



Customs risk management system in the state revenue agencies

17th meeting of the Customs cooperation committee of the Central Asia Regional Economic Cooperation program

Ashgabat, September 5 2018



Legislative and regulatory framework

Code "On customs regulation in the RK"

Chapter 51 Risk management system applied by the customs authorities

Order of the Minister of finance of the Republic of Kazakhstan dated February 1 2018 No 100 "On the approval of the strategy and tactics of the application of the risk management system by the state revenue agencies, and the Rules of its functioning".

Order of the Minister of finance of the Republic of Kazakhstan dated 13.02.2018 No 170 ДСП "On the approval of the rules for implementation of the risk management process by the state revenue agencies"



The customs legislation envisages the following provisions:



During customs control the customs authorities shall be guided by the principle of selectiveness in relation to the objects of customs control, forms of customs control and (or) measures ensuring the conduct of customs control.

When selecting the object of customs control, forms of customs control and (or) measures ensuring the conduct of customs control, a risk management system is to be used.



Implementation of the risk management process by the customs authorities shall take place in the procedure established by an authorized body.



Information contained in risk profiles and indicators is confidential, with the exception of cases set forth in the legislation of the Republic of Kazakhstan, and with the exception of the following indicators:

- 1) fact of criminal prosecution and/or administrative liability for the violation of the customs legislation of the Republic of Kazakhstan;**
- 2) arrears including customs payments, taxes, special, anti-dumping, compensatory duties.**



For the purposes of differentiated application of the measures aimed at risk minimization, customs authorities may categorize persons conducting customs operations by including them in the low, medium or high risk categories.

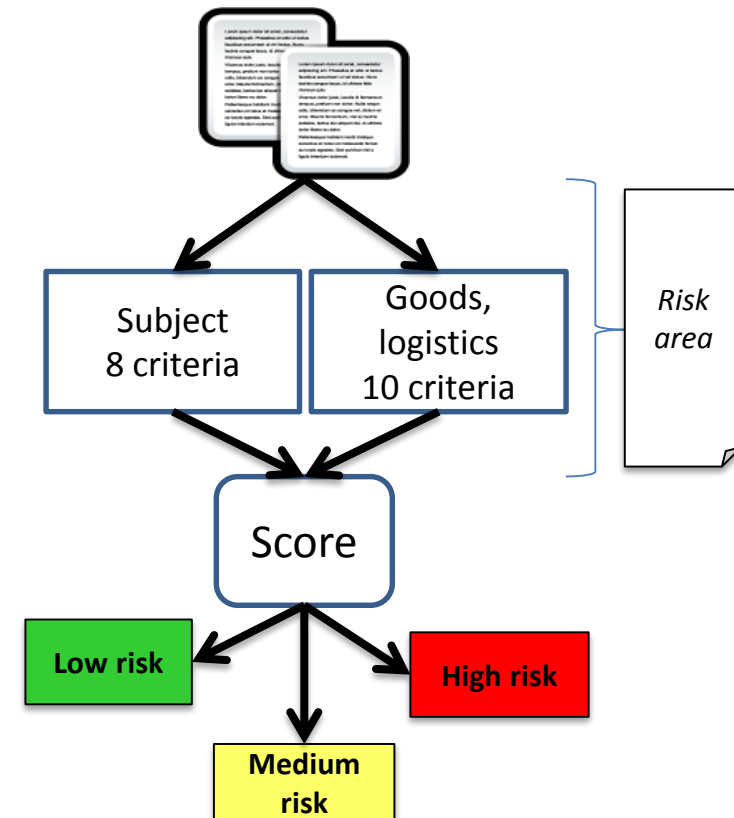
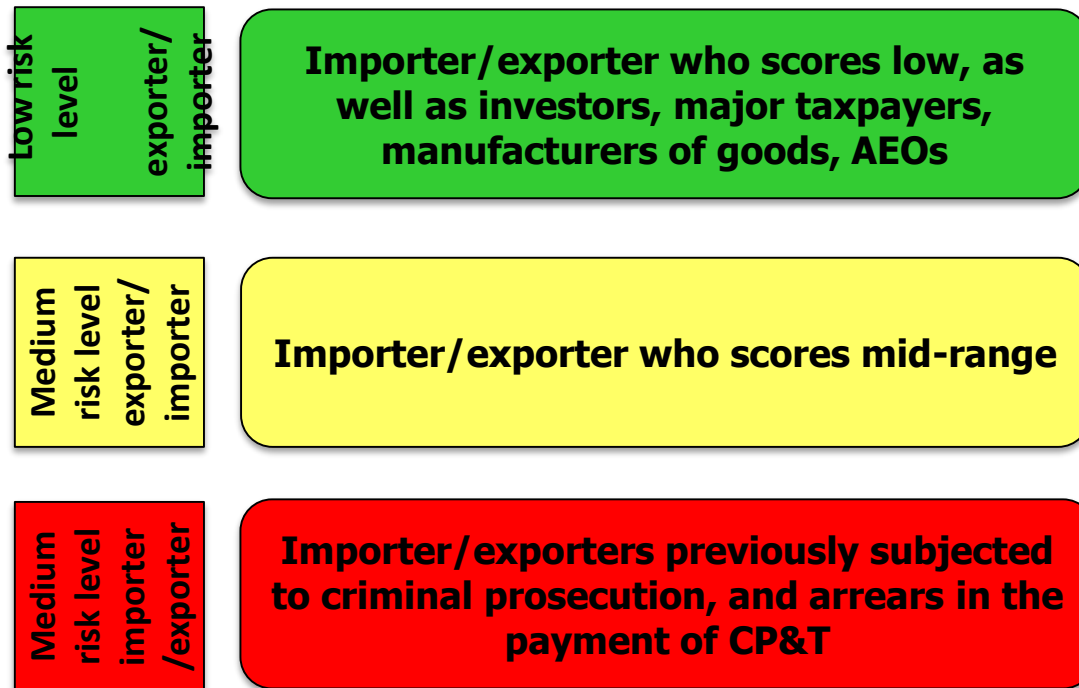


