Audit Questionnaire

The questionnaire aids in gaining an understanding of the business engaged by an organisation to be audited for purposes of ensuring a fast and smooth audit.

All the responses that will be given are to be used strictly for purposes of Customs auditing and should be handled with utmost confidentiality. The following provisions should be noted:-

a. Section 235 of the EACCMA, 2004 mandates Customs officers to seek for and obtain any information pertaining to imported and/or exported goods.
b. Section 203 of the EACCMA, 2004 makes it an offence to give a Customs officer information which is false in any particular.

General Information	
1.	Provide the name, title, and telephone number of the official(s) preparing information for this questionnaire.
2.	Provide the name, title, and telephone number of the person who will be the contact for Customs during the focused assessment.
3.	Company's full name
4.	Physical and postal address
5.	Telephone/mobile number/ Fax
6.	Email address(es)/website(s)
7.	Directors and their nationality
8.	Company's bank details
9.	Tax identification number(s)
10.	Describe the nature of your business
11.	List all other locations including manufacturing and warehousing facilities
12.	What is your fiscal year-end?
13.	Organizational structure, policy and procedures, assignment of responsibilities.
14.	Provide a copy of the company's organizational chart and related department descriptions.
15.	Identify the key individuals in each office responsible for Customs compliance (may be included on the organization chart).
16.	Provide the names and addresses of any related foreign and/or domestic companies, such as the company's parent, sister, subsidiaries, or joint ventures.
17.	Provide details of any currently Customs outstanding matters.
Control Environment	
1.	If the company has operating policies and procedures manuals for Customs operations (import/export and others), provide a copy of the manuals (preferably in electronic format).
2.	If the policies and procedures have the support and approval of management, identify the individuals who approve the procedures.
Employee Awareness Training	
1.	What specialized Customs training is required for key personnel working in the import department/section? If available, provide copies of records supporting training.

2.	What Customs experience have key personnel involved in Customs related activities had?
3.	Who in other departments is responsible for reporting Customs related activities to the import department/section?
4.	What training is provided to personnel in other departments responsible for reporting Customs related activities to the import department/section?
5.	How does the company obtain current information on Customs requirements?
Risk Assessment	
1.	How does the company identify, analyze, and manage risks related to Customs activities?
2.	What risks related to Customs activities has the company identified, and what control mechanisms have been implemented?
Control Procedures	
1.	Using source records for support, provide a description and/or flowchart of the company's activities, including general ledger account numbers for recording the acquisition of merchandise in the following areas:- (a) Purchase of foreign merchandise (b) Receipt of foreign merchandise (c) Recording in inventory (d) Payments made to foreign vendor (e) Payment made to Customs for taxes (f) Export of merchandise (for example, assists)
2.	For each aspect of value listed below, respond to the following where procedures are documented, reference the applicable sections. (a) What internal control procedures are used to assure accurate processing of Customs transactions? (b) Who is the person assigned responsibility for accurate processing? (c) What records are maintained for? (i) Price Paid or Payable (ii) Packing (iii) Selling Commissions (iv) Assists (for example, Materials/Component Parts, Tools, Dies, Molds, Merchandise Consumed, Engineering, Development, Art Work, Design Work, Plans) (v) Royalties and License Fees (vi) Proceeds of Subsequent Resale (vii) Transportation Costs (for example, International Freight, Foreign Inland Freight, Transportation Rebates, Insurance) (viii) Retroactive Price Adjustments (ix) Price Increases (x) Rebates and Allowances (xi) Indirect Payments (xii) Payment of Seller's Debt by Buyer (for example, Quota) (xiii) Price Reductions to Buyer to Settle Debts (for example, Reductions for Defective Merchandise) (xiv) Purchases on Consignment (xv) Quota/Visa (xvi) Currency Exchange Adjustments (xvii)Trade Contracts/Agreements
Information and Communication	
1.	Describe the procedures for the import/export department to disseminate relevant Customs

	information to other departments.
2.	Describe the procedures for other departments to communicate with the Import/export department on matters affecting imported/exported merchandise.
3.	Describe the procedures for the import/export department to participate in major planning processes involving importation/exportation activities.
Monitoring	
1.	What methods of oversight and monitoring does the import/export department management use to ensure compliance with Customs requirements?
2.	Provide information and/or reports on the review and evaluation of compliance with Customs requirements by other internal and external entities (for example, internal audit department, financial statement auditors).
3.	What level of management are these self-reviews reported to for action?
Miscellaneous	
1.	Provide a copy of your general ledger and post-closing trial balance.
2.	Identify the account numbers in which costs for imported merchandise are recorded.
Data Retention	
1.	What type of system or accounting package does your company use?
2.	Describe how files are generally maintained within the company (i.e. electronic; manual; or a combination of both)?
3.	How long is the information retained?
4.	Where do you maintained detailed books and records relating to import/export transactions?
5.	Has your operating system changed from the audit period to present? If yes, please elaborate.
Purchasing	
1.	Who is responsible for the purchasing of imported goods?
2.	Do you have documented purchasing procedures? If so, when was the last time they were updated?
3.	Do you have an on-line purchase order system? If so, describe it.
4.	Please fully describe all internal controls relevant to the purchasing system.
5.	Do you issue different types of purchase orders and, if so, how are they distinguished?
6.	Are procedures different for placing orders with related companies?
7.	What type of documentation do you use to record purchases (confirmation of sale, informal, purchase order, and others.)?
8.	Who is responsible for issuing purchase orders?
9.	Are purchase orders issued in all instances?
10.	Are purchase orders numbered? If so, how (provide an example)
11.	How many copies comprise a purchase order and how are they distributed?
12.	Do you purchase goods locally?
13.	How do you distinguish between domestic and foreign purchases?
14.	How is cancelled purchase order handled?
15.	Do you issue blanket purchase orders? If so, please describe the process.
16.	How shipments against the blanket purchase orders controlled are (for example release numbers, and others.)?
17.	Are all purchases orders closed within the fiscal year?
18.	Are purchases orders retained? If so, for what period?
19.	Is the Purchasing system linked to the receiving, accounting or Customs systems? If so,

	How?
Receiving of Goods	
1.	List the locations of your receiving docks/customs entry points.
2.	Do you have documented receiving procedures? If so, when was the last time they were updated?
3.	What are the procedures when goods are received?
4.	Is there a receiving report prepared each time?
5.	Are the reports numbered consecutively? If so, how (provide an example).
6.	How many copies comprise a receiving report and how are they distributed?
7.	How many different types of receiving reports do you maintain (for example local receiving reports, imports receiving reports)?
8.	What is the retention period for the reports?
9.	Is the receiving system linked to the purchasing, accounting or Customs systems? If so, how?
10.	Is shipping notification given? If so, in what format (hard copy or electronic) and by whom?
11.	Are physical receipts compared to the shipping notification?
12.	Is the shipping notification compared to the purchase order?
13.	How are the following types of goods reported to Customs? (a) Free goods for example gifts, samples? (b) Temporary exported goods? (c) Drop Shipments (i.e. goods delivered directly to a third party)?
14.	Are controls in place to ensure the above transactions are reported to Customs?
15.	How are discrepancies handled with respect to the supplier (i.e. shortages, overages, damaged, free goods or incorrect goods received)
16.	Is a report generated of these discrepancies and to who are they reported and resolved?
Accounting	
1.	Who is responsible for accounting?
2.	Do you have documented procedures for accounting? Is so, when was the last time they were updated?
3.	Is it possible to readily identify foreign purchases within the accounts payable system? If so, please explain.
4.	What payment methods are used (i.e. cheque, bank transfer, and others.)?
5.	How are inter-company purchases settled?
6.	How are credits accounted for?
7.	How are invoices for free goods handled?
8.	Are there any existing controls to ensure that all receipt of foreign goods/importations are reported to Customs? If so, describe.
9.	What steps are taken if there is a discrepancy between receiving reports, purchase orders and invoices in terms of quantity or price?
10.	Is the accounting system linked to the purchasing, receiving or Customs systems? If so, how?
11.	What is your usual margin of goods sold?
Customs Information	
1.	Who is your primary contact person for Customs matters?
2.	Do you maintain a separate system for Customs purposes?
3.	Where is Customs-related documentation maintained? In what format, and for how long?
4.	What system is in place to record Customs transactions (for example mainframe, micro computer, manual, and others.)?
5.	Do you use the services of a clearing agent? If so, please provide the name(s).
6.	What arrangements do you have with your clearing agent (s)?

