

TASK TEAM Customs fraud & illegal imports

February 16, 2018

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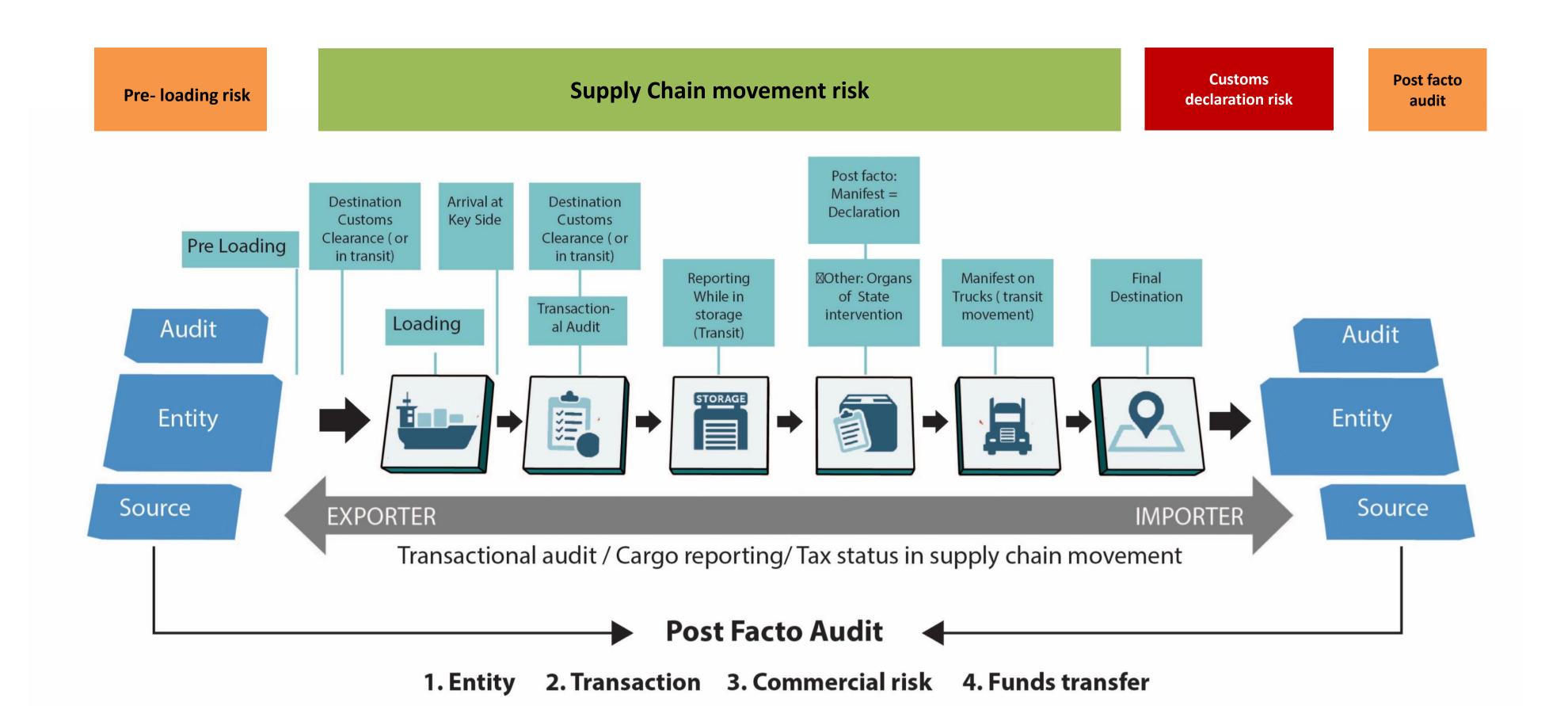
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Important success factors to deliver Customs' mandate on import fraud and illegal trade

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



Trader Management

Prevent dubious business entering supply chain

- 2. Registration and Licensing
- 5. Supply chain training
- 6. Single government agency
- criminal / fraudulent

Supply chain compliance

- 1. Customs Agents / intermediaries vetting
- 2. Tariff & valuation determination

