.248.478).
CASE 3

Facts of the Case:
ABCD Company is an importer engaged in mining industry. From company's document known that the company imported coal that is used to make smeltery fuel and fuel power plant using ATIGA Scheme (Form D). Upon the importation, audit team examined company's documents, such as: Certificate of Origin (COO), tariff and classification, customs valuation as well as goods' quantity and type.

Findings:
While examining COO, audit team observed and classified all documents related to company's business process with other parties. Documents used while doing customs audit were: import declarations, COO, sales and purchase contract, invoices from supplier, trader and financial partner along with Company ABCD's financial statements. The result of audit was as follow:

Order process and document

1. For coal procurement, ABCD Company conducted sales and purchase contract with Financial Partner located in Hongkong or China. The contract stated that ABCD Company acted as buyer and Financial Partner as seller.
2. Financial Partner did coordination with Trader for the fulfilment of the contract with ABCD Company.
3. Trader ordered to Supplier.
4. Supplier shipped the order to ABCD Company. Invoice from supplier was used as complementary document of Import Declaration and COO.

Billing and payment process

1. Trader delivered the invoice to Financial Partner;
2. Financial partner delivered the invoice to ABCD Company. The amount of the invoice was as much as goods value plus profit margin.
3. According to flow of the purchase, ABCD Company did not conduct any payment to Supplier, but to Financial Partner.
Modus Operandi:
1. Form D which is used for the requirement did not state: the name of Financial Partner (column 7), invoice number from the financial partner as third party (column 10), and any sign in 3rd country invoicing column (tick or cross).
2. Moreover, there was different amount between the transaction value declared in import document (based on supplier's invoice) and payment transaction to Financial Partner.

Result:
ABCD Company shall pay the shortage of import duty, tax, and fines in the amount of IDR 7.300.000.000 (approximately USD 502.683,40) as they couldn't fulfill the requirement of preferential tariff scheme. They also had to pay the shortage of the transaction value on the import declaration in the amount of IDR 118.000.000 (approximately USD 8.125,57).

CASE 4

Facts of the Case:
CA Company is a manufacturing company in the chemical industry. The company purchased the imported commodity (petroleum, natural gases and coal) from supplier under the same group. The purchase is made and declared in the import declaration by using the market commodity price. In conducting examination on customs values, the audit team should determine the transaction value of imported goods from the price paid or payable to the supplier.

Findings:
In customs value examination, the audit team found differences between transaction value declared on import declaration and price actually paid. Besides, it is found that the costs of freight, insurance, and software are still not being added to the customs value.

Modus Operandi:
1. In the purchase of imported commodities petroleum, natural gas and coal, the company used the market commodity price on their contract. During the clearance process, the company used the contract price as transaction value on import declaration.
2. Because of the fluctuation of the commodity price, the company has not been able to confirm the real transaction value that should be paid to suppliers. It causes the change in the transaction value when a payment is made to the supplier.
3. From the examination, the audit team decided to use the real price from the payment on the supplier' invoice as the transaction value.
4. Audit team also established cooperation with the Directorate General of Tax for supporting the annual tax report.
5. The audit team also checked the documents related to the transaction and found that there are several costs of freight, insurance, and software that have not been added to declared customs value.
Result:
There is a shortage of import duties, tax and administration fines that the company must pay with a total IDR 25,465,712,000 (approximately USD 1,831,791).

The Audit team also gave recommendation to the company for using voluntary declaration and voluntary payment scheme based on Ministry of Finance Regulation Number 201/PMK.04/2020 on Voluntary Declaration and Voluntary Payment.

Facts of the Case:
TDASI company is a trading company engaged in the wholesale trading of computers and computer equipment. Several types of imported goods include: Automatic Data Processors (8471), computer network devices (8517), and various other computer equipment and accessories.

Findings:
In customs value examination, the audit team found differences between transaction value declared on import declaration and price actually paid. Besides, it is found that the costs of freight, insurance, and software are still not being added to the customs value.

Modus Operandi:
- The company declared 'Software' on HS Code 8523.49.14 (0%) with description below:
While the results of identification of goods and catalogue of goods, it is found that the software is in the form of a CD along with the label where the packaging is. Thus, audit team classified software (on the storage media) to HS 4911.10.90 (10%)

For goods import of "Hard Disk Drive/Storage", the company declared it on HS 8471.70.20 (0%) as below:

While the results of the identification of goods and catalogs, obtained that the Hard Disk Drive / Storage is a media deviation in the form of cloud or data storage via a network or internet provider, not a physical data storage medium. The auditor classified the “Hard Disk Drive/Storage” to HS 8471.70.99 (5%).
There were inconsistent HS Code declarations for Fortinet Email Security Appliances, Servers, Spare Fortimail, etc. In some HS Code below:

- HS Code 84715010 (0%) for personal computer (including portable computer)
- HS Code 84717020 (0%) for hard disk drive
- HS Code 84718010 (0%) for controller and adapter
- HS Code 84733090 (0%) for other computer accessories
- HS Code 85176229 (0%), HS 85176299 (0%)
- HS Code 85177010 (0%) for other computer network equipment

The results of goods identification found that the Fortinet- Email Security Appliances, Servers, Spare Fortimail, etc are goods for computer network equipment with an electric wave carrier line system or a digital channel system. Audit team classified "Fortinet- Email Security Appliances, Servers, Spare Fortimail, etc." to HS Code 8517.62.49 (10%),

