



TASK TEAM

Customs fraud & illegal imports

February 16, 2018

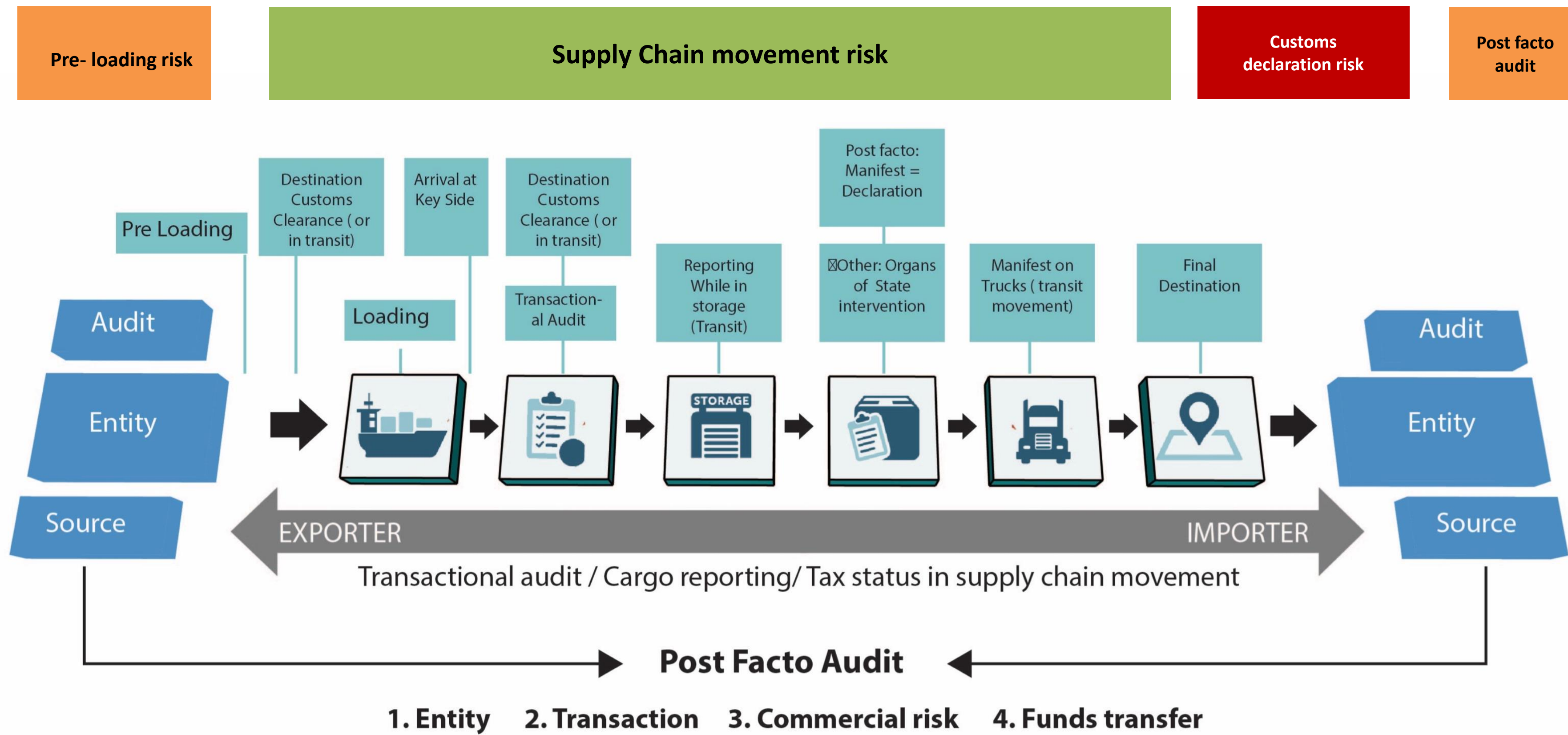
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From a linear to a multi-layered approach in the Supply Chain



Important success factors to deliver Customs' mandate on import fraud and illegal trade

Mandatory Value

1. Goods control prior to arrival (prevent smuggling and diversion)
2. Facilitation of low-risk goods: Fast, predictable, low cost burden service to support RSA economy
3. Protect economy from false and under-declaration, and unfair competition e.g. dumping
4. Protect economy from Prohibited and Restricted goods
5. Protect society from poor / dangerous quality imported goods vs. SABS standards
6. Protect society from safety and security threats
7. Protect CITIES
8. Support international trade and supply chain security obligations

Critical Success factors: Customs Risk mitigation

1. Client management

- Registration & Licensing
- Authorised economic operator
- Permits for Prohibited & Restricted, export etc.

2. Control goods (pre- at- and post borders)

- Customs Control of cargo & supply chain
- Accurate, timely, relevant information to analyse:
 - Cargo, 3rd party, OGA, customs to customs
 - Customs Declaration: for revenue and protection of key industrial sectors

3. Customs Risk Management

- Risk focus on all mandatory requirements
- Entity and transaction risk scoring
- Ability to target goods risk, vs. conveyance risk
- What to release vs. what to Stop?
- Feedback loop to improve risk

5. Quality Inspection of documents

6. Quality Physical Inspection

- Professional and competent staff
- Enabling tools, Dogs, scanners, e-seals etc.

