



TECHNICAL ASSISTANCE REPORT

CAMBODIA

Customs Management on Special Economic
Zones and Qualified Investment Projects

MAY 2024

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Authoring Departments

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This technical assistance (TA) was provided with financial support from the Government of Japan.

I. Introduction

1. **This report summarizes the short-term expert (STX) work undertaken by Ms. Yuko Mamiya to support the Cambodia General Department of Customs and Excise (GDCE) from 18 to 29 March 2024.** The objectives of this work were as below:

- Review the progress of reform in the GDCE on the Special Economic Zone (SEZ) management along the Fiscal Affairs Department (FAD) advice provided in 2023 and provide advice for implementation.
- Review the customs management on Qualified Investment Project (QIP) and provide advice.
- In supporting the long-term expert (LTX), review and provide advice to the GDCE to improve the screening process of SEZ/QIP investor application, particularly how to engage with the CDC process.

II. Key Findings

A. The progress of reform in the GDCE on the SEZ management

2. **Overall, the GDCE has improved the management of SEZ's based on FAD advice. Following the FAD advice, the GDCE's Department of Free Zone Management (DFZM) commenced conducting the random check on cargo by utilizing non-intrusive investigation (NII) equipment.** Two to three percent of all cargo brought into SEZ is inspected by X-ray machine. According to the WCO Trendspotter Study on Customs-Related Commercial Fraud¹, commercial fraud is detected by customs administration via various methods including the random selection and random controls which are important to detect new Modi operandi and trends. However, to increase the detection rate, STX suggested that the risk-based selection be utilized as a supplementary measure.

3. **The DFZM conducted ten seminars for SEZ companies in 2023 to explain the related laws and regulations.** These activities contributed to deepening understanding of customs procedures and ensuring cargo management that follows laws and regulations. The STX suggested that the brochure be made and posted to introduce customs procedures to SEZ companies more widely and clearly with limited human resources.

¹ <https://www.wcoomd.org/en/media/newsroom/2022/november/wco-launches-its-first-global-trendspotter-report-on-customs-related-commercial-fraud.aspx> - Note: access to the report restricted to Customs authorities only.

4. Some SEZ companies still do not submit quarterly reports to the DFZM even though a quarterly report is a regulatory requirement. Submission of a documentary report in paper form with excessive data elements may cause this challenge. As such the STX suggested digitalizing the report including reviewing the data elements to ensure the minimum data elements allow customs to analyze the risk. Organizing more seminars for SEZ companies also contributes to addressing this challenge. In addition, noncompliance with reporting requirements should be addressed during discussions with relevant parties in SEZ management.

5. Also following the FAD advice, the Department of Customs Audit (DCA) commenced conducting post clearance audits for SEZ companies in January 2024. Around ten percent of all SEZ companies will be subject to the audit this year. Though the DCA does not manage yield rate of companies, it does have a knowledge of the calculation of the yield rate. The auditee companies are selected based on risk analysis and company compliance ranking established by the GDCE's Risk Management Office. There is still room for improvement in addressing areas of cooperation in dealing with noncompliance by investors. This is the responsibility of both the **DFZM** and the DCA. To strengthen cooperation, necessary information should be shared between these two Departments. The assessment of the yield rate should be incorporated in future audits.

6. The GDCE found a vendor for e-seal which has a GPS tracking function and plan to launch the pilot project to use the e-seal for cargo monitoring within the Kingdom of Cambodia. The signing ceremony with vendor may be organized in the second quarter of this year. It is expected that e-seal will contribute to mitigating the risk in the transportation of cargo from border to SEZs while facilitating cargo movement. The Department of Information Technology will develop the SOP for using e-seal before launching the pilot project. The SOP should include the establishment of system to report any suspicious movement of cargo to the related parties including the DFZM and the Department of Prevention and Suppression in a timely manner, to facilitate appropriate action.

7. The reporting to the DFZM and record keeping by SEZ companies is not digitalized, even though all import clearance procedures and transit document (application of land transportation of goods) have been digitalized since January 2024. The Digitalization of procedures using the ASYCUDA World improves record keeping and contribute to facilitating trade and enhancing risk management based on electronic data. Given the recommendations provided by the WCO Guidelines on Free Zones², information submission should be digitalized, and customs administration should have full access to this information for the purpose of customs procedures and control.

