

Risk Analysis in Customs Control - Theoretical Aspects

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What is the risk?

“**Risk**” can be defined as the probability of occurrence of an event that will hinder the performance of the customs administration. It is therefore necessary to identify all potential risks for her and using the available information to implement measures that would mitigate or eliminate their negative effects.

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Risk in the field of customs control is associated with the probability of occurrence of events related to the import, export, transit, and end-user consumption of goods transferred between the territory of the European Union and other countries as well as the storage of goods from other countries in the EU. In order to be classified as a risk for the customs control activities, such an event should:

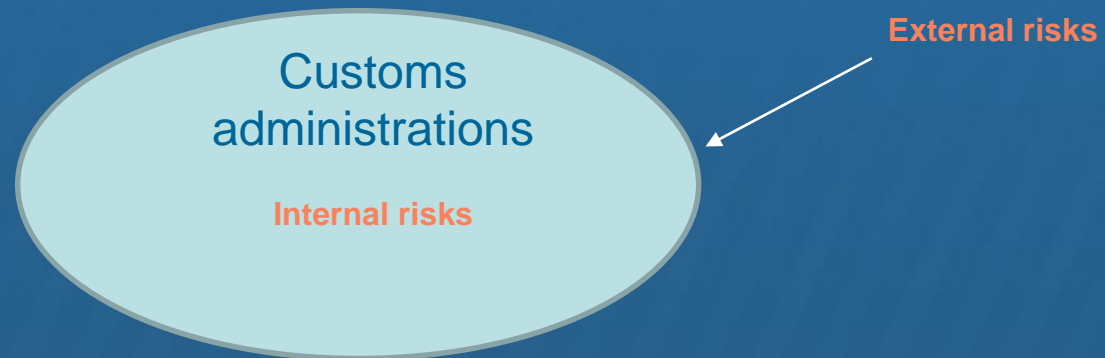
- **hinder the imposition of the current EU or national regulations related to international trade;**
- **breach the financial interests of the European Union and its member-states in terms of avoidance or evasion of due customs duties and taxes;**
- **threaten the security, safety, public health, consumers or the environment in a EU member-state.**

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Types of risk

The activities of any organization (including customs administrations) are affected by various endogenous and exogenous factors.



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Types of risk

External risks are of primary importance for customs authorities since they are associated with the activities and behaviour of economic agents. Considering the importance of customs for the economic system, foreign trade regulation is necessary because of the probability of deviations from its regulatory status due to various factors.

Customs control should take into account the possible **internal risks** as well. Customs should mitigate the internal factors that affect adversely their efficiency. However, we should bear in mind that internal control is not the only way to make the customs administration more efficient in terms of a reasonable assurance regarding the achievement of their objectives rather than an absolute guarantee.

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Control mechanisms

Customs controls (documentary and physical checks) comprise mechanisms designed to mitigate the effects of processes and events that hinder the achievement of the goals set to customs. They should be subject to regulations that set relevant rules and procedures for their correct and timely execution in order to create the necessary conditions for proper management and mitigation of the risks faced by customs administrations. Their effectiveness should be evaluated in terms of their capacity to reduce the probability of occurrence or mitigate the effects of the corresponding risks.

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Steps of risk management

- **Defining the aims and objectives of customs procedures** - the division of objectives into operative and additional (auxiliary) is important for the subsequent identification of risks associated with the performance of the customs administration;
- **Identification and assessment of existing and potential risks** - the analysis should be as complete and accurate as possible in order to identify a small number of key risks and categorize the related events in terms of their **effect (impact)** and probability of **occurrence (incidence)**;

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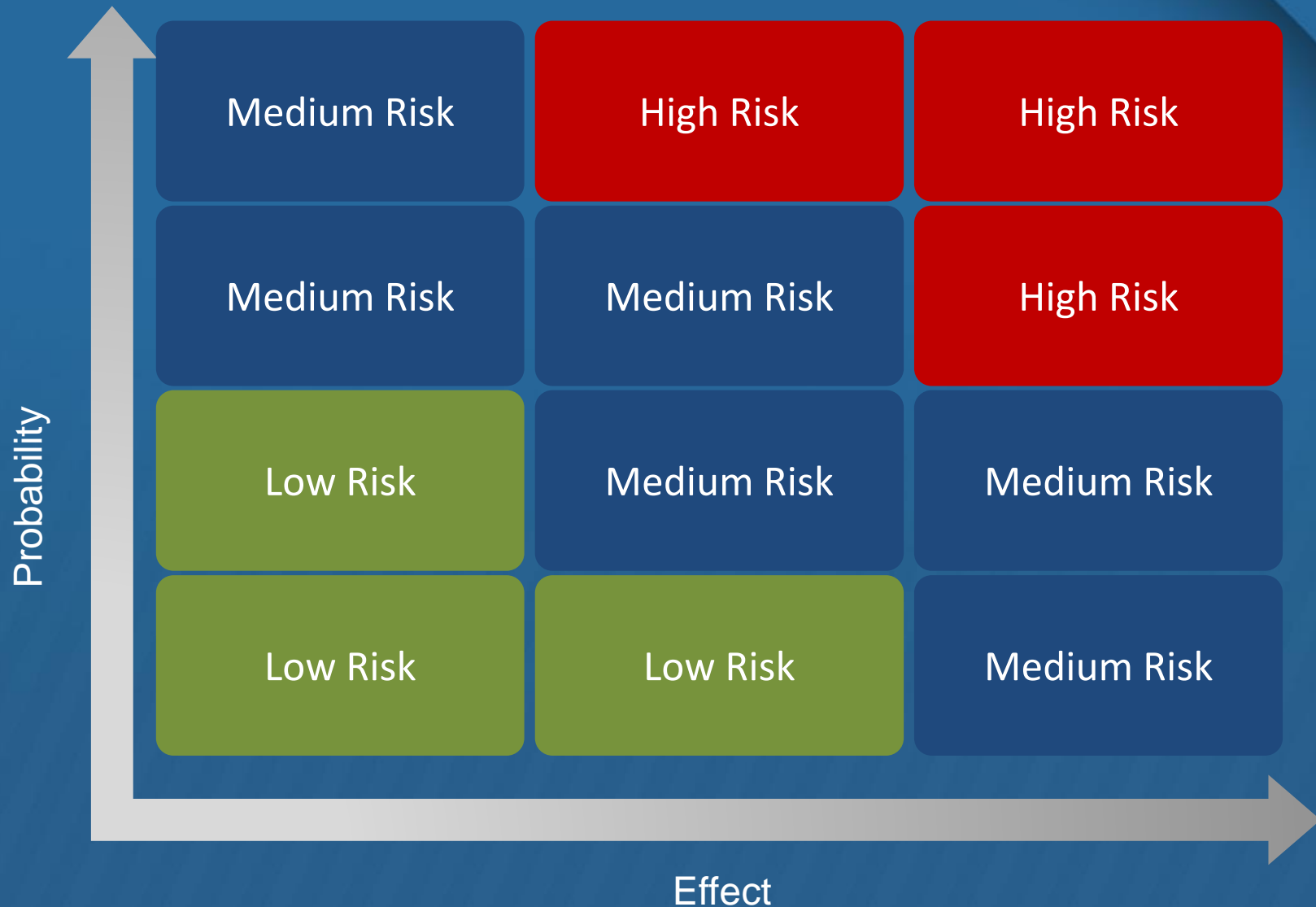
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“Probability/Effect” matrix for risk assessment

- events with insignificant effects and low probability of occurrence (**low risk**);
- events with acceptable effects and relatively low probability of occurrence (**medium risk**);
- events with significant effects and high probability of occurrence (**high risk**).

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Steps of risk management

- **Evaluation of the existing control procedures** - This evaluation is essentially an audit, because it has to answer questions such as: "Are there any specific controls in place to cover all identified risks?", "Are these mechanisms adequate and effective in terms of achieving the objectives of control objectives?", "Are the available controls implemented efficiently?", etc.;
- **Identification of residual risks** - despite the existence of controls and control procedures some risks cannot be completely eliminated and will affect negatively the activities of the customs administration;
- **Defining corrective measures within the control procedures when non-compliances and defects are found** - At this stage the management of the customs administration must implement measures to improve its performance and organizational structure based on the identified weaknesses.

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Risk areas

- The risk **profile of the economic agents** (importers and exporters), i.e. their customs record;
- The **type of goods** exchanged;
- The risk profiles of **the countries** the goods are imported from or exported to.



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Thank you for your attention!