7. Effective Investigations and Sanctions

8. Effective Audit capability and capacity

From a linear to a multi-layered approach in the Supply Chain



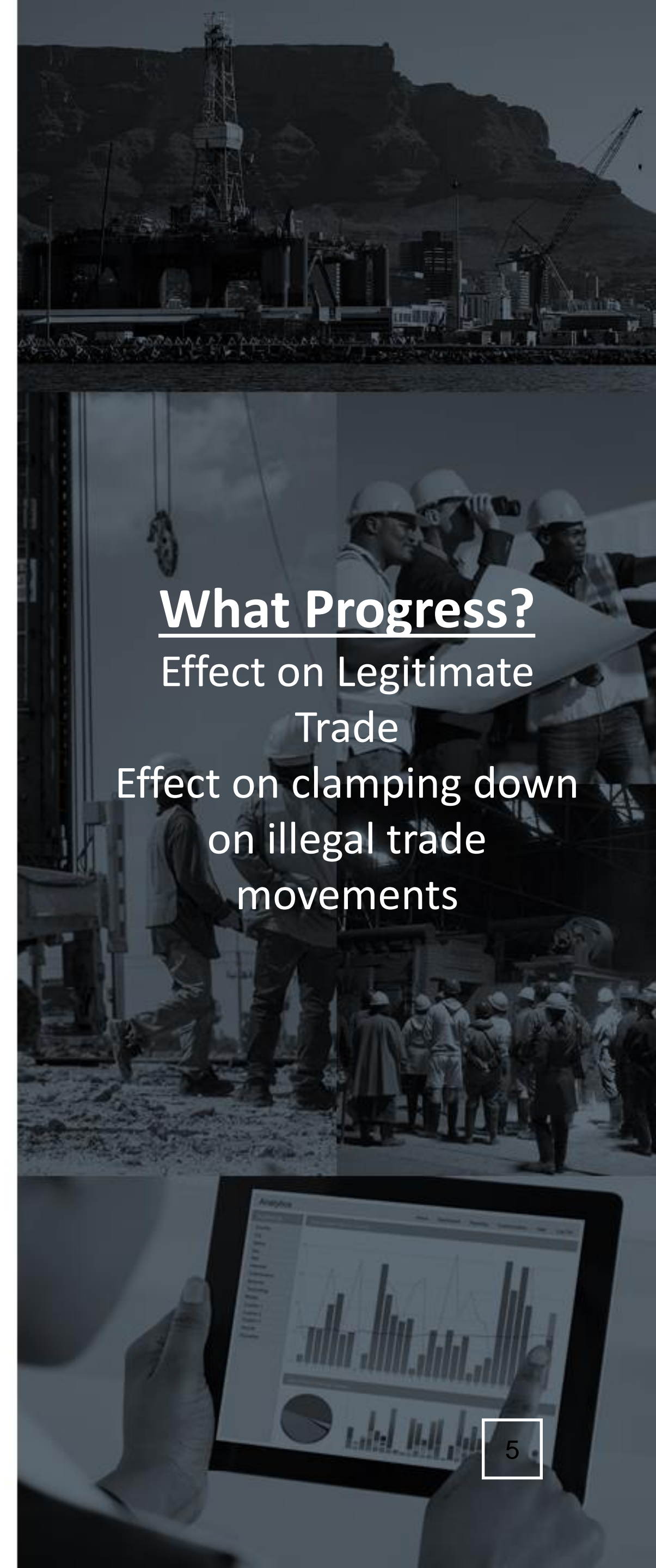
★ Fridge Research: 31 March 2010 – working points

- ✔ **Capacity building and improvement of knowledge**
 - Customs Academy (alignment of Private Sector and Customs to bridge current disparity)

- ✔ **Improvement on**
 - Communication
 - Sharing of information (section 4)
 - **Introduce** MOU with ITAC and e-NaTIS
 - Co- ordination with Other Government Agencies
 - BCOCC - **Transform** to the “trade facilitation committee”
 - Agenda and minutes of meeting

- ✔ **Focus Areas**
 - Removal of misdeclaration (more detailed HS coding)
 - Counterfeit goods traffic
 - Under-invoicing (Price Reference Guidelines)
 - Smuggling of goods

- ✔ **SA New IT platform and integrated risk engine (TATIS) Interfront**
- ✔ **New Duty and Control Act, view of the end to end supply chain (Example featured on the next slide)**
- ✔ **SACU alignment, IT connectivity, Information sharing, Risk profiling**
- ✔ **AEO, Preferred Trader (Compliance, Safety & Security)**
- ✔ **Scientific risk profiling and screening**
- ✔ **Customs Ombudsman**



What Progress?

