



ANTI-DUMPING NOTICE NO. 2016/30

VERIFICATION PROCEDURES AND REPORTING

The purpose of this notice is to provide interested parties with further information about practices and procedures followed by the Anti-Dumping Commission (the Commission) in relation to verification of financial and other data relevant to dumping and subsidy investigations and other operational activities.

Background

Independence, objectivity and due care form the general principles of the Commission's investigative rigour, underpinning its approach to administering Australia's anti-dumping and countervailing system. Verification of financial and other data is a central part of the Commission's investigative rigour. Verified data pertaining to dumping, subsidies, injury and causation provide the factual bases for objective, evidence-based decision-making and recommendations. It is therefore important that verification is undertaken efficiently and effectively.

The Commission typically undertakes verification exercises in relation to data submitted by the Australian manufacturers in the applications for anti-dumping measures. It also verifies data submitted by cooperating exporters and importers in response to detailed questionnaires. The Commission seeks the explicit agreement of entities before a verification visit is scheduled.

The Commission has recently examined its verification reporting practices and identified opportunities to improve the efficiency and effectiveness of those practices.

Responding to feedback on past verification reporting practices

The past practice of the Commission in producing verification reports has been to include, among other things, a considerable degree of detail with respect to the verification *process*. The Commission has been producing two versions of each verification report; one confidential version and one non-confidential version. The latter is placed on the public record.

Feedback from interested parties has indicated that less focus on detailed process and greater focus on analysing important verification issues would represent an improvement in verification reporting. Interested parties suggested that, in doing so, reports would contain less repetition, become easier to understand and would provide increased transparency around the verification and treatment of important issues.

In response, the Commission has examined the nature and content of its verification reports and it considers a move to *exception-based verification reporting*, where it

produces only one (non-confidential) version of the report, will be a more efficient and effective approach.

New exception-based verification reporting

The Commission will soon be adopting exception-based reporting for outlining the results of verification visits. The reports will display less detail in relation to verification process and will instead focus on more clearly presenting the Commission's findings, analysis, evidence relied upon and reasoning on key verification outcomes. This approach will provide more concise reports that are easier to understand, as well as reducing the time between verification visits and the publication of verification reports.

The implementation of exception-based reporting does not represent any change in business process or practice in terms of the rigour applied by the Commission in conducting verification. The Commission will continue to conduct thorough on-site verifications, and other forms of verification, including collection of supporting documentation, testing and analysis of data, as well as continuing its quality assurance program for verification procedures.

Importantly, the reports will continue to provide information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. For example, the verification reports will outline the nature, extent and consequences of any changes made to data submitted, including data corrections made by the interested party or by the verification team. The verification reports will also provide details on contentious issues in a manner that makes clear the claims of the interested party and the approach taken by the verification team (eg. adjustments in calculating normal value). Conversely, where the Commission does not find any significant variances or issues in relation to a particular data set, only this conclusion will be noted in the visit report in relation to that data set. The Commission will also continue to provide the entity subject to verification with copies of the confidential appendices to the verification report.

Exception-based reporting in exporter visit reports will, where relevant, continue to include outlines of key analysis and findings, including those in relation to:

- model and period matching;
- identifying who is the importer and who is the exporter;
- whether transactions are arms length;
- whether there were sufficient volumes of domestic sales made in the "ordinary course of trade";
- whether elements of costs reasonably reflect competitive market costs;
- adjustments to normal value to ensure proper comparison with export price;
- export price and normal value; and
- preliminary assessments of dumping and subsidy margins.

Australian industry visit reports will continue to include outlines of key analysis and findings in relation to:

- the scope of like goods;
- the Australian industry producing like goods;
- marketing and distribution;
- the economic condition of the industry (including price, volume and profit effects);
- causes of injury, including dumping and other factors; and
- non-injurious price.