Categorization of importers/exporters

For the purposes of differentiated application of the measures aimed at risk minimization, customs authorities categorize importers/exporters into low, medium or high risk categories.

Information on the procedures of categorization and information on importers by categories is for official use only.

To categorize, one uses the information about the importer/exporter, received from information systems of tax, customs and other state agencies.





Risk management system

With the introduction of e-declarations, customs control takes place on the basis of a risk management system, which enabled minimization of the human impact on the decisions in relation to the goods

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RISK MANAGEMENT SYSTEM

Green corridor

Blue corridor

Yellow corridor

Red corridor



Risk management system in IS ASTANA-1

Green corridor is for declarations where no risks have been identified. Such declarations are released by the system automatically, without an official's involvement. The share of declarations released by the system automatically is about 77.3%.

Blue corridor is for declarations requiring customs control after the release of the goods. When a declaration is channeled to the blue corridor, the automatic release of the goods is also envisaged. The share of declarations selected for document control is about 2.7%.

The yellow corridor is for declarations requiring document and data inspection (document control) at the customs clearance stage of the cargo. The share of declarations selected for document control is about 16.4%.

The red corridor is for declarations requiring physical control (customs inspection, customs examination, customs assessment of the goods) at the customs clearance stage of the cargo. The share of declarations selected for physical control is about 3.6%.



Positive effect from the implementation of the risk management system

Distribution of declaration by goods between officials for control purposes is done automatically



Notification of the need for customs control is sent by the system automatically



There is now an opportunity to view all statuses of the declaration online



All customs operations are conducted in one system. This made it possible to automate risk profiles during transit



When the RMS is activated, additional documents are requested and provided through the system.





Risk profiling and their updating

Between 2015 and end of 2017 the number of profiles reached 216.

As a result of efforts aimed at updating the existing risk profiles, at the end of 2017 there were 98 risk profiles.

With the introduction of e-declarations, 110 risk profiles are active, with the main ones geared towards the following:

- **compliance with bans and restrictions;**
- **compliance with the customs procedures;**
- **risk of underreporting the customs value of the goods;**
- **risk of payment of the anti-dumping duties below the established norms;**
- **risk of violating intellectual property rights;**
- **risk of untruthful declaration of goods etc.**

With the shift to e-declarations new risk profiles became necessary, because previously these risks were minimized by officials without the application of the RMS, for instance, compliance with bans and limitations, compliance with the customs procedures etc.



Outcomes of the application of the risk management system

2011-2015

Share of inspections

2016-2018

27-36%



16%
-
19%

Effectiveness

24-34%



**50%-
60%**



Development prospects of the risk management system

- 1. Improvement of the risk management system by using new IT technologies**

- 2. Improvement of the risk management system to improve effectiveness of customs control, including:**
 - revision of the strategy and tactics of RMS application;**
 - - continuation of the efforts on shifting the emphasis from the goods clearance stage to the post-release stage;**
 - - revision of the procedure for categorization of importers/exporters, and application of categorization to all participants of the supply chain.**



Application of IT technologies will make it possible:

IS “Risk management system”

Reduce coverage of the mass of declarations by risk profiles by identifying declarations with the highest risk

Reduce the number of false alarms with the use of statistic models

Combine expert knowledge and statistic models;

Identify new spheres for the application of risks of customs legislation by subjects when pursuing foreign trade

Ensure automatic risk profiling by using machine learning and smart analysis on the basis of historic data

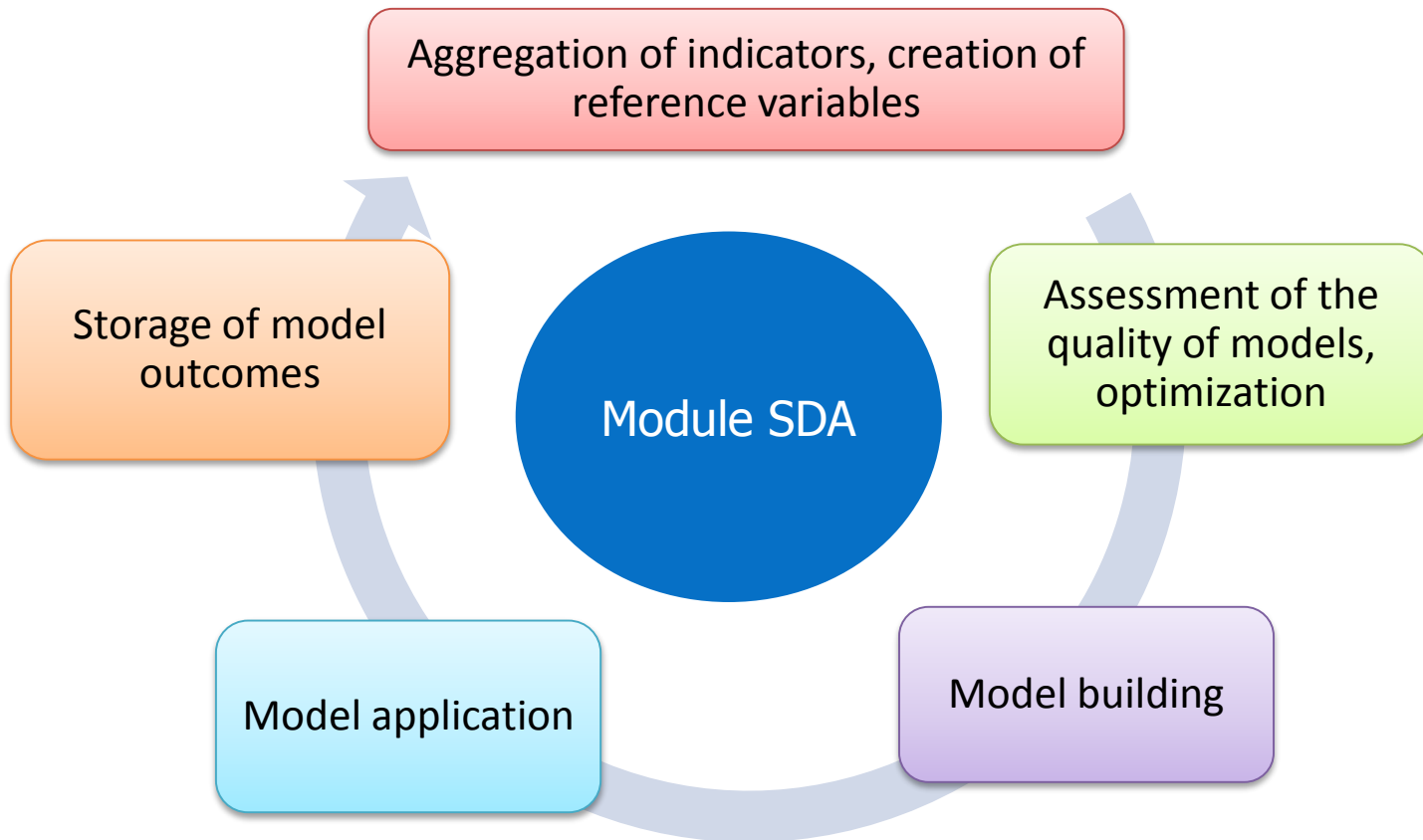
Identify opportunistic importers/exporters and customs payment and tax evasion schemes to subject them to customs and tax control measures

Improve the quality of collection, generalization and analysis of information on tax evasion

Create favorable conditions for diligent importers/exporters



Module “Smart data analysis”



Module “Smart data analysis” (IBM SPSS) is a set of tools making it possible to use the Data Mining method to identify hidden patterns and anomalies, deviations from taxpayer standard behavior, sustainable trends and interrelations between indicators. In other words, using this tool one can simulate risks by applying algorithms of in-depth analytics, assess precision and quality of projections, reverify the effectiveness of previously constructed models, and apply algorithms for the search of complex heterogeneous interrelations and textual analytics elements.



Modules “Rules constructor” and “Risk calculation”

Rules constructor module

1

- Data transformation

2

- Rules construction

3

- Rules settings

4

- Rules application

5

- Saving outcomes



Expert
KGD MF RK

Risk calculation module

Issue recommendations in relation to risks

Setting version control of processes

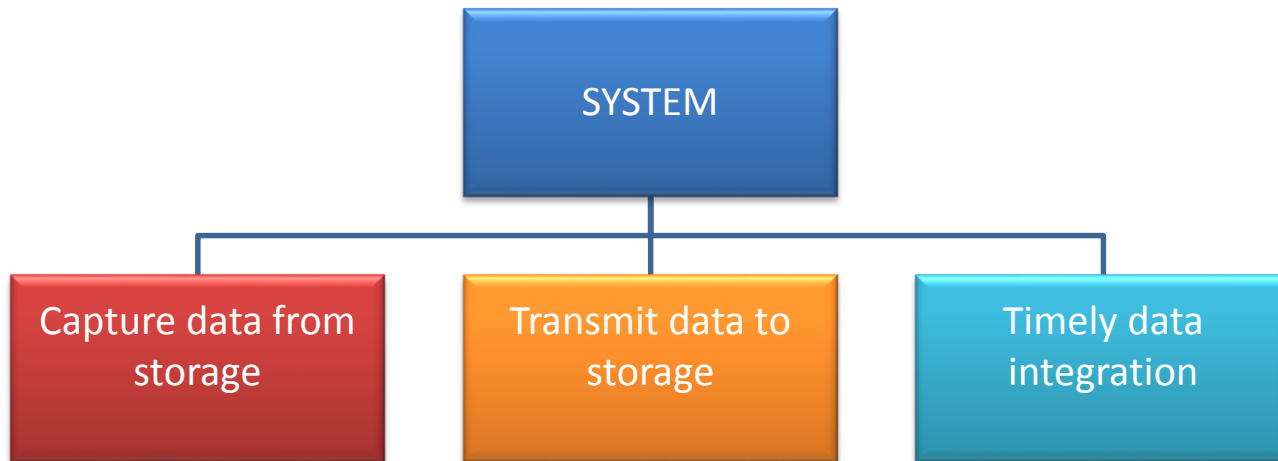
Constructing launch processes

Enables users to interactively construct expert criteria (rules) of risks on their own, using basic arithmetic, logical and comparison operations, and assign relevant responses (for instance, inspect, send notification).

Makes it possible to form a single risk score (probability) for each object on the basis of all configured rules, automatically construct the optimal (by damage and risk probability) superposition of risk rules (expert rules, data mining models, lists of exceptions) within established limits of control resources.



Module “Integration interaction”

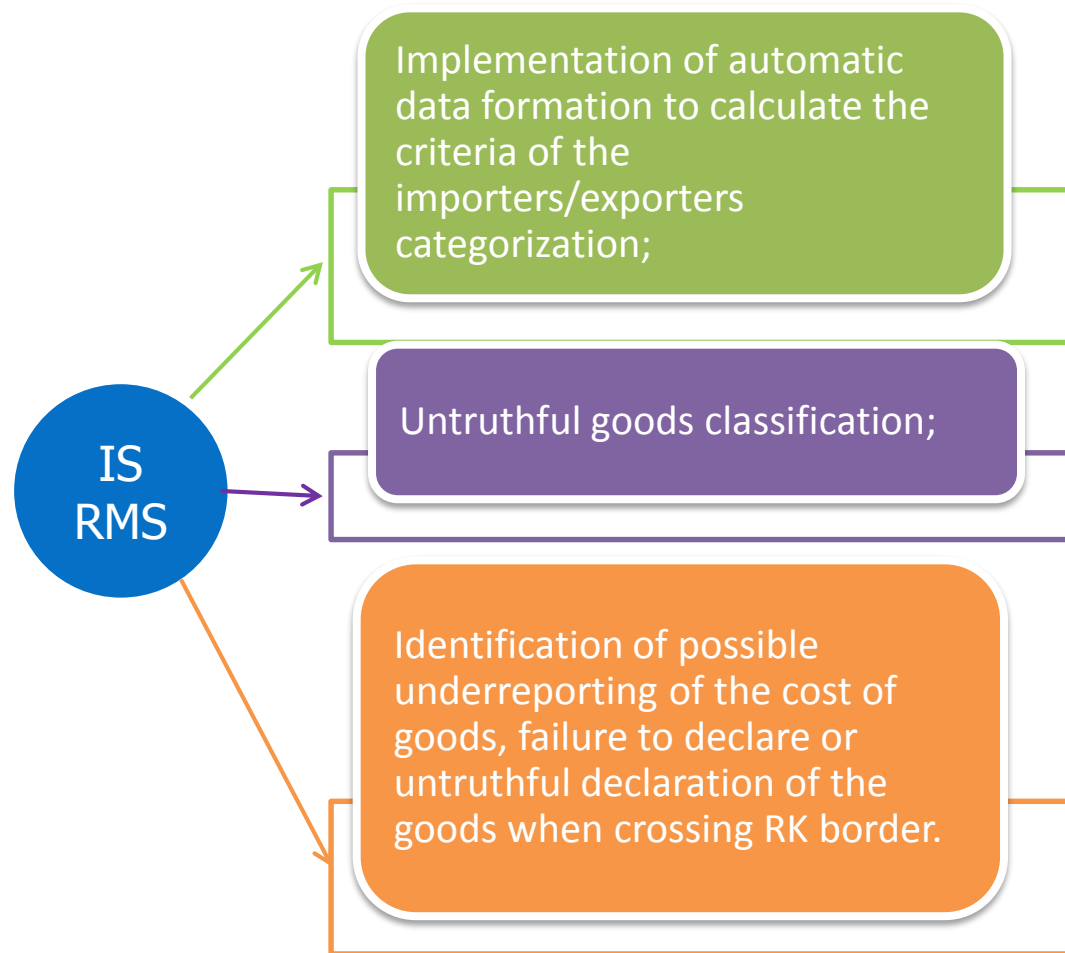


Module “Integration interaction” of the system will be implemented using IBM InfoSphere Information Server. This software includes all necessary tools to work with the data: extract data from external sources; transform and clean the data so that the data complies with the needs of the risk model, and upload the data into the data storage of the KGD MF RK for display construction.



Development of IS RMS risk models

Development of risk models





Customs – Business



Thank you for your attention!