7.	Does the company provide input or instruction to the clearing agent (s) or person(s) responsible for Customs clearance?
8.	Who prepares Customs' release documentation and from what source (i.e. purchase orders, invoice, and others.)?
9.	Are import transactions linked to purchasing, receiving and/or accounts payable transactions? If so, how?
10.	Are entry transactions ever reviewed for quality and completeness? If so, how often and by whom?
11.	Where are the exporter's certificates of origin maintained?
12.	Do you receive shipments from foreign sources that are free? If so, how are they accounted for to Customs?
13.	Do you have temporary exported goods (for example goods sent out of the country for repairs)?
14.	How do you determine the value for duty of temporary exported goods?
15.	How are discrepancies handled with respect to Customs (i.e. shortages, overages, free goods, wrong/damaged goods)?
16.	Provide copies of any existing Customs decisions/rulings, if applicable.
17.	What procedures are in place to ensure that all imported goods are properly reported and accounted for to Customs?
18.	Do you have any contract/agreement with foreign suppliers?
19.	Does the firm employ the service of a foreign buying agent(s)?
20.	When buying goods/services do you pay commissions to buying agents?
21.	Does the company provide any assistance to foreign suppliers? If yes, describe the form of assistance (tools, molds, parts, components, patterns, loans, design or engineering costs, labels and machinery) and their values.
22.	Does the firm receive any rebate or allowance directly or indirectly from the exporter
23.	Were any royalty or license fee paid by the company during importation?
24.	After buying goods/services does the seller gives you conditions on how to sell?
25.	Do you transfer any part of your sales proceeds, disposal or use of imported goods to the supplier?
26.	Have you paid the suppliers of imported goods from......................(insert year) to date? If not give reasons.
27.	Provide us with the Name(s) of the tax consultants whom the company applies their services.
28.	Who are your major competitors?

Audit Program for Valuation

AUDIT ACTIVITIES				
The customs value of imported goods shall be the transaction value, that is, the price actually paid or payable for the goods when sold for export to the customs territory of the Community, adjusted, where necessary, in accordance with section 9 of the fourth schedule of the EACCMA, 2004. The main risk in this area is the undervaluation of the imported goods. Accordingly, the auditor should verify if the price actually paid or payable has been correctly declared and if it has been properly adjusted in accordance with the mentioned section. Note that in some cases overvaluation might be a risk especially for goods that have no import duty for example machinery. These enjoy depreciation and other deductions and thus may affect the taxable profits.				
Supporting documents				
1. Verify if the SADs match the supporting documents presented at the time of the clearance of the goods. A select sample of SADs covering the identified risks of the importer's import activity should be chosen.				
2. Compare the value declared on the SADs with those on the source documents such as L/Cs, bank statements, overseas remittance applications and debit/credit notes.				
3. Check the delivery terms on the invoice for example ex-works, FOB and others. For Customs purposes CIF should be value for goods imported via import entry points other than airports. For Airport the Customs value should exclude Air freight.				
4. Verify the payment terms which may be in advance, payment on delivery, differed payment and payment by instalments.				
5. Verify terms of payment which may take the form of cash payment, bills of exchange (letter of credit – L/C, document against payment (D/P) and document against Acceptance (D/A) to check if payment terms are reasonable and justifiable.				
6. Verify if there is an existence of any additional terms on sale of goods for example buyer to provide seller with material or service free of charge or at a				

AUDIT ACTIVITIES				
reduced price and buyer agree to offset a seller's debt from price of imported goods. Additional terms may affect the price actually paid/payable.				
7. Check for unit price and duty rate for the imported good if they are unified in every invoice and whether the same unit price and duty rate is given to other goods of same nature.				
8. Examine the price list as to whether the listed prices represent and acceptable level; compare to common prices of identical/similar goods. If the client denies the existence of price list verify the correspondences between the client and the seller.				
9. Compare the currency on the accompanying purchase source documents with those declared on the SADs.				
10. Check if the value shown in the accompanying purchase invoice is in accordance with purchase orders, contracts; vouchers (i.e. check the documentation generating the orders and also the existing contracts). This could include a check to ascertain if there are reductions or compensation in the purchase invoice as a result of other transactions.				
11. Compare delivery terms on invoices with freight charges declared on the SADs and with freight documents for example Bill of lading, airway bills and freight invoices. Check also insurance policies.				
12. Check whether a correct exchange rate has been applied.				
13. Check for consistency of the values declared on the SADs vis-à-vis the values declared on the shipping bill/bill of entry if available.				
14. Investigate the existence of double invoicing, additional payments for deliveries or some payments that are to be added to the price paid in accordance to the fourth schedule of the EACCMA, 2004.				
Control of accounts matching SADs with book entries The aim of this verification is to compare if the customs value declared on the SADs matches those entered on the company's accounts books and vice versa. The transactions to be checked should be carefully selected to reflect the diversity of the business being audited.				
1. Make a careful examination of the company's accounts in order to ascertain that all purchases of goods imported are entered correctly in the books.				
2. Check if the company has internal controls to ensure a reconciliation of import operations with accounting. The purpose is to ensure that all received invoices relating to imports have been submitted when declaring the goods for customs clearance.				

AUDIT ACTIVITIES				
Cross-checking general amounts The purpose of this test is to verify if the amounts declared on the official accounts matched with the customs values declared in the audited period.				
3. Study the balance sheet and the profit and loss account for relevant accounts, such as costs and assets (for example goods purchased stocks, and others.) regarding purchases/imports.				
4. Verify the reconciliation between accounting and customs declarations submitted by cross-checking the purchases' accounts connected with sales by outside parties (suppliers) and the customs values declared. This may apply where there is mutual corroboration by other Revenue Authorities.				
5. Compare VAT and imports shown in the VAT returns with VAT information obtained from Customs data base.				
Checking of specific selected SADs against book entries This test will confirm that the information declared on the SADs supported by the accompanying documents agrees with the company's accounts.				
6. Determine if the invoice used for the clearance of goods is the same as one posted in the ledger accounts. If it is different (for example the invoice entered in the accounts is for a higher value), the company should be asked to explain the difference.				
7. Special attention should be paid when the value of transactions is stated on the basis of pro-forma invoices. In this case the auditor should check that the final invoice matches the pro-forma invoice.				
8. In the selection of SADs for checking, particular attention should be paid if the company indicates customs value as rounded-off amounts or as identical amounts.				
9. Compare the customs value of selected products with average prices from the customs valuation database, if available.				
10. A selection of different SADs could be compared with each other to ascertain if there are different prices declared for the same product. Check high/low values in relation to other SADs under the same product.				
11. A selection of invoices could also be compared with each other to ascertain if they are consistent by comparing similar invoices during the year from the same supplier (for example the invoice numbers).				