Effect on Legitimate
Trade

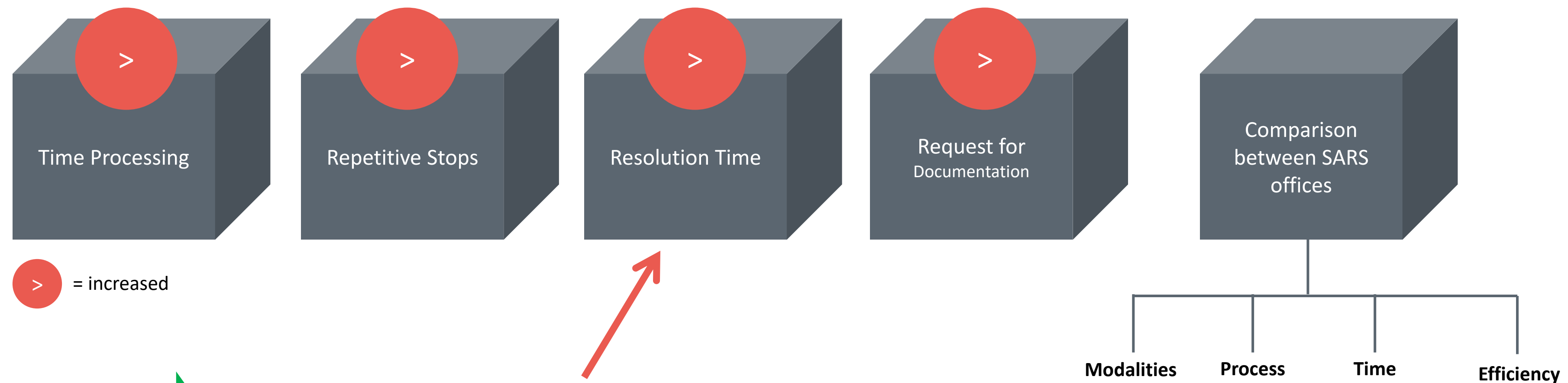
Effect on clamping down
on illegal trade
movements



- **Business experience over the previous 25 months, over a population of **3.5 million Transactions****
- **NWU analysis of Customs Declarations**

From a linear to a multi-layered approach in the Supply Chain

Measurements of :Time, Cost , Legal Framework and Administration processes in current Import process:



➡ Seeking for benchmarking figures, La Porte etc.

