

Customs Specialists Inc.

The Road Map to Successful Audit

Scope of CBSA Audits

- System Review - to examine your accounting systems and procedures related to Customs activities
- Program Compliance - to test your compliance with various Customs-related requirements, including the reporting of goods
- Quantity Links, Financial Links, Sourcing Links and Communication Links

Customs programs areas verified

- Accounting of Goods
- Tariff Classification (includes end use and Canadian Goods Returned)
- Valuation
- Tariff Treatment
- SIMA
- Duties Relief
- Statistics Canada Data Elements

Typical Source Documents Reviewed During a Customs Verification

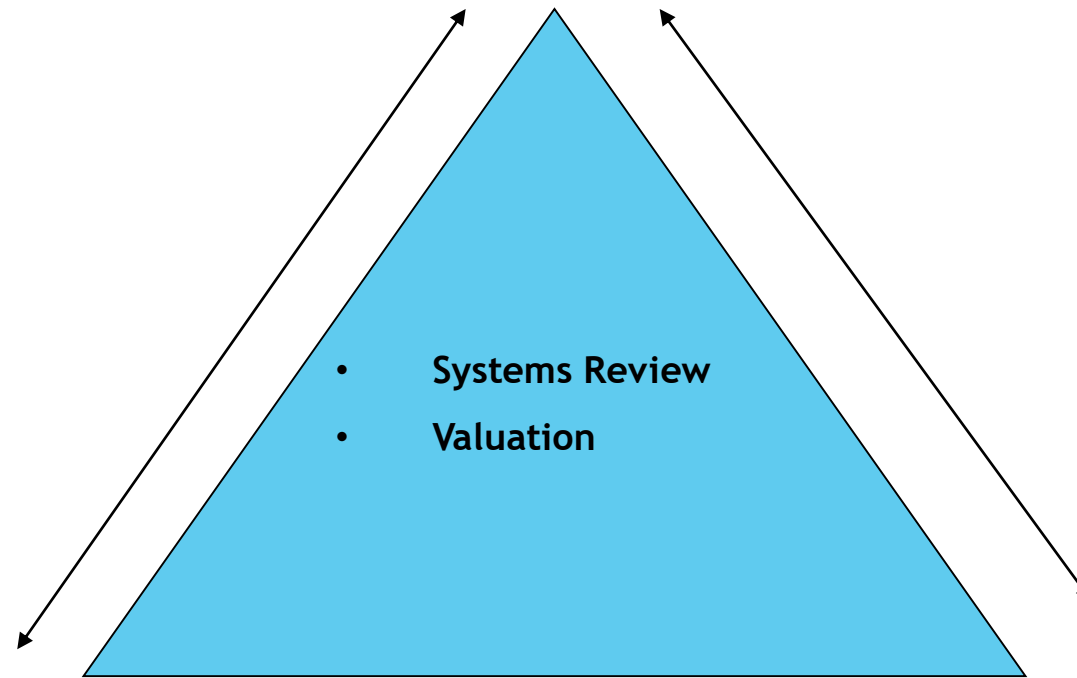
- INVOICES
- PURCHASE ORDERS
- OVERAGES & SHORTAGES REPORTS
- ACCOUNTS PAYABLE LISTINGS,
- BILLS OF LADING,
- JOURNAL ENTRIES,
- CARGO CONTROL DOCUMENTS,
- CANCELLED CHEQUES,
- RECEIVING REPORTS
- CORRESPONDENCE FILES RELATED TO IMPORTS,
- PACKING SLIPS,
- BANK DRAFTS,
- INVENTORY RECORDS,
- GENERAL LEDGER & TRIAL BALANCE,
- VENDOR LISTS,
- FINANCIAL STATEMENTS,
- CERTIFICATES OF ORIGIN,
- CUSTOMS ACCOUNTING DOCUMENTS

