

# **Internal Compliance Programs (ICPs) and Audits**

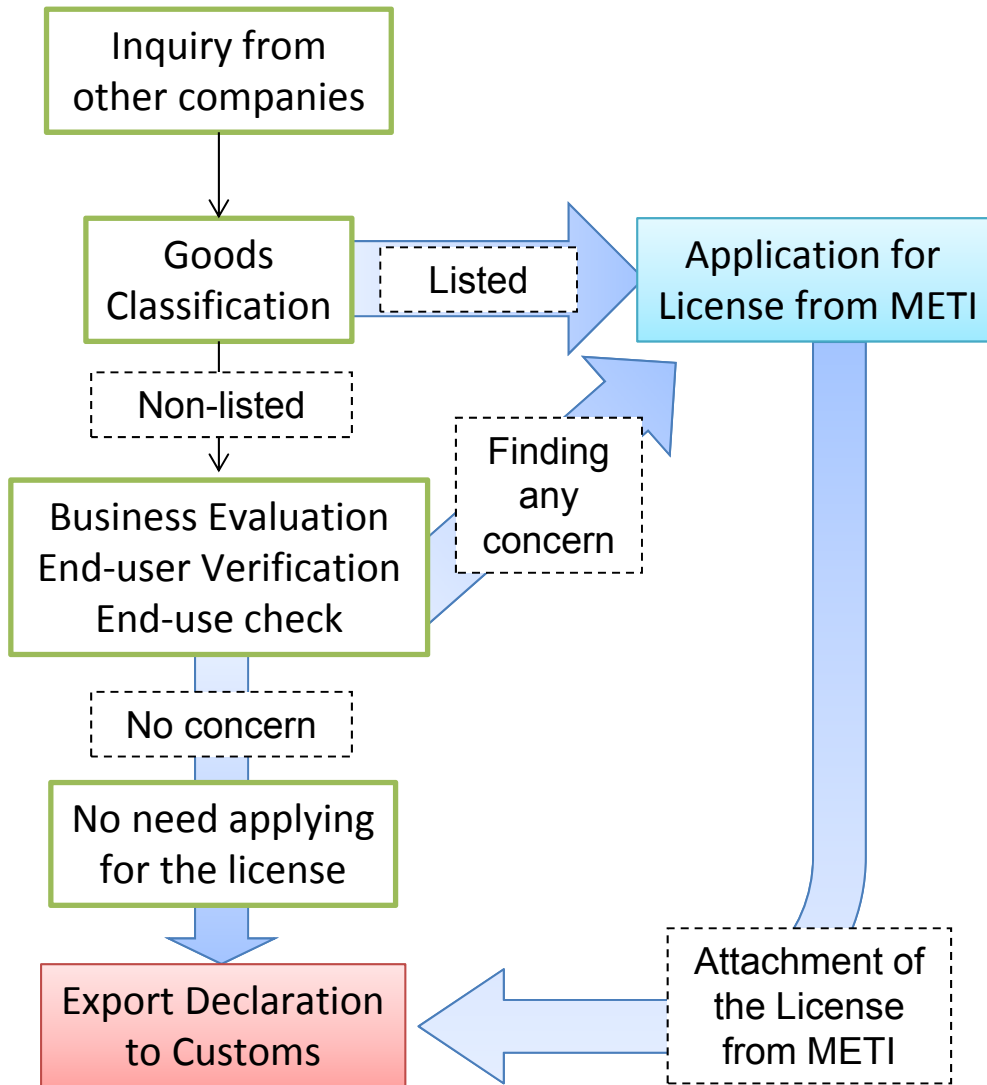
**Mar. 4, 2015**

**Security Export Inspection Office  
Ministry of