Result:
Due to the re-determination, there were shortages of import duties that the company should pay in the amount of IDR 11,705,177,000 (approximately USD 839,697.77).
**Facts of the Case:**
MBI Company is an Indonesia manufacturing company in automotive industry which imported vehicles and spare parts. Some goods they imported are as description below:

<table>
<thead>
<tr>
<th>No</th>
<th>Good Description</th>
<th>HS Code</th>
<th>Import Duty</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Anti-Freeze Device</td>
<td>8421.31.20</td>
<td>0%</td>
<td>Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus for liquids or gases</td>
</tr>
<tr>
<td>2</td>
<td>Wiper RHD</td>
<td>4901.99.90</td>
<td>0%</td>
<td>Printed books, brochures, leaflets and similar printed matter, whether or not in single sheets.</td>
</tr>
<tr>
<td>3</td>
<td>Crankshaft, Camshaft</td>
<td>8409.91.49</td>
<td>0%</td>
<td>Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08.</td>
</tr>
<tr>
<td>4</td>
<td>Spare parts for motor vehicle engines</td>
<td></td>
<td>0%</td>
<td>part of the engine of vehicle (e.g. boot, stud, shielding, pipe socket flange, etc.)</td>
</tr>
</tbody>
</table>
Facts of the Case:
In conducting examination of identification and classification, audit team studied imported goods specification and function. The study found that there were some differences between the imported goods tariff declared and tariff from the examination as below:

<table>
<thead>
<tr>
<th>NO</th>
<th>Good Description</th>
<th>HS Code</th>
<th>Import Duty</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Anti Freeze Device</td>
<td>8708.29.22</td>
<td>10%</td>
<td>Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus for liquids or gases</td>
</tr>
<tr>
<td>2</td>
<td>Wiper RHD</td>
<td>8512.40.00</td>
<td>5%</td>
<td>Electrical lighting or signalling equipment (excluding articles of heading 85.39), windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles</td>
</tr>
<tr>
<td>3</td>
<td>Crankshaft, Camshaft</td>
<td>8431.10.10</td>
<td>5%</td>
<td>Transmission shafts (including cam shafts and crank shafts) and cranks; bearing housings and plain shaft bearings; gears and gearing; ball or roller screws; gear boxes and other speed changers, including torque converters; flywheels and pulleys, including pulley blocks; clutches and shaft couplings</td>
</tr>
<tr>
<td>4</td>
<td>spare parts for motor vehicle engines</td>
<td>-</td>
<td>5%-15%</td>
<td>Must be classified as separate imported goods with posts already in Customs Tariff Book</td>
</tr>
</tbody>
</table>

Modus Operandi:
There had been an indication of shifting HS Code intentionally.

Result:
Due to the re-determination, there were shortages of import duties that must be paid by the company of IDR 23.504.356.000 (approximately USD 1.686.138,99).
Facts of the Case:
1. Star ABC Co. ("the Importer") is a company which is principally engaged in the business of manufacturing and selling of concrete, plaster, cement and stone. Raw materials and machineries were imported from Germany.
2. Post clearance audit was conducted in result of preliminary cross-examination on refund application documents that were inconsistent with Customs Information System database.

Findings:
1. Examinations on import documents and proof of payments retrieved from the Importer and forwarding agent indicated that the declared goods were undervalued.
2. Further investigations discovered there were activities of double invoicing and forging customs official receipt. These were done by the forwarding agent appointed by the Importer.

Modus Operandi:
1. The Importer submitted all the imported documentation to the forwarding agent.
2. Forwarding agent made incorrect declaration by providing under value declaration.
Decision:
1. An offence under Section 133 (1) (c) of the Customs Act 1967 has been Committed.
2. Bill of demand of 237,360.21 c.u. was issued to the Importer. The Importer is liable to pay for any shortfall of duties and taxes under subsection 17(1) of Customs Act 1967. Even though the Importer had been defrauded by a third party, the Importer can commence legal action against the defrauder to recover its monies.

CASE 2
POST CLEARANCE AUDIT: A CASE OF LMW FACILITY VIOLATION

Facts of the Case:
Compliance Division of Royal Malaysia Customs of Johor has issued a bill of demand to a company due to the misuse of Licensed Manufacturing Warehouse (LMW) facility given. The demand notice was issued according to Section 17(1) Customs Act 1967 for failing to comply with section 65A(3)(b) Customs Act and Regulation 29(1)(a) of Customs Regulation 1977. The total import duty involved was MYR 2,615,419.05 (Approx. USD 625,397.58) which covers the period of November 2016 until November 2017 (13 months).

Modus Operandi:
Audit team discovered that the company received a sub-contract appointment to provide precast u-drain & sleepers for a project in Johor. The discovery starts when thorough checking was conducted to sales invoice and delivery order in which proves that there was valid transaction that happen at the project site (local sales). As a holder of the facility, the company must declare their local sales or any movement of the finished goods in Customs Form No. 9. There is no evidence that the import duty was paid for this local transaction.

Decision:
The bill of demand notice amounting MYR 2,615,419.05 (Approx. USD 625,397.58) was issued on the 29 October 2019 to the board of directors. The company was also compounded at MYR 5,000 (Approx. USD 1,195.60) for this offence.
CASE 3
Incorrect Value of Goods on The Customs Import Declaration

Facts of the Case:
The main activities of the Importer are importing and selling stone products (granite), marble, stone tools, marble adhesive and marble wax.

PCA Findings:
The Importer declared incorrect information to Customs by declaring lower value of imported goods, in which the value of the goods declared in Customs Import Declaration is not the price actually paid or payable to the exporter.