AUDIT ACTIVITIES				
Checking of specific selected book entries against SADS This test will confirm that the entries in the accounts are connected with the imported goods are supported by a SAD and have been properly declared.				
12. Select individual entries in the accounts and ask the company to indicate the SAD that supports that entry; the transactions selected from the company's records for this check will relate mainly to unusual values, unusual texts, and others that can be a sign of additional payments or payments not declared in the SADs;				
13. Select some foreign suppliers' accounts and reconcile the entries in that suppliers ledger with the SADs connected with those suppliers; to choose the suppliers for the reconciliation, it is important first to compare the general amounts declared on the SADs with the entries in the accounts of that supplier and select the suppliers where there are differences.				
Control of money movements It is important in an audit to connect the customs value declared with the payment made to the supplier in order to confirm that the customs value has been properly declared.				
14. For that purpose, in addition to verifying the company's payment accounts, the auditor should analyze information about money movements outside the country.				
15. The movements that are analyzed should not only be connected with goods but also with services (for example transport, royalties, and others.). Once the movements are chosen the auditor should ask the company to justify them and to identify the SADs related to them.				
16. Where the foreign currency outflows going abroad are much higher than the imports which have been declared and it has not been possible to totally justify this difference, it can be concluded that either imported goods are not declared to the Customs authorities or a value that is lower than the real value is being declared to the customs authorities.				
Successive Sales If the auditor finds that the Customs value declared has been the value of a sale prior to the purchase by the company, it should be studied to ascertain if that value should be accepted.				
17. When the imported goods are sold only once it is accepted that the fact of their introduction into the				

AUDIT ACTIVITIES				
customs territory constitutes sufficient proof that the goods were sold for export.				
18. If specific goods are ordered from an intermediary who sources the goods from a manufacturer and the goods are shipped directly to the country from that manufacturer, the acceptance of the value declared in a successive sales situation must be analyzed especially when all the parts in the chain are related parties, because the mechanism of the successive sales can be used to reduce the customs value.				
19. The auditor could use the mutual assistance provision in DTA's if s/he has doubts about the authenticity of the customs value declared to customs.				
Checking entries connected with fourth schedule When examining the classification of the importer's accounts, the auditor should pay special attention to the accounts related to royalties, commissions, production contracts (for example outsourcing), and others. The auditor should be aware of research and development costs which might not have been included in the declared transaction value. This is particularly relevant where a relationship exists between the supplier and importer.				
Royalties In any audit, one of the main aspects that should be checked is the existence of royalties that could influence the customs value. A method of identifying the existence of royalty payments could be by checking the company accounts or analysing the money movements outside the country. This could also include companies whose brands of products are trade-marked and as a consequence there are likely to be royalties paid. Once the auditor has identified a payment connected with royalties, it is necessary to investigate if:-				
1. The payment of the royalty is related to the goods being valued. In determining whether a royalty relates to the goods to be valued, **the key issue is not how the royalty is calculated but why it is paid**, i.e. what the licensee actually receives in return for the payment. Thus in the case of an imported component or ingredient of the licensed product, or in the case of imported production machinery or plant, a royalty payment based on the sale of the licensed product could be related.				
2. The payment of the royalty constitutes a condition of sale of those goods. The question to be answered in this context is whether the seller would be prepared to sell the goods without the payment of a royalty or				

AUDIT ACTIVITIES				
license fee. The condition may be explicit or implicit, i.e. it is not essential that it is specified or stipulated in the license agreement whether the sale of the imported goods is conditional upon payment of a royalty or license fee.				
3. When goods are purchased from one person and a royalty or license fee is paid to another person, the payment may nevertheless be regarded as a condition of sale of the goods. The seller, or a person related to him/her, may be regarded as requiring the buyer to make that payment when, for example, in a multinational group goods are bought from one member of the group and the royalty is required to be paid to another member of the same group. Likewise, the same would apply when the seller is a licensee of the recipient of the royalty and the latter controls the conditions of the sale. 4. Accordingly, in an audit it is important to ask for the license agreement which usually specifies in detail the licensed product, the nature of the rights assigned and know how provided, the responsibilities of the licensor and the licensee, and the methods of calculation and payment of the royalties or license fees. In many cases, an examination of license agreements and contracts of sale will reveal that a part only of the royalty payment will be seen to be potentially dutiable. Where under a license agreement the benefits conferred are a mixture of potentially dutiable and non-dutiable elements but the licensee does not in fact avail him/her of the non-dutiable elements, it may nevertheless be appropriate to regard the whole of the royalty or license fee as eligible for inclusion in the customs value.				
Contracts/Assists The auditors should check if the company has supplied certain goods or services either free of charge or at reduced cost, for use in connection with the production of the imported goods.				
20. The auditor should:- (a) analyse the invoices and the contracts related to the goods imported to check if there is mention of any contracts (for example sometimes the invoice refers only to the value of manufacturing the goods); (b) check the accounts of the company to verify if there are research and development costs, tools costs, and others.; (c) verify if there are exports of goods mentioned in the above schedule to any of the supplier's own				

AUDIT ACTIVITIES				
country; (d) Check in the accounts if there are payments to companies in the country of supply or other suppliers that are not suppliers of the goods imported.				
Other Controls The following are other control that should have been done.				
1. Verify if the values declared are consistent. Compare the customs value declared with the price of the internal sale. This is particularly relevant where a relationship exists between the supplier and importer. With this test the auditor could determine if the Customs value declared is very low in comparison with the internal sale. If that happens, it is a sign that the goods could have been undervalued at the time of the declaration to customs.				
2. Compare the value of similar goods purchased from different suppliers. If it varies greatly it is necessary to investigate why.				
3. If customs value decisions have been issued to the company, check that the customs values are properly declared in accordance with the decisions.				
4. Auditors should be aware that where specific duties (for example based on quantities) apply instead of, or together with, the imposition of ad valorem duties, checks must be done on quantities for example by checking stock records, packing lists, and others.				
* Any other activity relevant to the program.				

Audit Program for HS Classification

AUDIT ACTIVITIES				
The risks concerning tariff classification are that the importer, by using a wrong commodity code, can reduce the duty to be paid. Another reason for using a wrong commodity code is to avoid restrictions, like licenses or prohibitions on specific goods.				
1. The auditor should study the imports data of the company by focusing on commodity codes and descriptions of goods with biggest quantities and/or value.				
2. As a part of the preparation or during the audit at the company's premises, the auditor should ask for a list of the company's imported goods. The list should show how the items are classified for customs purposes and compare with the declarations.				
3. If there has been a previous laboratory investigation/chemical test concerning the tariff classification, the auditor should ascertain the results of that exercise.				
4. When examining tariff classifications, the auditor should check whether the importer uses low or zero duty commodity codes, and if there are similar products with high duty. The same checks should be made concerning restrictions.				
5. Check the company's list of goods imported from third countries. If the importer has a wide variety of such goods, a variation in commodity codes could be expected. Otherwise, a big variation in commodity codes could indicate that the importer uses different commodity codes for the same product. This could indicate that the importer has a lack of knowledge in the area of tariff classification. Another indication is if the importer uses the commodity code 'other'.				
6. Check also if there are imports of goods with unexpected commodity codes (not ordinarily associated with the importer's type of business).				
7. To check the tariff classification, the auditor can ask for a sample of the product. Sometimes technical descriptions are also needed to be able to establish the commodity code. If no sample is still available in				

AUDIT ACTIVITIES				
stock, the auditor could use pictures, brochures or descriptions of the products.				
8. For some types of goods, laboratory checks on the product might be needed and a request should be generated for further investigations.				
9. The auditor should also check the description made on sales goods.				
10. Ask the importer's clients for information about their purchases from the importer.				
11. It is also possible to ask for mutual assistance from sister revenue authorities to establish what has been sold to the importer.				
*Any other activity relevant to the program.				

Appendix 7

Audit Program to Establish Import/Export Quantities

AUDIT ACTIVITIES				
Verify the accuracy of declared quantities of imported merchandise.				
1. During the tour of the importer's storage facilities, observe whether the importer's actual storage practices conform to the importer's written policies and guidelines. Is the imported and domestic merchandise mingled?				
2. Observe the receipt, unpacking, and inventory procedures exhibited during the receipt and unloading of a shipment of merchandise at the importer's premises. Are the importer's internal control procedures adequate? Is the receiving report reconciled with the commercial invoice, purchase order and packing list.				
3. On a sample basis, trace and reconcile imported merchandise quantities on import entry and accompanying commercial invoices to the respective receiving reports and inventory records. Compare with gate passes, material receipt notes, off loading records				
4. Select a receiving report with an acknowledged shortage and/or excess for review. Determine if excess and shortages are reported to Customs, the foreign exporter; and incorporated into purchases, inventory and payable records.				
5. Does the importer dispose off obsolete inventory by exporting it back to the original seller or receive credit from the seller when the merchandise is destroyed locally.				
6. Does the importer store any imported product in a bonded warehouse, foreign trade zone, or other location where duty is paid upon withdrawal of the imported merchandise?				
* Any other activity relevant to the program.				