- ➡ World bank:
- Ease of doing business
 - Connecting to compete

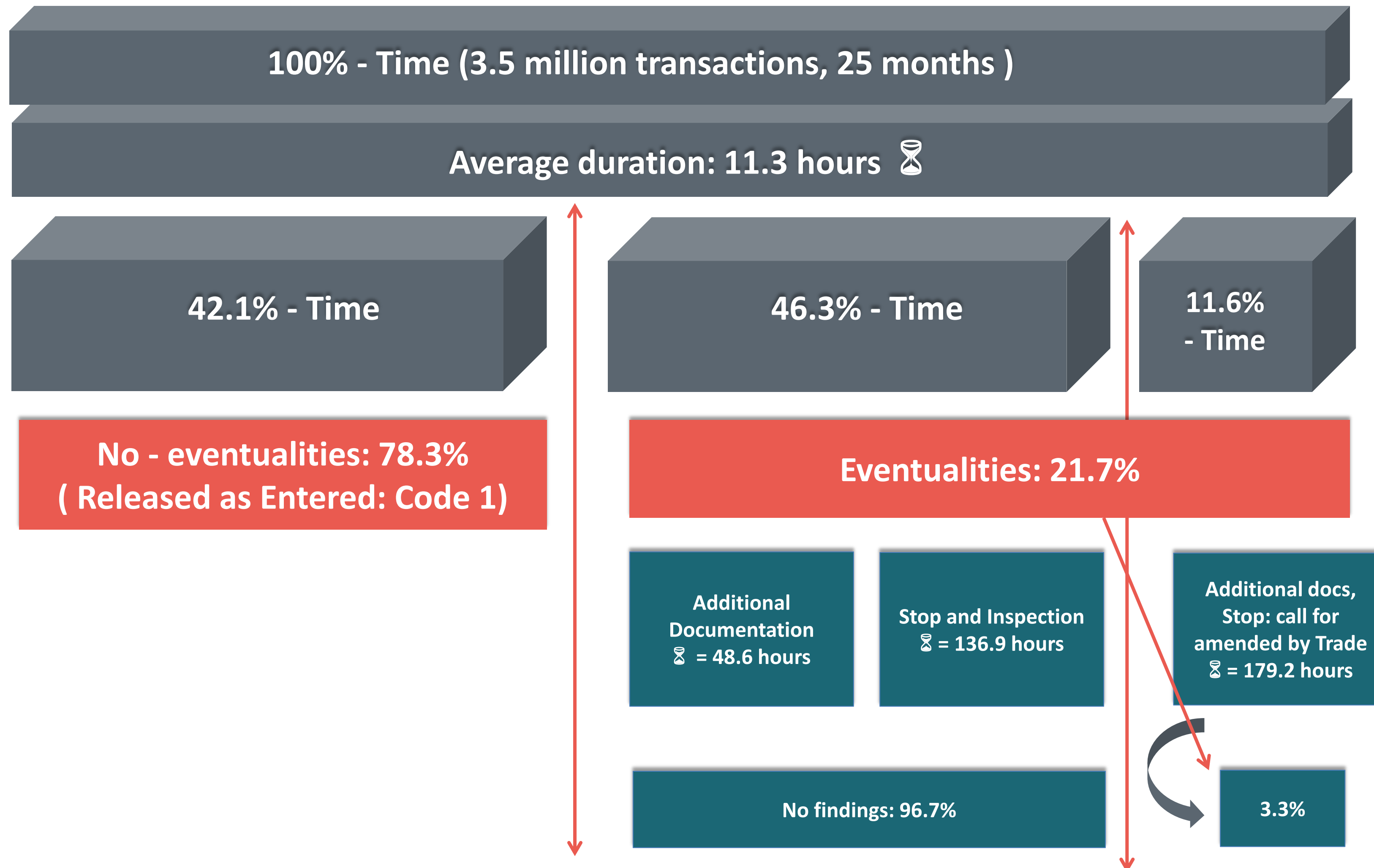
➡ SACU

➡ WCO, Time Release study

NWU statistics – Research data

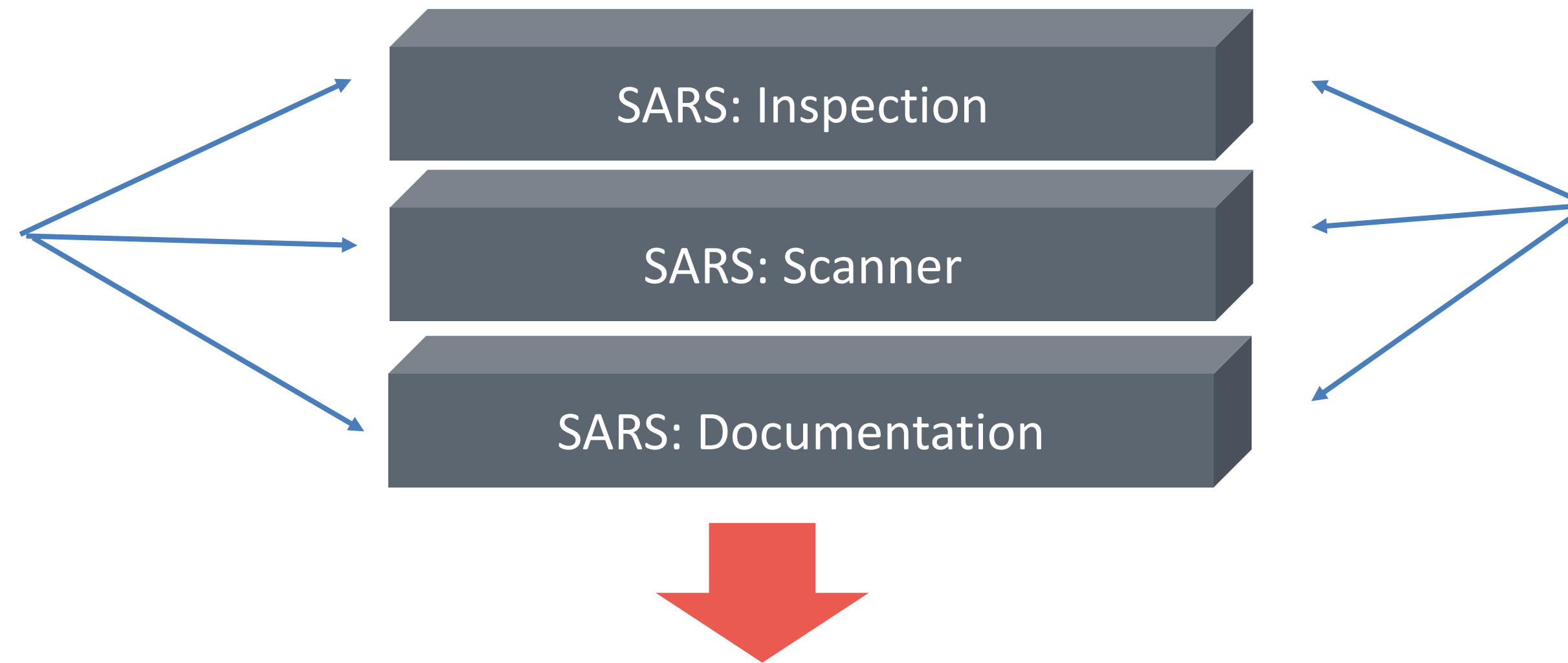
Category	Number	Ave Duration	Fraction of Total	Fraction with Infractions	Fraction of Total Duration
All	3 520 977	11.3	1.00	0.007	1.000
Not Stopped	2 755 894	6.1	0.78	0.000	0.421
Stopped but Not Inspected	1 995	133.9	0.00	0.742	0.007
Stopped and Inspected	7 669	136.9	0.00	0.031	0.026
Request for Additional Documents	410 951	48.6	0.12	0.027	0.501
Referred to OGAs	187 747	9.6	0.05	0.001	0.045
Infractions	25 706	179.2	0.01	1.000	0.116
Category	Number	Ave Duration	Fraction of Total	Fraction with Infractions	Fraction of Total Duration
All	3 520 977	11.3	1.00	0.007	1.000
Not Stopped	2 755 894	6.1	0.78	0.000	0.421

Overall Time Grid, % effected, and inspections Results:



From a linear to a multi-layered approach in the Supply Chain

21.7%
of declarations
delayed



57.90%
of total time
delays by all
declarations

**96.7% of all “stopped” declarations =
“Released as entered” implying**

1. Unnecessary
2. Can be avoided

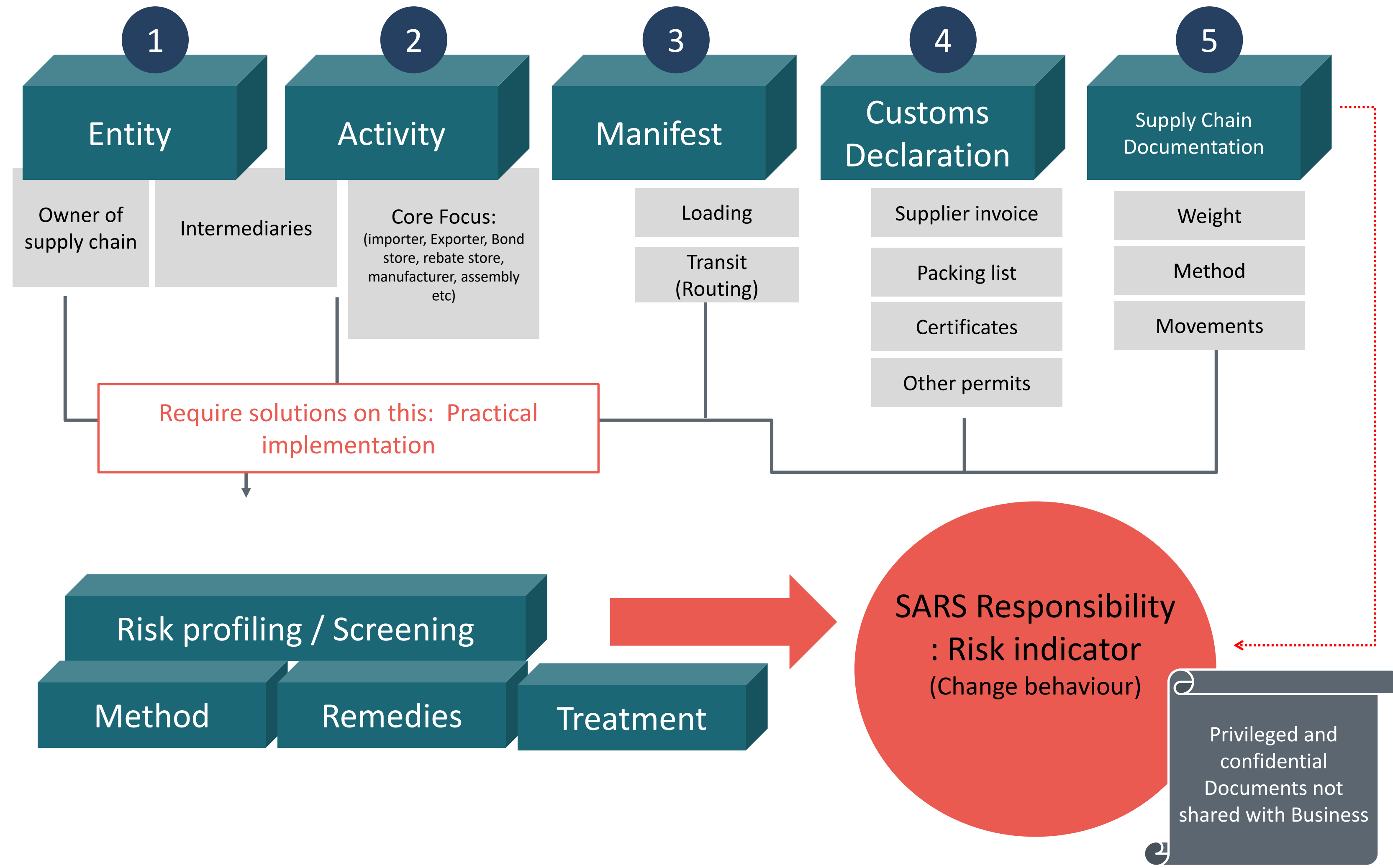
Sectorial View

(in attachments)

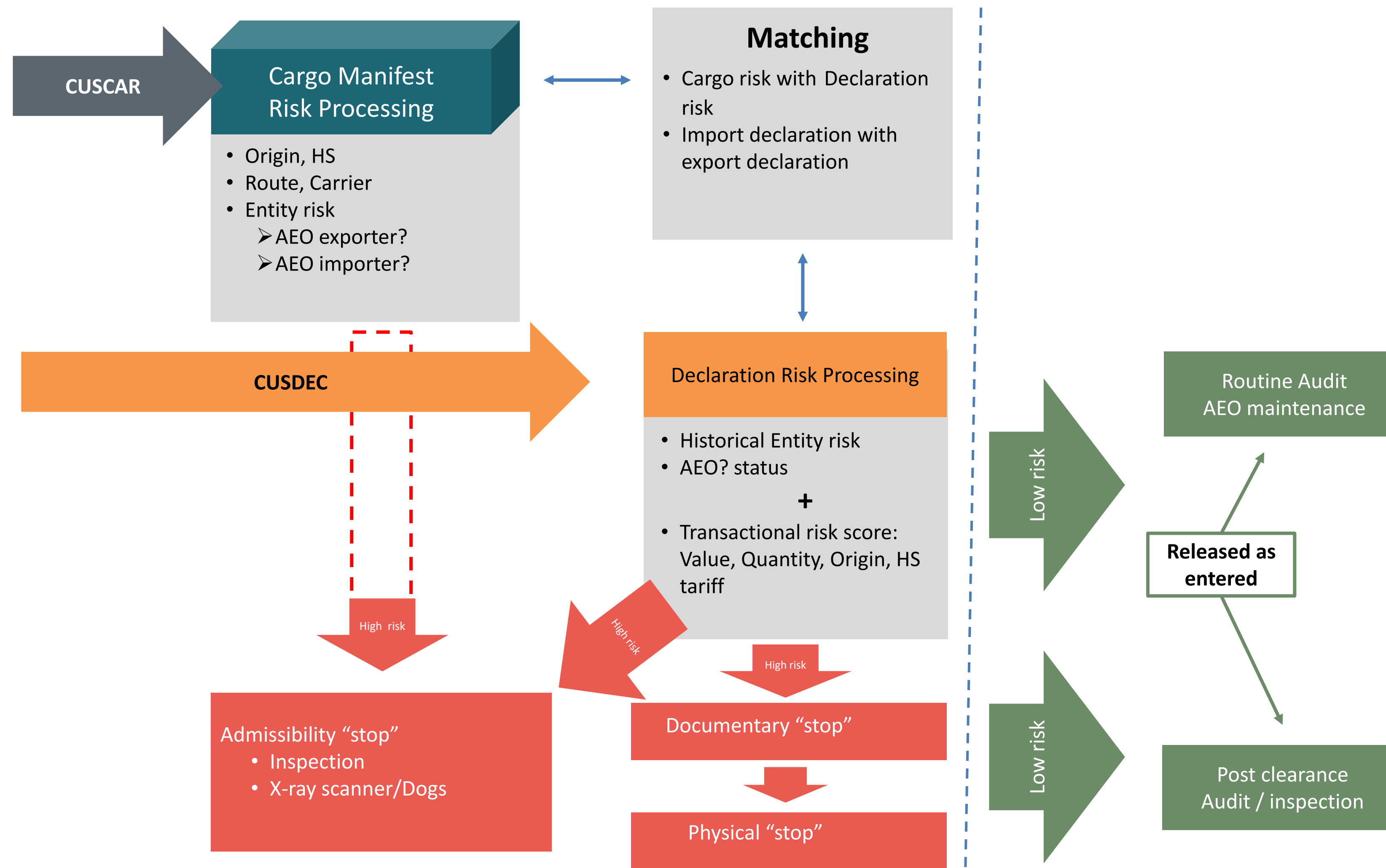
Two Key success factors:, 3 possible risk models and KPI reports to measure deliverables and results

