

# **Auditing of Manufacturers and Importers Under the 4-in-1 Recycling Program**

## **Objective**

Under the Waste Disposal Act, Environmental Protection Administration Taiwan (EPAT) charges manufacturers and importers recycling fees based on the quantities of new regulated recyclable waste (RRW) products these companies place on the market in Taiwan. In order to ensure compliance with fee requirements, EPAT has established an auditing system that verifies the volumes of new products coming from these enterprises. This handout introduces the audit process.

## **Audit Principles**

Under the Waste Disposal Act, EPAT has the authority to audit manufacturers and importers of new RRW products. However, EPAT was not required to establish an independent organization to audit manufacturers and importers as it was for collectors and recyclers, who are overseen by the Auditing and Certification Groups (ACGs). To verify the quantities of new RRW products that enter the market, EPAT issues annual contracts to organizations who conduct independent audits. Manufacturers and importers are audited every one to five years.

In general, auditors must verify the accuracy of the sales and import volumes reported to EPAT by manufacturers and importers. The reporting requirements for these companies are described in Handout 7. Enterprises being audited must provide relevant documentation requested by auditors. In addition to inspecting paperwork, auditors have the authority to enter facilities for onsite inspections.

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### Audit Methodology and Examples

The audit process has four stages. These stages are defined below and the accompanying examples show how they would be implemented in the case of a given company.

#### 1. Advance Preparation

Prior to auditing a manufacturer or importer, the auditor should obtain all relevant background documents including the reporting data submitted to EPAT by this particular enterprise, relevant import/export documents, and information on the business relationship between this enterprise and other regulated manufacturers and importers.

*Example:*

*Company background: The audited company is an importer of computer components and accessories. It sells these products at self-owned retail outlets and online (within Taiwan). Its products include earphones, microphones, keyboards, mice, power supplies and casings. This company does not supply other manufacturers or importers; it places new products directly on the market.*

#### 2. Verify Reported Quantities of New RRW Products and Fees

During an audit of a manufacturer or importer, auditors must collect more detailed information, including data on sales, revenue, products and other aspects of the company's operations in order to calculate the quantity of new RRW products and associated fees the company should have reported and paid to EPAT during the time period under review.

*Example:*

*During the verification stage, the auditor may review company documents like the following Annual Revenue chart:*

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<i>Month and Year</i>	<i>Booked revenue</i>
<i>Jan. – Dec. 2007</i>	<i>51,xxx,xxx</i>
<i>Jan. – Dec. 2008</i>	<i>91,xxx,xxx</i>
<i>Jan. – Dec. 2009</i>	<i>86,xxx,xxx</i>
<i>Jan. – Dec. 2010</i>	<i>93,xxx,xxx</i>

The auditor will then compare these figures to the actual amounts reported and the actual fees paid during the audit period. The result may reveal products that were not reported or fees that were not paid. Those omissions may be documented in a chart like the one below.

*Sample chart indicating unreported products and unpaid fees:*

<i>Time Period</i>	<i>New RRW Products Not Reported</i>	<i>Amount Due</i>	<i>Amount Paid</i>	<i>Variation</i>
<i>Jan. – Dec. 2007</i>	<i>Casting, power supply and keyboard</i>	<i>1,0xx,xxx</i>	<i>0</i>	<i>1,0xx,xxx</i>
<i>Jan. – Dec. 2008</i>	<i>Casting, power supply and keyboard</i>	<i>1,3xx,xxx</i>	<i>0</i>	<i>1,3xx,xxx</i>
<i>Jan. – Dec. 2009</i>	<i>Casting, power supply and keyboard</i>	<i>1,6xx,xxx</i>	<i>3xx,xxx</i>	<i>1,2xx,xxx</i>
<i>Jan. – Dec. 2010</i>	<i>Casting, power supply and keyboard</i>	<i>1,9xx,xxx</i>	<i>9x,xxx</i>	<i>1,8xx,xxx</i>
<i>Total</i>		<i>5,9xx,xxx</i>	<i>1,3xx,xxx</i>	<i>5,3xx,xxx</i>

### 3. Audit Report

After the inspection is complete, the auditor will report the results to EPAT and make recommendations on follow-up actions. These may

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include obtaining missing funds from the audited enterprise or penalizing the enterprise for non-compliance through fines or other enforcement actions.

### *Example:*

*Following the inspection, the auditor may make this report to EPAT: The audit revealed that the company did not fully report the volume of new imported products. As a result, the company owes fees to EPAT from previous years. After making this determination, the auditor explained the situation and the applicable regulations to company representatives. The auditor indicated that the company must make outstanding payments to EPAT within a certain time frame and that penalties will apply if the payment is not made on time.*

## **Common Issues Related to Manufacturer and Importer Audits**

During audits of manufacturers and importers, certain issues arise frequently. One common area of disagreement between auditors and audited companies involves whether certain products are classified as RRW and have reporting and fee requirements associated with them. For example, cathode ray tube (CRT) monitors and televisions are defined as RRW; manufacturers and importers must report these items to EPAT and pay recycling fees for them. However, CRTs for industrial uses, such as the screens of automatic teller machines, are not RRW and reporting and fee requirements do not apply to their manufacture or import.

Another common challenge relates to determining quantities of new RRW sent for export. This is an issue because fees paid by manufacturers on items that are exported can be reimbursed by EPAT. Products may change hands multiple times between the point of manufacture and the point of export. Documenting this process can be a challenge for manufacturers seeking to prove to auditors that they should be reimbursed for fees paid to EPAT.