



AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE PRACTICE STATEMENT

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Title:	Goods Compliance
Purpose:	To provide an overview of Customs and Border Protection's approach to goods compliance.
Owner:	National Director Trade and Compliance
Category:	Operational Procedure
Contact:	Director, Import/Export Compliance

Summary of main points

Customs and Border Protection Practice Statements are endorsed policy and must be followed by all Customs and Border Protection employees. This Practice Statement outlines:

- What goods compliance is;
- The reasons for undertaking goods compliance;
- What is achieved through goods compliance; and
- The various types of compliance activities for pre-clearance intervention, post-transaction activities and education.

The electronic version published on the intranet is the current Practice Statement.

Introduction Statement

The role of Customs and Border Protection is to provide effective Border Protection for the Australian community. There are strict controls in place that govern the import and export of goods. To enable Customs and Border Protection to be satisfied that the legislative provisions relating to the import and export of goods are being met, Customs and Border Protection needs to know the location of cargo and what the cargo is.

The role of Compliance Assurance Branch is to monitor the effectiveness of Customs and Border Protection's cargo process system and to undertake compliance activities designed to improve industry compliance with border related laws.

If cargo is moved, Customs and Border Protection needs to know where and when it moves (cargo control). When Customs and Border Protection knows where cargo is located, the goods can be evaluated against the information that has been provided about those goods, to ascertain whether or not the legislative provisions for those goods have been met (goods compliance) or if they represent a risk to the Australian community.

Scope

This practice statement outlines the policies used by, and functions performed by, Compliance Officers in relation to goods compliance for imports and exports.

It does not provide information on cargo control or the powers and penalty schemes available to Customs and Border Protection Officers for performing compliance functions.

Policy Statement

Customs and Border Protection undertakes effective risk based compliance management and supports traders in understanding and meeting their reporting, revenue, permit and cargo movement obligations for both imports and exports.

A high level of compliance gives Government and the community confidence that:

- the reporting of goods is accurate and timely;
- attempts to circumvent border protection laws and controls are identified and responded to;
- licence and permit requirements, prohibitions and restrictions in relation to imported and exported goods are complied with;
- accurate and reliable data on trade statistics are provided; and
- the correct amount of revenue is paid or identified for collection or consideration.

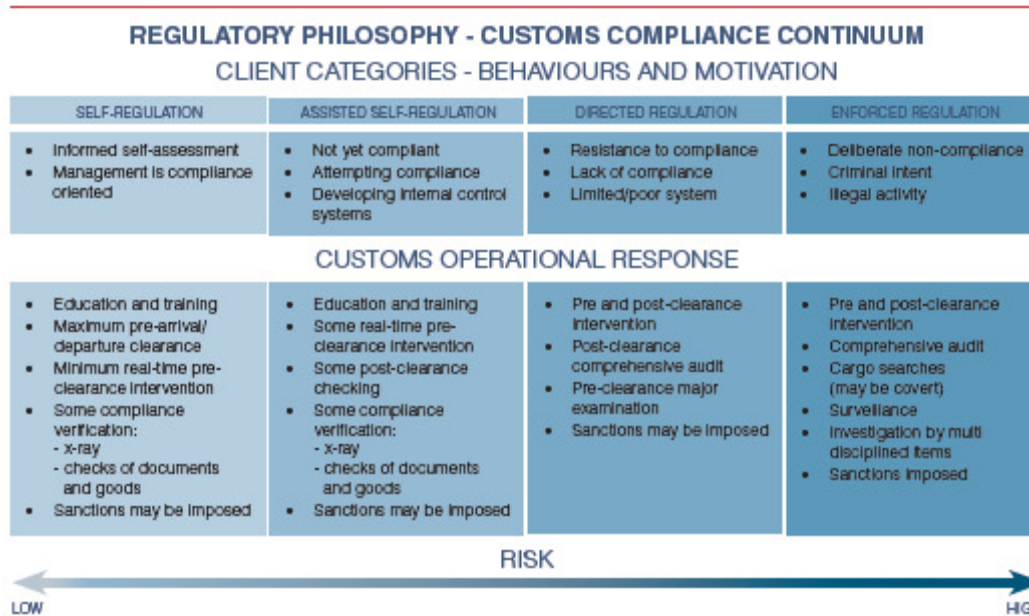
Regulatory Philosophy

Compliance activities are undertaken in line with the Customs and Border Protection Regulatory Philosophy. Customs and Border Protection operates in an environment based on self-assessment, which is dependent on voluntary compliance. Providing education and support to clients and the community so they understand their obligations is a key element of our approach to compliance.

Compliance responses can range from client education to comprehensive audits, sanctions or prosecutions. There is no need for intrusive compliance mechanisms to

be applied to those clients considered generally compliant. Similarly, an education strategy is unlikely to modify the behaviour of an individual who has intentionally disregarded the law.

The following diagram of the Customs and Border Protection Compliance Continuum demonstrates a range of client behaviours and possible Compliance responses.



Customs and Border Protection undertakes a number of activities designed to assure compliance. These are separated into pre-clearance intervention, post-transaction activities and education exercises.

Pre-clearance intervention

1. Pre-clearance Declaration Verification

Customs and Border Protection may request more information about a particular transaction, in some cases delaying clearance of goods until requested information is provided. Customs and Border Protection may look at the transaction in more detail and undertake a documentary or physical examination. This may be because of a referral from industry, another government agency or another internal work area, or because of a profile match.

