



Canada

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## 1.0 INTRODUCTION

The Canada Border Services Agency (CBSA or the Agency) works closely with clients, other government departments and international border management partners to enhance trade chain security while providing pre-approved, low-risk traders with streamlined and efficient border processes. By increasing membership in trusted traders programs, the CBSA is able to improve its capacity to mitigate risk in advance and focus examination efforts on identifying traders of unknown or higher risk. The two main trusted traders programs are the Custom Self-Assessment Program (CSA) and the Partners in Protection Program (PIP).

The CSA program, established in 2001, is designed for low-risk, pre-approved importers, carriers and registered drivers. It simplifies many of the import border requirements so that low-risk shipments can be processed more quickly and efficiently at the border. CSA importers also benefit from streamlined self-assessed accounting, revenue reporting and payment processes. Revenues collected under the CSA program represent approximately 20% of the value for duty (VFD) of all imports. To ensure the appropriate CSA self-assessed revenues are being collected, the Agency relies on collaboration between the Trusted Traders Programs, which focuses primarily on the reconciliation, accounting and reporting of taxes and duties payable to the Crown, and the Trade Programs, which conducts post-release trade compliance verifications to confirm appropriate trade information (tariff classification, origin and valuation of goods).

PIP is a voluntary program that enlists the cooperation of private industry to enhance border and trade chain security, combat organized crime and terrorism and help detect and prevent contraband smuggling. PIP members agree to implement and adhere to high security standards, while the CBSA agrees to assess their security measures, provide information sessions on security issues and offer other benefits. In 2008, the PIP program was modernized to better align to its U.S equivalent and to adhere to World Customs Organization (WCO) international security standards.

This audit focused on the monitoring performed to manage the compliance of Trusted Traders Programs participants, including the appropriateness of related self-assessed revenues.

## 2.0 SIGNIFICANCE OF THE AUDIT

The Trusted Traders Programs are key programs to mitigate the Agency's risk at the border. They are also very important to the Canadian economy in terms of facilitating the movement of commercial goods across the border. Sound program management is essential to the additional investment and expansion of these programs under the *Beyond the Border Action Plan*, a Government of Canada priority.

The audit objective was to determine whether the controls in place to manage the compliance of Trusted Traders Programs participants, and related self-assessed revenues, are well-designed and operate effectively.

### 3.0 STATEMENT OF CONFORMANCE

This audit conforms to the *Internal Auditing Standards for the Government of Canada*, as supported by the results of the quality assurance and improvement program. The audit approach and methodology followed the *International Standards for the Professional Practice of Internal Auditing* as defined by the Institute of Internal Auditors and the *Internal Auditing Standards for the Government of Canada* as required by the Treasury Board *Internal Audit Policy*.

### 4.0 AUDIT OPINION

While the processes and controls in place to ensure the Agency is assessing the appropriate revenue under the CSA Program and to manage the compliance of Trusted Traders Programs participants were found to be properly designed, they are not operating effectively. Processes and controls related to monitoring, as well as coordination between the Trusted Traders Programs and the Trade Programs, need to be strengthened to ensure that appropriate revenues are collected and to ensure compliance with program requirements and legislation. This translates into a moderate risk exposure to the CBSA.

### 5.0 KEY FINDINGS

- Management has designed adequate processes and controls to ensure that the Agency is assessing the appropriate revenue under the CSA program and that monitoring processes used by the Trusted Traders Programs are capable of identifying non-compliance by Trusted Traders participants. However, weaknesses were identified in the effectiveness of these monitoring processes and controls.
- In some cases, trade compliance verifications of CSA importers are being cancelled for reasons that do not meet prescribed conditions. This compromises a key Agency control.
- Misplaced, incomplete and lost documentation affects the Trusted Traders Programs' ability to determine if program participants are meeting the program requirements effectively. Existing tools and processes are not being fully utilized. The infrequent use of formal action plans for CSA Importers does not promote prompt identification, recommendations and actions to resolve reoccurring cases of non-compliance. Supervisory review of files is limited.
- For the CSA Carrier component, monitoring processes were effective and actions plans were documented and followed up on to address issues of non-compliance.
- While sufficient progress has been made towards full implementation of the recommendations from the 2009 Internal Audit of the CSA, additional effort is needed to address late accounting penalties. The CSA Performance Measurement Framework is an evergreen document and further improvements are being made under *Beyond the Border Action Plan*.

