

Risk Management



What is Risk Management?

Who uses Risk Management?

How is Risk Management used?

Risk Management in Customs

How do you use it in Customs?

Mouse 'Click' to move on to the next slide





What is Risk Management?

- **Good management practice**
- Process steps that enable improvement in decision making
- A logical and systematic approach
- Identifying opportunities
- Avoiding or minimising losses

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What is Risk Management?

Risk Management is the name given to a logical and systematic method of identifying, analysing, treating and monitoring the risks involved in any activity or process.

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What is Risk Management?

Risk Management is a methodology that helps managers make best use of their available resources

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Who uses Risk Management?

Risk Management practices are widely used in public and the private sectors, covering a wide range of activities or operations.

These include:

- Finance and Investment
- Insurance
- Health Care
- Public Institutions
- Governments





Who uses Risk Management?

- **Effective Risk Management** is a recognised and valued skill.
- Educational institutions have formal study courses and award degrees in Risk Management.
- **The Risk Management process is well established.** (International RM process standards.)





Who uses Risk Management?

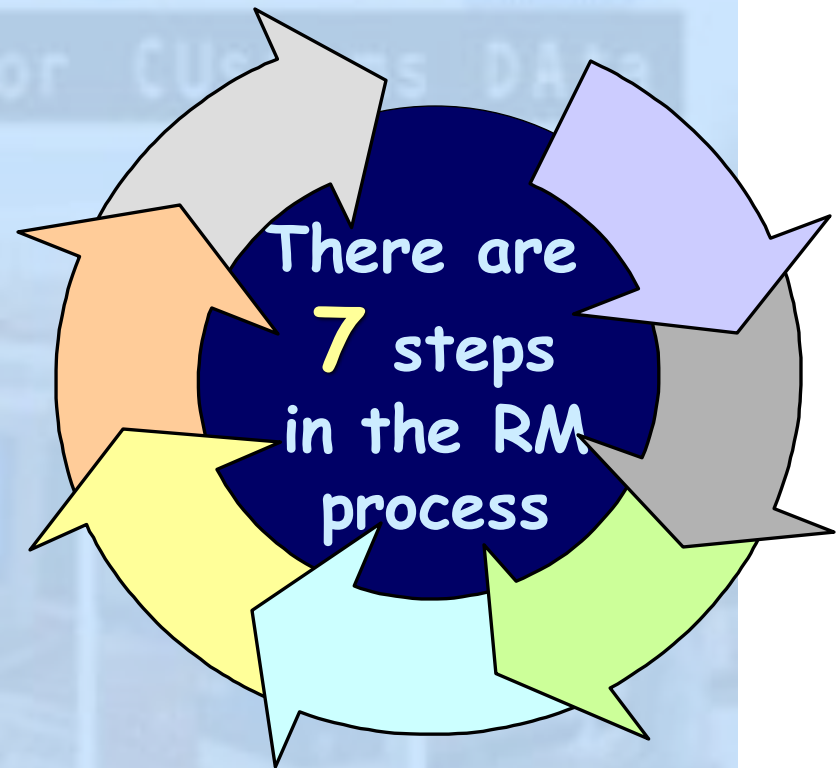
Risk Management is
now an integral part of business
planning.





How is Risk Management used?

The Risk Management process steps are a generic guide for any organisation, regardless of the type of business, activity or function.





The basic process steps are:

Establish the context

Identify the risks

Analyse the risks

Evaluate the risks

Treat the risks





'Risk' is dynamic and subject to constant change, so the process includes continuing:

Monitoring and review

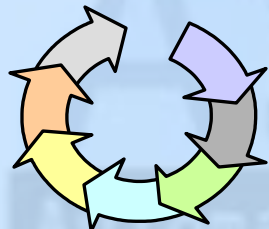
and

Communication & consultation





The Risk Management process:



Establish the context

The strategic and organisational context in which risk management will take place.