Economy, Trade and Industry**

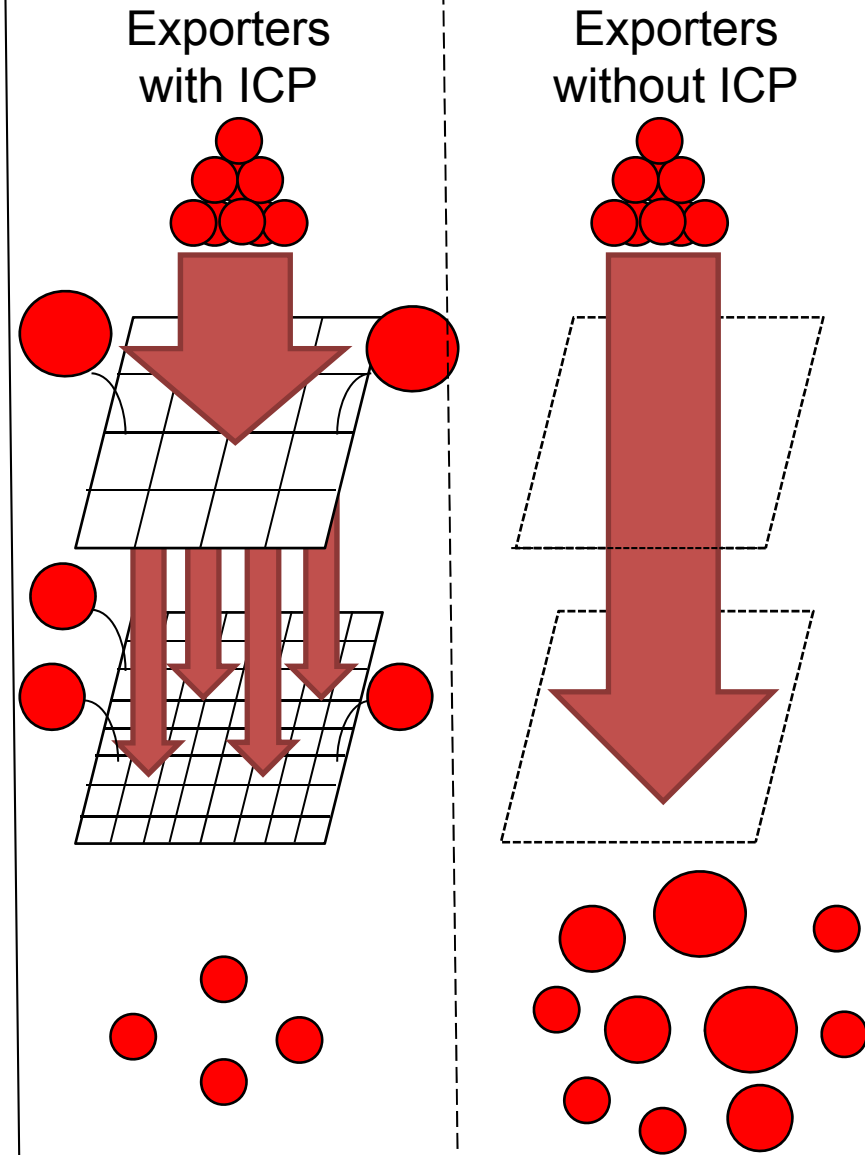
- 1. Internal Compliance Programs (ICPs)**
- 2. Two Types of Audit**
- 3. Post Shipment Inspection**