Modus Operandi:
• The value of the imported goods was declared based on the commercial invoice value. The invoice value issued by exporter stated only the value of the goods.
• During PCA, the auditors compared the value stated in the commercial invoice with the payment made by way of telegraphic transfer to the exporter and discovered differences that is, the value declared was less than the actual value paid to the exporter.
• The payment made to the exporter was based on the sales contract which specify the values of the goods, workmanship, and freight charges.
• In other circumstance, where the Importer is required to pay a deposit of 30% of the sales contract value prior to shipment, the Importer will then declare to Customs only the remaining percentage of the value during importation.

Decision:
• The Importer has committed offences under Section 133(1)(a) of the Customs Act 1967.
• Bill of demand was issued for MYR190,000.00 (USD47,000.00).
CASE 1

Facts of the Case:
Post Clearance Audit Team of Myanmar Customs Department conducted audit to B Company which has been importing mobile phones.

Findings:
The purchase register of the company indicated that it needed to collect some more duty and taxes for the goods which hadn't been declared.

Modus Operandi:
The company imported some goods illegally and they tried to hide their records.

Decision:
After Audit team delivered preliminary findings to the company, the company accepted all findings and company had to pay 5,778,223,943 K (approximately USD 3,984,982.00)

CASE 2

Facts of the Case:
Post Clearance Audit Team conducted field audit to Company A which has been importing Motor Vehicles.

Findings:
Audit Team found out the customs value is lower than the transaction value inputted in the company's cash book and other accounting books.

Modus Operandi:
The company failed to declare their transaction value and pay actual amount of taxes and duties.

Decision:
The company had to pay the total recovery taxes and duties about 728,662,968/- MMK (approximately USD 549,967) according to audit findings.
Facts of the Case:
Company A is a partnership organized under the laws of the Philippines and registered with the Philippine Securities and Exchange Commission (“SEC”). The Company is engaged in the manufacture of roofing and roofing accessories, steel towers, wall assemblies, and ceiling assemblies, c-purlins, wall paneling and hardware accessories. Company A imported several containers of steel coils, declaring them as hot rolled steel coils.

Audit Findings:
The irregular scheme was revealed upon examination of the commercial invoice of shipments clearly reflecting the description of the goods thereof as cold rolled steel coils, which is more expensive and has a higher tariff rate.

The above findings resulted to recovery of additional customs duties amounting to Php 1,703,957.27.

Modus Operandi:
Company A perpetrated misdeclaration of goods to inappropriately reduce the amount of duties and taxes to be paid.

Decision:
Company A was made to pay additional duties and taxes as found by the Audit Team. In addition, the Audit Team also assessed Company A surcharge of 20% of the dutiable value of the entries where the transaction value cannot be ascertained due to non-submission of supporting documents. The non-submission of documents as well as the proven instance of misdeclaration casts doubt upon the other audited entries.

In total, the PCAG recovered revenue additional revenue in the amount of Twelve Million Three Hundred Sixteen Thousand Nine Hundred Thirteen And 58/100 Pesos (Php 12,316,913.58) including penalty, interest, and surcharge.
Facts of the Case:

Company B is an entity organized to engage in the trading of agricultural products, including rice. Company B is also engaged in the importation of rice. During the audit period, Company B imported numerous agricultural products, but the focus of the audit was their rice importation.

Audit Findings:

During the audit, the assigned Audit Team was able to establish that Company B knowingly used inappropriate Incoterms / terms of delivery to under declare the dutiable value of the rice shipments and therefore reducing the value added tax due of the importations. It will be noted that under Philippine Law, the Insurance and Freight are part of the Transaction Value that is subject to duties and taxes.

Per Company B's declarations, the terms of delivery agreed upon with the exporter is CIF. However, part of the documents submitted by Company B were freight billings addressed to Company B and Insurance premium reflecting Company B as the beneficiary. Hence, it is very clear that it was Company B that paid the Insurance and Freight and not the exporter.

With the sufficient and appropriate evidence gathered, the Audit Team was able to draw a conclusion that the shipments were under terms of delivery FOB instead. Thus, the freight billings and insurance payments borne by Company B in relation to the rice shipments are all dutiable.

Modus Operandi:

Company B used inappropriate Incoterms/terms of delivery to under declare the dutiable value of the shipment.

Decision:

With the above findings, the Audit Team was able to compute undeclared freight and insurance amounting to P3,787,559.00 and P895,365.35, respectively.

The audit of Company B was concluded with a demand for payment with a total amount of P1,264,389.57 representing deficiency customs duty, penalty, and interest.
CASE 1

Singaporean man fined over $1.347 million for fraudulently evading duty and GST on imported motor vehicles.

Facts/Findings:

Singapore Customs discovered discrepancies in the Declaration of Facts (DOF) and commercial invoices that were submitted to Singapore Customs by two motor vehicle traders for making duty/GST payment on importation of motor vehicles.

Singapore Customs initiated an investigation and it revealed that a Singaporean man, who is the manager of a company that imported motor vehicles, had purchased 195 units of motor vehicles and in order to evade paying the full duty and GST on the motor vehicles, he negotiated with the overseas supplier to suppress the values in the invoices. Additionally, as the man did not want any legal responsibilities should Singapore Customs discover that the values were suppressed, he engaged three motor vehicle traders to submit the DOF and apply for the duty payment permits. The three traders were aware that the values to be declared in the duty payment permits were suppressed and were paid $800 to $1000 by the man for each motor vehicle imported. One of the three motor vehicle traders had been convicted and sentenced in court. Court proceedings are on-going for one of the other motor vehicle traders and investigations are on-going on the other motor vehicle trader.