Audit Program for Origin

AUDIT ACTIVITIES				
The risks in this field consist of:- Abuse of the preferential tariffs (i.e. declaring a false origin of the goods imported in order to obtain the tariff benefits which the preferential origin confers) or to avoid other restrictions by declaring a false origin. The auditor should check carefully if the origin has been correctly declared.				
1. Check in the database system the origin declared in the SADs of the products imported.				
2. Obtain an overview of the origins of the products and of the products in which the company benefits from preferential tariffs. The auditor should pay particular attention to:- (a) Products where the country of origin declared in the SADs has changed in the recent past. (b) Cases where the country of origin declared is close to countries for which restrictions have been introduced for identical goods. (c) Cases where goods are imported from geographical areas with origin related risks.				
3. The auditor should verify the presence and validity of the proof of origin and compare the origin with that declared on the SADs and the invoices.				
4. Compare the goods imported with the proof of origin presented (i.e. match the nature and quantity of the goods imported with those stated in the proof of origin).				
5. Check whether preferential documents have been issued after the goods were imported.				
6. Study the forwarded documents in order to verify the direct transport rule.				
7. The auditor should check (for example through the bill of lading) that the goods have been transported directly from the declared country of origin to the country of importation. If the goods imported pass through the territory of a third country, the auditor should check if the conditions of direct transport have been fulfilled. This could be by a single transport document				

AUDIT ACTIVITIES				
covering the passage of the goods through the country of transit issued by the authorities of that country.				
8. Verify any product markings that may indicate the country of origin (for example barcodes). The auditor should also verify if there are marks on the packaging relating to the product's origin (for example, look for marks on cartons).				
9. Check if the country of dispatch is inconsistent or in some way incompatible with the country of origin.				
10. Check whether the supplier/manufacturer/exporter has been entered as a creditor. Check also whether there are suppliers with similar names in non-preferential countries in case these are the actual suppliers of the goods.				
11. Check where and to whom payments for the goods have been made.				
12. Verify if the origin certificates fulfils all of the requirements. Where necessary, at random or when there are reasonable doubts, request verification of the origin evidence by the issuing authorities.				
13. Check if the importer is also importing the same type of goods from non preferential countries.				
14. If possible, assess the doubtful production capacity for the product in the country stated as the country of origin.				
* Any other activity relevant to the program.				

Audit Program for Export and Re-Export

AUDIT ACTIVITIES				
Export and re-exports- risks The main risks associated with exports/re-exports include:				
1. The export/re-export procedure may have been finalized to evidence export/re-export of goods but the actual exit of goods never took place.				
2. Operators can also make an incorrect export /re-exports declaration by over-declaring the value, so that the VAT refund will be more than is otherwise due.				
3. Also if operators over-declare the quantity of goods exported, those goods can be re-entered into the Country without payment of all taxes.				
Tests to be carried out				
1. Select some export/re-exports declarations and match them with the account records or begin with the analysis of the operator's account records, selecting some for a subsequent match with the customs declarations.				
2. The auditor should verify the actual exit of goods from the warehouse or other premises of the operator, by analyzing procedures from the time the goods were ordered until their shipment. It may also be useful to gather documents relating to the exit note from the warehouse and its record in the accounting system. In this phase, the auditor can draw a flow chart of the operator's procedures.				
3. The auditor should also verify records of goods leaving the warehouse and match these exits with the relevant customs declarations.				
4. In order to address and control the risks of over-declared value in export, the auditor may compare the declared invoiced value of the goods with the prices of similar types of goods as sold in the local market.				
5. Suppliers' and/or clients' orders, invoices or production orders should be checked in order to determine if the goods exported have the same quality, quantity and value as those declared for export.				
6. Auditors should confirm that the goods declared for export are paid for, and that the payment is recorded in the operator's accounting system. Also, bank transfers in clients' accounts should be checked and the amounts matched with the customs value				

AUDIT ACTIVITIES				
declared.				
7. When the exporter is also the producer of the goods, the auditor must verify if, at the time of the export, s/he has sufficient stock available.				
8. The auditor should also search for information concerning the transport route of the goods as declared to Customs. This can be done both by reference to databases, and in the records of the transport company. If the transport of the goods is undertaken by the exporter, records concerning the means of transport can be analyzed in order to confirm that the transport actually took place. In cases where an external transport company was used, auditors should verify from the transport documents if the related payment invoices are accounted for and if the payments have really been made. Auditors also need to perform cross-checks in the transport companies to certify that the transport actually took place. When analyzing transport documents, the auditor should also determine if the quantities of the goods declared to Customs match what is given in these documents.				
9. In case of doubt, auditors should ask for mutual assistance from the country of destination.				
* Any other activity relevant to the program.				

Audit Program for Temporary Importation and Exportation

AUDIT ACTIVITIES				
Customs procedures – temporary importation The main risk is that goods under temporary import never leave the country after expiry of period granted and as a result, no customs duty is collected.				
Tests to be carried out – temporary importation				
1. For such importations, auditors should check if the procedure for temporary importation is completed according to the law (section 117 of EACCMA, 2004).				
2. Verify the import with the export by comparing tariff classification, there is always a risk that different commodity codes could be used either on import or export for the same goods. Further compare value and quantities of imports and exports.				
3. The identity of the exported goods should be verifiable. If the procedure is not completed, check if the time limit has passed. Auditors should also check if the reasons given actually correspond to the facts as declared, and that there has been no processing of the goods and no manufacturing in which they were used.				
Note: When temporary importation is made, usually the importer is not the owner of the goods. Therefore, information about these goods may be more difficult to find in the accounting systems. What can be found is information concerning transportation of the goods, depending on the terms of delivery.				
1. Verify that the export has taken place by checking export documents. It is also possible to compare the quantities of the exported goods with the quantities when they were temporarily imported.				
2. The auditor should check the accounts for services such as loan of machines, leases, and others. Because these may disguise the presence of goods which should be declared as temporarily imported. The auditor should also check if the goods have been entered in the accounts of the importer as a normal purchase of goods, as this could suggest that the goods will stay in the country.				
Customs procedures – temporary exportations				

AUDIT ACTIVITIES				
1. The main risk is that value addition on temporarily exported goods is not declared to Customs upon re-importation leading to no collection of customs duty where applicable.				
Tests to be carried out – temporary exports				
1. Test whether any import duty to which the goods were liable prior to their exportation has been paid.				
2. Test that duty drawback or refund of any such import duty was not allowed on exportation				
3. Test that any temporarily exported goods have not been subjected to any process after being exported. If processed, test that their form or character has not changed and that on re-importation they are not liable to ad valorem duty.				
4. Test that notice of temporary exportation was given in writing to the proper officer. Test further, that on re-importation such goods are availed to the proper officer for inspection at the port or place of temporary exportation				
5. Test whether on re–importation the goods have undergone some process increasing their value or changing their character and form making them liable to duty. Test that duties have been collected on value attributable to the process. Generally, such value shall be taken to be the amount of such increase.				
* Any other activity relevant to the program.				

Audit Program for Exemption

Relief from payment of taxes can be claimed in a number of different situations. Eligibility to claim exemption can be dependent upon the value of the goods, whether duty has previously been paid or the circumstances under which the goods are being imported.

To ensure exemptions were in accordance with the law, regulations and procedures and that the goods subject to exemption were used for intended purposes. Incorrect claims for duty exemption can result in non-payment of taxes.

AUDIT ACTIVITIES				
1. Auditors should check if the authorization produced covered the goods in question. Note that when an importer has claimed a full or partial exemption of duty/tax, the goods in question should include an exemption authorization (for example an approval letter) from the competent authority allowed to legally grant such exemptions.				
2. Conduct physical existence of goods on which exemption was granted and confirm whether they are being used for the intended purposes. However, physical tally may not be possible for consumables.				
3. Auditor should verify the eligibility of exempted person.				
4. Auditor should verify if the CPC used for exempted goods in the SAD corresponds with authorization.				
5. The auditor should check if the commodity code declared matches the description entered in the SAD, invoice and the authorization.				
6. Auditors to check the quantities declared (weight, number or value) are correct and there is a sufficient balance covered by the authorization and that the authorization has been endorsed where applicable.				
7. Verify the quantity approved for exemption with actual quantities requested for exemption.				
8. Auditor to verify the import license/permit incase the importation of the goods require such conditions (for example medicine).				
9. Auditor should ensure that granting of exemption is limited to goods that qualify for exemption.				
* Any other activity relevant to the program.				

Appendix 12

Refund is the repayment of duty/tax or part thereof paid in respect of goods that have been damaged or pillaged during voyage or destroyed while subject to Customs control. It also includes repayment of duty/tax paid in error or on goods in respect of which an order remitting or exempting such duty/tax has been made.

A) Refund of taxes for products delivered for use by exempt persons

The objective is to ensure compliance with all customs procedures related to refunds for goods used by exempt person

ITEM	ACTION				
1.1 (A) AT OFFICE					
1. Auditor obtains client's file.	Read/review client's file to update knowledge of client's records.				
2. Establish what goods are imported and exempted from duties and taxes.	Verify Customs refund claim and ensure that the application for refund is within a period permitted from the time when delivered was made. Auditor should clearly understand as a general rule that under the system of PAY FIRST and REFUND LATER, the amount of refund claim should not exceed the actual amount of tax paid up-front.				
3. Auditor obtains documents required for processing of refunds.	Obtain the following documents: - (a) Customs entry (b) A copy of purchase order duly approved by Commissioner for Customs. (c) Covering letter issued by the Commissioner for Customs, which shows quantities, the necessary conditions to be adhered to, accountability of products and others. (d) An exemption authority such as EAC Gazette. (e) An endorsement by supplier showing the quantities delivered. (f) Original or duly certified delivery order/note. (g) Evidence of receipt and accounting of the product by beneficiary. (h) Tax invoice including payment receipt. (i) For cases that involve big quantities, a confirmation by supplier as to payment of taxes is required by way				

ITEM	ACTION				
	of attachment of tax payment receipts.				
	(j) Confirmation letter from Customs officer of the recipient region where goods reached the intended destination. (k) An analysis from exempted beneficiary showing how goods were consumed.				
4. Auditor identifies areas of risk and plans for an audit visit.	After reviewing client's file including the previous audit reports and examining documents for processing of refunds, the auditor should decide on risks and tests to be conducted using **part C** below as a guide.				
(B) AT CLIENT PREMISE					
1. Review the questionnaire	Review to ensure details recorded are current. Seek confirmation for the refund claims on goods imported and subsequently used by exempt persons.				
2. Client's records	Identify and obtain all current registers, cash books, bank statements, telegraphic transfers, financial statements, an analysis showing how goods have been used. Confirm records contain required information sufficient to allow for proper checking.				
3. Audit trail	Ensure there is a clear audit trail from the receipt of goods to end-use by establishing a cut-off point and conduct reconciliation.				
4. Other pertinent records	Identify and obtain any other records required to complete the audit tests.				
5. Losses.	Confirm losses, if any from the police and whether compensation against the losses has been received from an insurance company.				
(C) TESTING: REFUNDS					
1. Risk: Are all the goods received recorded?	Check the client's records. Ensure receipt is recorded in the stock register.				
2. Risk: Is there any	Any identified transfers of goods without				

ITEM	ACTION				
transfer of ownership without official permission?	proper official instructions to be treated as a discrepancy.				
3. Risk: Were exempted goods used for the intended use?	Obtain confirmation from client management. If possible physically verify the site where the goods were consumed.				
4. Risk: Is actual consumption at the site reasonable?	Applicable mostly for mining and construction companies. Auditor should have technical expertise in this area. Some companies used to tender at higher rate for the standard consumption of their plants, equipments, machinery and vehicles. Try to obtain manufacturer standards for normal consumptions. Compare the actual consumption against manufacturer and tendered standard and establish any variance. Report for any anomaly				
5. Risk: Does the amount claimed for refund exceed the amount of tax already paid?	Auditor should be aware that in any case the claimed amount should not exceed the amount of tax that was paid at the time of purchase from the supplier. It is the duty of the applicant to carefully prepare his refund claim to avoid variations.				
6. Risk: Was the refund appropriately approved?	Confirm that the approval was genuine.				
7. Risk: Was the refund claim submitted within the allowed statutory period?	Ensure that the application for refund claim is within the statutory period.				
8. Risk: Are client's records reliable?	Identify and obtain all client records used to support the claim.				
9. Risk: Are	Care must be taken to ensure that any				

ITEM	ACTION				
previous refund claim documents used in subsequent claims?	document and attachments that might have been used in processing a previous refund claim are not used in any subsequent claims.				
10. Risk: If the company is using weighing machines, pumps among others, are they calibrated at least once a year?	Discuss with management concerning the issue of calibration. Obtain calibration certificates that are issued by calibrating agencies.				
11. Any other Risks identified and tested (specify details).					

B) Duty drawback scheme

The objective is to ensure correct refund of all or part of any import duty paid in respect of goods exported or used in a manner or for a purpose prescribed as a condition for granting duty drawback.

ITEM	ACTION				
(A) AT OFFICE					
1. Auditor obtains client's file.	Review client's file to understand client's business. Ensure that the client is approved by the Commissioner under duty drawback scheme.				
2. Ensure that the application for refund is within the permitted period.	Ensure that the application for refund is within the permitted period from the date of the exportation of the goods or the performance of the conditions on which duty drawback may be allowed. In case of damaged goods or pillaged during the voyage or damaged or destroyed while in Customs controls or import or export duty which has been paid by error, the refund amount must be claimed within the statutory period from the date of payment of duty.				

ITEM	ACTION				
3. Auditor obtains the following documents for verification.	Obtain and verify the genuineness, accuracy and completeness of the following documents: - (a) Documents showing production formula of the product exported. (b) SADs both for import and export. (c) Input tax receipts. (d) Export invoice. (e) Landing certificates issued by Customs department/any other issuing authority of the country to where the goods have been exported. (f) Airway bill/bill of lading/consignment note for export of goods. (g) Any other document relevant for the verification.				
4. Auditor should identify areas of risk to be tested.	After reviewing client's file, and examining documents for processing of refunds, the auditor should decide on risks and tests to be conducted using **part (C)** below as a guide. Previous reports, if any, may also be reviewed for indications of risk and/or outstanding issues.				
(B) AT CLIENT PREMISES					
1. Review the questionnaire	Review to ensure details recorded are current.				
2. Client's records	Identify and obtain all current records/information such as stock requisition, orders or any relevant manufacturing records.				
3. Audit trail	Ensure that there is a clear audit trail from the importation of materials used in the production to the final product. Seek information for the refund claims on materials imported and subsequently exported by verifying Customs refund claim forms and attachments.				
4. Check on manufacturing process.	Verify documents showing production formula for the products exported and seek opinion from competent authority.				
5. Duty drawback goods.	Check if the goods entered were properly declared with the correct tariff codes				

ITEM	ACTION				
6. Wastage/loss.	Confirm wastage/loss calculations. Seek evidence to support client's declaration (including physical examination and/or sampling if possible).				
7. Rate of yield	Confirm the rate of yield.				
8. Completeness of records.	Confirm who is responsible for the maintenance of records.				
	Establish how client's records are updated.				
	Confirm if client records contain required information sufficient to allow proper review.				
1.2 (C) TESTING: DUTY DRAWBACK					
1. Risk: Are all received goods recorded?	Compare Customs declarations with client records. Ensure SAD details correspond to entries in stock records.				
2. Risk: Have goods been used for the prescribed purpose?	Trace issuance of goods to manufacturing records. Check for unusual issuances, excessive wastage claims and/or transfers/sales to other companies.				
3. Risk: Transfer of ownership without official permission?	Any identified transfers of ownership of goods without proper authority or contrary to duty drawback instructions to be treated as a discrepancy.				
4. Any other Risks identified and tested (specify details).					
(D) TESTING PHYSICAL STOCK					
1. Stock balances.	Identify stock balances that are to be physically verified.				
2. Physical stock count.	Auditor should identify individual stock, count and enter details onto stock testing sheets. **N.B.** Auditor must be accompanied by a client's representative throughout stock count.				