- **Assessment of the 3 possible models that Business must consider to position clear deliverables within the TOR of this Task team**
- **Sample KPI reports to measure results and share success (refer to attachments and Excel)**

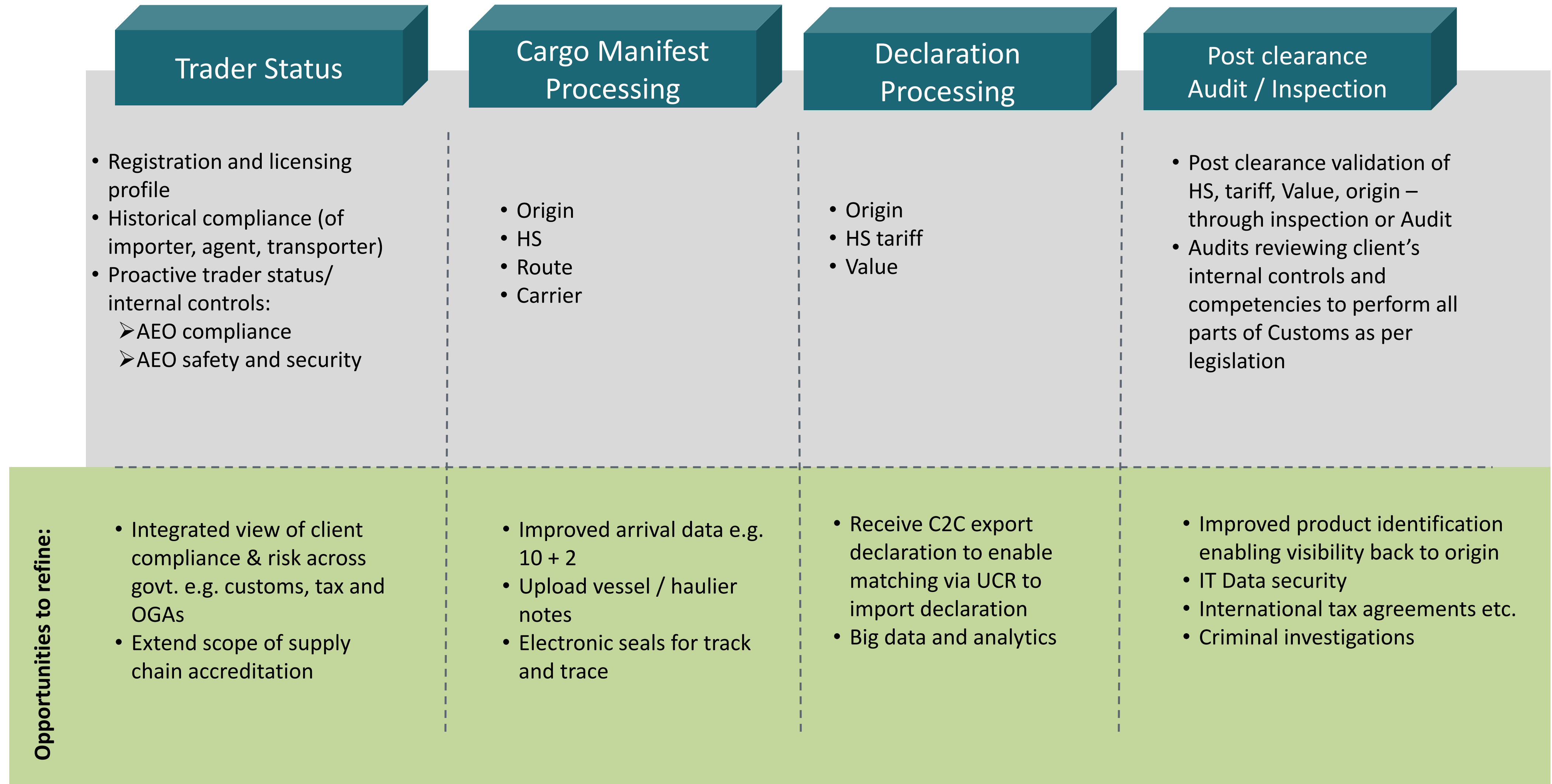
Task Team: Proposed scope of tasks, link to Terms of Reference working committee and structure