Joint Trade – Government cooperation initiatives

Pre-arrival

Manage admissibility risks especially security

At Declaration / Border

Manage all risks

Post Clearance

Manage fiscal and general compliance

Customs / Border Agency

- 1. Customs regulations
- 3. Surety
- 4. Revocation of status

- 7. Prosecution and sanction of

Customs: Risk based

- 1. Manifest information
- 2. Supply chain information
- 3. C2C export information
- 4. Historical information
- 5. Tip-offs
- 6. 3rd party information

Reliance on Customs at exporting country:

- 1. Customs inspection / supervised inspection
- 2. X-ray scanning
- 3. AEO / mutual recognition

Supply chain compliance

- 1. AEO: compliance & security
- 2. Smart seals: track & trace

Customs: Risk based

1. With Declaration information

Customs / Border Agency controls:

- 1. Routine Border stops
- 2. X-ray Scanners

Consignee / Supply chain

- 1. AEO: compliance & security
- 2. Smart seals: visible & trackable

Customs: Risk based

- 1. Post clearance inspection
- 2. Post clearance audit

Customs: Criminal investigation and prosecution



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**





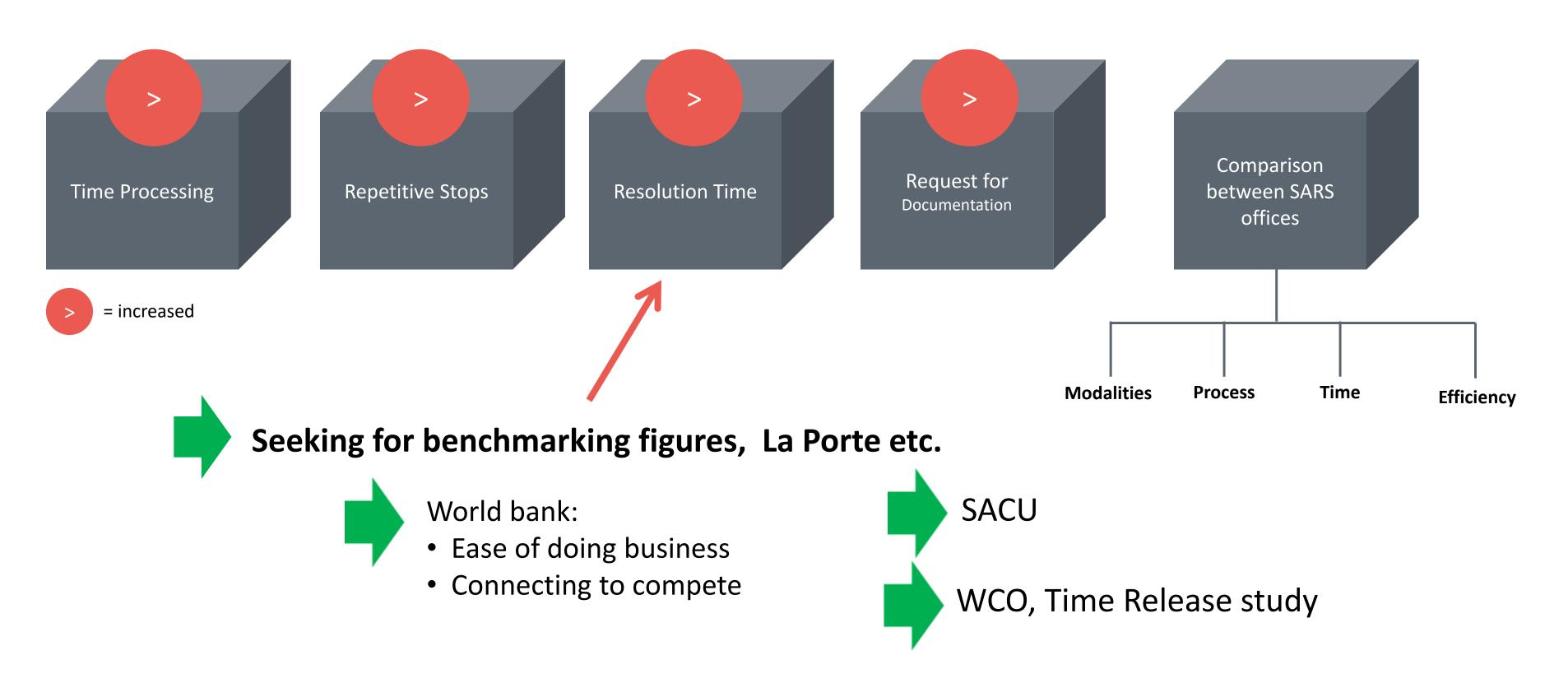


• Business experience over the previous 25 months, over a population of 3.5 million Transactions