B. The approval Procedures related to QIP including SEZ/QIP

8. The GDCE (Department of Customs Procedures (DCP)) involves in verification process of the application for QI except SEZ/QIP which is involved by the DFZM through SEZ Zone Administration. The DCP attends the meeting organized by the Council for the Development of

² <https://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/practical-guidance-on-free-zones.aspx>

Cambodia (CDC) to discuss whether the QIP should be approved with the relevant ministries (the detailed process is referred to Annex I). The same procedures are applied for SEZ/QIP.

9. The DCP involves in verification process of the Master List (ML) (except for the Master List submitted by SEZ/QIP) before approval by the CDC (the detailed process is referred to Annex I).

The DCP can provide comments on the ML, however, in case CDC approved ML including Goods which are not subject to duty and tax exemption, the GDCE seeks approval from MEF whether duty and tax paid or exempted.

10. Whilst the ML can be submitted online, there are still MLs being submitted by paper. To manage good data in all MLs in the National Single Window (NSWs), it is suggested that online submission should be the requirement to be approved. CDC should encourage QIPs to request for ML in the NSWs

Box 1: Qualified Investment Project (QIP)

A QIP is an investment project that has received a Registration Certificate (RC) from the Council for the Development of Cambodia (CDC). QIPs are projects that are entitled to receive fiscal and non-fiscal incentives from the Cambodian Investment Board (CIB). (Ministry of Economic and Finance Prakas No.1127 refers)

The three categories of QIPs in Cambodia are:

- Domestic qualified investment projects
- Export qualified investment projects
- Supporting industry qualified investment projects

Procedures

To import Production Equipment, Construction Materials, or Production Inputs with the exemption of customs duties or taxes, QIP shall fulfill following conditions:

Investors or their representatives shall apply for a ML of imported goods in paper or online via National Single Window to the Council for the Development of Cambodia (Cambodian Investment Board-CIB).

After getting approval from CDC or CIB in paper, the above master list shall be submitted to GDCE (Department of Customs Procedure). In case ML is approved online by CDC, there is no need to submitted ML to GDCE.

When goods in the above master list are imported, investors or their representatives shall apply for Customs Permit through National Single Window, attaching with supporting documents such as invoices, packing lists, transportation document, authorized letters, and other related documents if necessary.

After obtaining Customs Permit, investors or their representatives shall complete the procedure of Customs Declaration as the procedure in force.

(Source) GDCE

C. The Standard Operating Procedures (SOP) for compliance verification and reporting

11. **The SOP for compliance verification and report template the STX provided the DFZM with support for developing the SOP for verification of the compliance of SEZ companies and the report format (the first draft of SOP is referred to Annex II).** The draft was produced at a two-day workshop organized by the STX (the workshop program is attached as Annex III and the presentation slides used at the workshop are attached as Annex IV). The DCA attended the meeting for developing the draft SOP. The DCA indicated they have some concerns in relation the SOP for verification, therefore, have requested further discussion on the draft SOP with the DFZM and the DCA. The sentences needing further discussion are indicated as “pending” in the draft SOP. During the future discussion, in particular, assessment criteria and types of verification based on the risk (e.g., simplified verification, usual verification, etc.) need to be discussed.

III. Next Steps

12. **There is a need to continue to discuss the SOP for compliance verification with the DFZM and the DCA to finalize the draft SOP.** The detailed SOP for verification will contribute to enhancing the compliance of SEZ companies and improving strengthened and standardized customs SEZ management.

13. **FAD will continue to support the GDCE initiative to reform the SEZ and QIP management through the LTX.**

Annex I. Qualifying Investment Project Process

1. QIP registration process

- Once the investment proposal is submitted to the CDC for approval, the CDC organizes a meeting with the relevant ministries/agencies to discuss whether to approve the proposal. The approval process needs to be completed within 20 working days.
- The investment proposal is refused if the proposed operator included in the Negative List of Annex I of Sub-degree on Implementation of Law on Investment; or previously has been, or is currently, carried on by the investor or any other person and which has already received Investment Incentives under the Law on Investment.
- Relevant ministries including the GDCE and DGT verify capital, land to be used, number of employees, etc. for compliance and viability checks.
- Where the approval is granted to the company, the company is registered as a QIP and is eligible for tax/duty exemption on goods approved on the ML.

