

REPUBLIC OF FIJI



Compliance Improvement

A Guide to Customs Audit



The Fiji Customs Service employs a strategy known as Compliance Improvement in the delivery of government assistance and revenue collection. The compliance improvement initiatives assist maximum levels of voluntary compliance concentrating on eliminating future errors.

The key elements of compliance improvement include:

- Responsible and informed self-assessment
- Partnership approach with industry
- Client education, advice and service
- Appropriate development and support for Customs staff
- Clear legislative and administrative requirements
- A risk managed, co-ordinated approach
- Appropriate audit activity
- An appropriate penalty regime, and
- Quality assistance

Customs recognizes that it is neither possible nor desirable to examine all transactions. Instead, compliance levels of particular industry sectors or individual clients are monitored through a risk management regime.

Customs deals with identified levels of risk in several ways. These include raising awareness of compliance responsibilities, clarification of the law, advice, and education, audit activity and the application of appropriate sanctions.

Below are responses to some common questions concerning Customs audits and their impact on the industry.

### **What is a Customs Compliance Audit?**

A Customs Compliance Audit is an evaluation of company practices and records to assist in forming a judgment about the integrity of information supplied to Customs under self-assessment and, in turn, the level of Compliance with legislative requirements. In future, the focus of these audits will be on the systems and procedures you have in place which produce the information you communicate to Customs.

The Customs audit is not only designed to assess your level of compliance with Customs requirements. It is also intended to assist you in meeting your statutory obligations.

## **What happens first?**

Customs will contact you and inform you of your selection for a Customs audit.

An “entrance interview” will be arranged at a suitable time, where the audit team will discuss the purpose of the proposed audit and plan the conduct of the audit. It is often helpful to have key company personnel present at the interview.

## **Can I examine my records first?**

Yes, unless Customs has a specific reason for commencing the audit immediately. The principle of self-assessment encourages clients to examine their records and report discrepancies to Customs on a continual basis.

## **Does Customs have authority to conduct an audit of my business?**

Yes. Authorized Customs staff may “enter and remain” on the premises in which you conduct your business. Customs has been given the power “to inspect, examine, make copies or take extracts from relevant commercial documentation.” These provisions are found in Sections 114B of the Customs Act.

Customs staff will carry identification cards and authorizations which you are entitled to see.

## **To what extent can Customs examine my systems and procedures?**

Not all companies, nor all circumstances are suited to an Audit of overall systems and procedures as opposed to an audit of transactions. This suitability will be discussed with you at the entrance interview. However, Customs may require your permission to proceed with the broader approach, as current legislation generally limits Customs access to “relevant commercial documentation”.

Certain advantages exist in systems based audit, namely a greater level of confidence by Customs in your ability to comply. In an environment of partnership and trust, confidence in your systems and procedures will be reflected in any future dealings with Customs, including a reduction in the need for or frequency of audits.

## **What are my rights in relation to a Customs audit?**

As indicated below, you have the right to see staff identification and authorization. You have the right to be represented, at any time during the audit. You may contest any outcomes of the audit.

“Entrance” and “exit” interviews will be held to ensure that you are fully aware of the purpose of the audit and of the assessment made about your level of Compliance. At the entrance interview, Customs staff will discuss their rights and responsibilities as well as those of your company.

You and your staff can expect the audit to conduct itself professionally at all times. You may ask the audit team any question which arises during the course of the audit and discuss any concerns you have with the procedures.

## **What assistance am I required to provide?**

There are minimal levels of assistance required under the Customs Act which you are obliged to provide. These will be discussed at the entrance interview. They include such things as: arranging appropriate accommodation; establishing “lines of communication”; nominating key company personnel and providing the location of and access to commercial documentation (including electronic records). They are designed to ensure the audit is completed as quickly as possible with minimal disruption to your business.

## **What happens if the audit shows that I have a poor level of compliance?**

The objective of self-assessment and compliance improvement is to have clients voluntarily lift their levels of compliance. Should errors be detected, the audit team will discuss them with you. When assessing your level of compliance, the audit team will seek to identify what care or steps taken by you to prevent errors occurring.

If appropriate, Customs will recommend improvements in relation to systems, procedures or practices you employ. This is a key objective under Compliance Improvement, to assist you in ensuring that errors do not recur. Acceptance of these recommendations will improve your compliance assessment against the Customs risk management program.

Errors which result in duty liability being overstated may result in a refund, remission or rebate. Errors which result in duty liability being understated may result in a demand for the remaining duty. These outcomes will depend on time limitation contained in the relevant legislation.

Some form of administrative penalty (including financial imposts or removal from certain facilitation arrangements) may also be applied to understatements of duty.

You may dispute any assessment that has been made by the audit team. In the first instance, you should raise these concerns with the National Manager Customs Compliance in Suva, the contact details are set out below. Further details on the operation of the administrative penalty arrangements are also available from your local Customs office.

### **Confidentiality**

Customs is subject to legislative provisions of both the Official Secrets Act and Oath of Office in respect of any information obtained during a course of a Customs Compliance Audit. There are penalty provisions for officers who disclose such information.

Who to contact if you need to know more

#### **National Manager**

Customs Compliance

FRCA

Revenue & Customs Services Complex

Private Mail Bag

Suva

Phone: 3243731/3243000

Fax: 3315537/3301186

#### **Manager Compliance**

Customs Compliance

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[www.frca.org.fj](http://www.frca.org.fj)

Fiji Revenue & Customs Authority