## 6.0 SUMMARY OF RECOMMENDATIONS

The audit makes four recommendations. The Vice-President, Programs Branch should:

- ensure that all selected trade compliance verifications for CSA importers which do not meet the prescribed conditions for postponement are conducted, results are communicated to the Trusted Traders Programs and that CSA trade compliance is monitored and reported separately from that of non-CSA importers;
- implement appropriate supervisory review of the Trusted Traders Programs files as to ensure monitoring results are properly documented and appropriate action plans are developed to address issues of non-compliance;
- establish a process to track and report on the status of all non-compliance issues as part of a Trusted Traders Programs performance measurement framework; and
- issue and collect payment on all late accounting Administrative Monetary Penalties (AMPs).

## 7.0 MANAGEMENT RESPONSE

The Program Branch agrees with the recommendations in the audit of Trusted Traders and will work with the necessary areas of the CBSA to implement the recommended changes to ensure improved monitoring and oversight of non-compliance with program requirements. Actions will include communication with regional officers, system enhancements and development of a central repository. Standard Operating Procedures will be clarified, a process will be established to track issues of non-compliance and late accounting AMPS will be issued as required. These measures will be fully completed by March 2014.

## 8.0 AUDIT FINDINGS

### 8.1 Revenue Management

**Audit Criterion:** Processes and controls are in place to ensure the Agency is assessing the appropriate revenue under the CSA program.

Both the Trusted Traders Programs and the Trade Programs play a role in assessing the appropriateness of revenue. The Trusted Traders Programs, through monthly monitoring, annual monitoring and validation reviews, focuses primarily on the reconciliation, accounting and reporting of duties payable to the Crown. The Trade Programs conduct post-release verifications to confirm trade compliance (appropriately declared tariff classification, origin and valuation of goods, which can affect revenue) and to correct errors. The Trade Programs compliance verifications fall within two streams: targeted priorities and randomly selected cases. CSA membership has no bearing on the selection process of trade compliance verifications. The Trade Verification Manual prescribes how trade compliance verifications on CSA importers are to be performed and how their results are to be communicated back to the Trusted Traders Programs.

Both Trusted Traders Programs and the Trade Programs agree on the conditions under which a trade compliance verification can be postponed; it can be deferred when the importer is in part II of the CSA application process (performed to ensure importer's business systems will lead to complete and accurate trade data reporting for all imported goods) or when the company is subject to its initial validation review which must occur within 6 to 12 months following acceptance into the CSA Program. The Trade Verification Manual prescribes that the findings of trade compliance verifications be shared with the Trusted Traders Programs, which in turn is expected to note the compliance results as part of their monitoring.

The audit team submitted a list of CSA importers to the Trade Programs in order to identify those who were scheduled for a trade compliance verification during the audit review period (January 2010 to December 2012). Out of 104 trade compliance verification cases scheduled, 58 were completed and 46 were cancelled. Of the 46 trade verifications cancelled, 27 resulted from a request from the CSA Importer Unit to postpone the verifications, while the remaining 19 were cancelled by the Trade Programs for other reasons (e.g. lack of available data, combining of cases, etc.). A request to postpone will result in a cancellation as Trade Programs cancels rather than reschedule the compliance verification in order to proceed with the scheduled workload. The CSA importer is thus replaced with another importer whom, as a result of the nature of the selection process, may or may not be a CSA member.

Fifteen (15) of the 27 cases (56%) cancelled as a result of a request by the CSA Importer Unit were postponed for reasons that did not meet prescribed conditions. Cancelling trade compliance verifications on CSA importers compromises a key Agency control meant to ensure that imported goods are declared under the appropriate trade information, which is key to determining the revenue to be assessed.

