

Customs Broker Management

Saving costs, ensuring compliance and setting key performance indicators



Due to the current economic climate and business model changes, enterprises are re-evaluating how they manage their Customs Brokers. The number of Customs Brokers used are being reduced and consolidated. Due to increasing audits being performed by the Customs authority, enterprises are also placing new emphasis on ensuring compliance and implementing new key performance indicators.

PricewaterhouseCoopers has developed a Customs Broker Evaluator solution that provides a best practice methodology for enterprises to select, appoint and evaluate the performance of their Customs Brokers. This solution helps enterprises to save cost, ensure compliance, and increase Customs Broker performance.

PricewaterhouseCoopers can also deliver training and provide the tools and/or templates to an enterprise so that it may then proceed with the process of Customs Broker selection, review and key performance indicator setting.

Operating Environment

The Customs Broker's principal role of assisting with the cross border clearance of goods as the agent of an importer/exporter means they provide a key link with Customs and other authorities.

Several enterprises for very good reasons outsource customs brokerage functions to a third party service provider, such as Customs Broker or Freight Forwarder (or a third-party logistics provider). However, in many instances, little or no monitoring conducted. In China, enterprises engaged in both General Trade and Processing Trade are heavily reliant on the Customs Broker in terms of their technical expertise and professional skills. However, in practice, the following challenges exist:

- The technical knowledge and competence levels of Customs Brokers varies greatly, ranging from highly trained specialists to unskilled clerical assistants
- The internal controls and standard operating procedures of Customs Brokers vary greatly, ranging from best-in-class to non-existent
- Key decisions may be taken by junior staff with insufficient knowledge, with their focus being on minimizing clearance times rather than compliance
- So-called "informal solutions" and "informal arrangements" may exist

In practice, the importer/exporter is normally held liable for any actions undertaken by a Customs Broker on its behalf, since it is assumed that actions are undertaken at the direction of the importer/exporter. In particular, the importer/exporter typically remains responsible for all import and export taxes, and any non-compliance with Customs requirements. The potential implications to a business of non-compliance include:

- Seizure of goods
- Interruption to the supply chain and consequent production delays
- Additional assessment duty, interest and financial penalty
- Clearance under cash deposit
- Negative publicity
- Damage to company reputation

Customs Broker Evaluator

PricewaterhouseCoopers has developed a Customs Broker Evaluator (CBE) solution that provides a best practice methodology for companies to select, appoint and evaluate the performance of their Customs Brokers. The CBE contains a number of separate but inter-related steps that can be “mixed and matched” to meet particular needs.

The main steps in the CBE are to:

1. Define exactly what is required from the Customs Brokerage function, using Tools comprising:
 - listing of Customs Broker compliance functions
 - listing of essential and desirable Customs Broker attributes
2. Review and evaluate the performance of the current Customs Broker, whether external or internal, against defined requirements, using Tools comprising:
 - External Customs Broker Questionnaire
 - In-house Customs Broker Questionnaire

Note: This step also includes the review of current arrangements, to identify alternatives that may deliver efficiencies.
3. Select a competent Customs Broker using a comprehensive process to test and evaluate technical expertise in relation to the cross border movement of goods, professional skills and sound business practices and commitment to providing a high quality service, using Tools comprising:
 - Customs Broker Selection Package (Briefing Paper, Statement of Company’s Requirements and Broker Selection Questionnaire)
 - Customs Broker Selection Matrix
4. Create a Customs Broker contract to best protect the company’s interests
 - Broker Contract Considerations
5. Review the performance of the Customs Broker function, at regular intervals
 - Broker Review Matrix

Benefits

The benefits of using the CBE process include:

- Confidence that the Customs Broker is competent to provide their services to the standard required and does not create additional compliance risks
- Best-practice procedures and key performance indicators are added to the broker function and compliance costs are reduced
- The risk of serious potential implications resulting from non-compliance are mitigated



Deliverables

The deliverables provided as a result of using the CBE process include:

- Summary of Customs Broker requirements including:
 - essential and desirable attributes
 - compliance functions
 - weighted scorecard
- Summary report, in bullet-point format, assessing the competence levels of current Brokers from a high-level review, together with recommendations and a copy of each completed Customs Broker Questionnaire
- Summary report, in bullet-point format, of the results of the contract review together with recommended additional matters that should be included in a new contract.
- Summary of recommendations, in bullet-point format, following consideration of the company tender process.
- Customs Broker Selection Package to be provided to each prospective service provider.
- PwC attendance at company briefing for service providers
- Summary report, in bullet-point format, from evaluation of tenders, including recommendations and a suggested short list of possible candidates.
- Summary report, in bullet-point format, of results from testing and evaluating the claims and competence of each short-listed service provider, indicated key performance indicators, with recommendations and completed Customs Broker Selection Matrix.

Contacts

For further assistance about PwC's customs and international trade services please contact:

Colbert Lam

Partner

+852 2289 3323

colbert.ky.lam@hk.pwc.com

Susan Ju

Director

+86 (10) 6533 3323

susan.ju@cn.pwc.com

Damon Paling

Partner

+86 (21) 2323 2877

damon.ross.paling@cn.pwc.com

Michael Jiang

Director

+86 (21) 2323 2766

michael.h.jiang@cn.pwc.com

For more information, please also visit: www.pwccustoms.com

PricewaterhouseCoopers' Customs & International Trade Practice

Customs and international trade in China is complex. However, a planned and structured approach with the right resources assigned results in cost savings, higher levels of compliance and fewer unwanted surprises during an audit. PricewaterhouseCoopers' specialists within our Greater China customs and international trade practice provide a wide range of advice and services related to creating value, ensuring compliance, and managing risk in relation to the movement of goods into and out of China.

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