ITEM	ACTION				
	Each stock sheet must be completed, signed and dated by both the auditor and the client's representative. The client representative must affix a stamp on the stock sheet.				
3. Identification of discrepancies	Physical balances to be checked against stock record balances and any discrepancy identified investigated and reported.				
4. Treatment of discrepancies.	The following discrepancies should result in a demand for duty/penalties being issued to the client:- (i) Stock shortages (ii) Time expired goods (refunds to be claimed within statutory limit). (iii) Prohibited goods (iv) Diverted goods (v) Transfers without proper authorization.				
(E) PROOF OF EXPORT					
1. Proof of exportation.	Auditor should ensure evidence supporting the exportation is availed. **N.B** Only original or certified copies of original documents should be accepted.				
2. Time limits	Confirm that application for refund was submitted within the prescribed time limit.				
3. Review of export records	Check that client's records support the information recorded as export in accordance with official requirements.				
F) ACTION ON DISCREPANCIES CONTRARY TO EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT, 2004 & REGULATIONS					
Identification of discrepancy and action taken **(to be clearly cross-referenced to working papers)**					
Discrepancy			**Penalty/ Offence provisions**		

ITEM	ACTION				
1. Sells or disposes of goods entered under duty drawback of duty without obtaining official permission or paying the duty.			**Section 210(h)**		
2. Uses goods entered under duty drawback otherwise than in accordance with the item under which entry was made.			**Section 203(g)**		
3. Moves goods to non-registered premises for further processing or operation without official permission.			**Section 210(f)**		
4. Diverts goods entered under duty drawback without official permission, to a destination other than that declared on the SAD or such delivers goods or causes such goods to be delivered contrary to the provisions of the EACCMA, 2004.			**Section 210(f)**		
5. Goods retained in duty drawback store for a period longer than period allowed without official permission.			**Section Sect. 78(1)**		
6. Fails to produce a stock record as officially may require.			**Section 204(a)**		
7. Fails to maintain a proper/complete record of all receipts into or out of the duty drawback warehouse**.**			**Section 204(a)**		
8. Detail other discrepancies. (Specify details)					

Audit Program for Duty Remission Scheme

Remission is a scheme whereby duty is diminished in respect of goods imported for use in the manufacture of goods for export or in the manufacture of approved goods for home consumption as the council may announce in the gazette.

The objective is to ensure that procedures on remission of duty scheme are being adhered to as per laws and regulations.

ITEM	ACTION				
(A) AT OFFICE					
1. Auditor obtains client's File.	Review client's file to update knowledge of client's records. Check if the remission of duty was granted as per section 140 of EACCMA, 2004.				
2. Ensure that the claim does not exceed the time limit.	Proof the valid period of remission of duty granted to client by the council.				
3. Auditor obtains following documents for verification.	Obtain and verify the genuineness, accuracy and completeness of the following documents:- (a) Single bills of entry/ SAD both for import and export. (b) Airway Bill/Bill of Lading/ (c) Consignment note for importation and exportation of goods. (d) Input tax receipts. (e) Import and export invoices. (f) Landing certificates issued by customs department of the country to where the goods have been exported. (g) Other document that the auditor may think relevant for the audit.				
4. Auditor plans audit visit including identifying areas of risk to be tested.	After reviewing client's file, and examining documents for processing of refunds the auditor should decide on risks and testing to be conducted use **part (C)** below as a guide. Previous reports are to be read for indications of risk and/or outstanding issues.				
5. Management	Review audit plan (risks & areas to be				

ITEM	ACTION				
agreement.	tested) with supervisor. Obtain supervisor's sign approval.				
(B) AT CLIENT PREMISES					
1. Confirming contents of questionnaire	Review the questionnaire to ensure details recorded are current.				
2. Client's records	Identify and obtain all books and records relating to: - (a) Locally sourced goods (b) Goods imported by the manufacturer (c) Goods received by the manufacturer by way of transfer				
3. Audit trail	Ensure that there is a clear audit trail from the importation to the final product either for export or home consumption.				
4. Bond security	It is a condition that all goods imported and used in the manufacture of goods for export shall execute a bond security. Auditor should ensure that: - (a) A bond executed cover the entire quantity approved. (b) The bond security has been cancelled upon proof of exportation, payment of duty and penalty where the imported goods were used in the manufacture of goods that were not exported, Commissioner approved the transfer of the goods to another person or there is proof of destruction of the goods under the supervision of a proper officer.				
5. Other pertinent records	Identify and obtain any other records required to complete the test program.				
6. Goods whose duty is remitted.	Check that goods exported were correctly declared and properly classified. Check that goods entered for home use were correctly declared and properly classified.				
7. Returns	Check if the client submits returns timely.				
8. By-products, waste or scrap	Ensure that duty is paid for any by-products, waste or scrap if entered for home consumption unless they have been				

ITEM	ACTION				
	exported or destroyed.				
9. Completion of records.	Confirm who is responsible for the maintenance of the records.				
	Establish how client updates his/her records				
	Confirm if client records contain required information sufficient to allow for proper checking.				
1.3 **(C) TESTING: REMMISION**					
1. Risk: Are all received goods recorded?	Test from Customs records to client records to ensure receipt of goods is properly recorded.				
2. Risk: Have goods been produced as directed by approving authority?	Trace issues of goods to manufacturing records. Check for unusual issues, excessive wastage claims or transfers and sales of approved goods for home consumption.				
3. Risk: Transfer of ownership without approval?	Any identified transfers of ownership of goods without proper approval or contrary to duty remission scheme instructions should be treated as a discrepancy.				
4. Any other risks identified and tested (specify details).					
(D) TESTING: PHYSICAL STOCK					
1. Identifying stock balances.	All stock balances in stock records are to be clearly highlighted and the auditor is to initial and date.				
2. Physical stock count.	Auditor to identify individual stock, count and enter details onto stock testing sheets. **NOTE** Auditor must be accompanied by a client's representative throughout the stock count. Each stock sheet must be signed and dated by both the auditor and the client's representative. The client representative must affix a stamp on the stock sheet.				
3. Closed accounts in stock records.	Closed accounts are to be crossed through, signed and dated, by the auditor.				
4. Identification of discrepancies	Physical balances should be checked against recorded stock balances and discrepancies identified.				

ITEM	ACTION				
5. Treatment of discrepancies	Stock shortages, unauthorized goods, diverted goods and transfer of goods to other manufacturer without approval shall result in a demand for payment of duty/penalties from the client.				
(E) PROOF OF EXPORT					
1. Proof of Export	Auditor should ensure that export documents are obtained from the client and verified. **N.B** Only original or certified copies of original documents to be accepted.				
2. Time limits	Confirm from the Gazette whether the client is allowed to manufacture under duty remission scheme and confirm the time limit.				
3. Client's records	Identify and obtain all client records used to support exportation.				
4. Treatment of discrepancies	Auditors should ensure that the identified discrepancies are satisfactorily explained by the client. Unexplained discrepancies should be discussed with the supervisor for decision on the issue of assessment of taxes and penalties.				