NWU analysis of Customs Declarations



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



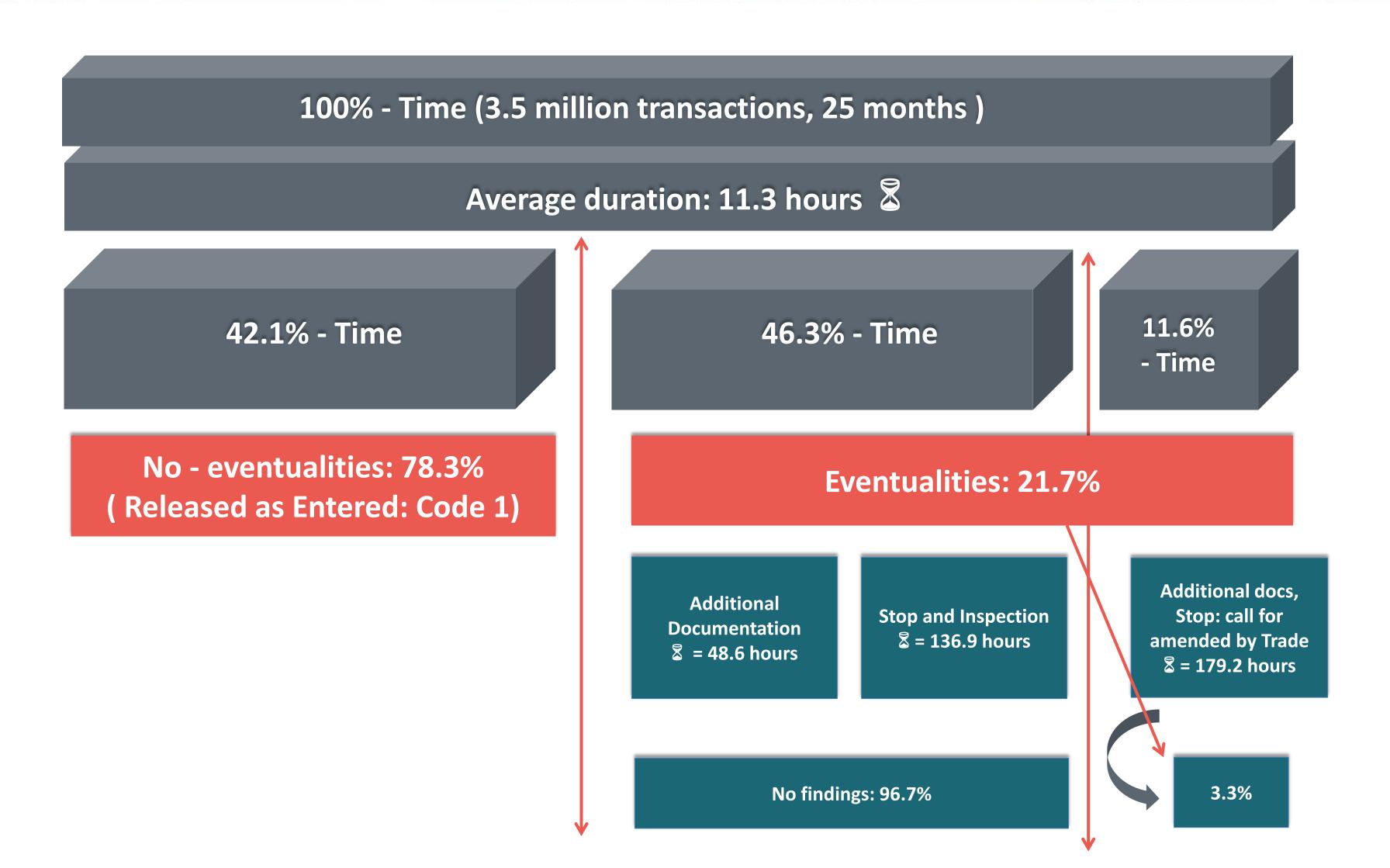


NWU statistics – Research data

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
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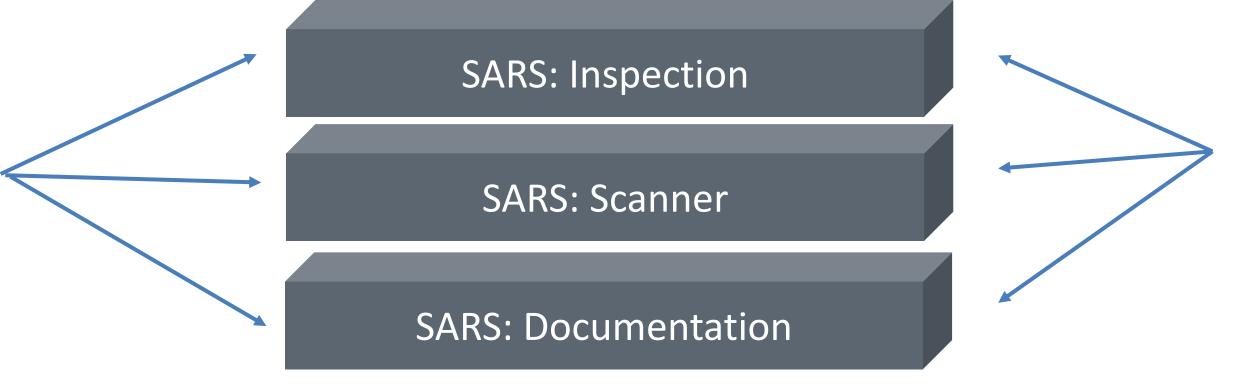


Overall Time Grid, % effected, and inspections Results:





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





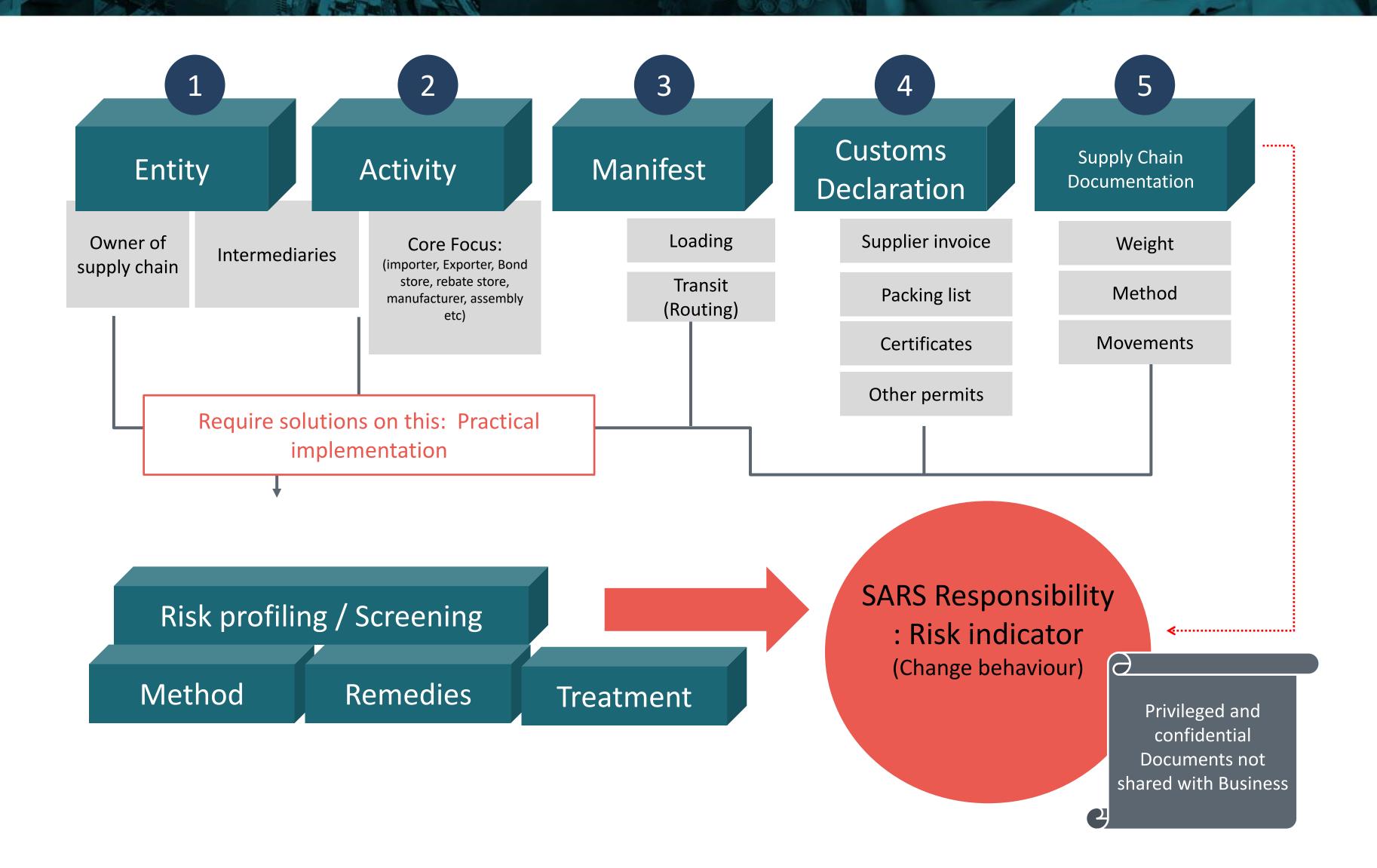
Two Key success factors:, 3 possible risk models and KPI reports to measure deliverables and results

 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)

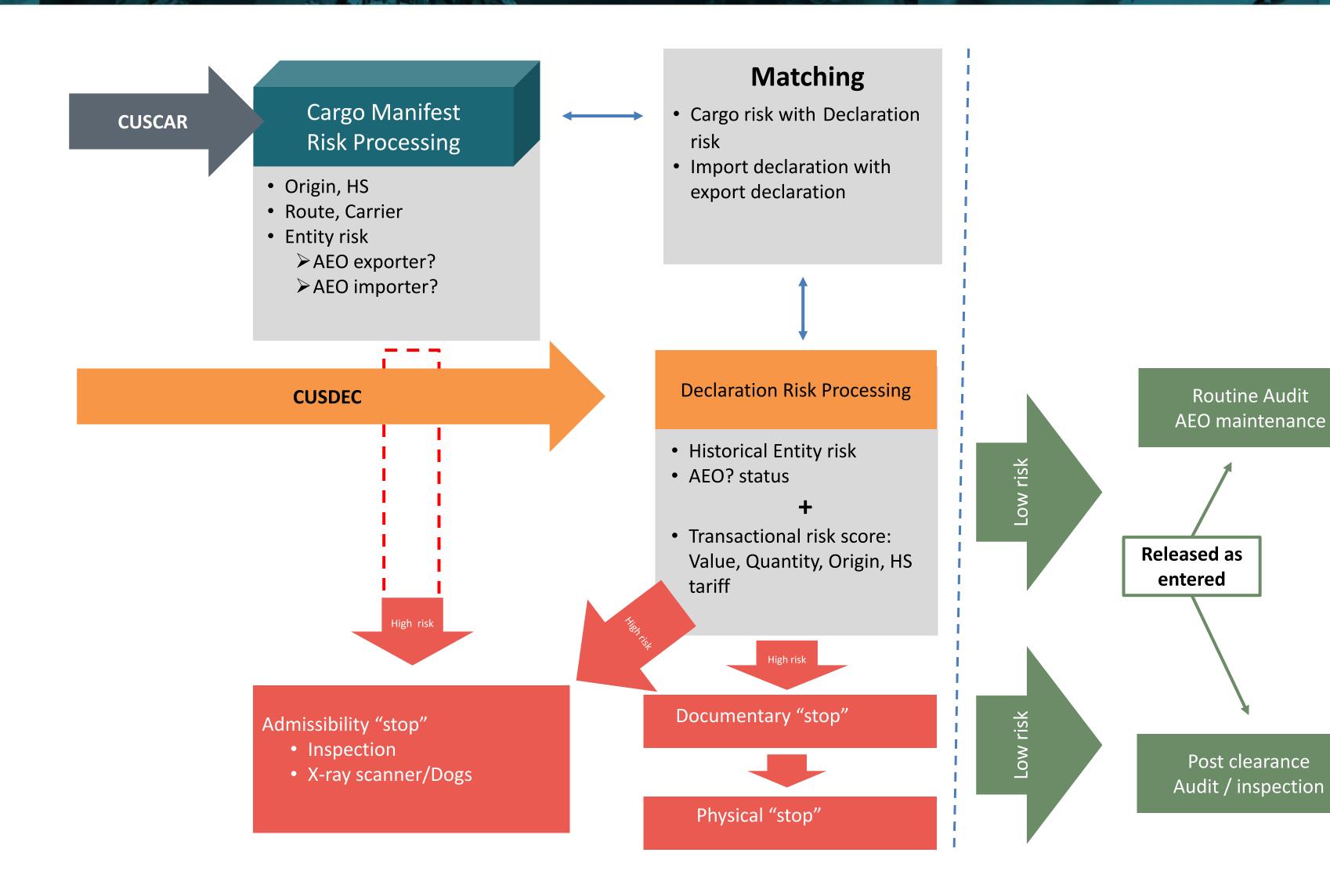


Task Team: Proposed scope of tasks, link to Terms of Reference working committee and structure





Option 1: Laporte - Customs Risk Model





Option 2: Customs Risk Model

Trader Status

- Registration and licensing profile
- Historical compliance (of importer, agent, transporter)
- Proactive trader status/ internal controls:
 - ➤ AEO compliance
 - ➤ AEO safety and security

Cargo Manifest Processing

- Origin
- HS
- Route
- Carrier

Declaration Processing

- Origin
- HS tariff
- Value

Post clearance Audit / Inspection

- Post clearance validation of HS, tariff, Value, origin – through inspection or Audit
- Audits reviewing client's internal controls and competencies to perform all parts of Customs as per legislation

ortunities to refine

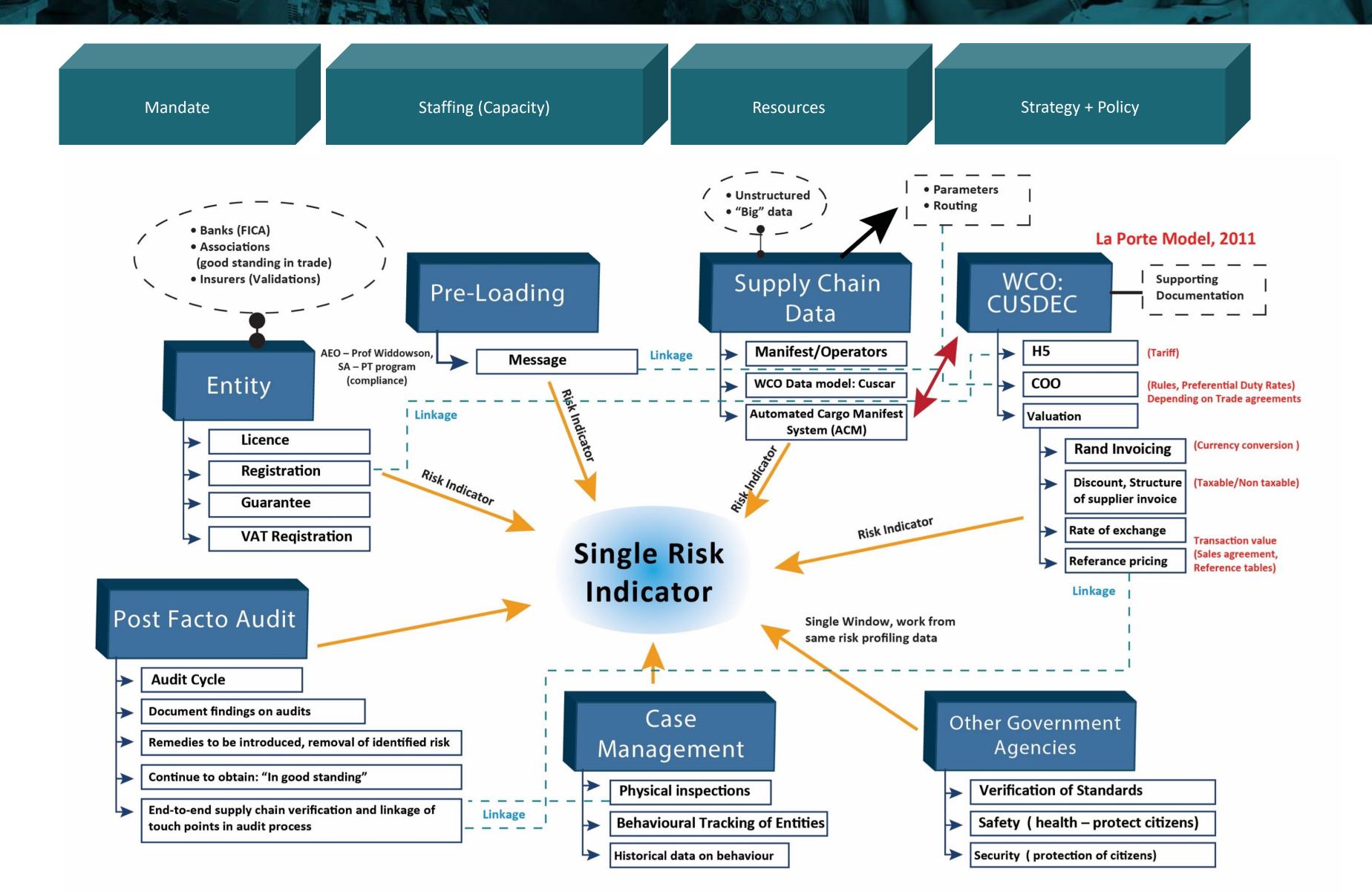
- Integrated view of client compliance & risk across govt. e.g. customs, tax and OGAs
- Extend scope of supply chain accreditation

- Improved arrival data e.g.
 10 + 2
- Upload vessel / haulier notes
- Electronic seals for track and trace
- Receive C2C export declaration to enable matching via UCR to import declaration
- Big data and analytics

- Improved product identification enabling visibility back to origin
- IT Data security
- International tax agreements etc.
- Criminal investigations



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:

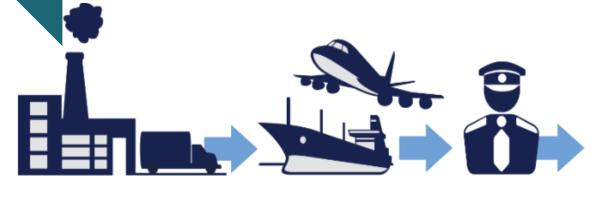
- 1. List the risks (misdeclaration, ROO, Counterfeit, Transfer pricing, etc)
- 2. Identify the applicable remedy for the risk: X- ray, Physical inspection, post facto, dogs, Entity risk, Prefer trader program
- 3. Deploy the remedy to mitigate the risk
- 4. Measure the results in form of KPI reports,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



End-to-end view:



FULL VISIBILITY/ Accountable/ Verified/ Real











Technology

Processes

Regulatory

Environment

tandahla/

Understandable/

Simplified and

easy

Understandable/ Simplified and easy

Understandable/

Simplified and easy



Full Picture of the Supply Chain 3rd Party Reporting

Conclusion:

