

**Seminar on Risk Management and Post-Entry Audit**  
**7-10 June 2005 Shenzhen, P.R. China**

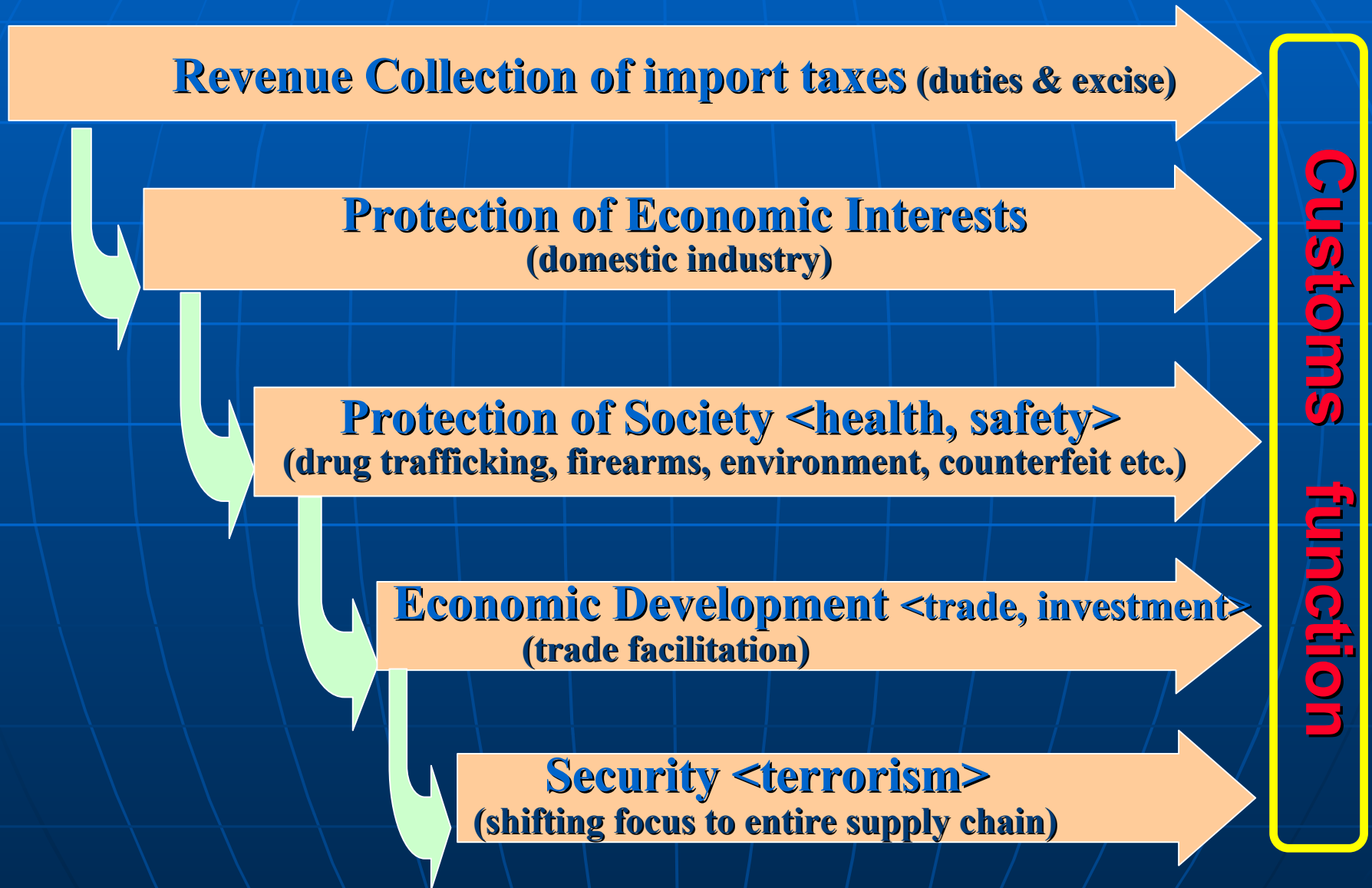
# **Risk Management Principles**



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# Evolution of the roles of Customs



# **Kyoto Convention (1973)**

**(International Convention on the Simplification  
and Harmonization Customs Procedures)**

## **revised in 1999**

### **Core principles for Customs Control**

- Risk Management
- Compliance measurement
- Audit-based control
- Authorized traders
- Customs-to-Customs cooperation
- Customs-to-Business cooperation