While Trusted Traders Programs management states that CSA importers should not be treated differently than other importers in the context of trade compliance verifications, the CSA Importer Unit indicated that their requests to postpone trade compliance verifications are based on the premise that CSA importers should be “trusted” and that they should be reviewed less often and less intrusively. However, neither the Trusted Traders Programs nor the Trade Programs keep track of the rate of non-compliance of CSA importers in order to be able to distinguish if CSA importers are more trade compliant than non-CSA importers.

At the request of the audit team, the Trade Programs reviewed the completed trade compliance verifications performed on CSA importers between January 2010 and March 2013. The review indicates that of the 40 CSA importers who had a trade compliance verification completed, 60% (24/40) had one or more cases of trade non-compliance (i.e. errors on tariff classification, origin or valuation of goods).<sup>1</sup>

Like non-CSA importers, CSA importers are expected to submit corrections regardless of the value for duty. Importers are given 90 days to make these corrections. At the time of the audit, Trade Programs could not confirm the revenue implications of the non-compliance.

While a trade compliance verification may result in a significant amount of generated revenue it may also be revenue neutral, depending on the nature of the error. The occurrence of errors is a critical factor as only a sample is used when performing a trade compliance verification.

The Trade Verification Manual describes a collaborative relationship between the Trusted Traders Programs and the Trade Programs. It requires that trade verification officers share the results of compliance verifications with the Trusted Traders Programs to enable them to report on all issues of non-compliance by CSA importers. In practice, trade verification officers do not consistently share the results of the trade compliance verifications performed on CSA importers with the CSA Importer Unit. Trusted Traders Programs management has advised that trade compliance falls outside the CSA mandate and that the CSA Program ensures that all shipments are reported and not that the trade data is accurate.

### **Recommendation 1:**

*The Vice-President, Programs Branch should ensure that all selected trade compliance verifications for CSA importers which do not meet the prescribed conditions for postponement are conducted, results are communicated to the Trusted Traders Programs and that CSA trade compliance is monitored and reported separately from that of non-CSA importers.*

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<sup>1</sup> The inclusion of the results of the 40 CSA importers who underwent a trade compliance verification should not be construed as Internal Audit offering an opinion on the compliance level of CSA importers in respect to trade compliance. The purpose of the review is to provide full disclosure of all data elements received as to allow the reader to assess the perception held by the CSA Importer Unit that CSA importers should be subject to fewer trade compliance verification reviews based on the concept of trust.

MANAGEMENT RESPONSE

The Programs Branch agrees with this recommendation.

CSA importers should only be excluded from a trade compliance verification in circumstances that have been specifically defined in policy. The policy for postponement of trade verifications outlined in the *Trade Verification Manual* exists in order to allow CSA importers the opportunity to focus their time and resources on implementing the CSA program. A review of that policy will be undertaken so as to ensure that it serves its intended purpose and that the Agency maintains an appropriate level of control, while continuing to promote importer self-compliance.

Further, CSA membership will be noted in the trade compliance case file and in the corresponding electronic database in order to allow for ease of reporting and to ensure the appropriate monitoring of the verification results. Going forward, the results of all trade compliance verifications will be communicated to both the CSA program and policy managers in a timely manner so that appropriate actions may be taken, when necessary.

Monitoring results will be taken into consideration and incorporated into the process for members seeking the new CSA Self-Verification benefits whereby both Trusted Trader Programs and Trade Programs will jointly assess the trade compliance of participating companies. CSA Self-Verification (CSA-SV) builds on the CSA principle of risk management and provides an opportunity for CSA-approved importers to demonstrate to the CBSA that their business systems, internal controls and self-audit processes are effective and reliable so as to ensure compliance with the trade programs, specifically in the areas of tariff classification, valuation and origin.

These measures will be completed by September 2013.

## 8.2 Compliance of Participants

**Audit Criteria:**

- Monitoring processes performed by the Trusted Traders Programs to ensure CSA and PIP participants are meeting program requirements are adequate and effective.
- CSA and PIP non-compliance issues are addressed, reported and monitored.

