

Risk Management Evolution

Mexican experience



May 25th 2023

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Product Design



System / Software



Manufacturing



Quality



Project
Management



All Others

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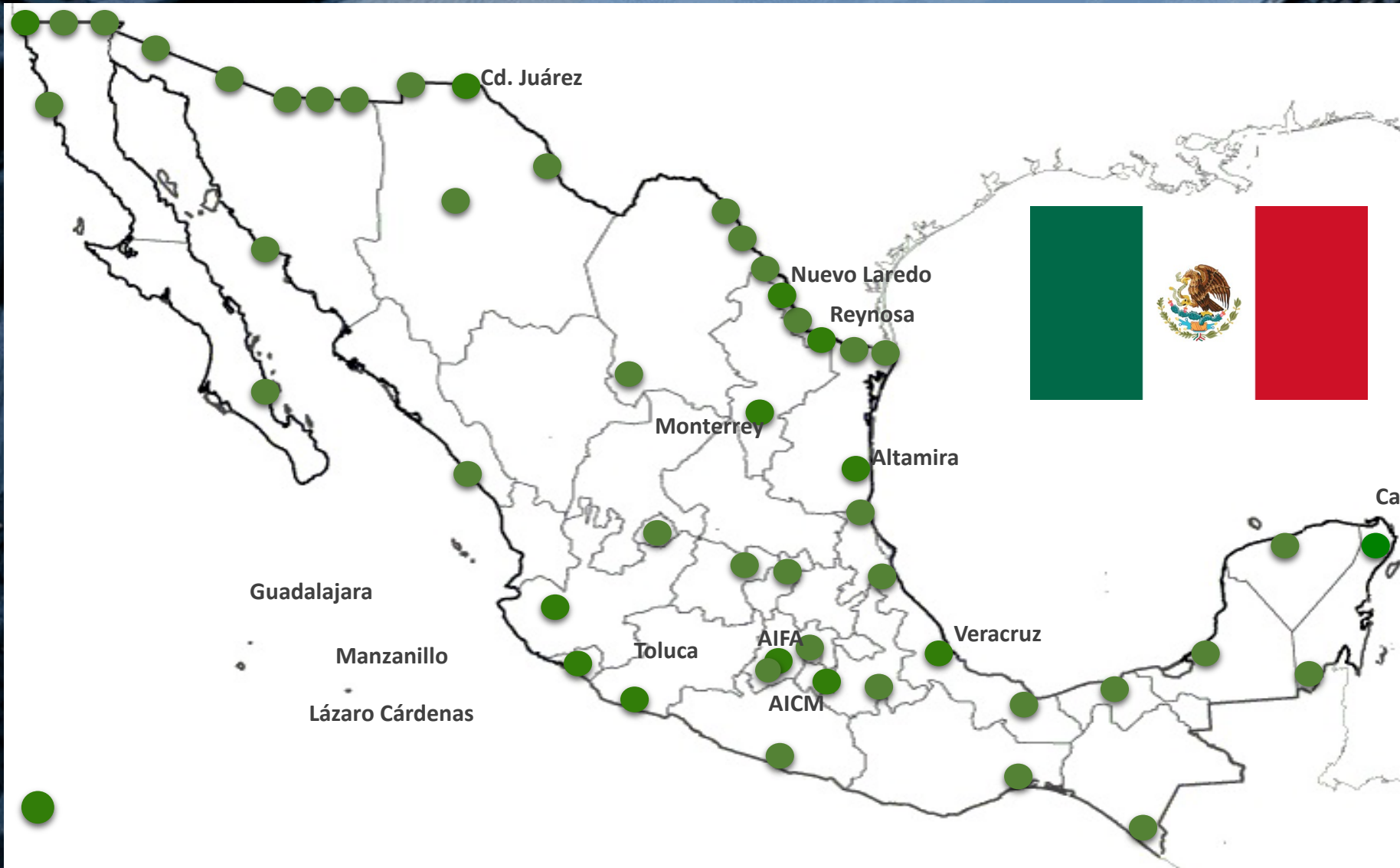