Customs Audit Flow: System Review Questionnaire & Valuation Questionnaire



CBSA

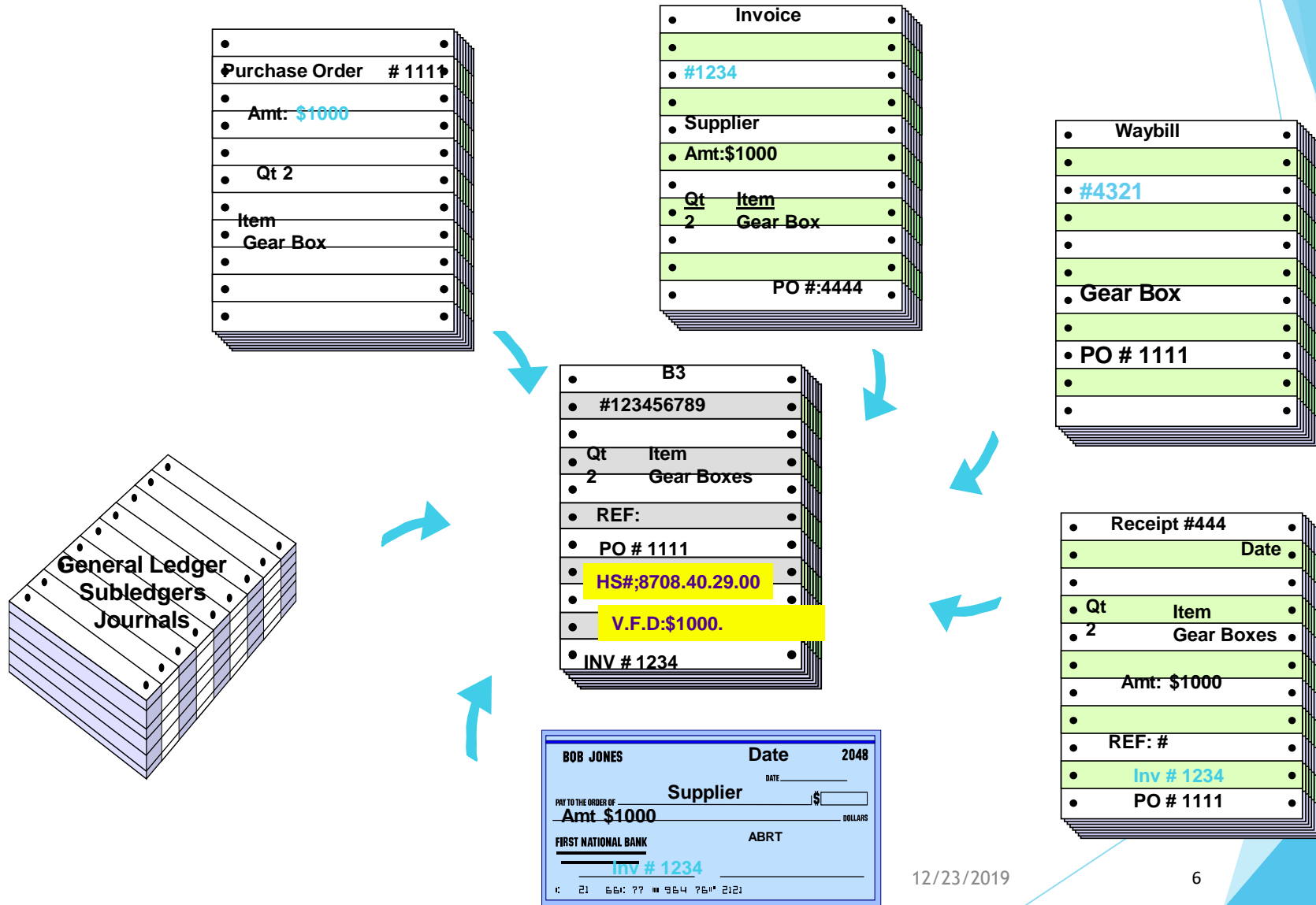
Customs & Traffic Dept



Purchasing/Receiving Dept.

Accounts Payable

CBSA Verification Trail



Completing Questionnaires'

