Integrated Risk Management

Nigeria Customs Administration Case Study

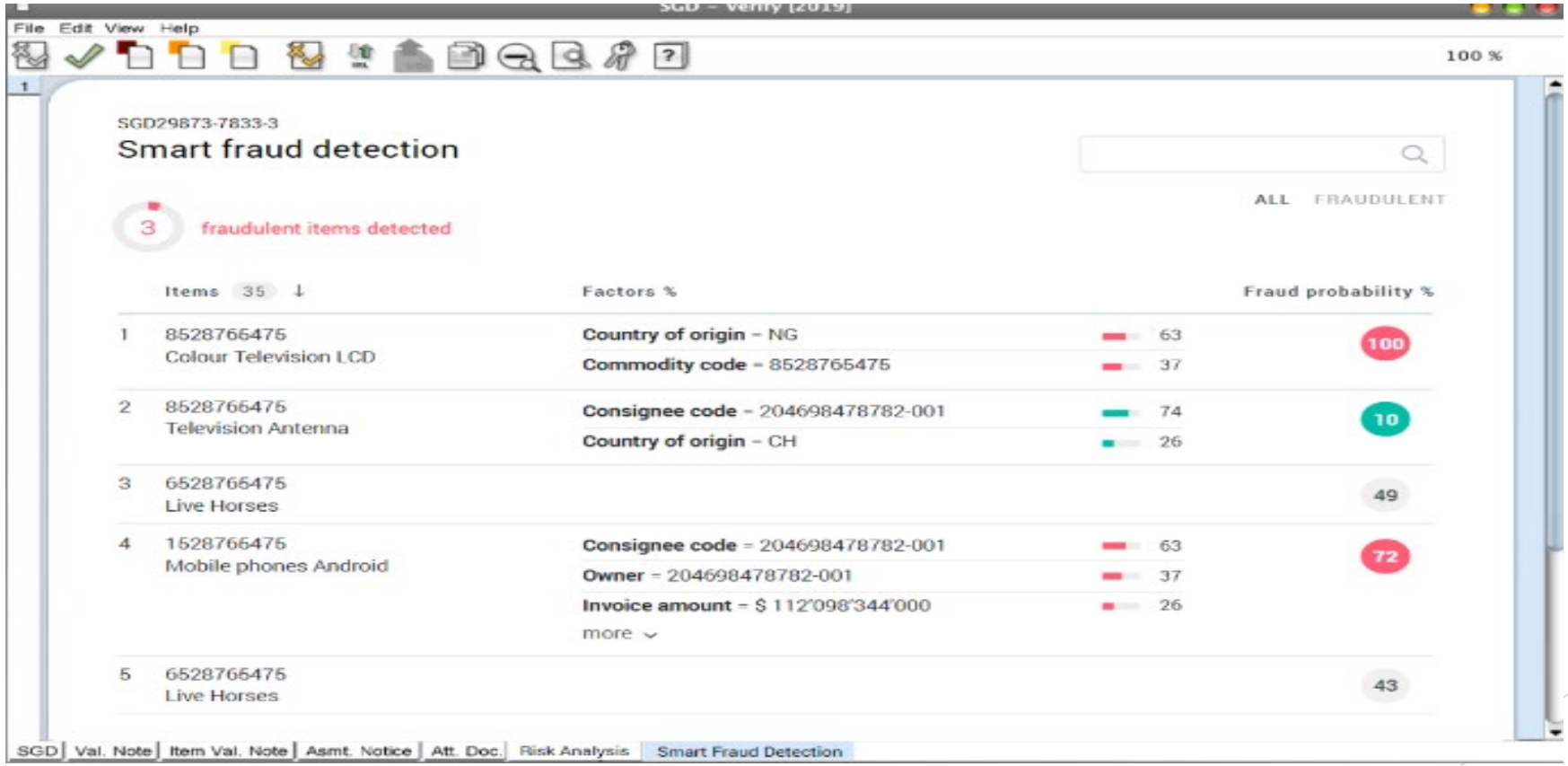
Overview

- International trade has evolved in many ways, necessitating a change in how clearance of cargo is done at the borders. Customs Administrations are now required to work with several other agencies at the borders.
- While Customs Administration's objectives vary from country to country, which often includes collection of duties and taxes on imported goods, security, data collection, excise duty etc., these other border agencies have different objectives and therefore, are exposed to different types of risks related to their goals.
- This has necessitated the need to adopt an Integrated Risk Management approach to ensure that trade is facilitated.