Monitoring processes comprise a series of activities to monitor the performance of the Trusted Traders Programs participants with respect to their obligations under the program. Each program has specific and distinct processes:



- The **CSA Importer Unit** focuses on monitoring the compliance of importers with the CSA program requirements, which include accounting, revenue reporting, payment of duties and taxes and adjustments. For each importer, the Unit performs a monthly monitoring of revenues, which compares the payment received to the revenue amount submitted. The Unit issues an annual compliance report card and performs a yearly risk gradation exercise to determine if the importer's risk level has changed. Post-implementation validation reviews, which verify the books and records of the company, are also performed 6-12 months after acceptance into the program. Subsequent validation reviews and a re-risking exercise is performed every fourth year thereafter.
- The **CSA Carrier Unit** focuses on ensuring that carriers are fulfilling all of their obligations with respect to transportation and reporting of goods under the CSA program. The monitoring exercise reviews information such as business and systems changes, outstanding debts and Administrative Monetary Penalties (AMPs), shipment listings and Trade Chain Partner (TCP) lists. A re-risking exercise is also conducted. A re-monitoring model helps the program determine the date of the next monitoring, which can be up to five years.
- The **PIP Program** focuses on ensuring that companies remain compliant with PIP Minimum Security Requirements (MSRs). The monitoring is comprised of a review of the PIP member's security profile, a risk assessment and a site revalidation performed by regional intelligence officers (RIOs) every fourth year.

At any time where a compliance issue is identified during a client's participation in the CSA or PIP Program, the Trusted Traders Programs may issue an action plan. The use of an action plan is the formal process used to address, report and monitor areas of non-compliance. It addresses specific issues that cause or contribute to non-compliance, identifies how the non-compliance will be corrected, specifies a timeframe and must be monitored for completion. If the action plan is not met, the client faces possible suspension or removal from the program.

Weaknesses were identified in the effectiveness of these processes and controls due to insufficient supervisory review and the fact that processes and controls are not being utilized effectively. The specific observations for the program areas under audit are further described below.

### **CSA Importer Unit**

As per the Treasury Board Secretariat Policy on Information Management, programs are expected to maintain complete records of their work in order to ensure effective information management, proper accountability and transparency, as well as to foster informed decision making.

During the examination stage of the audit, the CSA Importer Unit was unable to provide the audit team with significant documentation to allow the file review to be done on site, as it was

difficult to locate. One example being that the validation report of a long time member of the CSA Program could not be located. This specific example is significant in that the validation is the means by which an importer's books and records are reviewed for compliance with the program. In the absence of evidence that this importer has undergone the required initial validation review or any subsequent validation review, required every four years, the company has operated as a CSA member for over a decade and has become a member of the Partners in Compliance Program which provides the added benefit of being exempt from trade verifications.

Documentation issues also impacted the effectiveness of monitoring process in the case where an importer who has been a member for over six years has not undergone an initial validation review as at the date of the audit. The CSA Importer Unit stated that three of the six year delay was due to staff being unable to determine from the file if a decision was made to postpone or cancel the review.

Monitoring for the CSA importers is performed by Senior Program Officers (SPOs) who work from home (i.e. telework). \* There was no indication that files were being reviewed by supervisors to determine the completeness of monitoring procedures or file documentation.

CSA Importer management has stated its preference to deal informally with CSA importers on issues of non-compliance, rather than to issue action plans. While this informal process may be successful for dealing with minor or routine issues, it has proven to be unsuccessful in addressing chronic occurrences of non-compliance. The audit team found that late accounting is a recurring theme in 48 out of a population of 89 CSA importers. An action plan was issued in only one case. The audit team's file review indicated that the late accounting issues were not addressed, and remain outstanding at the time of the completion of the audit. Another reoccurring non-compliance issue that did not lead to an action plan was failing to update Trade Chain Partner lists (a CSA requirement).

Re-occurrences of late accounting may be related to the CSA importers' systems. The compensating control in place to mitigate late accounting is a legislated penalty under the Customs Act. A further control is the issuance of a formal action plan to communicate to the CSA importer the importance of meeting the required accounting timeframes outlined in the Customs Act. Management's decision to waive the administrative monetary penalty for late accounting for all importers from 2004 to 2011 has removed an important control required to ensure compliance.

### CSA Carrier Unit

File review for the CSA Carrier Unit indicated the monitoring processes are functioning and that action plans are well documented and followed up on to address issues of non-compliance appropriately. The issuance and results of action plans are signed off by local management. All documentation requested by internal audit was available and complete.

### PIP Program

The PIP Program uses a database to track all information pertaining to each PIP participant. This database also functions as a workbook, with fields designed to document the rationale behind findings and decision-making throughout the course of monitoring. This database is to be used by RIOs when performing validation reviews. PIP Standard Operating Procedures (SOPs) require that all data regarding validation, including the documentation of RIO decisions, and action plans when applicable, must be entered into the PIP database. The database also has the functionality to produce standard validation review reports.

The audit team file review found that the PIP database was not properly used for 16 out of 24 (66.7%) PIP file validation reviews. This has led to insufficient information, including documentation of monitoring results, making it difficult to assess if monitoring processes are truly effective. An incomplete database has also resulted in staff producing reports on an informal basis rather than issuing standardized reports that facilitate a uniform approach to assessing a participant's performance.

While the PIP Program does issue action plans to deal with participant non-compliance, the action plans prepared were not found to have been adequately completed to identify how areas of non-compliance were addressed by the client. In 14 action plans reviewed by the audit team, 11 (79%) did not state that corrective actions were taken by the client to comply with the required findings. The completion of the action plan is important as it represents, as per the PIP SOPs, an acknowledgement by the company that it does not meet the Minimum Security Requirements (MSRs) as well as an agreement on which actions will be undertaken to meet them. This is especially relevant given that the PIP program is not legislated. In the majority of these cases, the associated validation review report mentioned that an action plan was issued, but did not indicate which actions were taken; only that the action plan had been completed. The audit also found that non-compliance issues with PIP program requirements were not being reported to senior management.

### Recommendation 2:

*The Vice-President, Programs Branch should implement appropriate supervisory review of the Trusted Traders Programs files as to ensure monitoring results are properly documented and appropriate action plans are developed to address issues of non-compliance.*

The Programs Branch agrees with this recommendation.

A CSA validation review is one important component of ensuring compliance with CSA program requirements. The program area has already initiated the validation of the two importers outlined in the audit and in addition will conduct a review of all CSA importers to ensure a current validation has been completed and is on file.

The CSA importer team has officers at various offices throughout Canada, with the central office located in Mississauga, Ontario. In the past, it has been the practice for a hardcopy of only key file documents to be forwarded and stored in the central office. \*

Moving forward, both hardcopy and electronic CSA importer files will be fully centralized to improve access and enable better supervisory review. Standard Operating Procedures will be updated to include a requirement for Supervisory signoff for each of the key phases and functions of CSA, and will include a review to ensure the file is properly documented. These procedures will be further supported/emphasized with the implementation of the eApplication under Beyond the Border, where all key files will be sent automatically to management for approval before processing can be complete.

With respect to trade chain partner lists, in cases where repeated attempts fail to yield updated lists from the client, an Action Plan would be warranted and SOP's will be amended to reflect this.

Concerning the 11 Partners in Protection (PIP) Action Plans found to have not been adequately completed, the program area will conduct a review of the company folders and validation reports to confirm that the client did address the outstanding issues and that they were verified by the Intelligence Officer (IO). In future, SOP's will be updated to ensure the IO identifies on the action plan how the areas of non-compliance were addressed.

These measures will be in place by March 2014.