Customs and Border Protection electronically screens all cargo to verify information reported on declarations. Every transaction reported to Customs and Border Protection is screened against profiles, and, if there is a match, Customs and Border Protection evaluates this to identify cargo which requires closer evaluation. Profiles consist of a set of criteria relating to particular aspects of a transaction; the criteria come from Customs and Border Protection risk analysis. Profiles can be effective in detecting border risks.

2. Pre-clearance Intervention Assurance Testing

The Compliance Monitoring Program has been introduced to measure the level of compliance and degree of revenue leakage across different industries. A total of 24 import profiles have been created to satisfy the statistical sample which uses a stratified sampling methodology. Approximately 6000 lines a year nationally will be

selected. The Compliance Monitoring Team in Queensland evaluates these profiles, and calls for documents from industry to verify the lines that match the profiles. As soon as documents are received, Compliance will verify the documents, evaluate/assess and acquit the profile, lifting the hold on the cargo.

3. Cargo examinations

Customs and Border Protection physically examines cargo regularly to ensure that information provided to Customs and Border Protection is correct and to detect prohibited and harmful goods, including illicit drugs and firearms, as well as checking clients are complying with import and export controls and safeguards.

Examinations are normally carried out at a Customs and Border Protection licensed premises. Where the nature of the cargo or some other circumstance warrants it, the examination may be carried out at the owner's premises. In these situations, the cargo remains subject to Customs and Border Protection control.

Customs and Border Protection use x-rays, ion scan technology, detector dogs and radiation and chemical warfare agent detectors in the examination process and may also require samples for analysis.

4. Saturation exercises

These are intensive operations designed to submit a specific set of consignments to a comprehensive check without warning in order to estimate the incidence of non-compliance in that element of the cargo population and to identify systemic vulnerabilities.

5. Leverage Exercises

Leverage exercises are conducted as a result of a perceived compliance issue that identifies a large number of clients that may be involved. The large number of clients precludes auditing the total population because of costs, effectiveness and limited resources. The past performance of an industry is analysed before informing industry of our interest.

The leverage exercise is conducted to:

- aid in the assessment of the compliance risk of each client;
- assist in improving compliance over a range of clients by making them aware of their regulatory requirements;
- provide a mechanism of identifying those clients requiring further research; and
- form a basis for further audit activity.

Results from the leverage exercises may indicate an acceptable level of compliance or clients/industry suitable for compliance activity.

Post-transaction Verification Activities

Post-transaction verification activities are documentary checks Customs and Border Protection undertakes after a transaction has occurred. The law provides that Customs and Border Protection may request the production of commercial documents and records for up to five years after a transaction. Customs and Border Protection may also recover revenue for a period of four years from the date it was payable, except in the case of fraud or evasion where there is no time limit.

1. Desktop verification exercises

These checks are used to examine a limited number of transactions of a client. A check of this type may be used to follow up on a prior audit to ensure the client is now compliant. They are also used when a small number of declarations appear to have

anomalies that can be easily checked. Desktop verification checks are carried out at a Customs and Border Protection office, after a request to the client to produce documents under s240 the Customs Act. There is no need for the owner or their representative to be present.

2. Targeted Audits

A targeted audit examines the records of clients after the import or export transaction has been finalised. The audit assists in judging the accuracy of information supplied under self-assessment and the level of compliance with legislative requirements. Each audit will have a unique focus, depending on the reason why it was programmed, and the compliance history of the client. The methodology used can vary but most audits involve officers visiting client premises. Compliance Officers visiting client premises must exercise monitoring powers under s214AB of the Customs Act.

Education

As a result of the above mentioned compliance activities, education can be used to assist clients to improve their compliance. Education improves voluntary compliance through:

- providing clients with the information necessary to voluntarily comply;
- the delivery of information to clients, which addresses specific problems or deficiencies; and
- advises clients of changes to systems or procedures.

Clients may be educated using a number of methods and tools. These include:

- visits and liaison by phone and email;
- the provision of ACNs, fact sheets, brochures and other media;
- seminars; and
- liaison with industry associations and other key bodies.

Related Instructions and Guidelines

Monitoring Powers

Export Examination Powers

Production of Commercial Documents and Records

Infringement Notice Scheme

Related policies and references

Cargo Control Practice Statement

Customs and Border Protection Regulatory Philosophy

A Guide to Customs and Border Protection Compliance Audits Fact Sheet

Key roles and responsibilities

The Compliance Executive Group is responsible for the formulation and management of the Customs and Border Protection Compliance Program.

Import/Export Compliance in Customs and Border Protection Central Office provides policy advice and direction on goods compliance.

Regional Compliance areas are responsible for the effective implementation, administration and running of compliance activities.

Consultation

External Consultation

This practice statement has not been the subject of external consultation. The practice statement outlines the types of Compliance activities that are undertaken and the basis for these activities. There are no new policies or procedures outlined in this practice statement that external parties, including industry, would not be aware of.

Internal Consultation

This practice statement has not been the subject of internal consultation. The practice statement outlines the types of Compliance activities undertaken and the basis for these activities. There are no new policies or procedures outlined in this practice statement that other Divisions within Customs and Border Protection would not be a way of.

Approval

Approved on		
By	Sue Pitman National Director Trade and Compliance	
Endorsed on		
By	Neil Mann DCEO Passenger and Trade Facilitation	