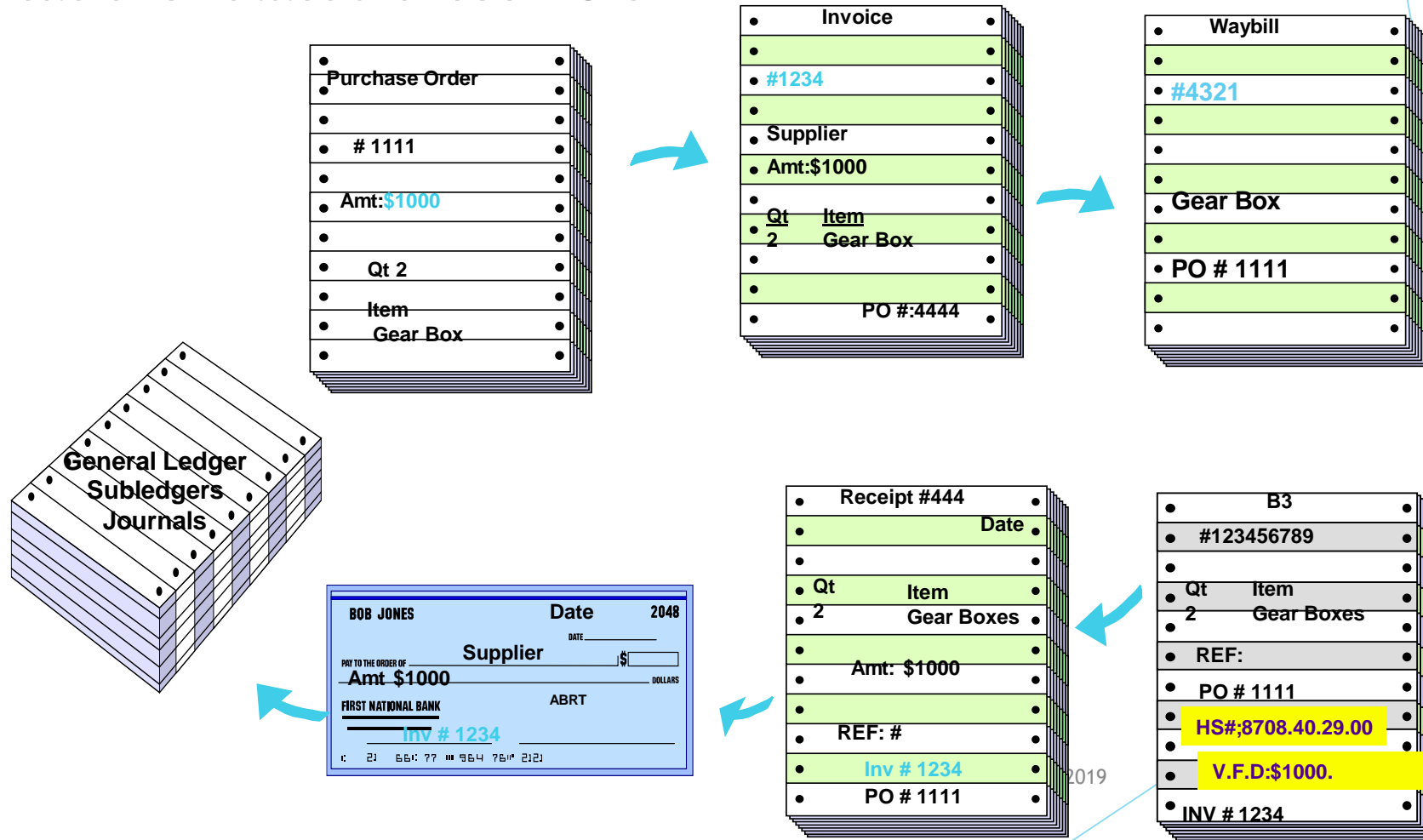
- Involve Purchasing, Receiving and Accounting Department
- Be concise and up to the point
- Provide all documents needed (do not leave a room for additional clarification)
- Provide Advance Rulings
- Obtain in a timely manner additional documentation when asked
- If experiencing problems in providing the requested information, talk to the auditor, disclose and explain the problem. CBSA is a partner.

What procedures are in place to ensure that all goods imported into Canada are properly reported and accounted for to Customs?

- Tariff Classification (Advance Rulings, Consistency)
- Country of Origin
- Tariff Treatment
- Valuation (Terms of Delivery, Place of Direct Shipment, Freight, Insurance and Packaging Costs)
- Valuation (Transfer Pricing, Related Vendors, Free Items, Price Discrepancies)
- Quantity Reconciliation (Overages and Shortages)
- Record Keeping (electronically)
- B2 Adjustments

Going Backwards

Purchase Orders are chosen and importers must provide all customs documentations related those PO's



CBSA Verification Report

- Errors - Importers are required to correct all transactions of the same item as indicated in the report for the previous twelve-month fiscal period. Section 32.2(2) of the Customs Act provides that a correction must be submitted within 90 days after the importer has “reason to believe” that the declaration of tariff classification is incorrect. Failure to make required changes within 90 days of the Report, may result in Customs adjusting the transactions on your behalf under section 59 of the Customs Act and may result in AMPS being applied.