2. The assessment of Tax/duty exemption of items used in a QIP

(1) Eligibility

- Tax/duty exemption is applied for export QIP, domestic-oriented QIP and Supporting industry QIP.
- Regarding the export oriented QIP and Supporting industry QIP, construction materials, production equipment, production inputs are eligible for tax/duty exemption. The relevant goods are listed on the ML approved by CDC.
- Regarding the domestic-oriented QIP, construction materials and production equipment are eligible for tax/duty exemption. When it comes to the domestic-oriented QIP that is related to agriculture, medical sector, etc., production inputs are also eligible for tax/duty exemption. (Annex IV of Sub-degree on Implementation of Law on Investment)

(2) Process

- Once the ML is submitted to the CDC, during the approval process, the CDC shares this List with the relevant ministries including the GDCE for comments. The ML included the type and quantity approved for duty concession purposes.
- The CDC makes a final decision whether to approve the List based on the comments provided by the relevant ministries. The approval process needs to be completed within 15 working days.
- The GDCE verify whether ML includes the items which are not eligible for tax/duty exemption.
- After verification, the GDCE provides the CDC with comments. The CDC makes a final decision on whether to approve the ML based on the comments provided by the relevant ministries.

Annex II. Draft SOP for SEZ to Conduct Compliance Verification

(The DFZM takes note the draft SOP based on Japan customs practice and will incorporate into the development of GDCE/SEZ compliance verification.)

1. Introduction

[Definition of “verification”] “Verification” means the visit to the premise by DFZM staff to companies/factories/bonded warehouses in the Special Economic Zone (SEZ) to verify the compliance of SEZ companies for the healthy development of SEZ. The improvement of compliance in SEZ contributes to further facilitation of trade as well as protecting the revenue and providing safety and security of trade in SEZ.

2. Objectives of verification

The objectives of verification by the DFZM are to assure that SEZ companies are fully complying with the Law on Customs, Law on Investment and all other relevant laws and regulations of the Kingdom of Cambodia.

Verification is conducted with the following aims:

- Verifying compliance
- Combating smuggling
- Combating terrorism
- Providing recommendations/incentives (e.g., reduction of verification for high compliant)

3. Responsible department(s) and cooperation with other department(s)

- The DFZM in cooperation with the DCA and the other Departments conducts verification
- Cooperation includes information sharing, sharing yearly verification plan, etc.

4. Categorization of SEZ companies

- There are three categories based on the duration of operations: I: New SEZ companies, II: SEZ companies which have operated for one to five years, III: SEZ companies which have operated over 5 years. (Pending) (category is referred to Appendix 1 to this annex)
- (There are four categories based on the verification results: 1: compliant with all requirements, 2: compliant with most of requirements, 3: compliant with only few requirements, 4: non-compliant. (Pending.) (Category is referred to Appendix 2 to this annex)
- (The frequency of verification according to the categories is referred to Appendix 3 to this annex (Pending))
- (The DFZM assesses the compliance of SEZ companies according to the following criteria (Pending) (Appendix 4 to this annex):

- ✓ The comprehensive evaluation results in the last 3 verifications
- ✓ The frequency of errors in record keeping
- ✓ The frequency of errors in cargo management
- ✓ The record of non-compliance
- ✓ There is information/intelligence provided by other Department/private sector
- ✓ AEO/Best trader companies may be applied for special category (e.g., S1))

5. Process of verification

(1) Plan

- The DFZM develops a yearly plan for verification in the fourth quarter. (Yearly plan format is referred to Appendix 5 to this annex)
- (Who approves the yearly plan (TBD))
- (The DFZM develops a monthly plan for verification by XX. (Monthly plan format is referred to Appendix 6 to this annex) (Pending)
- The DFZM and the other related Departments share the yearly plan and monthly plans with each other for consultation to avoid the duplication of verification.