(F) ACTION ON DISCREPANCIES CONTRARY TO EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT, 2004 & REGULATIONS			
Identification of discrepancy and action taken **(to be clearly cross-referenced to working papers)**			
Discrepancies	**Penal Provision**		
1. Obtains any remission of duty which to the best of the client's knowledge is not entitled to obtain.	**Sect. 203(d) of EACCMA, 2004**		
2. Any goods in respect of which remission of duty has been unlawfully obtained.	**Sect. 210(h) of EACCMA, 2004**		
3. Imported goods that are not used in the manufacture of goods for export or where the goods so manufactured are not exported**.**	**Sect. 7(3) of duty remission regulations**		
4. Failure to submit returns as required by EAC CMA Duty Remission Regulation.	**Sect. 7(3) of duty remission regulation**		
5. Fails to produce a stock record as may be required officially.	**204(a)**		
6. Fails to maintain a proper/complete record.	**204(a)**		
7. Details other discrepancies (Specify details)			

Audit Program for Custom Bonded Warehouse

The objective of this program is to ensure that movement of goods and duties due have been accurately recorded and accounted for.

ITEM	ACTION				
(A) AT OFFICE					
1. Auditor obtains client's records.	Obtain client's records from archive or Customs database.				
2. Desk audit	Review client's records to check if goods were properly accounted for.				
3. Auditor plans audit visit including identifying areas of risk to be tested.	After reviewing client's file and examining client's records, decide on risks and tests to be conducted. **Refer part (C) below**. Previous reports are to be read for indications of risk and/or outstanding issues.				
4. Management agreement	Review audit plan (risks and areas to be tested) with supervisor. Obtain supervisor's or manager's approval				
5. Arrange visit to client.	Decide on announced or unannounced visit.				
(B) AT CLIENT PREMISES					
1. Confirm contents of questionnaire	Ensure details recorded are current.				
2. Client's records	Identify and obtain all clients' records (for warehousing and ex-warehousing). Ensure that bond security cover the goods in the warehouse at any point in time.				
3. Other pertinent records	Identify and obtain any other records required to complete the test program.				
4. Completion of records	Confirm that records kept are sufficient in relation to warehousing and ex-warehousing of goods.				
	Establish how client updates the records.				
	Confirm that records contain required information sufficient to allow proper checking.				

ITEM	ACTION				
(C) TESTING: WAREHOUSE RECORDS					
1. RISK: Are all warehoused goods recorded?	Test from Customs records to client records to ensure receipt detailed declared in SAD details on Customs records correspond to entries in warehouse records.				
2. RISK: Are all ex-warehoused goods recorded?	Test from Customs records to client records to ensure removal details on SAD correspond to entries in warehouse records.				
3. RISK: Goods disposed off prior to SAD being passed.	Test to ensure no goods were removed from warehouse on a date prior to that shown on ex-warehouse.				
4. RISK: Loss of stock in the warehouse.	Ensure stock balances in the warehouse agree with balances shown in the Customs database system.				
5. RISK: Transfer of ownership without official permission.	Any identified transfers of ownership of goods without proper official consent to be treated as a discrepancy.				
6. Any other Risks identified and tested (specify details)	Auditors to ensure other identified risks are tested.				
7. Results of testing and challenge of identified discrepancies.	Auditors to ensure identified discrepancies are satisfactorily explained by the client. Unexplained discrepancies are investigated and noted for further action.				
(D) TESTING: PHYSICAL STOCK					
1. Stock balances	Identify stock balances that are to be physically verified.				
2. Physical stock count	Auditor to identify individual stock, count and enter details onto stock counting sheets. **N.B** Auditor must be accompanied by a client's representative throughout the stock count. Each stock sheet must be signed and dated by both the auditor and the client's representative. The client representative should affix a stamp on the stock sheet.				
3. Warehouse arrangement	Auditor should ensure that stock is well arranged to facilitate the whole exercise of stock count.				
4. Opened	Identify any containers/boxes opened				

ITEM	ACTION				
containers (boxes)	without official permission. Auditor or any proper officer should ensure that Customs seals are available should they wish to conduct any internal examinations.				
5. Identification of discrepancies	Auditor should mark on stock testing sheets any surplus or shortages of physical stock.				
6. Challenge of discrepancies	**Surplus stock** If satisfied that duty has been paid, goods must be removed from the warehouse. **Surplus stock** If no duty has been paid, either arrange for transfer of goods to Customs Warehouse or demand payment of duty. **Stock shortages** Demand for payment of duty/penalty. **Stock in excess of time limits** If satisfied that the goods were held in Warehouse for a period longer than prescribe without official permission, demand for payment of duty and interest.				

E) ACTION ON DISCREPANCIES CONTRARY TO EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT, 2004 & REGULATIONS		
Identification of discrepancy and action taken. **(to be clearly cross-referenced to working papers)**		
Discrepancy	**Penalty/ Offence provisions**	
1. Section 64(1)(c) Failure to stack and arrange the goods in the bonded warehouse so as to permit reasonable access to and examination of every package at all times.	**Section 64(2)**	
2. Section 67(1) Failure to produce on request, to the proper officer all goods deposited in bonded warehouse.	**Section 67(2) and (3)**	
3. Section 57(1) Goods retained in Warehouse for a period longer than prescribed period without official permission.	**Section 57(2)**	

4. Section 60(1) Failure to remove goods from warehouse 14 days after entry for home consumption or sold in accordance with this Act.	**Section 60(3)**	
5. Section 60(2) Failure to remove goods from warehouse 30 days after entry for export	**Section 60(3)**	
6. Section 64(1)(b) Failure to keep records of all goods warehoused and keeps such record at all times available for examination by the proper officer.	**Section 64(3)**	
7. Section 235(1)(a) Failure to produce the required documents for warehousing of goods.	**Section 204 and 209**	
8. Section 61(a) Takes, or causes or permits to be taken, any goods from any warehouse otherwise than in accordance with this Act.	**Section 61**	
9. Section 61(b) Failure to carry into and deposit in the warehouse, any goods entered for warehousing.	**Section 61**	
10. Section 61(c) Willfully destroys or damages any warehoused goods otherwise than in circumstances specifically provided for in EACCMA, 2004.	**Section 61**	
11. Sections 59(2) and (3) Access to warehouse without proper permission.	**Sections 59(2) and Section 59(3)**	
12. Section 48(4) Failure to take goods to the warehouse for which they were entered for within fourteen days.	**Section 48(5)**	
13. Section 51 (1) Repacking, skipping, bulking, sorting, lotting, packing, taking of samples by the owner, changing the name of the owner of goods and assembling or manufacturing without commissioner's permission.	**Section 51 (2)**	
14. Section 53 (1) Delivery from warehouse in special circumstances without payment of duties and taxes.	**Section 53 (2)**	
15. Section 62 Contravention of terms of license.	**Section 62 (8) and 209**	

Audit Program for Manufacturing under Bond – MUB

The objective of this program is to ensure that rules, regulations and procedures for MUB are adhered to.

ITEM	ACTION				
(A) AT OFFICE					
1. Auditor obtains client's file.	Obtain client's records from archive or Customs database.				
2. Desk audit	Review Client's file to update knowledge of client's business. Ensure copy of process/instruction manual is available.				
3. Management agreement.	Review audit plan with team leader/manager. Obtain supervisor/manager approval				
4. Arrange visit to client	Decide on announced or surprise visit.				
(B) AT CLIENT PREMISES					
1. Establish client's controls	Identify who is responsible for completing company returns. How the information is obtained for the return. Establish controls that are in place to ensure accuracy and timely submission of the returns.				
2. Identify company records	Ensure all relevant records are made available to allow proper testing to be conducted.				
3. Explanation of records.	Ensure responsible client's staff explain make up of records and how they relate to the MUB returns.				
4. Transfer of ownership of goods	Ensure applicable procedures have been followed.				
5. Movement of goods between bonded warehouses.	Ensure applicable procedures have been followed.				
6. Quarterly MUB return testing	Follow the verification procedures as laid out in the MUB process/instructions manual, examination, programs /procedures.				

ITEM	ACTION				
7. Results of testing	Ensure all identified discrepancies are recorded.				
8. Clarification from client	Ensure identified discrepancies are satisfactorily explained by the client. Unexplained discrepancies to be noted for further action.				