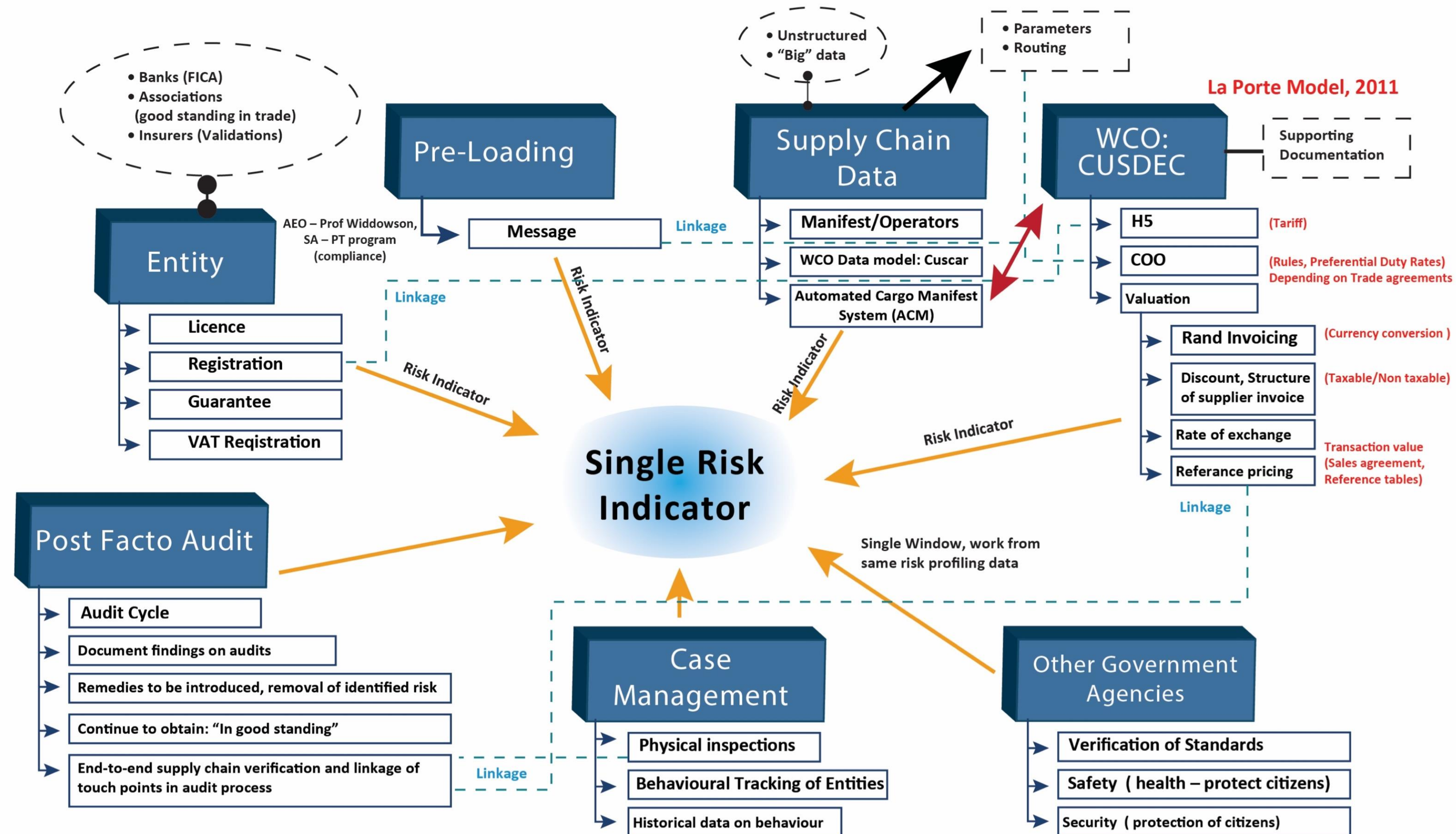
Option 1: **Laporte** - Customs Risk Model



