

Can prudential audits aid industry compliance?

Customs pioneering work in partnership with industry to reduce cargo red tape, in risk management, and in its new Commercial Education Program, is encouraging further efficiencies and better compliance through prudential audits.

A number of customs brokers and accounting firms are examining the concept of undertaking prudential audits. Under this proposal a company would privately commission an auditor to examine their systems and provide them with an assurance about their level of compliance with import, export and other requirements.

David Widdowson, formerly Customs National Manager, Commercial Compliance, said: "When I recently attended a Customs Brokers Council of Australia board meeting they asked me under what circumstances would we rely on the results of a prudential audit.

"I told them that it would basically be the same circumstances under which we rely on the results of our own audits. It would have to meet recognised professional standards, set out in *Customs Company Audit Methodology Volume 24*, and it would have to be undertaken by a suitably qualified person. Such an auditor or audit team would require Customs knowledge, industry knowledge and audit competence.

"I suggested that they have a look at the brokers' courses that they're developing, compare them with the Commercial Education Program (CEP), and align them wherever possible. Customs would explore that with them and assist in plugging any gaps. This would ensure that brokers are up to the same level of accreditation as our compliance officers."

David said a group of brokers in New South Wales intended to work with an accounting firm to pursue prudential audits in the context of Customs partnership arrangements.

"In fact, it is the concept of partnerships which is now making prudential audit a more commercially viable option," he said.

In June 1997, Customs began a pilot partnership program with eight Australian companies to find the

best ways to implement its Cargo Management Strategy, a ground-breaking approach to facilitating trade by better understanding of business requirements. (See *Partnerships to Test Strategy for Faster Trade*, Manifest Vol.1 No.1)

"There's another spin-off from the partnership arrangements we're exploring with business," David said. "A number of companies are saying: 'One of the benefits of being assessed as highly compliant by Australian Customs should be that we get some facilitation of our cargo at the overseas destination. After all, if you're saying that we're highly compliant, that should count for something in other countries.'

"They argue that likewise, if an overseas Customs administration signs off on a company as being highly compliant, then we should rely on that feedback in relation to our risk assessment and treatment of the company here in Australia.

"I believe this can work provided that compliance audits are undertaken to Customs standards, and the Customs auditors are suitably qualified.

"The problem is, how do you assess whether someone is qualified? In Australia the standard will be set through the CEP. I don't know of any other agencies that have a set standard for customs auditors.

"But already the CEP has created a great deal of interest among some overseas administrations. They are becoming aware of what we're doing, they are quite impressed and they want to know more.

"The bottom line is that we are setting the benchmark and both Customs and the University of Canberra are interested in establishing it as an international standard. International standards exist for general auditors, and minimum qualifications often apply for various types of government auditors, but to my knowledge there are no specific standards or associated educational packages for Customs auditors overseas. This would be the first.

"We've spoken to Customs people from the US, Canada, New Zealand, the UK and other countries and they've been very impressed by what we've been able to achieve. As a result, Australia, Canada and the US have agreed to work together to progress international standards for Customs audits and Customs auditors. So things are starting to happen."