# More secured supply chain

## - WCO Framework of Standards (2005)-

### ■ Four core elements

- Advance electronic information to identify high-risk cargo
- Consistent risk management approach
- Security checks as early as possible, before export, using non-intrusive detection equipment
- Benefits of more secure supply chain, facilitation for legitimate trade, and investment for customs modernization
  - Improvement in revenue collection, protection of society
  - Integrated border management (cooperation with other agencies)

### ■ Two pillars for cooperation

- Customs-to-Customs network arrangements
- Customs-to-Business partnership



# **Risk Management**

## **Key for modern Customs control**

- Enables organizations to take advantage of opportunities and minimize potential loss
- Associated with any activity, function or process
- Can operate in any organization with manual or automated application
- Relevant to all Customs department

# Risk Management



# Definition

**RISK MANAGEMENT is a systematic application of management procedures and practices providing Customs with the necessary information to address movements or consignments which present risks.**

## **Strategic Risk Management**

To identify areas of risk, sift out those of minor importance, and intervene only where experienced and practical judgement indicates it is necessary.

## **Operational Risks Management**

To determine the level of control necessary to deal effectively with the assessed risk.

## **Tactical Risk Management**

To use by officers at their workplace in dealing with immediate situations and decide which movements require greater controls.



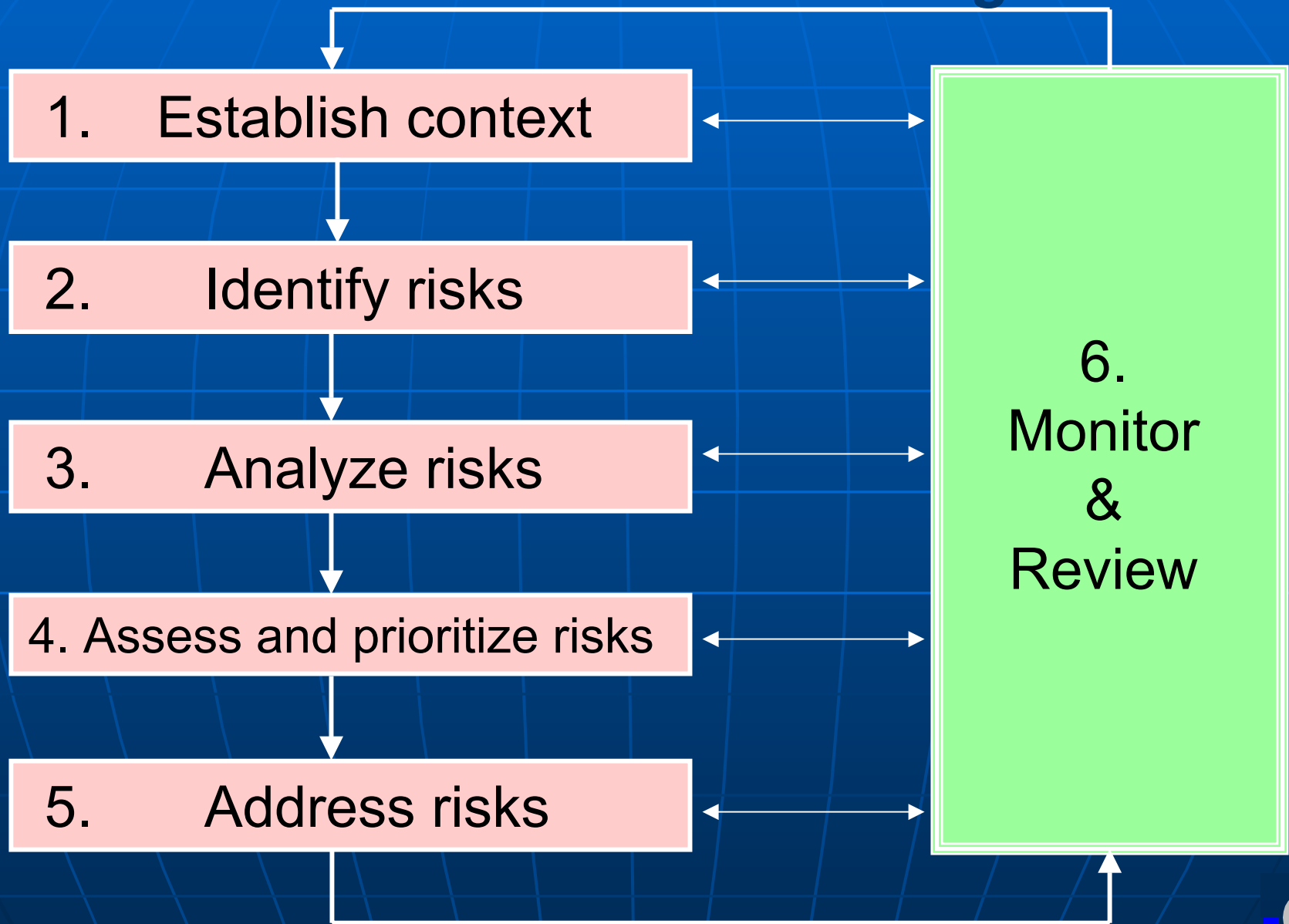


# **A model case example**

**Development of a strategic national  
Customs enforcement intelligence**



# *An Overview of Risk Management*



# 1. Establish context

**Establish the strategic and organizational context, in which risk management will take place**

## **(Example)**

- Surge in the number of arrestees for drug abuse and expansion to youngsters.
