Evaluation of the Duties Relief and Duty Drawback Programs: Actions in response to the OAG recommendation

Previous page | Table of contents | Next page

Finding 3: The CBSA responded to the OAG's recommendation 2.63 to explore the possibility of making licences renewable and requiring financial deposits.

As part of the evaluation, an auditor was contracted to assess the extent to which the CBSA addressed the recommendation in Report 2 - Customs Duties, 2017 Spring Reports of the Auditor General of Canada.

In 2017, the OAG had found that the CBSA and GAC did not work together to adequately manage the limits on quota-controlled goods coming into Canada and that some goods, imported under the DRP, were diverted into the Canadian economy, rather than exported as required by the program. The OAG also found that the CBSA did not ensure that these diverted goods were reported and the applicable duties paid as required. The OAG did find that the CBSA ensured that importers were complying with their licences under the DRP by conducting periodic verifications at the importers' premises. However, the OAG report highlighted that the CBSA did not use some controls - such as requiring a financial deposit to participate in the program and having renewable licences for importers - to create more incentives for the importers to comply with rules.

> The resulting recommendation 2.63 was:
>
> In consultation with the Department of Finance Canada, the Canada Border Services Agency should improve the Duties Relief Program's compliance by considering
>
> - making licences renewable, conditional on an importer's compliance record, and
> - requiring a financial deposit proportionate to the value of duties at risk.

Audit level assurance was provided that the CBSA responded to the OAG's recommendation, as it explored the possibility of making DRP licences renewable and requiring financial deposits. The Agency conducted consultations with the DFC and key participants of the DRP, and provided recommendations to the policy-holder (DFC) and to the House of Commons Standing Committee on Public Accounts in September 2018.

The consultation process included the following:

- The CBSA participated in DFC- and GAC-led consultations with key stakeholder and industry representatives for SMG program participants, including:
  - Canadian Association of Regulated Importers
  - Canadian Hatching Egg Producers
  - Canadian Poultry and Egg Processors Council
  - Chicken Farmers of Canada

    - Dairy Farmers of Canada
    - Dairy Processers Association of Canada
    - Further Poultry Processors Association of Canada
    - Turkey Farmers of Canada
- The CBSA launched additional consultations with 72 non-SMG DRP participants, representing 85% of non-SMG related duties.

Participants involved in the consultations were asked for their views on making licences renewable conditional on an importer's compliance record, and requiring a financial deposit proportionate to the value of duties at risk. Program participants were also canvassed for additional ideas to improve the CBSA's DRP control framework to better manage risk.

The findings of the consultation process indicated support for making licences renewable conditional upon an importer's compliance record, but there was opposition to requiring a financial deposit on the grounds that it would pose an administrative burden and would serve to remove an advantage of using the DRP.

As a result of the consultation process, the CBSA made three recommendations to the DFC and the House of Commons Standing Committee on Public Accounts. These were:

Recommendation 1

Recommend that licences be renewable on a five-year basis, with renewal conditional upon compliance record.

Recommendation 2

Recommend that a financial deposit not be required of DRP participants.

Recommendation 3

Continue ongoing efforts to improve the compliance framework of the DRP.

Previous page | Table of contents | Next page

Date modified:
2023-04-26