(C) ACTION ON DISCREPANCIES
CONTRARY TO EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT, 2004 & REGULATIONS

Identification of discrepancy and action taken. **(to be clearly cross-referenced to working papers)**

Discrepancy	Penalty/ Offence provisions	
1. Section 160 (6) Use or permit premises to be used for manufacturing under bond without a license, or contravention of the terms of the license.	**Section 160 (6)**	
2. Section 161 (2) (a) Make use of a building, room, place or item of plant in relation to which entry is required under this section unless there is, in respect thereof, a valid entry in the course of manufacturing.	**Section 161 (3) and 209**	
3. Section 161(2) (b) Effecting an alteration in shape, position or capacity to a building, room, place or plant without prior permission of the Commissioner.	**Section 161 (3) and 209**	
4. Section 163(1) (a) Failure to provide office accommodation and just weights, scales, measures and other facilities for examining and taking account of goods and for securing them as the proper officer may reasonably require.	**Section 163(2),163 (3) and 209**	
5. Section 163(1)(b) Failure to keep a record of all types of plant, machinery and equipment, raw materials and goods manufactured in the factory and keep that record at all times available for examination by the proper officer.	**Section 163(2) and (3) and 209**	
6. Section163 (1)(c) Failure to provide all necessary labour and materials for the storing, examining, packing, marking, coopering, weighing and taking stock of the goods in the factory whenever the proper officer so requires.	**Section 163(2) and 163(3) and 209**	
7. Section 164(1) Failure to enter and deliver plant, machinery, spares and imported raw materials to the bonded factory within prescribed period and subject to such conditions as the Commissioner may prescribe.	**Section 164(1) and (3) and 209**	
8. Section 164(2) Failure to export or enter for home consumption manufactured goods within such time and subject to such conditions as the Commissioner may impose.	**Section 164(3) and 209**	

ITEM	ACTION				
9. Section 166(3) Disposal of raw materials or manufactured goods from a bonded factory, within the Partner States, whether on payment or not, or acquisition, keeping, concealing of raw materials or manufactured goods from a bonded factory without the permission of the Commissioner.			**Section 166(3)**		
10. Details other discrepancies (Specify details).					

Audit Program for Export Processing Zones –EPZ and Free Ports

Export Processing Zone refers to a designated part of Customs territory where any goods introduced are generally regarded, in so far as import duties and taxes are concerned, as being outside Customs territory but are restricted by controlled access.

Free port refers to a port where goods are entered free of customs, the goods are usually for re- export.

The objective of this program is to ensure that rules, regulations and procedures for an Export Processing Zone or Free Port are adhered to.

ITEM	ACTION				
(A) AT OFFICE					
1. Auditor obtains Client's files.	Obtain client's records from archive or Customs database.				
2. Desk Audit	Read/review client's records to update knowledge of client's history for example financial statements, manufacturing accounts, VAT returns and others.				
3. Auditor obtains records	Obtains and verifies the genuineness, accuracy and completeness of importation and exportation records including any other relevant records for the audit.				
(B) AT CLIENT PREMISES					
1. Establishing Questionnaire	Complete to ensure details recorded are current.				
2. Establish client's controls	Identify who is responsible for completing company returns. How the information is obtained for the return. Ensure controls are in place for accuracy and timely submission of the returns submitted to proper authority.				
3. Identify company records	Ensure all relevant records are made available to allow proper testing to be conducted.				
4. Explanation of records	Ensure responsible client's staff explain how records are prepared and how do they relate to the EPZ returns (reconciliation).				
5. Quarterly EPZ returns testing	Follow the verification procedures as laid out in the regulation and ensure that the				

ITEM	ACTION	W/P REF	INITIALS	DATE	SUPERVISOR'S COMMENTS
	client timely submit the returns.				
6. Audit trail	Ensure there is a clear audit trail from the import to the final product either for export or for home consumption. Ensure that client does not exceed the percentage allowed for goods sold locally (deemed exported to Customs Territory).				
7. Import and export procedures	Check goods being entered for home use (deemed exported to Customs territory) are correctly declared and properly classified and duties and taxes paid. Check goods being exported are correctly declared and properly classified				
8. By-products, waste or scrap	Ensure proper procedures are followed on goods declared as by-products, waste or scrap.				
9. Results of testing	Ensure identified discrepancies are recorded.				
10. Clarification from client.	Ensure the identified discrepancies are satisfactorily explained. Unexplained discrepancies to be noted and reported.				
(C) TESTING OF RISK					
1. Risk: Are all receipts recorded?	Test from Customs records to client records to ensure receipt of goods is properly recorded.				
2. Risk: Are goods being produced as directed by the approving authority?	Trace issues of goods to manufacturing records. Check for unusual issues, excessive wastage claims and/or transfers/sales of approved goods for home consumption.				
3. Risk: Transfer of ownership without official permission?	Any identified transfers of ownership of goods without following proper procedure or approval should be treated as a discrepancy.				
4. Risk: Goods declared for export outside Customs territory might be diverted into local market	Auditors to ensure all goods declared for export are actually exported				
5. Risk: Non-payment of duties	Auditors to ensure payment of full duties and taxes for goods sold into the Customs				

ITEM	ACTION				
and taxes for the goods sold into the Customs territory (deemed exported).	territory (home use).				
6. Risk: Operating without necessary guarantees of compliance	The auditor to ensure that the client provide for audit necessary guarantees from carrying on any activity in an EPZ.				
7. Any other risks identified and tested (specify details)					
(D) TESTING PHYSICAL STOCK					
1. Identifying stock balances.	All stock balances in stock records are to be clearly highlighted and the auditor has to initial and date.				
2. Physical stock count.	Auditor to identify individual stock, count and enter details onto stock testing sheets. NOTE A client's representative must accompany the auditor throughout the stock count. Each stock sheet must be signed and dated by both the Auditor and the client's representative. The client's representative must affix a stamp on the stock sheet.				
3. Identification of discrepancies	Physical balances to be checked against recorded stock balances and discrepancies identified.				
4. Treatment of discrepancies	The following discrepancies should result in a demand for duty/penalties being issued to the client: - (a) Stock shortages (b) Prohibited goods (c) Diverted goods (d) Transfer of goods to other manufacturer without approval.				
(E) PROOF OF EXPORT					

ITEM	ACTION	W/P REF	INITIALS	DATE	SUPERVISOR'S COMMENTS
1. Proof of export	Auditor should ensure that export documents are obtained from the client and verified. **N.B.** Only original or certified copies of the original documents should be accepted.				
2. Client's records	Identify and obtain all client records used to support/prove exportation.				
3. Treatment of discrepancies	Auditors should ensure that identified discrepancies are satisfactorily explained by the client. Unexplained discrepancies should be discussed with Supervisor for decision on the issue of assessment for duties and taxes and/or penalties.				

F) ACTION ON DISCREPANCIES CONTRARY TO EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT, 2004 & REGULATIONS			
Identification of discrepancy and action taken. **(to be clearly cross-referenced to working papers)**			
Discrepancy	**Penalty/ Offence provisions**		
1. Section 168(1) Removal of goods from an export processing zone including waste from the manufacturing process to be entered for home consumption against commissioner's imposed conditions and payment of duties.	**Section 168(3)**		
2. Section 168(2) Failure to determine the duty on goods removed from an export - processing zone in accordance with **Section 122**.	**Section 168 (3)**		
3. Section 168(4) Removals of goods from Export Processing Zones without the authority of the commissioner.	**Section 168 (4)**		

ITEM	ACTION	W/P REF			
4. Section 169(2)(a) Failure to provide office accommodation and just weights, scales, measures and other facilities for examining and taking account of goods and for securing them as the proper officer may reasonably require.			**Section 169 (3)**		
5. Section 169(2)(b) Failure to keep a record of all types of plant, machinery and equipment, raw materials and goods manufactured in the factory and keep that record at all times available for examination by the proper officer.			**Section 169 (3)**		
6. Section 169(2)(c) Failure to provide all necessary labour and materials for the storing, examining, packing, marking, coopering, weighing and taking stock of the goods in the factory whenever the proper officer so requires.			**Section 169 (3)**		
7. Details other discrepancies. (Specify details)					