The total duty and GST short-paid amounted to about $224,520 and $91,610 respectively.

The man also faced two charges for giving false statement to Singapore Customs. On two occasions in Mar 2018 and Sep 2018, Singapore Customs officer issued a notice for the man to attend at Customs to assist in investigation, but he claimed that he was overseas and could not turn up for investigations when in actual fact he was in Singapore.

Modus Operandi:

Deliberately suppressing the import values of goods in the invoices submitted to Singapore Customs, so as to evade the payment of duty and GST.

Decision:

The Singaporean man was sentenced by the State Courts on 28 February 2020 to a fine of $1,347,146.10 for engaging in a conspiracy with three other motor vehicle traders fraudulently evade excise duty and GST relating to 195 motor vehicles imported into Singapore between February and September 2015.
He pleaded guilty to one charge while another three charges, including two charges for giving false information to Singapore Customs, were taken into consideration in the sentencing.

Any person who is in any way concerned in any fraudulent evasion of, or attempt to fraudulently evade, any customs duty or excise duty shall be guilty of an offence and will be liable on conviction to a fine of up to 20 times the amount of duty and GST evaded.

Refusing to answer questions or knowingly give false information or furnishing false document are serious offences under the Customs Act. Offenders can be fined up to $5,000 and/or jailed for up to 12 months.

CASE 2

Singaporean man fined over $6,000 for submitting falsified documents to Singapore Customs.

**Facts/Findings:**
In January and February 2020, a Singaporean man who was the sole proprietor of a freight forwarding business exported two shipments from Singapore to the United Kingdom, which were found to contain 1,938 cartons of cigarettes, instead of “Milo powder” (a type of malted chocolate beverage in its powder form) which was stated in the bills of lading (BLs). The two shipments were seized by Her Majesty's Revenue and Customs of the United Kingdom.

Singapore Customs initiated an investigation and requested for supporting documents in relation to the two shipments. The man submitted two BLs to Singapore Customs which stated that the shipments contained cigarettes and Milo powder. The two BLs submitted by the man to Singapore Customs were found to be different from the original BLs provided by the shipping line and booking agent, which stated that the shipments only contained Milo powder.

**Modus Operandi:**
The man had submitted the falsified BLs to Singapore Customs under the instructions of an unknown man, who had engaged him to set up the business for import and export of goods. By allowing the business to be used as the exporter of the two shipments, the man had facilitated the transnational smuggling of two shipments of cigarettes from Singapore to the United Kingdom.

**Decision:**
The man was sentenced by the State Courts on 14 January 2021 to a fine of $6,000 for submitting falsified documents to Singapore Customs in May 2020 relating to the export of two shipments of cigarettes to the United Kingdom.

He pleaded guilty to two charges of submitting falsified documents to Singapore Customs.
Facts of The Case:

Company A is a manufacturing company produced tire and imported rubber accelerators under HS Code 3812.10.00 to use in rubber processing. All of these goods (rubber accelerators) passed customs procedures through the green line channel.

Findings:

PCA team audited the company and founded that one of those Rubber accelerators is Tetramethylthiuram Disulfide (CAS No.: 137-26-8). According to Notification of Ministry of Industry: List of Hazardous Substances B.E. 2556 (2013), classified Tetramethylthiuram Disulfide in Class 3 of hazardous substance. Company A imported this chemical substance without requesting permission and registering hazardous substances before importation.

Modus Operandi:

Company A must have a license and obtain the permission from Department of Industrial Works before importation.

Decision:

This case is an offense to bring restricted goods without permission for various consignments. The settlement for this offense requires the proceeds of sale of the exhibits, if the exhibits have not been forfeited or cannot be sold. The company must pay the fine to the same amount of such products. Since this is PCA case, which the exhibits were used. So, the company agreed to pay the fine.
Facts of the Case:
Company A is a company in Bangkok that imported several medical devices. In this case, the company imported the innovative integration solution for the operating room in various HS Code.

Findings:
PCA team searched from Thai Customs database and decided to audit the company. The team found that the goods are related to medical devices of the operating room, which are considered as medical devices. According to Notification of Ministry of Public Health (Issue no.34): Prescription medical devices that are restricted from being imported or sell (2006) B.E.2549, Company A imported these medical devices without requesting permission from Food and Drug Administration, Ministry of Public Health.

Modus Operandi:
Company A must have a license and obtain the permission from Food and Drug Administration, Ministry of Public Health before importation.

Decision:
This case is an offense to bring restricted goods without permission for various consignments. The settlement for this offense requires the proceeds of sale of the exhibits, if the exhibits have not been forfeited or cannot be sold. The company must pay the fine to the same amount of such products. Since this is PCA case, which the exhibits were used. So, the company agreed to pay the fine.
CASE 1
Company fined over $3 million for fraudulently evading duty and VAT on imported wines

Facts of the Case:
Vietnamese Post Clearance Audit team has been auditing a major wine imported company. After checking all the documents, we have found some inconsistency in product values among the documents in some records of customs declaration document. We believe that the company has been trying to destroy these documents but still some are left unintended. We find out that Vietnamese company buys, and imports wine form a Singaporean company, however the Singaporean company also buys and imports wine from another company (called company C). There are two sets of trading documents (Invoice, Bill of lading and C/O), first set is between the Singaporean company and the company C, the second set is between the Vietnamese company and the Singaporean company. The value of products between two sets is different, to be specific: the value of product in Commercial Invoice, and Certificate of origin in the first set is higher than the second set, which makes us believe that the Singaporean company and Vietnamese company are working together to undervalue the wine price to evade duty and VAT. The Vietnamese company also buys and imports product from this Singaporean company only, not from any other exporters, and declares that there is no special relationship between the two companies. However, after finding out about the fraud of the company, we raise question about a potential hidden relationship between the two companies.