Importer visit reports will continue to include outlines of key analysis and findings in relation to:

- identifying who is the importer and who is the exporter;
- whether transactions are arms length;
- export volumes and prices;
- post exportation charges, into-store costs, selling general and administrative expenses;
- selling prices in Australia of imported goods;
- profitability of sales; and
- causes of injury, including dumping and other factors.

As part of the shift to exception-based reporting, the Commission will also move to a practice of preparing only one version of verification visit reports. The report will be in non-confidential format, such that it can be placed on the public record without redactions. Instead of redacting confidential text, the report will be written in a non-confidential manner that contains sufficient detail to allow a reasonable understanding of the substance of the verification findings. This will enhance the readability and consistency of visit reports and shorten the time for report completion and publication. The Commission will continue the practice of consulting with the interested party about the level of disclosure in a non-confidential verification report before placing that report on the public record and it will assess claims of confidentiality on their merits.

Aspects of verification methodology

While exception-based reporting will seek to remove or shorten much of the detail surrounding the verification process, it is important, in terms of fairness and transparency, that all interested parties have an understanding of the Commission's fundamental approach to verification.

In **Attachment A**, the Commission has provided an outline of its rationale and methodology for establishing the completeness, relevance and accuracy of the data and information submitted to the investigation by interested parties.

The Commission will, instead of discussing these processes in the verification reports in relation to each specific data set verified, refer to this notice as an overview of such processes. That will allow the verification reports to focus on the analysis and outcomes of the key verification issues in the new exception-based reports.

Enquiries

Enquiries about this notice may be directed to the Commission's Client Support team at clientsupport@adcommission.gov.au.



Dale Seymour
Commissioner
Anti-Dumping Commission

ATTACHMENT A

Verification rationale and methodology

The factual information the Commission relies on to make key findings in an investigation is contained, in significant part, in the application and in responses to the questionnaires sent to interested parties.

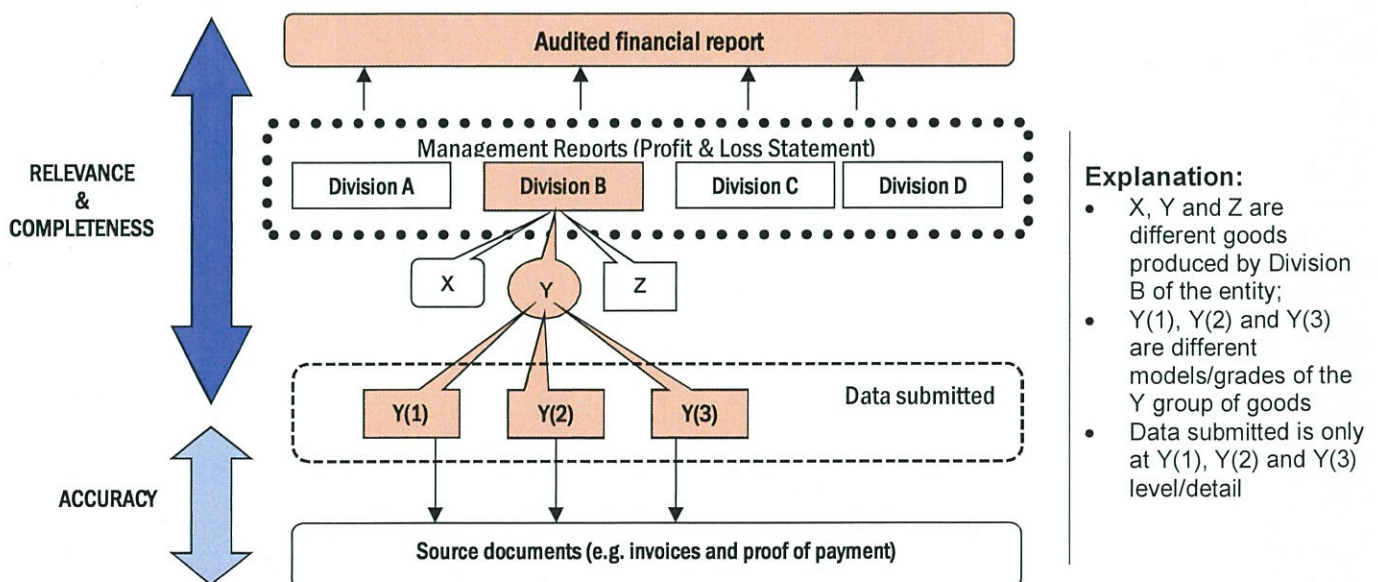
Through the verification process, the Commission verifies that the data submitted by relevant parties and ultimately used by the Commissioner (and the Parliamentary Secretary to the Minister for Industry, Innovation and Science) in making decisions, is complete, relevant and accurate.

Information is verified by reviewing selected cross-sections of data and information from the application and questionnaire responses in an effort to reach satisfaction as to the overall validity of that data and information. This involves interviewing relevant company personnel, examining financial records, and cross checking information provided by the interested party to other external sources.

In particular, the Commission undertakes verification of sales and cost data in order to establish that the data is:

- Relevant – only relevant data included;
- Complete – all relevant data included; and
- Accurate – the data included is accurate.

The process of verification is summarised in the following graphic, which illustrates the connections between the data submitted and relevant reports and source documents that will be examined and collected as the supporting evidence.



In the example above, the verification is examining sales of product group Y. In order to reconcile up to the total sales for 'Division B', the total sales data provided for product group Y must be combined with sales for product groups X and Z (for this particular example, Division B manufactures 3 different groups of products). Total sales for Division B must then be combined with sales for Divisions A, C and D to arrive at the total sales per the audited financial report.

In the course of these verification processes, the Commission can identify instances where:

- irrelevant data is included (eg. transactional sales data of product group Z are in the data submitted); and
- the data is incomplete (eg. some transactional data of product group Y are not in the data submitted).

Both of these examples can lead to a distortion of volumes and prices that may be used for dumping or injury assessments.

Completeness and relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts.

The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions have been excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

Similarly, the total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that have been excluded or should be excluded.

Where the investigation period and the company's financial year are misaligned, the Commission will generally conduct the "upwards" verification with respect to a period (eg. quarter) that is within the investigation period and within the audited financial year. Having established confidence around the completeness and relevance of data submitted in relation to that period, the Commission will then seek to establish confidence that the data submitted for the remaining periods was assembled using the same information systems and approaches to data collection and presentation as that for the period traced to audited financial statements. The Commission will also generally obtain the management reports (eg. quarterly or half-year income statements) for the other periods to enable "upwards" reconciliation to that level.

Accuracy

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data and cost data down to source

documentation. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur).

In relation to selected sales, the Commission generally requests copies of:

- Customer contracts;
- Purchase orders;
- Order confirmations;
- Invoices;
- Shipping documents such as bills of lading;
- Packing lists;
- Internal sales reports and worksheets;
- Sales ledgers;
- Accounts receivable records;
- Records of payment, letters of credit, debit/credit memos, promissory notes, remittance advices, bank deposit slips and/or bank statements; and
- Evidence of rebates, discounts, commissions.

In relation to costs, the Commission may examine and collect a range of source documents which will vary according to its risk-based approach to verification of certain cost elements. However, examples of source documents examined and collected include:

- Invoices and payment details for purchases of raw materials;
- Direct labour ledgers and allocations;
- Manufacturing overhead ledgers and allocations;
- Bills of materials and variance allocations for standard costing systems;
- Asset registers and depreciation calculations;
- Invoices for payment of utilities and related allocations; and
- Allocation of selling, general, administration and finance expenses.

The Commission will also examine and collect copies of supporting evidence in relation to claims for adjustments to normal value to ensure proper comparison with export price. These supporting documents can be many and varied in nature, depending on the type of adjustment being considered.