- Drugs are smuggled from abroad.



**Development of the “Strategic National Customs Enforcement Intelligence”**



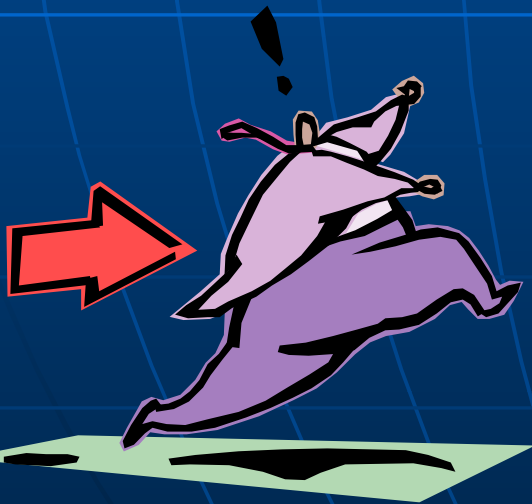
## 2. Identify risks

Identify what, why and how risks can arise.  
(Where, when and how risks are likely to occur and by whom?)

**(Example)**

“Strategic Intelligence” could focus on 4 modalities;

- PASSENGERS
- SHIP CREWS
- COMMERCIAL CONSIGNMENTS
- POSTAL ITEMS



### 3. Analyze risks

Analyze risks of likelihood and consequence

#### (Example)

“Strategic Intelligence” is drafted based on a hypotheses that the future trends could be predictable to some extent by examining past seizure records.

- *ROUTES*
- *CONCEALMENT METHODS*
- *CHARACTERISTICS OF COURIERS (Risk Profiles)*



**(Example)**

## **National Intelligence Center**

**Drafts the “Strategic Intelligence” taking into account seizure reports and own intelligence**

## **National Intelligence Analysis Meeting**

**To examine and adopt “Strategic Intelligence”**



## **ALL REGIONAL CUSTOMS**

- **Department of Enforcement**
- **Department of Cargo processing**
- **Department of Warehousing and Post-Clearance Audit**



## 4. Assess and prioritize risks

Compare estimated levels of risk against pre-determined criteria and rank the risks to identify management priorities

(Example)

National-level intelligence

Compare and adapt to regional trade pattern

Regional-level intelligence



## 5. Address risks

**Develop and implement a specific management plan, taking into account human, financial and technical resources**

**Managers should pay attention on:**

- the most effective deployment of staff, and**
- maintaining integrity and motivation among staff**





## 6. Monitor and review

**Monitor and review the performance, effectiveness and efficiency of the risk management system**

### **(Example)**

**Result of the application of regional-level intelligence in operation should be taken into account in renewing the national-level “Strategic Intelligence”**