Current Model

- During its 2nd phase of automation in 2012, the Nigeria Customs Service recognized the need to deploy a risk engine in its clearance system (the NICIS).
- The idea of the risk engine was initially to flag items that presented risk, based on several different criteria. Many of the criteria were focused on risks that were related to the objectives of the Customs Administration only, and several agencies were physically present at the borders, thereby creating several bottlenecks to the clearance process.
- With the push towards trade facilitation in international trade, a change in policy necessitated the need for several agencies to be removed from the borders, limiting them to just a few.

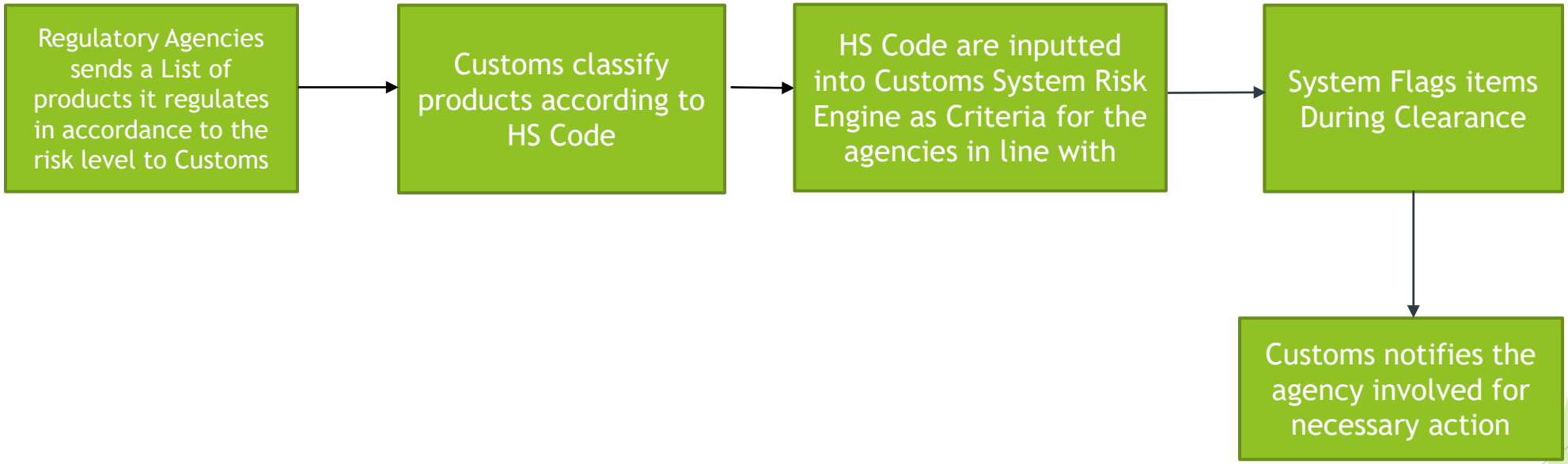
Current Model



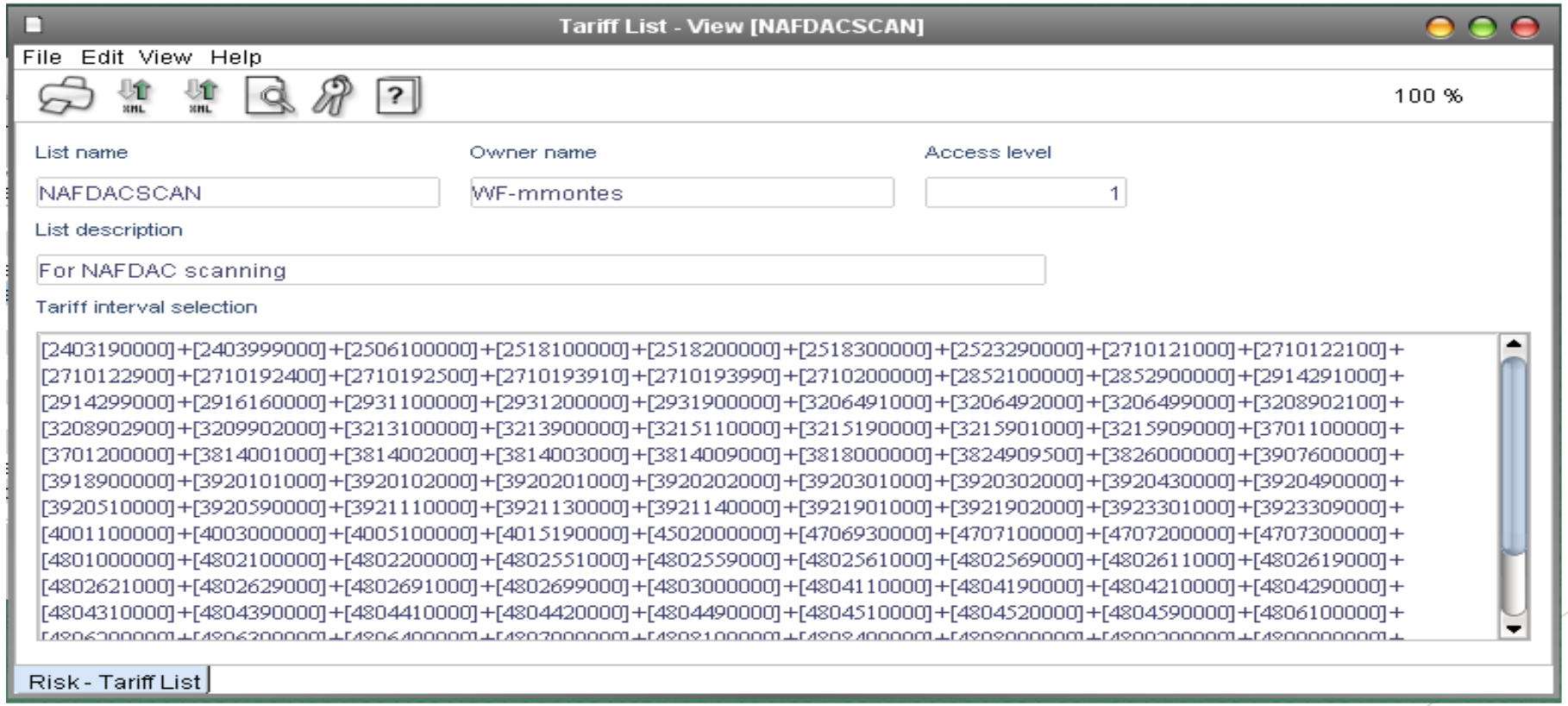
- This led to the need for Customs in Nigeria to adopt an approach to cater for the risk of those border agencies who were no longer physically present at the borders by adopting a form of integrated risk engine in its clearance system.
- The implementation of this approach was initially limited to the use of the Harmonized System Code, but the recent modernization efforts is geared towards expanding this to a more holistic risk management approach.
- Most partner border agencies activities were not automated at the time of implementing the Customs System, thereby making it difficult to harmonize the Risk Management.

- Customs in Nigeria collaborates with the border agencies who are not physically present at the borders in different ways. One of these is to ensure that these agencies identify items which poses risk to them. For instance, National Agency for Food and Drugs Administration and Control (NAFDAC), and the Standard Organization of Nigeria (SON) provide Customs with a list of items that they consider could be high risk items, and these items are then classified by Customs into HS Code and are inputted into the Customs system risk engine as criteria.
- The Customs System automatically flags these items during the clearance process and Customs in turn notifies the agency involved for action or carries out action on behalf of such agencies (where it's a case of checking preshipment permits or licenses).

Flow Diagram



Example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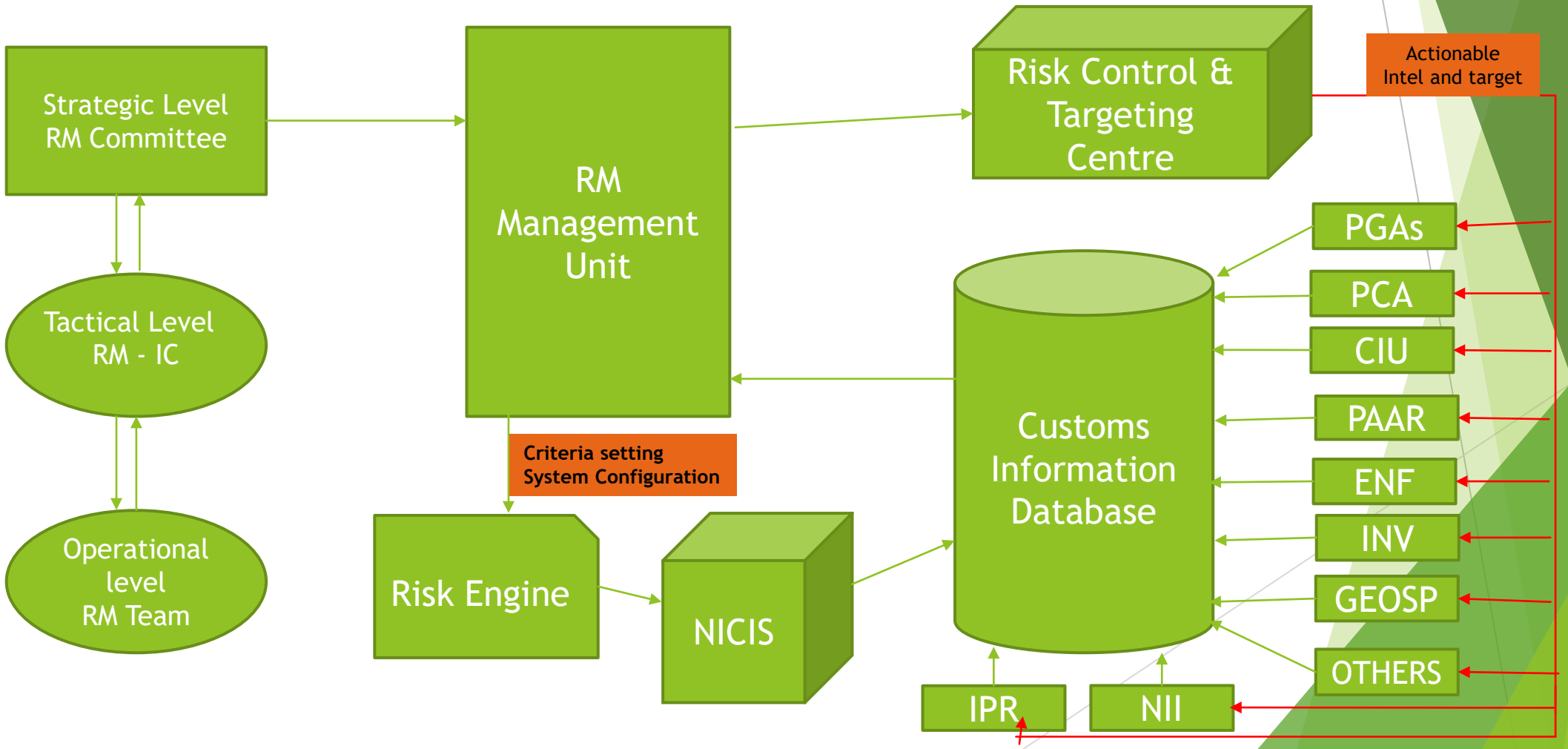
Risk - Tariff List

Future Model

- Customs in Nigeria is currently moving to the next phase of its modernization and one major area of improvement is in risk management.
- In this next phase, other border regulatory agencies will not only provide a list to be inputted into the Customs System, but would harmonize all risk management efforts through a Risk Control Centre.
- This will ensure that functional and non functional risks are taken into account for all regulatory partner risk concerns are taken care of.
- Additional risk criteria will be considered to ensure that only high risk transactions are flagged.
- More data will be used to improve the risk management engine through machine learning.

DIAGRAM OF THE FUTURE RISK MANAGEMENT.



THANK YOU

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