**Recommendation 3:**

*The Vice-President, Programs Branch should establish a process to track and report on the status of all issues of non-compliance as part of a Trusted Traders Programs performance measurement framework.*

**MANAGEMENT RESPONSE**

The Programs Branch agrees with this recommendation. Trusted Traders Division will establish a process to track and report on issues of non-compliance as part of a Trusted Traders Programs performance measurement framework. The non-compliance issues identified by this audit, which could affect program objectives, will be included on the Division's program dashboard. The dashboards, which form the basis of the Program Performance Report component for Trusted Traders and are tabled at the monthly Trusted Traders Division's Performance meeting, are used for decision making at all levels. Starting in October 2013, the program dashboards will also become a standing item for review at the Division's Managerial Committee meetings. Dashboards are used to support and develop the quarterly Agency Performance Report reviewed by all senior management.

**8.3 Follow-up to Previous Audit Recommendations****Audit criteria:**

- Measures have been implemented to improve the use of the correct CBSA Bank Authorization Number (BANs) being used by the financial institution.
- All CSA AMPs have been reviewed to re-assess their need and the results are communicated to those areas responsible for their issuance.
- A policy has been established regarding the timing of the initial CSA importer validation review and the requirement for subsequent CSA importer validation reviews, following the first review.
- A plan has been implemented, including timeframes, to address the CSA carrier monitoring and re-risking backlog that currently exists.
- A timeframe has been established to implement and report on a performance measurement framework for the CSA program.

The audit team performed a follow-up of the recommendations from the 2009 Internal Audit of the CSA Program to ensure that each recommendation was sufficiently implemented.

The recommendations relating to CBSA Bank Authorization Number (BANs), CSA importer validation, and CSA carrier monitoring (the first, third and fourth recommendations above) were found to have been fully implemented.

The recommendation addressing the need for a review of CSA AMPs resulted from a program decision to waive the AMP for late accounting. While the review resulted in changes to various AMPs, it did not fully address the concern over the late accounting penalty. Changes were made in 2011 to increase the penalty amount to \$100 from \$50 per transaction and to lower the compliance threshold to be met from 99.5% to 95%. At the time of the audit, the AMP was still not being issued.

As for the recommendation pertaining to a performance measurement framework, the audit team found that the Trusted Traders Programs has developed a CSA Performance Measurement Framework as part of the *Beyond the Border Action Plan*. Many performance indicators have been developed. The framework is an evergreen document as some baseline information and targets are to be further developed.

While sufficient progress has been made towards full implementation of the recommendations, additional effort is needed to address the late accounting AMP and to continually strengthen the CSA Performance Measurement Framework.

#### **Recommendation 4:**

*The Vice-President, Programs Branch should, in accordance with the Customs Act Section 32(3), issue and collect payment on all late accounting AMPs.*

MANAGEMENT RESPONSE
<p>The Programs Branch agrees with the recommendation.</p> <p>Several years ago, key industry stakeholders advised the CBSA that some CSA importers were unable to meet a 99.5% late accounting compliance level. At the time, the CBSA recognized and accepted that it was unrealistic for businesses to comply with the 99.5% standard based on their volumes and the fact that they use their own business systems to trigger accounting. In 2009, an Audit on the CSA program identified the need for the CBSA to ensure all AMPs were reviewed to reassess the need for these penalties. Through extensive consultation and analysis, it was decided in 2011 that a 95% compliance level would be more appropriate. This was implemented in 2012 along with an increase in the penalty amount from \$50 to \$100.</p> <p>While importers account for goods and pay the applicable duties and taxes, it is also important that they account and pay within established timeframes. Every time a transaction is accounted for late, a warning penalty (AMP C244) is issued so that the importer is aware of the infraction.</p> <p>The program area has completed the analysis for the 2012 calendar year and has identified six companies which did not meet the 95% threshold for late accounting. In June, 2013, these importers were sent a Notice of Penalty Assessment (C246). Total penalties assessed for all six</p>

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companies totalled \$7,900.

Collection of the AMPS penalties will be completed by September 2013.