# **Supporting infrastructure**

Mutual Administrative Assistance

Country A

Country B

Mutual Administrative Assistance

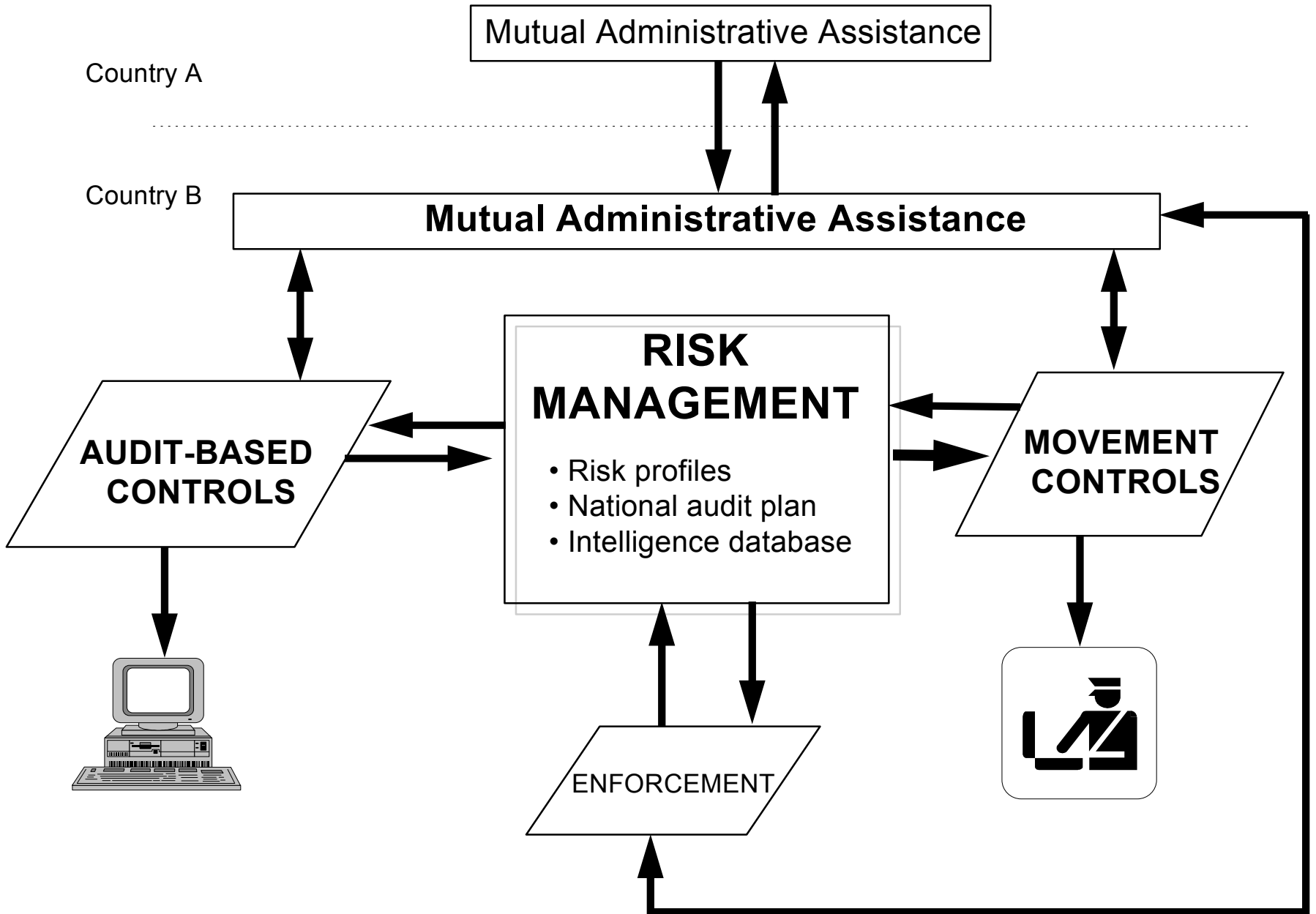
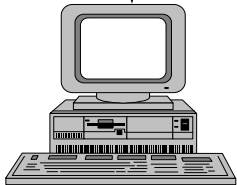
## RISK MANAGEMENT

- Risk profiles
- National audit plan
- Intelligence database

AUDIT-BASED CONTROLS

MOVEMENT CONTROLS

ENFORCEMENT



# Supporting infrastructure

## Organization



# Organization

- Effective Customs control depends on a good cooperation and comprehensive information flow between various Customs units
- Headquarters assumes overall responsibility
- Establishment of a Central Intelligence Unit
  - Management of national Intelligence Database
  - Production of strategic information reports
  - Contact point with other agencies and international bodies