In order to confirm our hypothesis, we have contacted and work closely with Singaporean customs to find out information about the Singaporean company, which does confirm that the owner of the Vietnamese company is also 100% owner of the Singaporean company as well and the Singaporean company is parent company.

The total duty and VAT amounts to about $2.5 million.

Modus Operandi:
Deliberately suppressing the import value of goods in the invoices submitted to Vietnamese Customs, so as to evade the payment of duty and VAT.
Decision:
The Vietnamese company is fined for $2.5 million in tax, and $0.5 million penalties for administrative violations by PCA Department of Vietnamese Customs.

The owner has admitted his fraud, but instead of paying the fine, he has been trying to close the Vietnamese company. We have been keeping an eye on him all the time and quickly stopped his action from closing the company and running away. Currently, the Customs has been enforcing administrative decisions on Customs Controls.

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CASE 2
False declaration of use purpose to the take advantage of low tax rate

Facts of the Case:
Company A in Quang Ninh Province imports two types of wheat, one is for human consumption (HS code: 1001.99.19, tax rate: 5%) and the other is for animal feed consumption (HS code: 1001.99.99, tax rate: 0%).

Findings:
Base on the information exchanged from Quang Ninh Province's Tax Department, we determined that the Company imported these two types of wheat and kept them in the same warehouse. moreover, output VAT invoice reports showed that the Company has only two customers who manufacture animal feed. So there was a suspicion that the Company intentionally mis-declared the using purpose of goods to avoid high tax rate.

Modus Operandi:
From the above suspicion, PCA team focused on analyzing the path of wheat raw materials (in the production of the company and its customers). We found that the amount of wheat sold to two customers was just one third of the total importing volume. The remaining amount of wheat was used for production in the company.

The team focused on the bookkeeping and other production documentation of the Company. The goods delivery notes showed that the company delivered wheat raw materials for animal feed production, however, there was no animal feed finised product received back to the warehouse as well as sold directly to customers. And we found that finised products were sold to some companies but none of them have any relationship with the animal feed industry.

After PCA team had checked and proved by clear indicators on the accounting books of the Company, the Company had admitted to using more than 4,366 tons of imported human consumption wheat but declared for animal feed production.

Decision:
This is an offense or a tax fraud. As this was the PCA case, the goods were already sold or used, we maked a record and asked the company to pay additional tax of 1.4 billion VN as well as the fine (which was 20% of the additional tax).
On 26th to 27th October 2020, Indonesia Directorate General of Customs and Excise (DGCE) organized Technical Assistance on Post Clearance Audit (PCA) Targetting Auditee and Data Exchange for Philippines Bureau of Customs. Technical assistance on Post Clearance Audit (PCA) for Philippines Bureau of Customs was held via zoom video conference as a virtual meeting room. There were 22 participants from the representative of Philippines Bureau of Customs chaired by Mr. Atty. Vincent Philip C. Maronilla, Assistant Commissioner, Philippines Bureau of Customs.

The workshop was opened by Director of Customs and Excise Audit, Directorate General of Customs and Excise, Mr. Kushari Suprianto. In his opening remarks, he welcomed all participants and hoped that all participants could get the best knowledge and experience during the activity even though it was in the midst of a pandemic which caused many limitations. He also briefly explained the importance of the targeting process of the auditee using risk management within the scope of the post clearance audit.

The first day material was about review on WCO Revenue Package, Overview Indonesia Post Clearance Control, Smart Customs and Excise, Business Intelligent Software-Introduction and data Processing, and Targeting Auditee Dashboard on CEISA 4.0. The material was delivered by resource person team from Directorate of Customs and Excise Audit and Directorate of Customs and Excise Information and Technology. There was also a Country Report presentation from the Philippines Bureau of Customs that was delivered by Atty. William B. Balayo, Director II, Trade Information and Risk Analysis Office,
Philippines Bureau of Customs.

On the second day, the technical assistance was continued by the explanation of implementation of PCA targeting in the DGCE Indonesia, Free Trade Agreement and Commodities analysis and Joint Analysis between DGCE, Directorate General of Taxation, and Directorate General of Budgeting. In the last session of the second day, there was time given to the participants to discuss the material and also the latest issues related to targeting auditee and data exchange.

Before closing remarks, there was a wrap up session for a joint commitment between DGCE and the Philippines Bureau of Customs. They affirmed the Technical Assistance on Post Clearance Audit (PCA) as a regional workshop which aims to:

- **Enhance** coordination in curbing the illegal international trade transactions between government authorities by sharing best practices on PCA,

- **Enhance** coordination between Customs and the other Government Agency (such as Central Bank, Tax Authorities etc) in terms of PCA,

- **Continue** providing the relevant updates in order to enhance private sector awareness of any changes pertaining to PCA regulation and legislation,

- **Enhance** Customs Enforcement and Compliance Working Group (CECWG) programs for the participating administration's officers through sharing knowledge in PCA regional working relationships within and outside of ASEAN, and

- **Improve** the officer's competencies in the Participating Administrations.

DGCE and the Philippines Bureau of Customs agreed to contribute for the success and sustainability of Technical Assistance on PCA, either in terms of expertise, participation, or other forms of support.

At the end of the program, both representatives delivered closing remarks. Mr. Kushari Suprianto, the Director of Customs and Excise Audit, conveyed his closing remarks on behalf of the Directorate General of Customs and Excise. In the meantime, Mr. Atty. Vincent Philip C. Maronilla, the Assistant Commissioner of the Philippines Bureau of Customs, expressed his gratefulness that it was an honor for the Philippines audit group to have participated and learned so much in this exchange of information and knowledge with Indonesian Customs. He also conveyed that the assistance program was a new beginning in the evolving relationship between the DGCE and the Philippines Bureau of Customs.
To achieve the harmonization of understanding PCA mechanism of the ASEAN Member States and information exchange on international standard as well as sharing practice in PCA among member states, Indonesia as Country Coordinator of SPCD 08 on Post Clearance Audit provided technical assistance (TA) on PCA for interested AMS. On 4th-5th November 2020, the technical assistance (TA) on PCA held virtually for Royal Customs and Excise Department of Brunei Darussalam, followed by nineteen participants from Royal Customs and Excise Department of Brunei Darussalam and led by Ms. Khairul Bariah Binti Ahmad, Assistant Controller of Customs, Royal Customs and Excise Department of Brunei Darussalam.

The technical assistance was conducted to meet the following specific objectives:

- To enhance the technical and professional capability of Customs officers in Brunei Darussalam for the implementation of PCA based on international best practices;
- To achieve commitments to carry out Post Clearance Audit based on international best practices. Hence, Customs officers could demonstrate the improvement on implementing PCA techniques;
- To identify difficulties and problems of PCA implementation and find possible solutions through productive discussion or effective consultation; and
- To share knowledge and experience in implementing PCA.
The workshop was opened by the Director of Customs and Excise Audit, Directorate General of Customs and Excise Indonesia, Mr. Kushari Suprianto, on November 4th, 2020. In his welcoming speech, he welcomed all participants and hoped that all the participants were in good and healthy condition to attend the workshop virtually. He further explained and highlighted the importance of PCA and how Indonesia’s Ministry of Finance strengthens the authority of customs and tax administration. He also delivered his gratefulness and thanked all the committees, participants, and all parties who supported the preparation of the workshop.

The first day’s material was about review on WCO Revenue Package, Implementation Guidance on PCA, Legal Framework for PCA, Strategic Planning of PCA and Risk Management, Targeting Auditees, Preparation of Audit, Understanding Trader’s Business, Audit Interviewing, Audit Program and Audit Method. There was also a Country Report presentation from the Royal Customs and Excise Department of Brunei Darussalam that was delivered by Faizal Bahrin Bin Haji Bujang as Senior Superintendent Officer of Royal Customs and Excise Department of Brunei Darussalam.

On the second day, the technical assistance was continued by the explanation of Audit Reporting, Monitoring and Evaluating, Liaison with Other/Foreign Customs Unit of Tax Department, Quality Assurance/Management, Irregularities vs Fraud, and PCA Case Study about the latest issues related to targeting auditee and data exchange that led to discussion session between the participants and the resource person. The discussion also raised a current issue related to the COVID19 pandemic from PCA perspective.

Before closing remarks, there was a wrap-up session for a joint commitment between DGCE and the Royal Customs and Excise Department of Brunei Darussalam. By conducting this activity, both participating administrations agree to contribute to the success and sustainability of sharing best practices, experiences, and knowledge on Post Clearance Audit.

Closing remarks were delivered by both representative administrations. Mr. Kushari Suprianto, as Director of Customs and Excise Audit, Directorate General of Customs and Excise Indonesia and from Royal Custom and Excise Department of Brunei Darussalam, Ms. Hajah Rusidah Binti Haji Hidup, as Assistant Controller of Custom, Head of Human Resource and Corporate Management Division, Royal Customs and Excise Department of Brunei Darussalam.
It’s been a year since this Covid-19 pandemic has swept the world. All the aspects of life change rapidly. There are so many restrictions that humans must obey to stay alive and survive this pandemic well. One of the restrictions is travel restrictions around the world that limit our movement. Those restrictions automatically change how Customs perform Post-Clearance Audit (PCA).

During this pandemic, our supervisory function must keep running through post-clearance audit (PCA). As we know, Post clearance audit (PCA) or audit-based controls are defined by the Revised Kyoto Convention as measures by which the Customs satisfy themselves as to the accuracy and authenticity of declarations through the examination of the relevant books, records, business systems and commercial data held by persons concerned. Here, changes are needed how customs conduct the examination of the relevant books and documents in order to respond this pandemic situation without lowering the quality level of the PCA.

The Key Elements and Area of PCA Quality

The term Audit Quality covers the key elements that create an environment to maximizes the likelihood that quality audits are conducted consistently. To maintain quality, first, we must know about the key elements of quality itself. According to the International Auditing and Assurance Standards Board (IAASB), the key elements of audit quality are:

- **Inputs Factors**
  - values, ethics, and attitudes
  - knowledge, skills, and experience of auditors

- **Process Factors**
  - audit processes and quality control procedures and their effect on audit quality

- **Output Factors**
  - reports and information that are formally prepared for the purposes of audit

- **Key Interaction within The Financial Reporting Supply Chain**
  - formal and informal communication between stakeholders and the context which may influence those interactions

- **Contextual Factors**
  - a number of environmental factors that might affect audit quality
Does the framework of audit quality from IAASB can be applied to our PCA Quality? In author's view, the answer is absolutely yes. The PCA Quality here means all the examination process of PCA meets the PCA Standard. These standards cover general standard, implementation standard and reporting standard. The key elements that can be applied to PCA quality are as follows:

- **Inputs Factors**
  - Values, ethics, and attitudes
  
  Value, ethics and attitudes are the most important elements in determining PCA quality. Comply with value, ethical and attitudes require an adequate understanding of each customs auditor and need support and commitment from top leaders.

- **Process Factors**
  - Knowledge, skills, and experience of auditors
  
  Auditor competence is a professional ability to apply their knowledge and skills to complete PCA assignments based on PCA standards. Customs auditor competence can be obtained through formal education, audit development and training activities, and other programs. Customs auditors have to maintain and improve their competence through continuous training activities.

- Knowledge, skills, and experience of auditors

Auditor competence is a professional ability to apply their knowledge and skills to complete PCA assignments based on PCA standards. Customs auditor competence can be obtained through formal education, audit development and training activities, and other programs. Customs auditors have to maintain and improve their competence through continuous training activities.

- **Process Factors**
  - Audit processes and quality control procedures and their effect on audit quality
  
  The development of remote auditing and alternative procedures by using information technology (IT), utilization of big data analytics, cooperation with other agencies and
examination of electronic documents are some of the ways to maintain audit quality. PCA Quality Assurance as part of quality control procedures emphasizes the importance of ensuring the quality of PCA and in order to meet the PCA Implementation standard.

- **Output Factors**
  - reports and information that are formally prepared for the purposes of audit

  Preparation of audit reports is based on the audit purpose to test the compliance of users of customs services and must meet the reporting standards.

- **Key Interaction within The Financial Reporting Supply Chain**
  - formal and informal communication between stakeholders and the context which may influence those interactions

  Although not included in the PCA standard, good interaction and communication with the auditee both formally and informally, determines the success and quality of the audit.

- **Contextual Factors**
  - a number of environmental factors that might affect audit quality

  Several other factors that must be considered in maintaining audit quality are information systems, business practice and commercial law, litigation environment etc.

  Does the framework of audit quality from IAASB can be applied to our PCA Quality? In author’s view, the answer is absolutely yes. The PCA Quality here means all the examination process of PCA meets the PCA Standard. These standards cover general standard, implementation standard and reporting standard. The key elements that can be applied to PCA quality are as follows:

  - **Audit approach**
    - New ways of working
    - Risk identification & control
    - Ethics/independence

  - **Audit evidence**
    - Travel restriction
    - Remote access / reliance to technology
    - Professional skepticism
    - Documentation
    - Group audits – revised reporting deadline
    - Component auditors – supervision might need to be addressed in a different way

  - **Engagement Quality Review**
    - Documentation
    - Effective communication

  - **Auditor Reports**
    - Key/critical audit matters
    - Subsequent events
    - Possible increased differences of views between client and auditor

  - **People Wellness**
    - Ensuring our teams, our people, stay safe in the world and meet the challenges of remote working and what that does to their daily lives

**How Directorate of Customs and Excise (DGCE) responds to maintain the PCA quality during pandemic crisis?**

Maintaining audit quality has been customs auditors' most important objective. It is not allowed for any reason, even during pandemic crisis, reducing PCA quality by violating those predetermined standards. Agility in responding to changing circumstances is needed. So, how Indonesia PCA Unit respond this pandemic to maintain PCA quality?
The following will explain what DGCE was doing during this pandemic to maintain PCA Quality:

- **Performing PCA Assignment**
  
  While conducting PCA examinations, Indonesia customs implementing a strict health protocols and maximizing the use of alternative examination procedures including the use of information technology. Optimizing the process of obtaining examination evidence online as in form electronic data, photo, video, through document sharing platform taking into account aspects of data security. The use of virtual technology facilities such as scheduled video conferencing for conducting physical field examinations and conducting interviews with clarification discussions.

  We also develop remote audits because of travel limitations. With remote audit, we can conduct customs audits off-site assisted by the use of digital technology. Although not the ideal approach, an audit can be performed remotely as long as there is appropriate access to people, sites and data. There should be appropriate access to documentation via secure technology protocols such as data collaboration tool, video conference, email, and meeting networks.

  Following the Covid-19 protocol, Indonesia Customs utilizes the advancement of technology to create new ways of working, such as: flexible working space, flexible working hour, and activity based-workplace (ABW). By implementing this new approach, Indonesian customs has managed to increase its services to the stakeholders to a higher level.

- **Increasing Human Resource (customs auditor) Capability and Capacity**
  
  One thing that keeps audit quality high is the ability of human resources. It is our responsibility to increase the capacity and capability of the customs auditors. Pandemic does not hinder our efforts to do that. Before pandemic, our capacity building and development programs was carried out by classical or face-to-face manner. During pandemic, of course, these activities are not reduced, but only shifted to appropriate methods.

  Some of the methods we have developed for the capacity building and development program are long-distance learning and training, develop e-learning modules, and online-officers skills improvement program. We also launched PCA Talk, online discussion program discussing about PCA and relevant topics. Some of the PCA Talk topics we have held are regarding remote auditing, new normal in work, transfer pricing, taxation on digital transaction and national economic recovery programs.