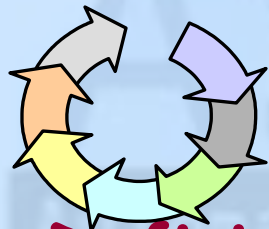
For example, the nature of your business, the risks inherent in your business and your priorities.

Communicate & consult





The Risk Management process:



Identify the risks

Defining types of risk, for instance, 'Strategic' risks to the goals and objectives of the organisation.

- Identifying the stakeholders, (i.e., who is involved or affected).
- Past events, future developments.

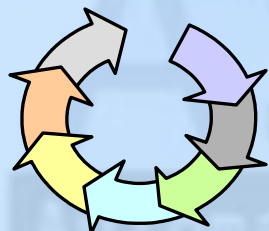
Monitor and review

Communicate & consult





The Risk Management process:



Analyse the risks

**How likely is the risk event to happen?
(Probability and frequency?)**

**What would be the impact, cost or
consequences of that event occurring?
(Economic, political, social?)**

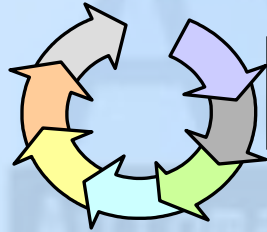
Monitor and review

Communicate & consult





The Risk Management process:



Evaluate the risks

Rank the risks according to management priorities, by risk category and rated by likelihood and possible cost or consequence.

Determine inherent levels of risk.

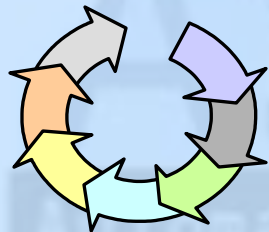
Monitor and review

Communicate & consult





The Risk Management process:



Treat the risks

Develop and implement a plan with specific counter-measures to address the identified risks.

Consider:

- Priorities (Strategic and operational)
- Resources (human, financial and technical)
- Risk acceptance, (i.e., low risks)





The Risk Management process:

Treat the risks

Document your risk management plan and describe the reasons behind selecting the risk and for the treatment chosen.

Record allocated responsibilities, monitoring or evaluation processes, and assumptions on residual risk.

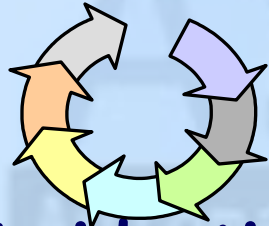
Monitor and review

Communicate & consult





The Risk Management process:



Monitor and review

In identifying, prioritising and treating risks, organisations make assumptions and decisions based on situations that are subject to change, (e.g., the business environment, trading patterns, or government policies).

Risk Management policies and decisions must be regularly reviewed.

Communicate & consult





The Risk Management process:

Monitor and review

Risk Managers must monitor activities and processes to determine the accuracy of planning assumptions and the effectiveness of the measures taken to treat the risk.

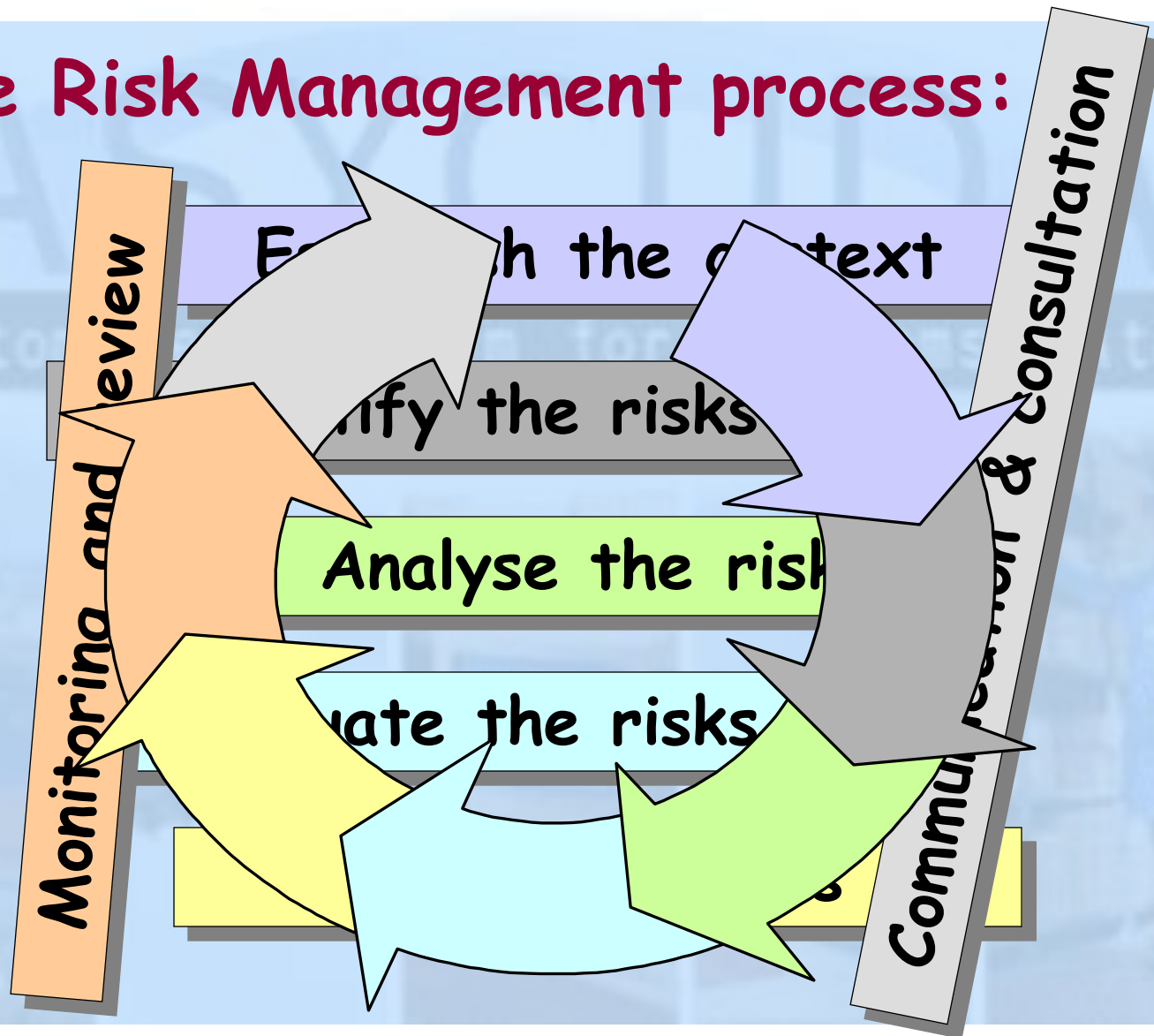
Methods can include data evaluation, audit, compliance measurement.

Communicate & consult





The Risk Management process:





Risk Management in Customs

Customs administrations have turned increasingly to Risk Management as an effective means of meeting national objectives.

Administrations provide facilitation while maintaining control over the international movement of goods and persons.

Risk management helps in matching Customs priorities to resources.





Risk Management in Customs

International Organisations encourage and support the adoption of modern Customs control techniques, using Risk Management principles., e.g.,

- WTO/Kyoto Convention.
- APEC Sub-Committee on Customs Procedures.
- Transport Industry representative bodies.





Risk Management in Customs

Risk management within Customs can be strategic, operational or tactical.

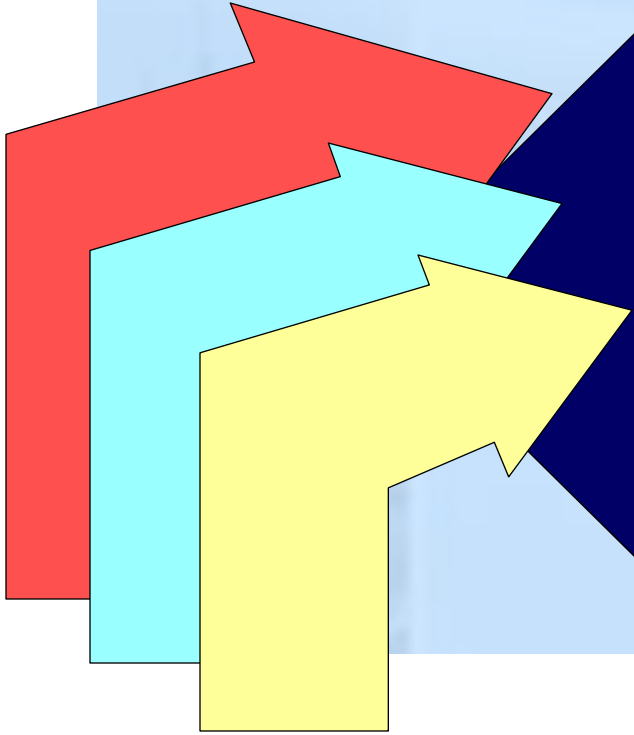
Strategic: Risks to Customs goals and objectives
e.g., prohibitions, restrictions, trade or
- usually longer term strategies
revenue, environment.





Risk Management in Customs

Risk management within Customs can be strategic, operational or tactical.



Operational: Decisions

and action plans
on measures taken
with limited resources
to manage risks.

- medium term strategies

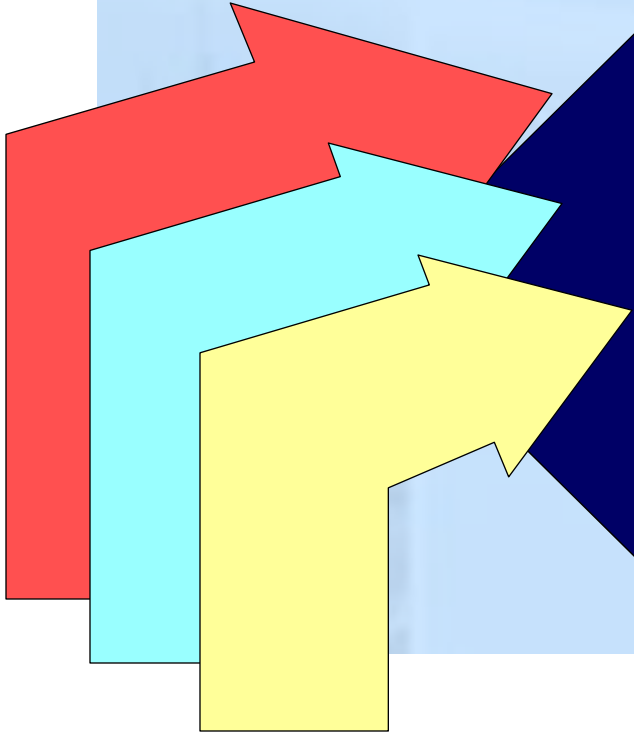
for resources;
monitoring and review.





Risk Management in Customs

Risk management within Customs can be strategic, operational or tactical.



Tactical: Used by officers at their workplace, to deal with site specific risks within parameters and to approved procedures.

- short term strategies





Risk Management in Customs

Why you should use Risk Management:

- Economic benefits, by facilitating the movement of goods, ships, aircraft and people – when rated low risk.
- Makes more effective use of existing skills and experience – giving better results.
- Improves the quality of Customs controls – information and accountability.





Risk Management in Customs

Why you should use Risk Management:

The process helps Administrations focus on priorities and in decisions on deploying limited resources to deal with the highest risks.





How do you use it in Customs?

Where do you start?

The first step is to look at your Customs context.

- What is the role of Customs?
- What are your national priorities and the expectations of the government and the public?
- What is the nature of your operational environment?





How do you use it in Customs?

The next steps in the Risk Management process are to:-

- Identify the risks
- Analyse the risks; and
- Evaluate the risks,

... but, if you are just starting on Risk Management planning:

Who does this?

Where does the information come from?





Who does the Risk Assessment?

Responsibilities must be allocated:

- Appoint a Risk Management champion with appropriate qualifications, including experience and analytical skills.
- Form a Risk Management Committee, representative of operational areas.
- Conduct Risk Management Workshops.
- Determine operating procedures.





Sources of information for Risk Assessments

1. Identify commodity or control risks; e.g., high duty rates or quantity controls, the demand for prohibited goods, such as drugs, pornography, traffic in CITES wildlife.
2. Research existing databases and records on commodity and trader histories.
3. Evaluate current procedures to identify potential control weaknesses.





Evaluate the risks

After identifying and analysing the risks, you can evaluate.

- What is the likelihood of the risk event occurring?

- Almost certain
- Likely
- Moderate
- Unlikely
- Rare?

What is the consequence if the risk event occurs?

- Extreme
- Very high
- Moderate
- Low
- Negligible?





Evaluate the risks

You need to describe or to quantify exactly what the 'Likelihood' and 'Consequence' terms means to you.

This helps in ensuring a consistent approach in future risk assessment and review and monitoring.

It promotes a common understanding within the Administration.





Evaluate the risks

After establishing '**Likelihood**' and '**Consequence**' you can use a table like this to set a level of risk.

	Extreme	Very high	Moderate	Low	Negligible
Almost certain	Severe	Severe	High	Major	Moderate
Likely	Severe	High	Major	Significant	Moderate
Moderate	High	Major	Significant	Moderate	Low
Unlikely	Major	Significant	Moderate	Low	Very low
Rare	Significant	Moderate	Low	Very low	Very Low

You must define what these risk levels mean to you.





Treating the risks

Low and very low level risks can normally be accepted, subject to on-going monitoring.

All other risks are included in the management plan.

The plan catalogues the risks, the level of risk, and describes a treatment.

The treatment is the action proposed, (and perhaps the resources allocated).





Treating the risks

**Development of
Risk Profiles**

**Targeted
selections**

Industry audits

**Physical
examination**

**Random
examinations**

**Compliance
improvement**





Treating the risks

A common method of treating risks is to develop **risk profiling and targeting systems**.

This means – in the case of goods – selecting transactions for specific checks, according to trader, agent, origin of goods, commodity code, duty rate, routing, value, etc.





Treating the risks

Risk Profiles are developed as a means of putting risk management into practice at the Operational level.

A Risk Profile is normally specific to a Customs office. It describes:

- The risk areas
- Assessment of the level of risk
- The countermeasures adopted
- Activation date and review dates
- Means of measuring effectiveness.





Treating the risks

Using the profile information, consignments of goods, means of transport and people are targeted.

The profile information is used as the basis for Selection Criteria.

**Selection
Criteria**

Documents received and processed by Customs, i.e., cargo and passenger manifests, goods declarations, are compared against the Selection Criteria





Treating the risks



Selections are made by manual checks of documents, or by using automated systems.

Selected transactions or movements are subject to the actions detailed in the profile or plan, e.g., physical examination, audit, etc.





Monitor & Review

The initial assessment made of the existence and level of risks must be evaluated on a regular basis.

You need to measure the effectiveness of risk profiles and update as necessary.

- Reliable reporting of examination results
- Compliance measurement activities
- Feedback from the business community
- Results analysis and data comparisons





Using Risk Management

The starting point is the Action Plan:

1. Allocate responsibilities, e.g., a Risk Management Champion and a working party.
2. Evaluate how Risk Management processes can be best applied in your national environment.
3. Survey existing skills and do a training needs assessment.
4. Catalogue existing sources of data or information that can help in identifying risks.





Using Risk Management

5. Flow chart existing processes.
6. Communicate and consult - within Customs, with other Agencies, the trading community and transport industry.
7. Obtain IT tools or set up processes for effectively operating a selectivity system.
8. Provide training in profiling/selectivity skills.
9. Test and gain confidence in the Risk Management process.





This presentation endeavors to cover briefly the concepts and the benefits of using Risk Management practices, particularly within Customs Administrations.

The processes and the many control options deserve further study, and many other sources of information on this topic are available.

Control AND Facilitation

By.. Risk Management