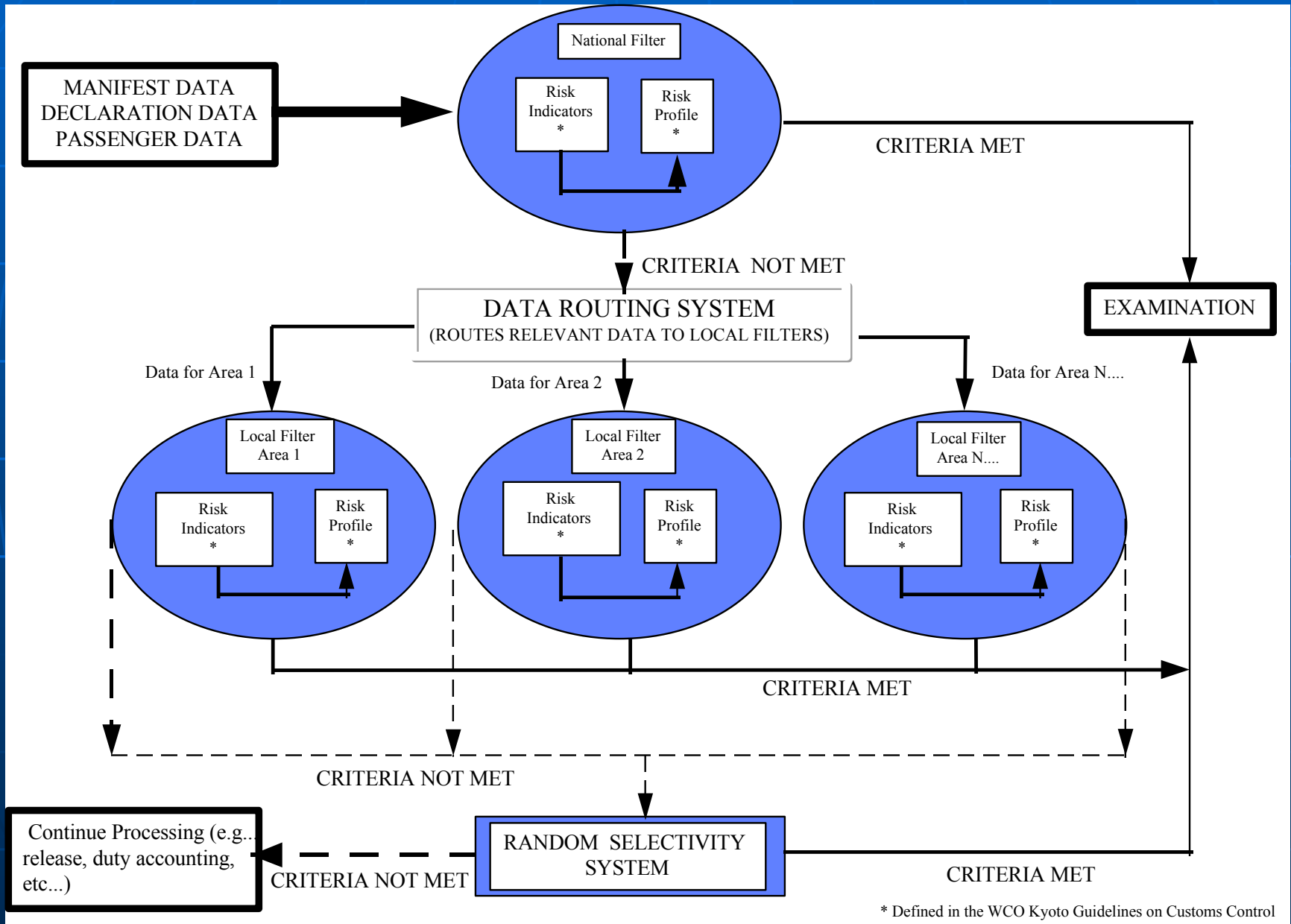


# **Supporting infrastructure**

## **Use of Information and Communication Technologies**



# Conceptual approach of a selectivity system



# Customs Data Model version 2.0

(Doc. PM0153E1 as endorsed by PTC in Jan. 2005)

Maximum framework of standard and harmonized sets of data and standard electronic messages to be submitted by traders to Customs for Customs formalities

**Key for effective and efficient for exchange and sharing of information**

G7 countries and Russia agreed to implement the Customs Data Model, where possible, by 2005





# **Supporting infrastructure**

**Mutual Administrative Assistance**

# **Mutual Administrative Assistance**

## **Johannesburg Convention (2003)**

- Wider scope than Nairobi Convention (1977)
- Information exchange on an automatic basis and in advance of the arrival of consignments
- Use, confidentiality and protection of information exchanged between Contracting parties
- Legal basis for centralizing seizure data to CEN

## **Model Bilateral Agreement/Memorandum of Understanding (Revised 2004)**



# **Thank you for your attention!**



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