Option 2: Customs Risk Model



Option 3: The Ultimate Automated Customs Risk Model





Key issues and measuring of the results

- KPI Reports
- Statistics
- SARS yearly reports on success rate

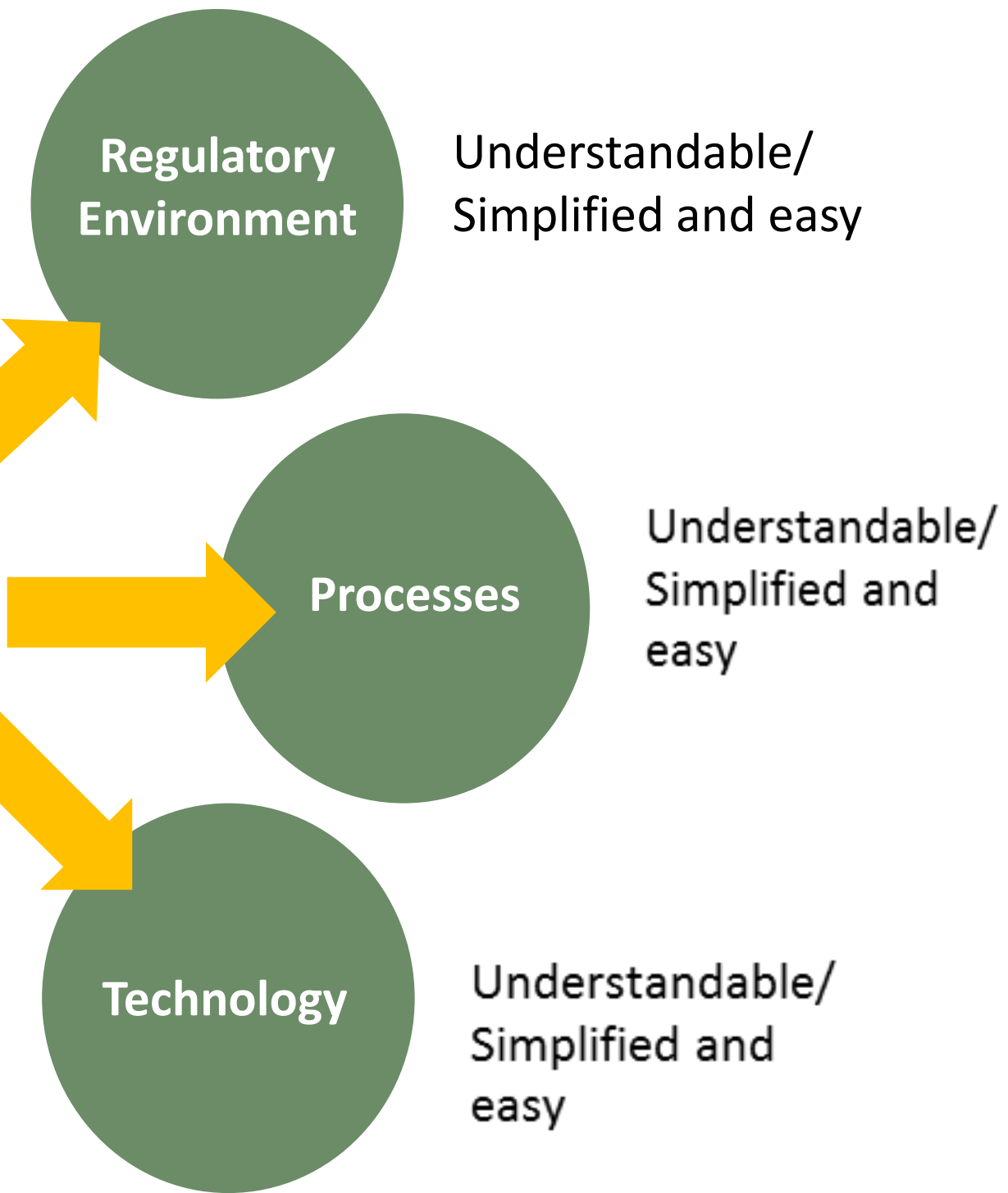
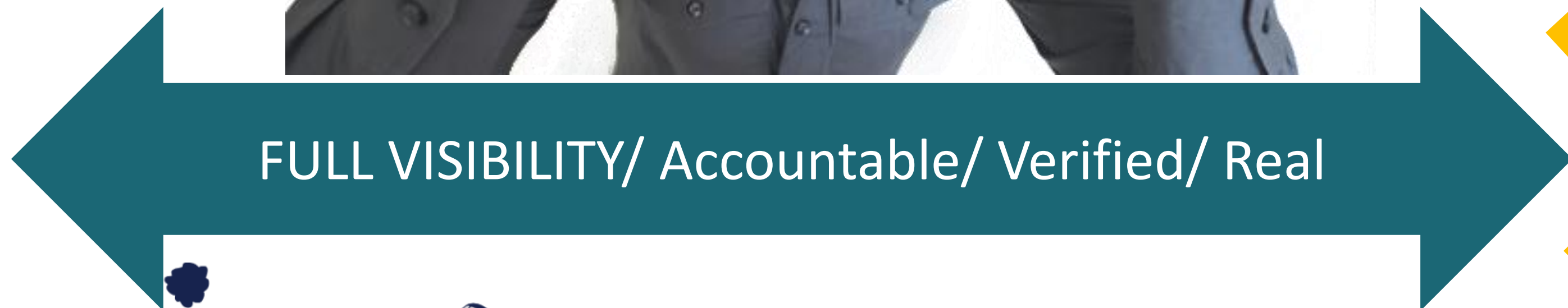
- (see in attached – refer to Excel)

Measurement and alignment

Research and Table KPI reports, to benchmark goals and measure success :

1. List the risks (*misdeclaration, ROO, Counterfeit, Transfer pricing, etc*)
2. Identify the applicable remedy for the risk: *X- ray, Physical inspection, post facto, dogs, Entity risk, Prefer trader program*
3. Deploy the remedy to mitigate the risk
4. Measure the results in form of KPI reports, Dashboards
5. Commit to the outcomes (to avoid a whitewash)
6. New innovative ideas that link to new technology

End-to-end view:



**Full Picture of the Supply Chain
3rd Party Reporting**

Conclusion:

