

# Introduction: Role of Risk Management in Customs Controls



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# Resume

- **U. S. Customs Service – 20 Years**
- **Consultant to the United Nations on risk management**
- **World Customs Organization**
  - ◆ **Initiated and developed the WCO risk management program**
  - ◆ **International trainer on risk management**

# Definitions

1. **CUSTOMS CONTROLS:** systems used by Customs to ensure compliance with laws and regulations
2. **RISK:** Chance that Customs controls may be circumvented
3. **RISK AREAS:** those Customs procedures and categories of international travel and trade which present a risk to Customs controls
4. **RISK MANAGEMENT:** systematic application of management procedures to identify, analyze, assess and take action to minimize or eliminate risks

# Customs Controls



# Purpose Of Customs Controls

- **To ensure compliance with customs laws and regulations to prevent customs fraud**
- **To detect customs fraud**
- **Customs fraud: Any action involving customs transactions that are intended to avoid customs controls**

## Background

- **Limited resources**
- **Increased trade volume**
- **Need for prompt clearance**

## **Effective customs controls require :**

- 1. Control plan**
- 2. Centralized intelligence system**
- 3. Effective selection of goods to be examined**
- 4. Post-clearance audit**
- 5. Investigation**

# Control Levels

- **Principle : controls are intelligence led with resources directed at high-risk areas**
  
- 1. Level one : pre-clearance**
- 2. Level two : post-clearance evaluation**
- 3. Level three : post clearance audit (on trader's premises)**
- 4. Level four : investigation**

# Pre-Clearance

## Identify risks

- Review of advanced passenger manifests
- Review of cargo manifests
- Profiling

- **Pre-clearance for passengers: The review of passenger manifests prior to arrival of a flight in order to identify passengers who are high risk**
- **Pre-clearance for cargo: review of cargo manifests prior to arrival of cargo in order to identify high risk cargo**

- **Pre-clearance for conveyances: review itinerary to identify those conveyances whose journeys originated from, connected with conveyances from source countries or transited source countries**

# Clearance

- 1. reviewing entry documents for the purpose of identifying high risk passengers, cargo and conveyances**
- 2. and the physical examination of passengers, cargo and conveyances**

# Clearance - Passengers

- **Observation of passengers and luggage**
- **Review of airline ticket, passport**
- **Questioning passengers**

# Clearance - Cargo

- **Review cargo documents**
- **Observe container, packaging**

# Post-Clearance Audit

**Based upon risk assessment, profiling and selectivity**

# Post-Clearance Investigation

**Done following an interdiction or findings of wrongdoing in a post-clearance audit in order to prove extent of civil negligence or criminal intent**

## **To be effective, border controls must:**

- ✓ **use risk management and**
- ✓ **be based upon intelligence and other information**
- ✓ **in order to concentrate on identifying**
- ✓ **the highest risk passengers, cargo and conveyances**

# Risk Management



# Risk Management: Benefits to Industry

✓ **Faster clearance of goods**

## **Risk Management: Benefits to Customs**

- ✓ **Identify high risk cargo, passengers and conveyances**
- ✓ **Guide for allocating resources and future plans**



**RISK** Give every challenge your best shot.™

# Risk Management and Customs

**Risk Management should be used in different areas of Customs:**

- ◆ **Physical Security**
- ◆ **Employee safety**
- ◆ **Consumer safety**
- ◆ **Commercial operations**
- ◆ **Enforcement operations**

**This presentation will focus on the role of risk management in Customs border controls**

**Risk: Chance that Customs controls may be circumvented**

**Risk areas: those Customs procedures and categories of international travel and trade which present a risk to Customs controls**

**Risk management: systematic application of management procedures to identify, analyze, assess and take action to minimize or eliminate risks**

**Risk Management and Risk Assessment  
are NOT the same**

**A program of Risk Assessment, Profiling and  
Selection is a tool of a Risk management  
program**

# Risks

- **Low level of competence**
- **Lacking training**
- **Lacking equipment**
- **Inadequate records**
- **Inadequate procedures**

# Basic Risks to Customs

## Commercial Operations

- Loss of revenue
- Damage to domestic industry

## Enforcement

- Entry of contraband

# Risk to Commercial Operations

## Loss of Revenue

Smuggling

Transit fraud

Valuation fraud

## Damage to Domestic Industry

Dumping

Quota fraud

# Border Control Commercial Risk Areas

- **Classification**
- **Valuation**
- **Marking**
- **Transit fraud**
- **Smuggling – Contraband and commercial goods**

## **Border Control Commercial Risk Areas – continued**

- **Intellectual property rights**
- **Quarantined goods**
- **Collection of taxes and fees for other agencies**
- **Trade restraints – Anti-dumping, quotas**
- **Export controls**

# Customs Focus

- ❁ **What presents the greatest risk of loss?**
- ❁ **Use of risk assessment and risk analysis to determine where to concentrate enforcement resources**

# Risk Management Process

- 1) Establish the context**
- 2) Identify the risks**
- 3) Analyze the risks**
- 4) Rank the risks**
- 5) Identify and implement solutions**
- 6) Monitor and review**

## Establish the Context

**Customs should identify, prioritize and manage risks according to national and customs priorities:**

- **Revenue collection**
- **Protect domestic industry**
- **Prevent entry of contraband**

# Identify Risks

**Identify the existing and possible risks that would prevent customs from achieving its objectives**



# Analyze the Risks

- **Likelihood the risk will occur**
- **Negative consequences if the risk does occur**
- **Acceptable level of risk**

## Prioritize the Risks

**Rate the risks according to the results of the analysis**

- **National and customs objectives**
- **Acceptable level of risk/loss**

# Identify Solutions

- **Identify the cause of the risk**
- **Select and implement a response**
- **Customs controls: Pre-clearance, Clearance, Post-Clearance**
  - **Preventive action**
  - **Corrective action**
  - **No action**

# Monitor Results

**Review the performance and effectiveness of the corrective/ preventive action**

# Compliance Measurement



**For measuring commercial compliance,  
customs must focus on the highest volume  
importers manufacturers, countries of  
origin and consignees**

**By focusing on these entities, Customs ensures that those entities which have the most significant impact in a commodity's importation are the group which is reviewed most effectively**

# Compliance through Filtering

- 1. Filer Compliance: Random sampling**
- 2. Entry Compliance: Random sampling and selective targeting**

**As the imported goods and their documents move through the import process, the filters will check for compliance**

# Filer Compliance

**Purpose: Check on how well importers are completing and filing the correct paperwork for each entry**

# Filer Compliance

**Method: Random sampling of imports, (1) when entry is first submitted (2) at entry control (3) at entry summary**

**At each of the three steps, a checklist will be followed to ensure that all documents have been submitted and any other requirements (bonds, visas, licenses) have been completed**

## Entry Compliance

**Purpose: Ensure that the quantity, marking and classification of imported goods are effectively monitored**

**Method: Random sampling of entries to ensure that the description of goods on the entry match the actual goods**

# Entry Summary Compliance

**Purpose: Ensure that the import summary documents are accurate**

**Method: Check the accuracy of information on such areas as trade statistics, visa quotas, trade programs and agreements, revenue collection, etc.**