



Customs Cooperation Committee

Regional Workshop on Risk Management and Post-Entry Audit
в Региональном семинаре Комитета по таможенному сотрудничеству
по вопросам управления риском и пост-таможенному контролю
held on 9 – 12 September 2003 in Urumqi, P.R.C.
9-12 сентября 2003 г., Урумчи, Китайская Народная республика

Risk Management Programme Report

*Janarbaeva N.S., Deputy head of
Customs Revenue Department of the
Customs Control Agency of the Republic of Kazakhstan*

The customs service of the Republic of Kazakhstan is at the stage of development when the limited resources – both material and human, do not allow quality and timely implementation of permanently complicated tasks as for execution of fiscal functions and for the quality and customs control.

One of the fundamental factors for the successful activity of the state customs service is the possibility to carry out customs control using the state-of-the-art technologies and creation of the risk management system based on the principles of selective control, system information analysis and strategic planning in customs area.

When creating a system for risk management it is vital to consider the standards and regulations of the Kioto Convention of 1974 (in the new edition of 1999) for unification and simplification of customs procedures.

- The entry control restricts with minimum necessary to provide a compliance with tariff legislation;
- The risk management system is used when choosing the form of customs control;
- The customs service applies a risk analysis method to identify persons and goods including the transport means to be examined and the degree of such examination;
- The customs service accepts a strategy based on the measures assessment system of likely incomppliance with the legislation to support the risk management system.

The key objective of creating the risk analysis and management system in the customs service of the Republic of Kazakhstan is to distribute the limited resources of customs services in the best advantage between the most important and priority-driven work directivities of custom authorities, having provided the solution of the tasks put by and established favourable conditions for speeding up the goods turnover, reducing the time required for customs registration and at the same time keeping the customs control effectiveness.

Establishment of the risk analysis and management system in the customs service will promote a new quality control of the customs authority and facilitate building of effective customs control system within the efficient simplification of the customs registration procedures.

Key concepts, applied in the risk analysis and management system

Threat – a potential likely violation of the tariff legislation that may lead to infringement of tariff legislation.

Risk – likelihood of threat existence, i.e. violation of the tariff legislation.

Risk items – goods in respect of which there is a possibility of tariff legislation violation and which are crossing the customs border of the Republic of Kazakhstan.

Cover items – goods, which may be potentially declared instead of the risk items.

Risk group – goods, external economic operations, participants of the external economic activity (EEA), requiring an application of additional customs control types.

Risks analysis – methodology of works oriented on the detection of threats and risk, assessment of likely state loss magnitude in case of its appearance, and identification of the attribution criteria (for the goods, external economic operations, participants of external economic activity) to the risk groups.

Risk management – method of works used to reduce a situation uncertainty, enabling to timely undertake measures minimising the risks (likelihood of threats appearance) and oriented to the best use of available limited resources of Customs to obtain the most efficient result. The risk management consists the following combination of steps (phases):

- Risk analysis;
- Arrangement of risk management;
- Risk level regulation.

The key tasks of the risk analysis and management system

Some of the risk analysis and management system elements are used in the work of custom authorities of the Republic of Kazakhstan

- Collection and analysis of information on goods and transport means crossing the customs border of Kazakhstan;
- Threats detection appearing in the process of customs registration and customs control;
- Additional measures of customs control on goods, external economic operations, participants of external economic activity, individual customs registration procedures related to the risk groups are being introduced;

- Applying of principles for selective use of customs control measures, simplified customs registration and control technologies are being incorporated for law-abiding participants of EEA.

At the same time, it is necessary to note that these measures are of isolated and unsystematical feature, there is a lack of system and methodological mechanism of “risk areas” analysis in the customs affairs, the information systems and technologies are weakly used, which pertain to one of the components of the customs control.