# Importance of Internal Procedures

## Internal Procedures of Exporter



## Effects of ICP



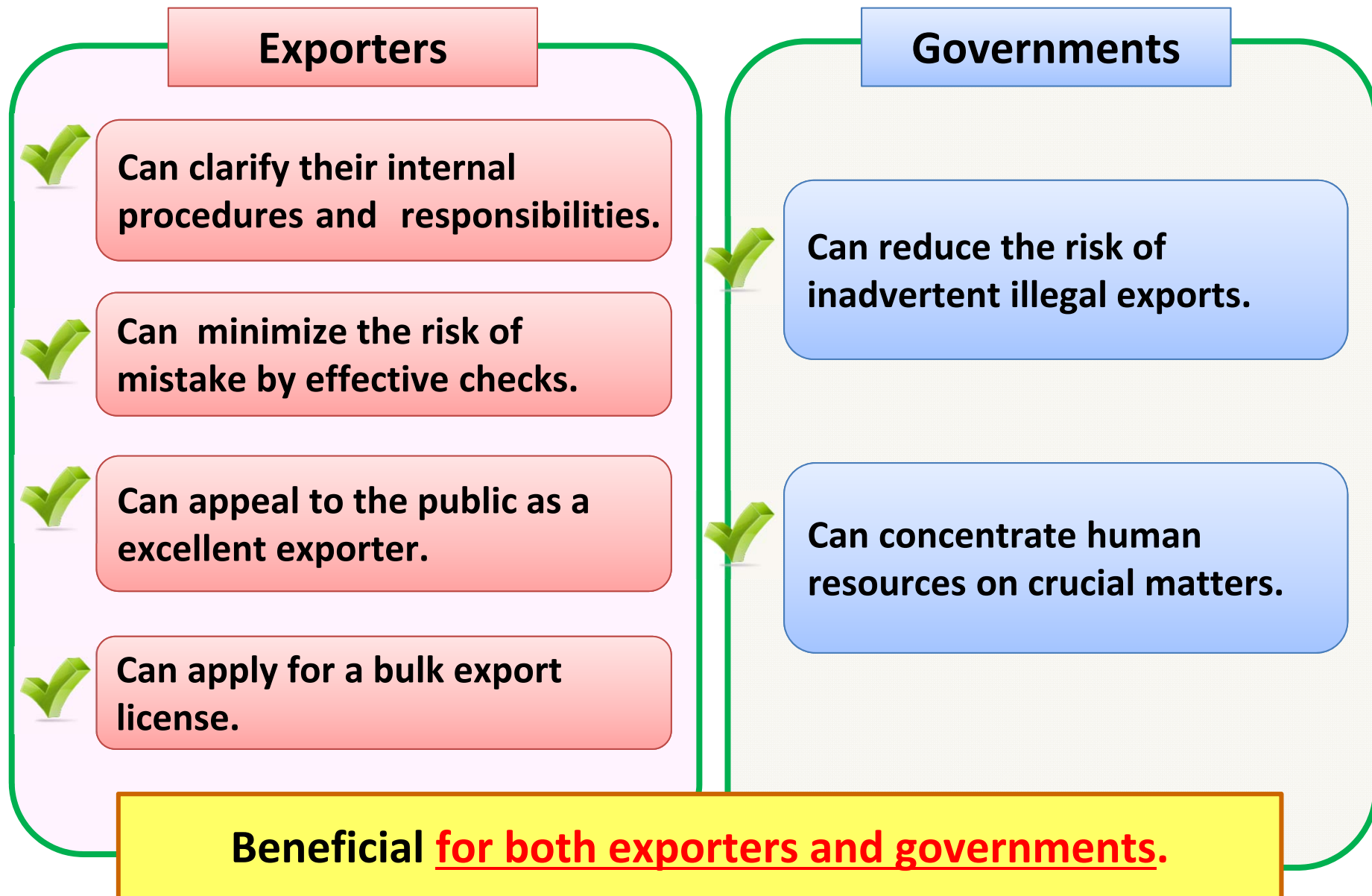
- METI has been encouraging exporters to develop their ICPs voluntarily, and has registered them since 1987.
- METI has also been encouraging overseas subsidiaries to develop ICPs since 2005.

## Number of Registered ICP exporters in Japan

Year	2008	2009	2010	2011	2012	2013
Exporters submit ICPs to METI	<b>1,447</b>	<b>1,467</b>	<b>1,430</b>	<b>1,445</b>	<b>1,463</b>	<b>1,450</b>
New Applications	<b>88</b>	<b>74</b>	<b>65</b>	<b>55</b>	<b>48</b>	<b>28</b>
Withdrawals	<b>30</b>	<b>54</b>	<b>102</b>	<b>40</b>	<b>30</b>	<b>41</b>

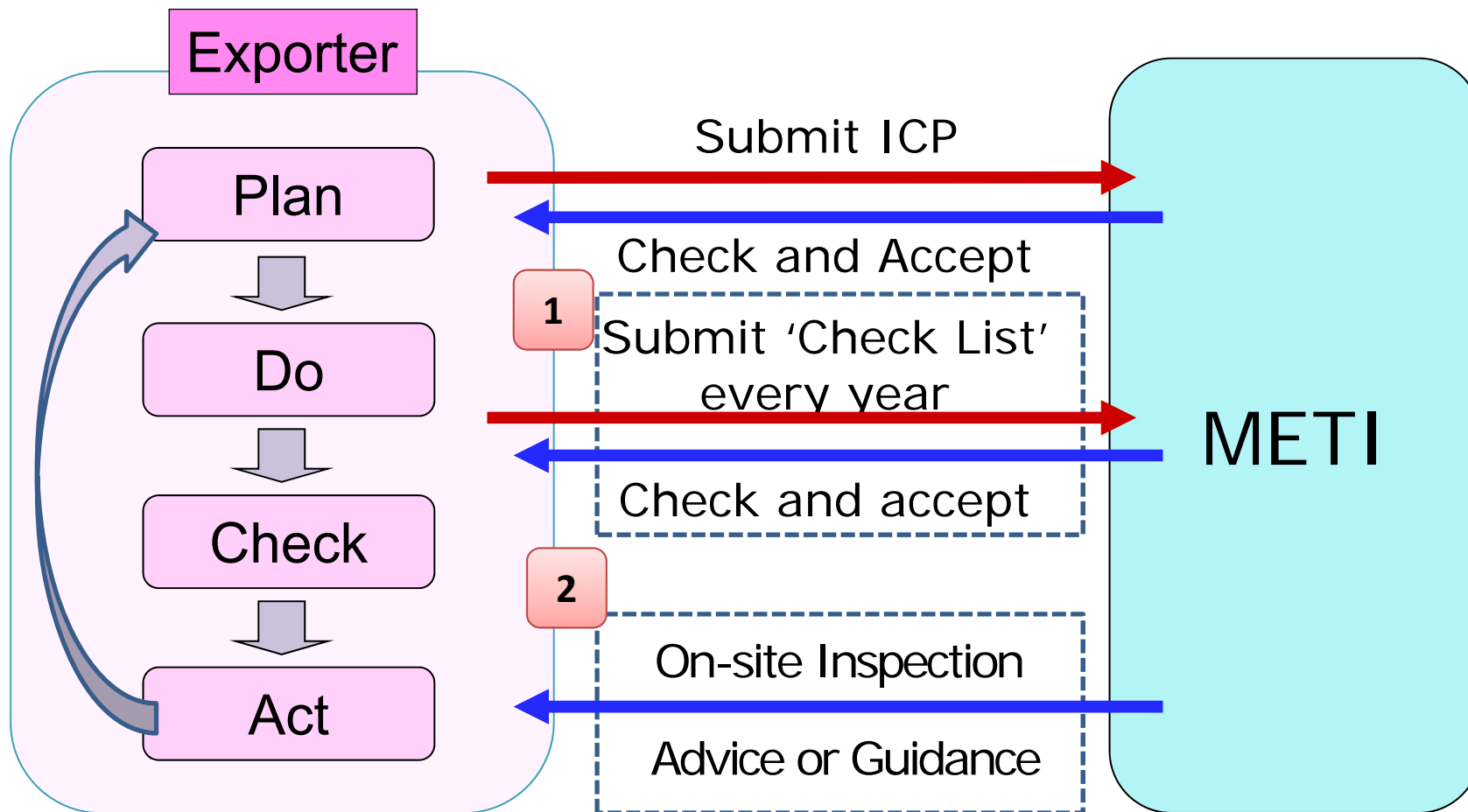
# Main Requirements for ICPs





# Two Types of Audit

There are two types of de facto audit:  
Check List and On-site Inspection



# Check List

- ◆ There are 41 check items.
- ◆ Exporters fill in a check list as per the following example.

Check items	Handling of ICP	Practical implementation	Notes
Export Control Organization			
1 - 1 Is the Chief Export Control Officer a representative of the organization?	<input checked="" type="radio"/> (1) Stipulated in ICP <input type="radio"/> (2) Stipulated in internal rules other than the ICP <input type="radio"/> (3) Not stipulated	<input checked="" type="radio"/> (A) A representative of the organization is appointed for the ICP <input type="radio"/> (B) Although different from ICP, a representative of the organization is appointed <input type="radio"/> (C) An individual other than the above is appointed <input type="radio"/> (D) Nobody is appointed	Fill in the title of the ICP and relevant clause:  Title of ICP: _____ Clause: _____
1 - 2 Is work allocation and scope of responsibility regarding export control clearly defined?	<input type="radio"/> (1) Clearly stipulated in ICP <input type="radio"/> (2) Clearly stipulated in internal rules other than ICP <input checked="" type="radio"/> (3) Not stipulated	If (1) or (2) was selected <input type="radio"/> (A) Openly defined <input type="radio"/> (B) Not defined as either If (3) was selected <input checked="" type="radio"/> (C) Practical work allocation and scope of responsibility is clearly defined <input type="radio"/> (D) Not defined as either	Fill in the title of the ICP and relevant clause:  Title of ICP: _____ Clause: _____
1 - 3 Are executives and employees engaging in export control informed of the latest Foreign Exchange Law and related legislation?	<input checked="" type="radio"/> Y <input type="radio"/> N	<input checked="" type="radio"/> Y <input type="radio"/> N	If Y was selected Fill in the title of the ICP and relevant clause Title of ICP: _____ Clause: _____  If Y was checked Fill in the implementation status concisely Status of implementation: _____
General License			

Choose one from options

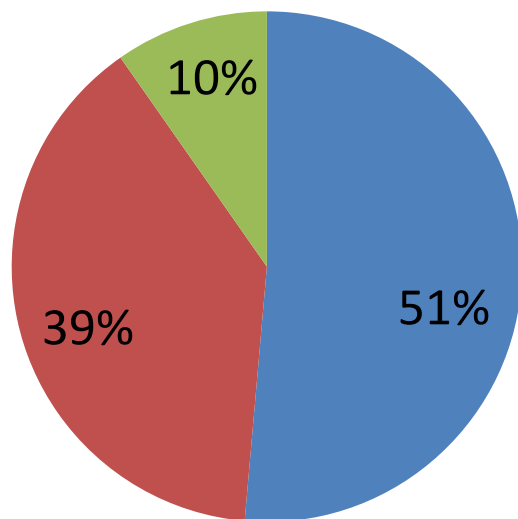
Fill in the title of ICP and relevant clause

Fill in the implementation status



- Inspect more than 100 exporters annually
- Check each exporter's implementation of its ICP
- Give advice or guidance after the inspection

## Results in 2013



■ No Instruction ■ Verbal Advice ■ Written Guidance

- If the ICP is functioning well;  
→ No instructions
- If the ICP is working but insufficient;  
→ Verbal advice
- If the ICP is not appropriate and needs to be reviewed as soon as possible;  
→ Written guidance

# Examples of Advice or Guidance

## ■ Business evaluation

- Customer evaluation should be reviewed periodically.

## ■ Audits

- Audits should involve site visits on top of document reviews.

## ■ Document keeping

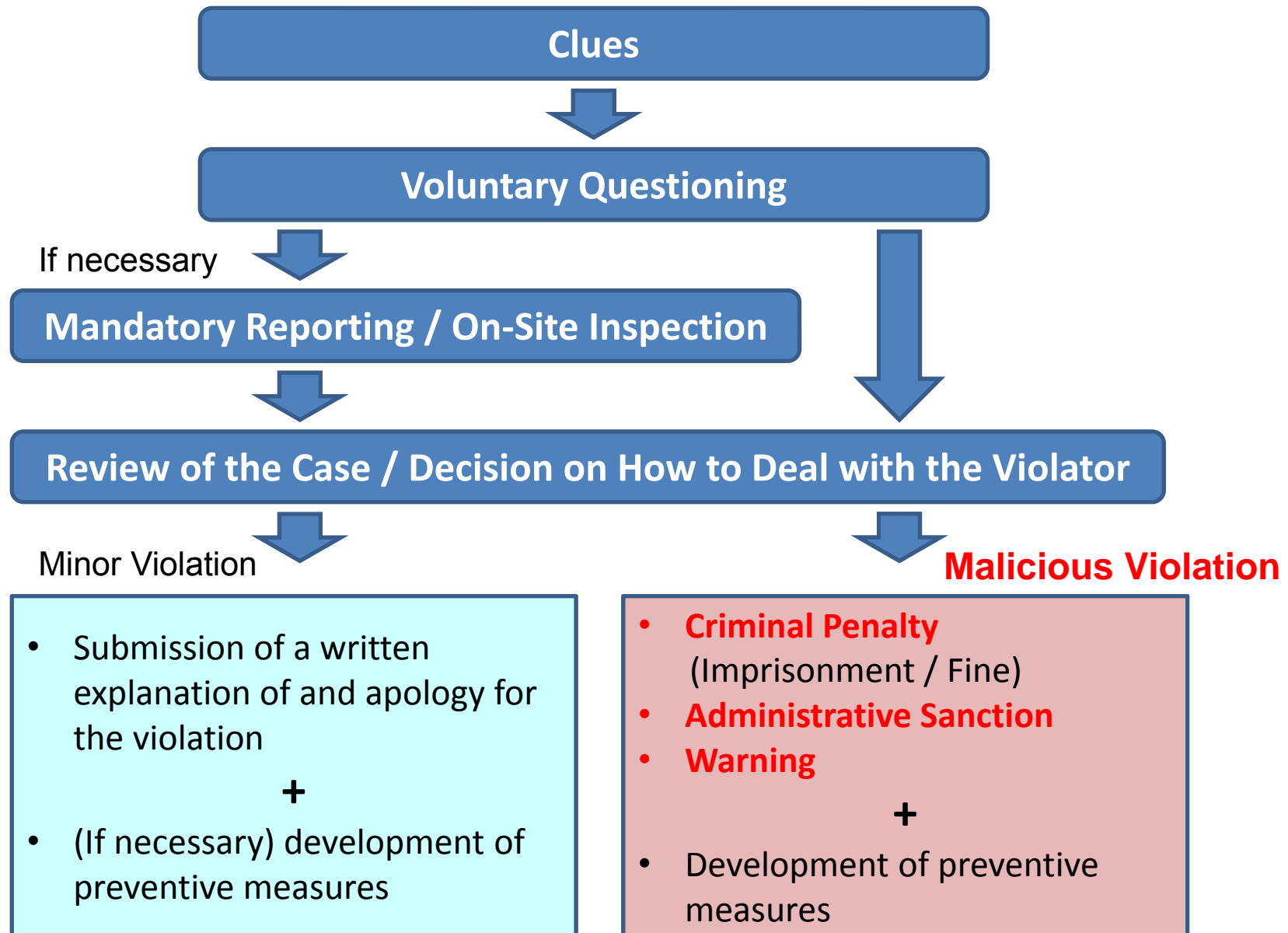
- There are no records for some businesses.

- METI conducts **post-shipment inspection** when an export of goods or transaction of technology that is **strongly suspected of violating the Act** is discovered.

### Objectives:

1. To find out facts and causes of a suspected case
2. To decide how to deal with a suspected violator
3. To develop preventive measures

# Flowchart of Post-Shipment Inspection



Thank you  
for your attention

*Security Export Inspection Office  
Trade and Economic Cooperation Bureau  
Ministry of Economy, Trade and Industry (METI)  
Japan*