

## Managing Risk and Cutting Costs

### Scenario

The shipper exports 98% of their product worldwide and holds an Approved Exporter status with HMRC. This allows them to make declaration on the export invoice which enables a reduced or zero rate of customs duty on import at destination.

The shipper received an audit check from HMRC on two shipments sent under this procedure (to Morocco) as their Customs had a query regarding the origin of the products shipped and wanted UK Customs to verify the origin.

### What Happened

We were asked to undertake a Health Check audit on their entire export process as the internal review on these two shipments showed that the origin of the goods exported were 80% non-UK originating. In Morocco, their client could not then claim a preferential rate of import duty and this had potential impact on the overall commercial relationship. In the UK, the shipper faced the prospect of a fine, which is £2500 per error and the threat of a review of all export movements over a 3 year period.

We undertook a review of their past 3 years' export movements and determined that there was a major flaw in the export process which had the potential to cause the business serious problems.

### The result

We helped produce a revised process flow chart for the shipper and were able to demonstrate this on a compliance audit visit from HMRC to their site which we attended. They were given a warning in respect of the problem on the two export shipments as a result of being able to demonstrate clearly that they had changed their export process and brought this into their ISO programme for specific internal audits.

We identified knowledge gaps on the rules of origin and preference and helped the client produce correct tariff classifications for their products and changed the style of their commercial invoices. The client then requested a full Health Check which involves reviewing the entire procurement cycle, the valuation/ transfer pricing of products and a number of other areas. This identified further areas of risk for the Management to consider. We have since been engaged to provide annual audit checks.