  By continuing to improve the capacity and capability of our officers, we hoped that the implementation of PCA still run smoothly and the quality of PCA automatically maintain in high level.

- **Developing e-audit**
  
  In welcoming the industrial era 4.0 DGCE is preparing various programs such as e-monitoring and e-Audit, so that customs service users can deliver their data in real time and get earlier corrections. E-Audit is defined as the collection and evaluation of evidence on information carried out with the help of a computer to determine and report the level of conformity of that information with predetermined criteria. By conducting e-audit (audit through computer), the number of auditees will increase, the audit completion time is faster, and the audit cost can be minimized. E-Audit also minimizes the contact between the customs auditor and the auditee because its only plays with the data being exchanged and the criteria being set.
After pandemic, what next?

Charles Darwin, famous with his theory of evolution said that “It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change”. From that quote, makes us aware of the importance of making changes, including changes in performing or conducting PCA.

The Covid-19 pandemic has forced the business world into unplanned workarounds in operations. While so much has changed, somethings have not including Audit Quality and Professional Standard. To keep PCA quality maintain in a high level is to pay attention to the input, process and output to meet the PCA Standard. Maintain good interaction and communication with the auditee and pay attention to several contextual factors also keep the PCA quality remain high.

After pandemic, a new paradigm of work will emerge. There is a change in the way of working with new approach of working. In the future, we could see a work of doing customs audit as an activity, and not a place anymore. Future customs audit development after the pandemic are:

- **Both remote & in-person work**
  
  In-person work may never return to pre-pandemic levels. Auditing profession has proven they can make really well reasoned judgments about when and how they can conduct audits remotely while maintaining audit quality.

- **Technology-enabled audit improvements**
  
  Technology will enable customs auditors to concentrate less on basic tasks and more on subjective, high-risk areas of the audit.

  The COVID-19 pandemic brought about unprecedented disruption to personal and professional lives across the globe. It also forced us to create a balancing act - protecting the health and safety of customs administrators while simultaneously continuing to finish our responsibilities by adapting new ways of working. Although there were lot of struggles and unexpected things happened in the past year, we strongly believe this pandemic will end soon and we will be much stronger than we imagine.

Reference:

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As the front liner in controlling traffic of goods, Customs is facing higher challenges in the industrial era 4.0. In view of the fact that two roles of Customs, protection and facilitation, are contradictory. In carrying out their protection role, customs officers are required to be alert, observant, brave, firm, and wary to complete their tasks. On the other hand, in carrying out a facilitation role, customs officers should set out the stakeholder with a humane, friendly and full of service by applying high standards of Service Level Agreement (SLA). Nevertheless, Customs administration must be present in overcoming industrial problems related to export and import. So, what if these two roles are carried out at once?

The customs officers in the enforcement unit often cope with the dilemma of the dichotomy. Take one example, in the departure area at the airport, passengers declare their goods by filling in the customs declaration. In regard to that procedure, Customs accommodate application letters for carrying goods (SPMB) as a facility for tax exemption on temporary export/import, based on the quantity and condition of the goods when reported in the departure Customs area. In that situation, officers should represent Customs at its best by implementing SLA (Service Level Agreement). Unfortunately, this facility is often used by fraudsters to get import duty exemption by exchanging the goods declared on SPMB with original and new goods from abroad. When they return to Indonesia, they will declare the goods as temporary exports goods and get tax exemption on SPMB. As customs officers in the departure area, they are also required to carry out the customs protection role on the imported goods that are intentionally and wrongly declared as temporary export goods.

This is a huge challenge for Customs. Moreover, SPMB usually facilitate capital goods for industries, such as machinery, vehicle spare parts, carpentry tools, exhibition items, sample goods et cetera. As a matter of fact, customs officers have the right to decline the application of SPMB if there is any indication of fraudulence.
However, due to this decision, it will hinder the customs role as trade facilitator.

The customs protection role, more or less, has affected industrial activities. Industrial Era 4.0 is designated by automation in several aspects, that makes goods enter and leave customs territory smoothly and if necessary, without obstacle. Furthermore, industrial era 4.0 creates a high competition in manufacturing excellent products. This customs protection role is enforced to protect domestic products. However, the role will lose its goals if industries still have to import certain products due to the absence of similar or substitute products in the domestic market.

There are several facilities Directorate General of Customs and Excise offered to industries such as temporary import, bonded zone, import facilities for export goods, reputable partner and Authorized Economic Operator (AEO). Utilizing these facilities will accelerate industries in import and export activities. Meanwhile, in terms of protection, Directorate General of Customs and Excise has created an application namely Passenger Risk Management (PRM). The application is connected to all customs offices in airports and ports in Indonesia. It aims to record all activities of economic agents when they enter and leave customs territory. In the future, there is a tendency that customs protection role will be modernized. Protection role is carried out based on intelligence information, data exchange, and data analysis both with internal customs, agencies under the Ministry of Finance, and external agencies such as Directorate General of Immigration, Quarantine Center, Ministry of Home Affairs, and Ministry of Trade. In other words, protection activities will be emphasized on data analysis and intelligence information rather than physical inspection. Currently, DGCE issued Post Border Regulation to facilitate some listed goods by handing over the responsibilities of imported goods supervision to the relevant ministry or institution, such as handy talkies, clothes and cosmetics.

These facts indicate that Customs' role as trade facilitator will become more dominant, mostly due to huge pressure of international trade. This will affect in reducing barriers in industries and support a faster process of exportation and importation to push goods flows in an area.