## **APPENDIX A – ABOUT THE AUDIT**

### **AUDIT OBJECTIVES AND SCOPE**

The audit objective was to determine whether the controls in place to manage the compliance of Trusted Traders Programs participants, and related self-assessed revenues, are well designed and operate effectively.

The scope of the audit included the compliance of Trusted Traders Programs participants and the revenue self-assessment process. It examined the processes and controls within the CSA and PIP programs as well as within the trade compliance program. Program governance and the duties of officers were also reviewed. The audit covered the period from January 2010 to December 2012.

The audit did not examine:

- Whether current information technology systems are adequately supporting program requirements, as many information technology projects are currently being developed and implemented;
- The Partners in Compliance pilot initiative as there are only eight participants and no funding is attached to this initiative;
- Whether related Beyond the Border initiatives have been appropriately addressed as this area will be addressed in the upcoming 2013-14 to 2015-16 Risk Based Audit Plan;
- The Commercial Driver Registration Program (CDRP) as this was addressed in the Trusted Traveller Programs Internal Audit (December 2012); and
- Anything outside the highway mode.

### **RISK ASSESSMENT**

The preliminary risk assessment identified the following high-risk areas:

- Oversight bodies may not be provided with program information for decision-making and to address issues;
- Clients may not be in compliance with program requirements;
- Appropriate revenue may not be assessed from CSA participants; and
- Segregation of duties may be limited leading to potential conflict of interests.



## APPROACH AND METHODOLOGY

The audit was conducted in accordance with the Internal Auditing Standards for the Government of Canada.

The examination phase of this audit was performed using the following approach:

- Reviewing legislation, policies, procedures, guidelines, reports, performance information and any other relevant documentation;
- Analyzing data and information from various sources and systems;
- Conducting interviews and regional visits;
- Reviewing samples of monitoring files located in the regional offices;
- Reviewing trade compliance verification reports on CSA importers; and
- Documenting processes and analyzing control gaps.

## AUDIT CRITERIA

The following lines of enquiries and criteria were chosen. The audit criteria were derived from the Office of the Comptroller General's Audit Criteria Related to the Management Accountability Framework: A Tool for Internal Auditors, as well as criteria derived from the CBSA programs under examination:

Lines of Enquiry	Audit Criteria
<b>1. Revenue Management</b>	<b>1.1</b> Processes and controls are in place to ensure the Agency is assessing the appropriate revenue under the CSA program.
<b>2. Compliance of Participants</b>	<p><b>2.1</b> Monitoring processes performed by the Trusted Traders Programs to ensure CSA and PIP participants are meeting program requirements are adequate and effective.</p> <p><b>2.2</b> CSA and PIP non-compliance issues are addressed, reported and monitored.</p>

Lines of Enquiry	Audit Criteria
<b>3. Follow-up to Previous Audit Recommendations</b>	<p><b>2009 Internal Audit of the CSA:</b></p> <p><b>3.1</b> Measures have been implemented to improve the use of the correct CBSA Bank Authorization Number (BANs) being used by the financial institutions.</p> <p><b>3.2</b> All CSA AMPs have been reviewed to re-assess their need and the results are communicated to those areas responsible for their issuance.</p> <p><b>3.3</b> A policy has been established regarding the timing of the initial CSA importer validation review and the requirement for subsequent CSA importer validation reviews, following the first review.</p> <p><b>3.4</b> A plan has been implemented, including timeframes, to address the CSA carrier monitoring and re-risking backlog that currently exists.</p> <p><b>3.5</b> A timeframe has been established to implement and report on a performance measurement framework for the CSA program.</p>

## **APPENDIX B – LIST OF ACRONYMS AND ABBREVIATIONS**

AMP- Administrative Monetary Penalty

BAN- Bank Authorization Number

CBSA/the Agency- Canada Border Services Agency

CSA- Custom Self-Assessment

GTA- Greater Toronto Region

HQ- Head Quarters

MSR- Minimum Security Requirements

PIC – Partners in Compliance

PIP- Partners in Protection

RIO- Regional Intelligence Officer

SPO-Senior Program Officer

TCP- Trade Chain Partners