- Absence of clear understanding of the long-term targets for the customs control process system management
- Spasmodic development of this directive in the structural subdivisions activity of customs authorities not focusing the knot of the matters and allotment of perspective tasks. The main directions of evasion from reimbursing the customs payments and taxes are not brought to light, information on possible registration phases is unavailable, where offences most frequently appear, there is no generalisation of its features, conditions of supply etc. in accordance with the peculiarity of goods movement.
- A work is not undertaken which reveals the patterns and interrelations of all customs procedures and registrations with violations not only in the customs affairs area, but in financial, trade, and tax law etc. There is no summarised objective analysis of all customs registration and control phases.
- The methodological base of customs control in regard to the goods passed the customs registration procedure in different customs modes is unavailable. Up to date none of the customs subdivisions purposively and systematically implement the functions of controlling the compliance with eligible use of goods as per received privileges, terms and conditions of storage at CBX, customs warehouses, customs brokers activity etc.
- Lack of coordinating role of customs authorities in the process of interaction with other controlling bodies – law-enforcement, tax service, financial police.
- Lack of system analysis of micro- and macroeconomic processes relation in socio-economic structure of the country anticipating a procedure undertaking customs registration and control.

The experience of inspection the EEA participants showed that external trade operations directly proportionally depend on the level of economic situation in the state, without deep insights of economic processes contents or concept taking place it is impossible to advance adequate and efficient measures for the timely reveal of violations in the tariff legislation.

- Likelihood of unlawful actions of the customs authorities due to low qualification of the customs authorities staff members
- Lack of information technologies enabling efficient detection of the risk groups and participation in decision making (risk management).

For the purpose of practical solutions of the mentioned problems it seems to be appropriate for the development of an objective programme to establish a risk analysis and management system in the customs operations.

The programme should address the following issues:

1. capability of resources, powers and means of customs service concentration to be able to detect the risk areas, where a great damage is being incurred to the economic security of the state;
2. establishment of analytical and methodological databases of most vulnerable elements of customs registration and control:
 - criteria development to identify the risk groups (countries, risk items, cover items, origin, routes etc.);
 - identification of “risk areas” in customs affairs (subjects and objects of “risk areas”, risk indicators);
 - information system analysis to identify the possibilities of “risk areas” appearances in customs affairs area (losses, incomes, evasion ways etc.);
3. “risk areas” monitoring with particulars to classify the risk subjects and objects;
4. “higher risks areas” identification in the customs affairs (life and health threat, drugs, weapons, radioactive materials etc.);
5. identification of legislation compliance level in the customs affairs (acceptable level in the customs operation – tolerance level (90-95%));
6. use of information technologies and systems (“risk areas” database composition, access to the EEA participants or other persons systems, information exchange with the custom authorities of other countries etc.);
7. building of offence system analysis technologies in the customs affairs;
8. post-entry inspection development as one of the basic forms of customs control;
9. introduction of selective control principles technologies on the basis of analytical database;
10. methodological base development for the introduction of differentiated customs control technologies related to the various categories of EEA participants;
11. development and implementation of measures aimed on the use of preventive measures of offence restraint in the tariff and tax legislation;
12. research of international experience of the customs services of foreign countries in the risk analysis and management systems of customs affairs.

The key objective of Objective programme foundation – creation of conditions for transition from total and ineffective system of the customs control in exclusive forms (physical inspection, posing on CBX, convoy etc.) to the customs control system based on the following principles:

1. control selectivity;
2. system information analysis;
3. “risk areas” planning in the customs affairs.

The mentioned objective can be implemented in 3 stages:

1 stage – carrying out of organisational-methodological tasks:

- target setting for the information technologies;

- arrangement of information collection and analysis;
- strategic planning.

2 stage – establishment of information database:

- establishment of information environment and database of EEA participants;
- system analysis of information flows in the customs operation;
- determination of priority areas;
- development of needed set of normative documentation;
- design and introduction of required information technologies.

3 stage – development of customs control long-term directivities on the basis of the risk analysis and management method in the customs affairs.

Implementation of the Objective Programme will enable to resolve the following basic tasks;

- determine the threats and risks, appearing in the process of customs registration and customs control;
- identify the possibility to minimise the risk resulting in the process of customs registration and control;
- develop methods of assessing the efficiency of applied risk groups customs control forms;
- determine actions and measures needed for the customs authorities in relation to the goods and transport means being transported via the customs border of Kazakhstan;
- create possibility for applying optional forms of the customs control;
- develop a strategy of mutual relations with the participants of EEA.

Requirements for the Programme implementation:

- systemise the existing normative base in terms of building the risk management system;
- summarise and analyse the available information data files;
- study the experience of foreign countries customs services in implementation of the risk management system;
- identify the ways and methods of implementing the long-term directivities of customs control based on the risk management methods in customs affairs.