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# Customs Post Clearance Audits

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A decorative graphic at the bottom of the slide consisting of a blue arrow pointing right, which transitions into a red shape on the far right.

# Post Clearance Audits Introduction



## Members Subjected to a Post Clearance Audits (PCA)

- BriskHeat Vietnam - Amata Industrial Park, Dong Nai Province
- Wahl Clipper - Long Hau Industrial Park, Long An Province
- Deltrol Fluid Power Controls - VSIP 1, Bien Duong Province

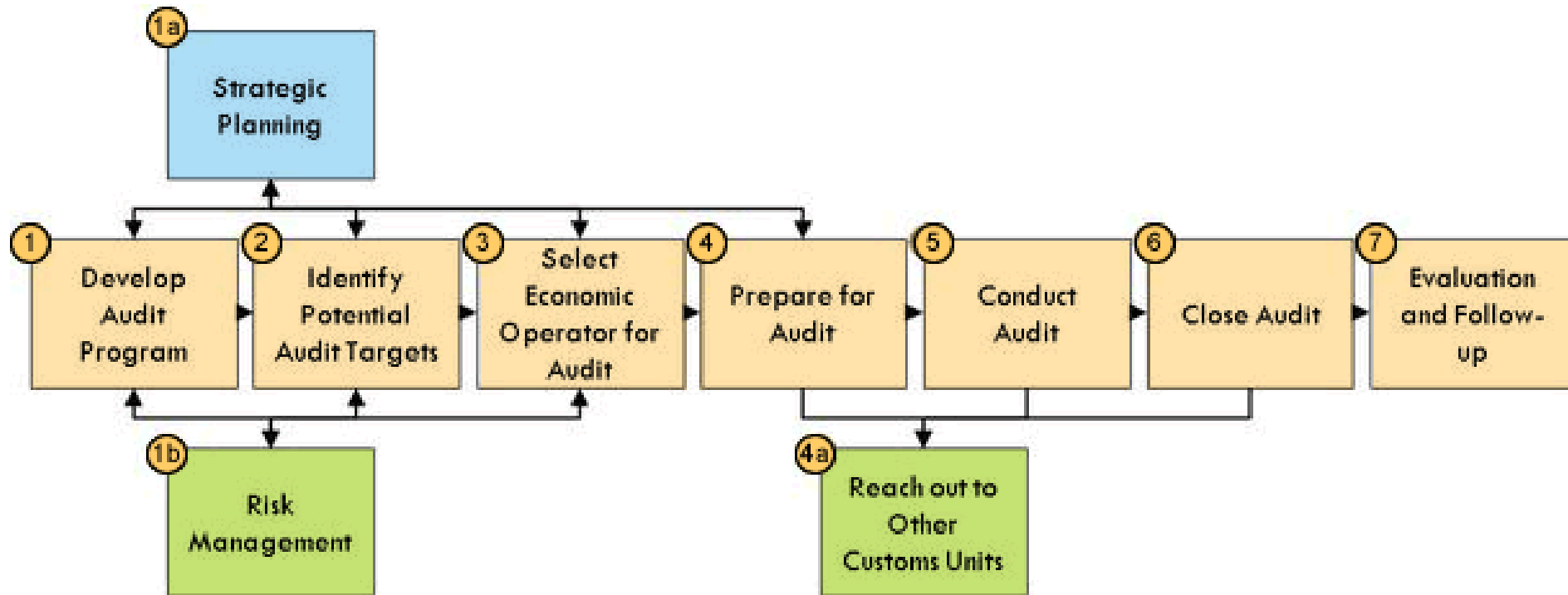
## Discussion About:

- What is Customs internal Post Clearance Audit process?
- What is the purpose of the audits?
- What did Customs check?
- What issues did the audits raise?
- How are penalties calculated?
- How to mitigate risk of future audits?
- What are some strategies to help manage audit risk?
- What was learned?

# Customs Internal PCA Process



## Customs Internal Post Clearance Audit Process



Source: Wahl

# Post Clearance Audits Background



## Customs will verify that:

- Declarations have been compliant with regulations
- Imports and exports have been properly declared in VNACC, accounting, on premise
- Goods liable to import and export controls have been properly declared for:
  - Prohibitions, restrictions, licenses, quotas, etc.
- Confirm specific approvals and authorizations have been followed, such as:
  - Pre-authenticated transit documents, preferential origin/movement certificates, licenses, quota arrangements, Customs and excise warehouses and other procedures
- Confirm revenue
- Confirm duties and VAT have been paid
- Facilitate international trade movements of the compliant sector (FAA, FDA, etc.)

# What did Customs Examine?



## What did Customs Examine?

- Accounting records
- Financial statements
  - Inventory and raw materials
  - WIP
  - Finished Goods
  - Equipment and tools
  - Goods in transit
  - Good on consignment
- Physical inspection of RMs comparisons to:
  - Accounting books
  - VNACC
- WIP = based on completion rate and SBOMs
- FGs in warehouse have SBOMs
- Goods in transit
  - AccBook = Customs declarations
- Good on consignment
  - AccBook = Customs declarations
- Other
  - Revenue
  - Accounts payable
  - Accounts receivable
  - Cash
  - VAT
  - Import & export declarations
- Shipping BOMS
  - Had to explain extra FG SBOMs

# Which Documents Were Required?



## Which Documents Were Required?

- Import and clearing documents (bill of lading, airway bill, suppliers invoices, packing lists, etc.)
  - Export declarations
  - Shipping BOMs
  - Purchase daily reports
  - Production daily reports
  - Inventory book
  - Revenue records for both local and export (invoices, waybill, sales, day book, debtors ledgers etc.)
  - Correspondence files, management reports, audited Accounting financial statements
  - Bank statements and bank transfers and any other relevant Books of Accounts
- Initially, pre-audit they asked us to provide a sample of declarations
- During the audit, they specified which documents they wanted to check.

# What Did We Learn?



## What Did We Learn?

- They were very interested in shipping BOMs (especially those used for balance adjustments)
- Eliminate shipping adjustments using SBOMs (to balance VNACC)
- Golden samples and training materials, pay duties and VAT (rather than expense them)
- Accurate Engineering BOMs are needed
- Packing lists need to have detailed weights and correct qtys by line item
- Collect more accurate RM usage, quickly and in real-time
- Adjust accounting books RM variance every 6 months
- Make shipping BOMs for all finished goods
- Waste amounts can exceed 3%
- Collect and store all waste scrap to prove scrap amounts later
- Make monthly scrap declarations with Customs

# What Did We Learn?



## What Did We Learn? (cont'd)

- Formal liquidations with Customs, locks in values and then cannot be changed later
- Perform liquidations possibly only once a year (provides time for adjustments)
- CO can reduce import duties and risk
- Monthly internally compare Customs declarations to Accounting records
- Review latest decrees and circulars about Customs (many changes)
- Unit prices of imports calculated based on average unit price for period
- Penalties:
  - Customs < Accounting - import duties & VAT due, but no penalties (goods not yet sold or consumed)
  - Customs > Accounting - import duties & VAT due, 20% penalties (goods “apparently” sold)
- Risks (if penalties are large):
  - Subjected to the “Red Lane” for all shipments (everything inspected)
  - Getting blacklisted for all shipments (unable to import or export)





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**THANK YOU!**

**Open Discussion**