(2) Preparation

[Collection of information and documents]

- The DFZM collects/checks documents/information such as Master list, (contents and flow of manufacturing, past report of verification/inspection, internal audit report submitted by SEZ companies, compliance program submitted by SEZ companies (Pending))
- [Notification to SEZ company]
- (The DFZM notify SEZ company of verification at least one week prior to the verification (Pending)). (Notification format is referred to Appendix seven to this annex
- Scope of verification, date of verification, necessary preparation for verification (e.g., translator) will be notified by the DFZM to company.
- The DFZM requests the responsible person in company to be present during verification.

(3) Verification

- The first step of verification is an initial meeting with representatives of SEZ company to explain the flow and the scope of verification.
- (The DFZM checks the followings:
 - ✓ Inventory (whether there are discrepancies between inventory and ledger, whether foreign goods and domestic goods are stored separately, etc.) (Pending)
 - ✓ Records of manufacturing/processing, cargo movement and ledger (whether all necessary information is recorded in ledger in compliance with the laws and regulations, etc.) (Pending)
 - ✓ Methods to store cargo (whether the measurements necessary to prevent the loss of cargo are taken, etc.) (Pending)

- ✓ Internal audit report (whether internal audit was conducted according to the compliance program, whether internal audit report was submitted to the management level, etc.) (Pending)
- ✓ Production plans
- ✓ Reports of operation and output of products
- ✓ In-house training (whether in-house training was conducted for employees to ensure the compliance, etc.) (Pending))
- ✓ Any improvements from the previous verification according to the recommendations provided during the previous verification.
- ✓ Information that may affect the changes of yield rate (Pending)
- At the end of the verification, the DFZM orally notifies SEZ company of verification result and provides recommendations for further improvements. After the notification by the DFZM, the SEZ company is provided the opportunity for explanation of reasons of mistakes, non-compliance, etc. Furthermore, the DFZM asks for providing the information when SEZ company identifies any risks in SEZs.

(4) Report and verification

[Notification to SEZ company]

- The DFZM sends the SEZ company the notification about the completion of verification (Pending) (Notification format is referred to Appendix 9 to this annex)
- Where the further improvement is required, the DFZM sends the SEZ company the notification about further improvement (Pending) (Notification format is referred to Appendix 10 to this annex)

[Report to GDCE]

- The DFZM makes the verification report and submits it to DG of GDCE (report format is Appendix 8 to this annex)
- The DFZM inputs the information about verification results into database (Pending)
- The DFZM shares the information about verification results including any suspicious incidents with the DCA.

(5) Categorization based on the result of verification

- The DFZM evaluates each individual evaluation for categorization on three-point scale (a: Very effective, b: Effective, c: Ineffective) (criteria for evaluation is referred to Appendix 11 to this annex) (Pending)
- Based on the individual evaluation results, The DFZM conducts comprehensive evaluation on a four-point scale (A, B, C or D) (the detail of evaluation is referred to Appendix 12 to this annex) (Pending)
- The SEZ company is categorized into 1, 2, 3, or 4 based on the comprehensive evaluation (Pending).
- The DFZM shares the category of each SEZ company with the DCA.

6. Code of conduct for verification

[Ethical standards]

SEZ officers must avoid any arrogation when they exercise the authority to conduct verification. Neither individual human rights nor a peaceful private life must be violated by unjustified use of the audit authority. SEZ officers must exercise their authority strictly complying with relevant laws and regulations, especially the GDCE Code of Conduct and Ethics.

[Confidentiality]

SEZ officers must keep secrecy of both SEZ companies and Customs. SEZ officers are constantly dealing with business/personal secret of SEZ companies. Officers need to be very wary of accidentally or recklessly leaking or passing information from a SEZ company to another. On the other hand, SEZ officers must pay attention not to disclose Customs confidential information to outside.

[Establishment of cooperation with SEZ companies]

Verification by the DFZM may be conducted with consent of the SEZ company to be audited. It is hard to achieve effective and efficient verification without understanding and cooperation of SEZ company. Whenever conducting audit, SEZ officers do not neglect the effort to obtain understanding and cooperation of the SEZ company.

[Required knowledge for SEZ officers]

(Pending. Based on PCA manual in GDCE)

7. Rights and obligations of SEZ officer (Pending. Based on PCA manual in GDCE)

[Rights]

- Entry to and perform the verification fieldwork at any time (normally 6:00 AM-6:00 PM) at, premises or places in SEZ, where documents, records or other information are kept
- Examination of imported and exported goods, business records, business systems and commercial data relevant to customs declarations that made during the verification period
- Conduct the actual auditing (verification) of the exported or imported goods as stipulated in the provisions of the Law on Customs
- Issue a Notice which states re-determine the declared customs value and the reason for the decision.
- Inquiry of SEZ companies
- Temporary retention of SEZ company's books and records
- Obtain information necessary for the enforcement of verification from other relevant Ministries and governmental agencies.
- Request the SEZ companies to present the Master List, the ledger, inventory, and other related documents.
- Apply measures to deal with administrative offences in accordance with the provisions of the Law on Customs

- SEZ officers report to the DCA, if:
- Despite persuasive efforts, SEZ officers remain unable to enter the place or space that is suspected to keep books, records and documents, and goods.
- There are indicators that an act of crime has been committed.

[Obligations]

- Present the decision on auditing (verification) and customs ID cards to SEZ companies.
- Comply strictly with the order and procedures of inspection.
- Observe the law, to ensure objectivity and accuracy.
- Not to compel fulfillment of illegal requirements, thereby causing difficulties and troubles to the SEZ companies as well as concerned organizations and individuals
- Not to make intentionally any untruthful conclusions
- To report to the persons who signed the decision on auditing (verification) and propose measures to deal with the results of verification.
- To bear responsibility before the law for the minutes on conclusions of the verification
- To comply with the regulations on confidentiality, to manage and use vouchers and documents as provided for the proper purpose.

8. Rights and obligations of SEZ companies (Pending. Based on PCA manual in GDCE)

[Rights of SEZ companies]

The rights of SEZ companies are as follows, other than rights provided in the Article 24 of law on Customs.

- Request SEZ officers to show the notification on auditing (verification) and customs identity cards.
- Refuse the auditing (verification) if the decision on auditing (verification) does not comply with the provisions of the law.
- Lodge complaints and denunciations in relation to conduct in breach of the law by SEZ officers during the course of an auditing (verification)
- Provide explanations in the minutes on conclusions of the auditing (verification) and on the proposals for measures as prepared by the SEZ officers.
- Object to the decision by writing to the DG of GDCE within 30 days from the date SEZ companies receive the Notice of the re-determination, according to article 24 of the Law of Customs
- Request the customs officer to compensate for damages caused by any unlawful manner as the results of verification.

[Obligations of SEZ companies]

The obligation of SEZ companies as follows:

- Appoint competent persons to cooperate with the SEZ officers.
- Create good environment for the SEZ officers to perform their tasks.

- Provide all accounting vouchers and books and other documents relating to the exported or imported goods and copies of those materials at the request of the SEZ officers.
- SEZ companies shall be required to comply with the regulations on SEZ, decisions on auditing (verification) and instructions on conclusions of auditing (verification)
- Not to obstruct the auditing (verification) activities in any way
- Receive a notice on conclusions of the auditing (verification)

9. Appendices to this annex (to be Refined by GDCE with the support of the LTX)

Appendix 1: Category based on the duration of operation (only for customs use)

Appendix 2: Category based on the audit results and criteria for assessment

Appendix 3: Frequency of verification

Appendix 4: Notification of verification (Pending. Based on Japan Customs' practice)

Appendix 5: Yearly plan format (Pending. Based on Japan Customs' practice)

Appendix 6 : Monthly plan format (Pending. Based on Japan Customs' practice)

Appendix 7: Notification of verification (TBD)

Appendix 8: Report format (Pending. Based on Japan Customs' practice) (TBD)

Appendix 9: Format of notification of completion of verification (TBD)

Appendix 10: Format of notification of further necessary improvement

Appendix 11: Evaluation criteria for individual evaluation (TBD)

Appendix 12: Evaluation criteria for comprehensive evaluation (TBD)

Appendix 1 to Annex II: Category based on the duration of operation (only for customs use) (the following tables are just examples)

Duration of operation	Category
New SEZ company	I
SEZ companies which have operated for 1~5 years	II
SEZ companies which have operated for over 5 years	III

Appendix 2 to Annex II: Category based on the audit results and criteria for assessment (the following tables are just examples)

Assessment criteria	Category
<ul style="list-style-type: none"> • AEO/Best Trader company 	S1
<ul style="list-style-type: none"> • Comprehensive risk rating evaluation was A at least X times in the past verification. • (Record keeping) There were minor errors found less than X times in the past verification. • (Cargo management) There were minor errors found less than X number of times in the past verification. • There was no record of non-compliance 	1
<ul style="list-style-type: none"> • The company is not categorized as risk A, C or D. • There was no record of non-compliance 	2
<ul style="list-style-type: none"> • Comprehensive evaluation was risk rated C more than X times in the past verification. • (Record keeping) There were serious errors found more than X times in the past (verification) • (Cargo management) There were serious errors found more than X times in the past verification. • There was no record of non-compliance 	3
<ul style="list-style-type: none"> • Comprehensive evaluation was risk rated D more than X times in the past verification. • (Record keeping) There were serious errors found more than X times in the past verification. • (Cargo management) There were serious errors found more than X times in the past verification. • There was(were) record(s) of non-compliance 	4
<ul style="list-style-type: none"> • There is information/intelligence provided by the other Department or private sector. 	

Appendix 3 to Annex II: Frequency of Verification

(the following tables are just examples)

Category based on the duration of operations	Category based on the verification results	Frequency of audit
I	S1	Once in XX years
	2	
II	S1	
	1	
	2	
	3	
	4	
III	S1	
	1	
	2	
	3	
	4	

Appendix 4 to Annex II: Notification of Verification (Pending. Based on Japan Customs' Practice)

The DFZM notifies the SEZ company of the following information:

- Date and time of verification provided in writing to the SEZ company (before notification, there is a need to discuss the suitable date and time with SEZ company)
- Request the responsible person to be present during the verification.
- Duration of verification
- Request the preparation of documents including ledger and inventory.
- Records of internal audit and in-house training

**Appendix 5 to Annex II: Yearly Plan Format
(Pending. Based on Japan Customs' Practice)
(the following tables are just examples)**

Date of audit		Target company			Category		Reason for selection	Others
Month	Duration	Name	Location	Cargo stored	Duration of operation	Audit results		

Appendix 6 to Annex II: Monthly Plan Format (Pending. Based on Japan Customs' Practice) (the following tables are just examples)

Target company	Name							
	Location							
Date of verification			From Until	From Until	From Until	From Until	From Until	
Officers	Leader							
	Members							
category	Based on duration of operation							
	Based on verification results							
Points to be verified								
Points to be noted								
(Reference) Previous verification	Date of verification							
	Categories							
	Evaluation	Comprehensive evaluation						
		Individual evaluation	Cargo management					
			Storage of cargo					
			Production of cargo					
			Record keeping					
Others								
Records of non-compliance		Yes or No	Yes or No	Yes or No	Yes or No	Yes or No		

Appendix 7 to Annex II: Notification of Verification (TBD)

Appendix 8 to Annex II: Report Format (Pending. Based on Japan Customs' Practice)

- Name of bonded area
- Location of bonded area
- Date and duration of audit
- The number of officers and their names
- Name of the representative of company who is present at verification.
- Category of company
- Comprehensive evaluation
- Evaluation of each item according to assessment criteria
- Date of next audit
- Non-compliant facts (if any)

Appendix 9 to Annex II: Format of Notification of Completion of Verification (TBD)

Appendix 10 to Annex II: Format of Notification of Further Necessary Improvement (TBD)

Appendix 11 to Annex II: Evaluation Criteria for Individual Evaluation (TBD)

Appendix 12 to Annex II: Evaluation Criteria for Comprehensive Evaluation (TBD)

Annex III. Agenda for the Discussion Meeting on SOP Development

Date		Contents	Venue
26 Mar. (Tue)	9:00- 9:30	Opening -Objectives of workshop -Self-introduction	HQ
	9:30- 10:30	Presentation on WCO Guidelines on SEZ and Japan Customs' practice	HQ
	10:30- 10:45	Break	HQ
	10:45- 12:00	Presentation on WCO Guidelines on SEZ and Japan Customs' practice	HQ
	12:00- 14:00	Lunch	
	14:00- 16:00	Development of SOP (incl. 15 min break)	HQ
27 Mar. (Wed)	9:00- 12:00	Development of SOP (incl. 15 min break)	HQ
	12:00- 14:00	Lunch	
	14:00- 16:00	Development of SOP (incl. 15 min break)	HQ

