**Customs Co-operation Committee (CCC)**
**Regional Workshop on Risk Management and Post-entry Audit**
**Urumqi, P.R.C., 9 – 12 September 2003**


## Progress and workshop proceedings

1.      The Workshop on Risk Management and Post-Entry Audit (Audit Based Controls -ABC) discussed all relevant and pertinent issues related to these techniques.  This included an overview of the concept of risk management and audit based controls and was complemented by detailed analysis of the individual steps to establish a risk management and audit based control programme.

2.      The participants were introduced to the management issues necessary to prepare the customs organizations for risk management.  This included the infrastructure and support services required, the organizational set-up, access to information and intelligence and communication across all levels of the organization.  An emphasis was placed on making it clear that risk management required input from all divisions.  Although the workshop focused on risk management at the pre-clearance, clearance and post-clearance levels of customs controls, it was also emphasized that risk management could be used in many different areas of customs.  In the discussions, it became apparent that the availability of central archives and intelligence, including the exchange of information within the region, was a major concern to the participating countries.

3.      Participants were also referred to the role of risk management to help customs to become more accountable.  The success rate of a risk management programme and the achievement of performance indicators could be measured by customs management by reviewing whether controls and examinations resulted in successful finding.

4.      Participating administrations have made considerable progress in the application and implementation of the provisions of the revised Kyoto Convention into their national laws.  However it was observed by some administrations that different application and interpretation of these individual provisions could lead to a lack of harmonization within the CCC sub-region.

5.      Participants were also introduced to the specific techniques and methodologies for risk assessment, profiling and selectivity, which are an important part of the risk management programme.  In the discussions, the point was made that the availability of a central database containing declaration data, historic information and seizure reports is key to a successful risk assessment, profiling and selectivity programme.  The establishment of such systems in combination with a holistic approach to information and knowledge management should be of high priority.

6.      Participants stressed that they already apply risk assessment in their daily operations, but that the exchange of information and experience with other

administrations would help to increase the effectiveness and efficiency of the systems applied.

7.	A presentation introduced the fundamental ideas, concepts and elements relating to audit based controls with emphasis on post-clearance audit, which is an important example of audit based controls.  It was also highlighted that there was a difference between post-clearance audit and post-clearance checks/ examinations.

8.	Particular focus was placed on the enabling environment for audit based controls.  Audit based controls are a control technique to divert control attention from the border to the commercial records of individual companies.  In order to do this, Customs has to be satisfied that the companies have proper records and that the companies are registered and supervised for that purpose.  Customs would need to have access to information about the overall compliance record (covering not only Customs), the company financial situation and their past performance in dealing with customs.  In the absence of such an environment, it is not advisable to introduce audit based controls in one step.  Audit based controls should be introduced in stages keeping in mind the general development of business practice and corporate governance.

9.	In addition, it was emphasized that Customs would need the legal powers to require records to be kept and to access the premises, records and information technology systems of the companies.  Customs would have to ensure a high level of integrity in order to respond to the concerns of companies regarding data protection and the confidentiality of essential commercial information.  Conversely, it was also emphasized that corporate governance principles require a high level of disclosure and transparency by the businesses.

10.	Participants were guided through the individual steps of a post-clearance audit, and were also referred to other forms of audit based controls, such as pre-clearance audit, which are being used for binding rulings or authorizing traders to use simplified procedures.  A special feature of these audits is systems-based audits wherein the traders information technology system is being audited to verify whether the information technology system is applying the customs laws.