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Focused Assessment using Risk Management Principles

Focused Assessment replaced the Customs audit program known as Compliance Assessment. Under the old program, the Regulatory Audit division of Customs had little or no discretion in respect of how they would approach and undertake the audit of an importer. The scope of the review, the number of records to be reviewed, the audit methodology and, the evaluation of results was largely dictated to the audit team. Due to this regimented philosophy, if a problem was found with an importer's compliance, the audit team was required to continue the audit process until they, not the importer, had quantified the universe of non-compliance. Compliance Assessments could, sometimes, go on for years.

As Customs & Border Protection needed to better allocate its human resources to both address its myriad of other regulatory obligations and expand upon the number of importer audits it could undertake, the Focused Assessment paradigm was developed. This model incorporates the "risk based' approach that you ask about. Regulatory Audit now has the discretion to assess the risk of non-compliance posed by the importer. They can then focus on those trade activities engaged in by the importer that appear to pose the greatest risk of non-compliance.

When an importer is selected as a candidate for a focused Assessment it will be required to respond to two extensive questionnaires about its business and be requested to submit a copy of its internal customs compliance procedure manual. The manual is a critical element in Regulatory Audit's evaluation of the overall risk posed by the importer. The absence of a compliance procedure would, logically, indicate that there is a greater potential for things to go wrong.

The audit team will evaluate questionnaire responses, the quality of the importer's compliance procedure and the wealth of information Customs possesses about the importer within Customs' own systems. They will then make a determination as to the scope of the Focused Assessment of that particular importer. In other words, the scope of the audit is based on the evaluation of risk of non-compliance posed by the importer.

Let's say that over the chronological scope of the audit the importer had only 3 entries under the GSP. Since the importer's procedure spoke to handling GSP and the number of entries was very small, the audit team would probably determine that this trade activity doesn't pose much risk on non-compliance or revenue loss. However, over the same period there may have been dozens of entries under provisions of HS 9802 – an activity prone to error – and the procedure spoke little or not at all to this subject then this is very likely to be a target of the audit team.