Annex IV. Presentation Slides Used at the Discussion Meeting on SOP Development

The development of SOP of Audit

18 to 29 March 2024

Yuko Mamiya
Trainer, Customs Training Institute, Japan
WCO Accredited Expert on Free Zone

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(Example)

1. Introduction
 - 1.1 Purpose of SOP
2. Objectives of audit
3. Responsible department(s) and cooperation with related department(s)
4. Rights and obligations of auditors
5. Categorization of SEZ companies
 - 5.1 Explanation of each category (incl. frequency of audit)
 - 5.2 Assessment criteria
6. Process of audit
7. Code of conduct for audit

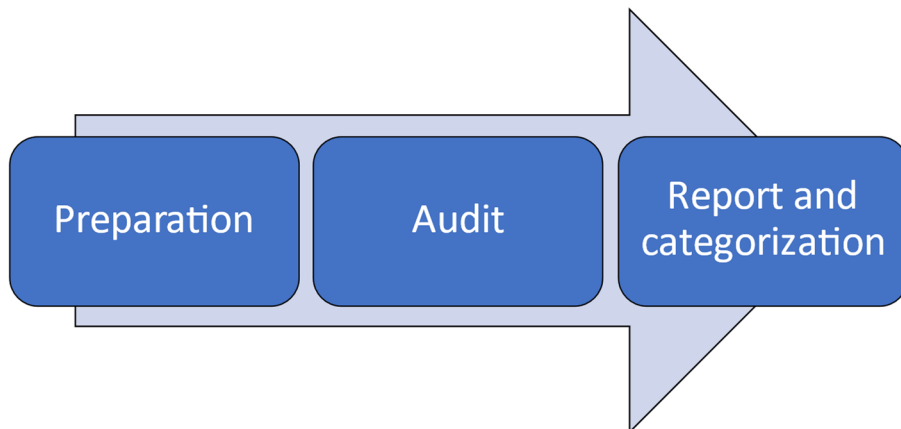
2

Outline of audit

- What are the objectives of audit?
- Which Department(s) is(are) responsible for audit?
- Which Department(s) is(are) cooperate for audit?
- How many categories are there to categorize the company?
- How to categorize the company into several categories? (Development of assessment criteria)
- How about the frequency of audit? (e.g. category A is subject to audit once in a year)
- What kind of types of audit are there? (usual, simplified, or special?)

3

Flow of Audit



4

Preparation

1. Plan of audit
 - ✓ When does Customs develop a plan (yearly or monthly or both)?
 - ✓ What kind of information should be included in a plan?
2. Preliminary inspection
 - ✓ Which documents should be checked before audit?
 - ✓ Which information should be collected before audit?
3. Notification to the company
 - ✓ When and How to notify the company of audit?
 - ✓ What kind of information should be provided for the company?
 - ✓ What kind of topics should be discussed with the company before audit?

5

Audit

- What is the flow of audit?
- How to check cargo management system in SEZ? (Development of check list)
- How to check cargo storage system in SEZ? (Development of check list)
- How to check the measurements taken by SEZ operator/tenant company to ensure the compliance with laws and regulations? (Development of check list)
- Which documents/information should be checked during audit?

6

* Check list should be in accordance with assessment criteria

Audit

- Are there any differences between audit methods for import cargo, export cargo and cargo for domestic sell?
- How to check inventory?
- Which rules does customs officer follow during audit?

7

Report & Categorization

Report to the company

- How to notify the company of the results of audit?
- What kind of information on audit results is notified to the company?

8

Report & Categorization

Report to Customs

- To whom does officer submit the audit report?
- What kind of information is included in the audit report?
- How to share the audit results with relevant divisions?
- What kind of information is shared with relevant divisions?
- How to utilize the audit results for future audit and inspection?
- How to categorize the company into several categories based on the audit results?

9