Mexican Customs Departments



50 Ports

Tijuana



Ports

Border	21
Maritime	17
Inner (Air/truck)	12
Total	50

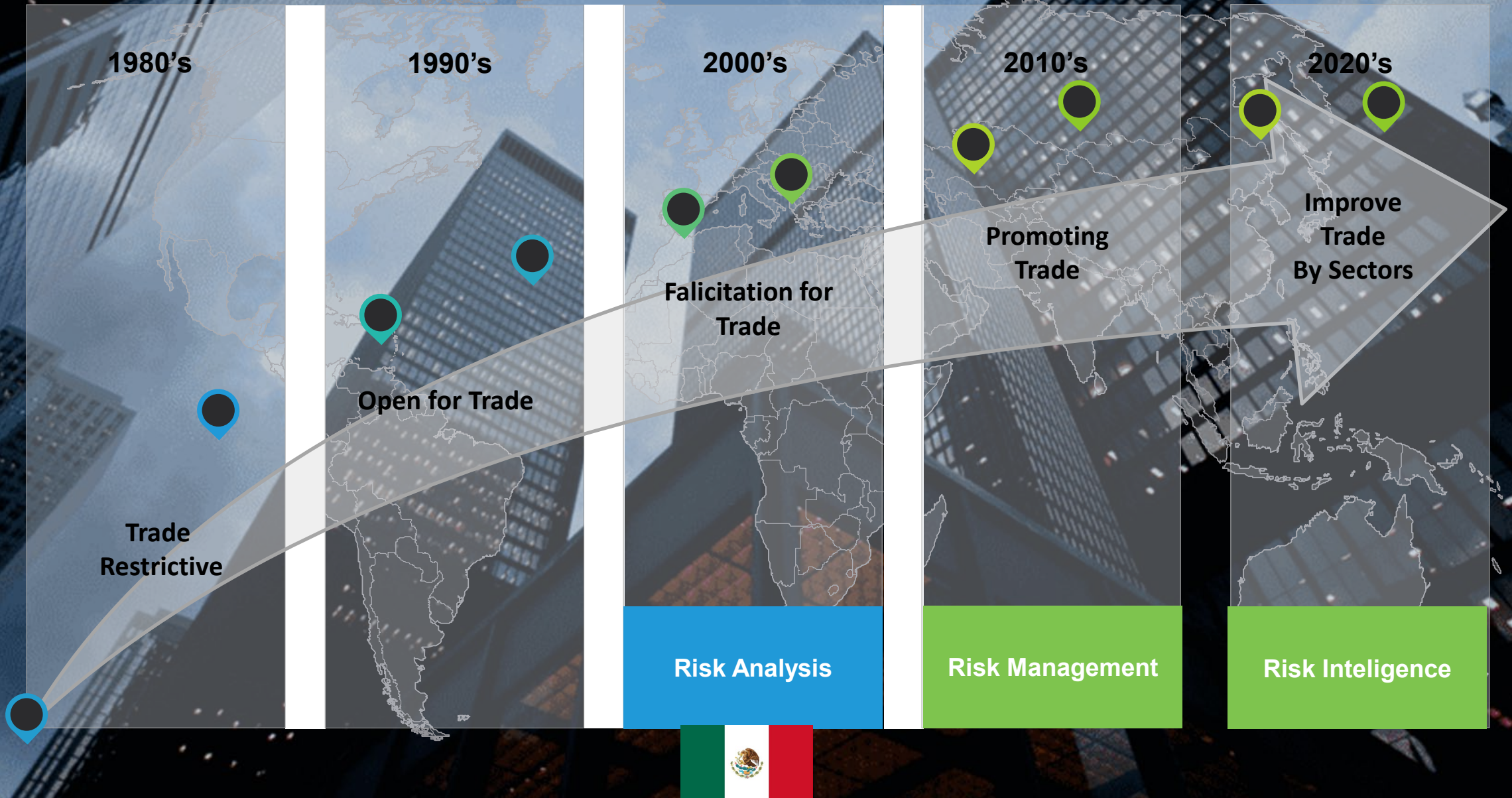
Personnal

Oficinas Centrales	17%
Aduanas	83%
Total	8,176

220 Inspection points

816 Customs Broker

Mexican Customs Perspective Evolution





RISK MANAGEMENT PROCESS

The WCO recommends the adoption of the framework described in the ISO standard

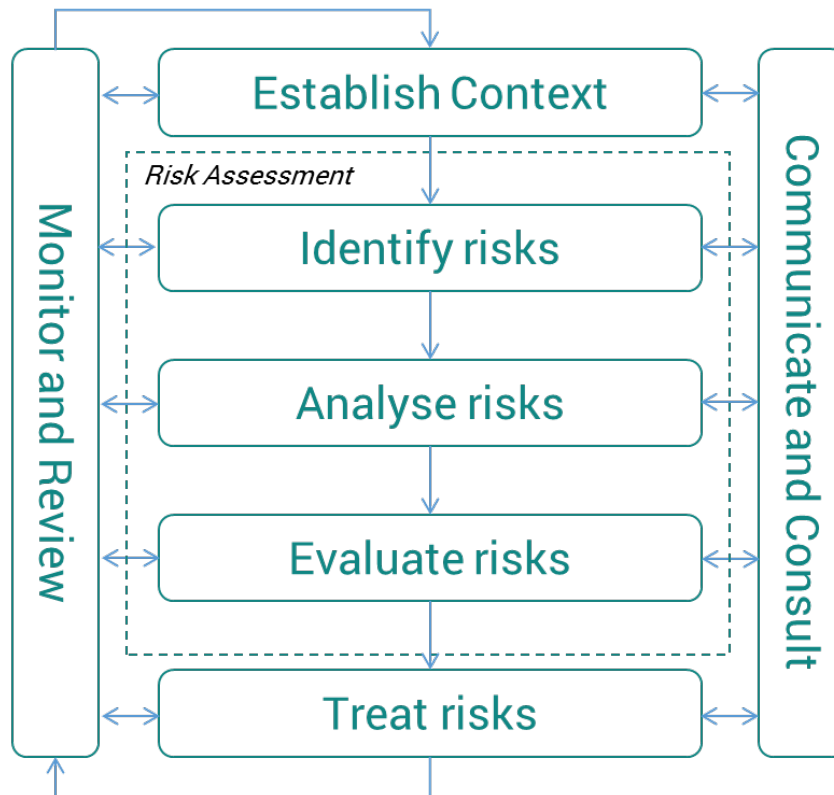


Figure – The ISO 31000:2009 risk management process

Risk management process: Systematic application of management policies, procedures and practices to the activities of documenting, communicating, consulting, establishing the context, and identifying, analyzing, evaluating, treating, monitoring and reviewing risk.

WTO SPS Agreement, Article 5

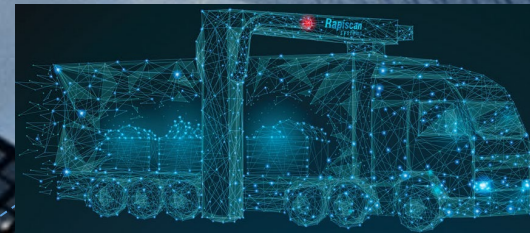
*"Members shall ensure that their sanitary or phytosanitary measures are based on an assessment, as appropriate to the circumstances, of the risks to human, animal or plant life or health, taking into account **risk assessment techniques** developed by the relevant international organizations."*

Identify risks, Analyse risk and Evaluate risks as part of risk assessment for SPS agencies.

World Organisation for Animal Health (OIE)



Figure: Framework of Risk Analysis used by OIE



2016 – 2020
PITA
SW Integration
RFID, RNI, MATCE Risk Management

2010 – 2012
VUCEM, RNI (Xy Gamma),
CPED, VIVA, SCTCA – SIECA

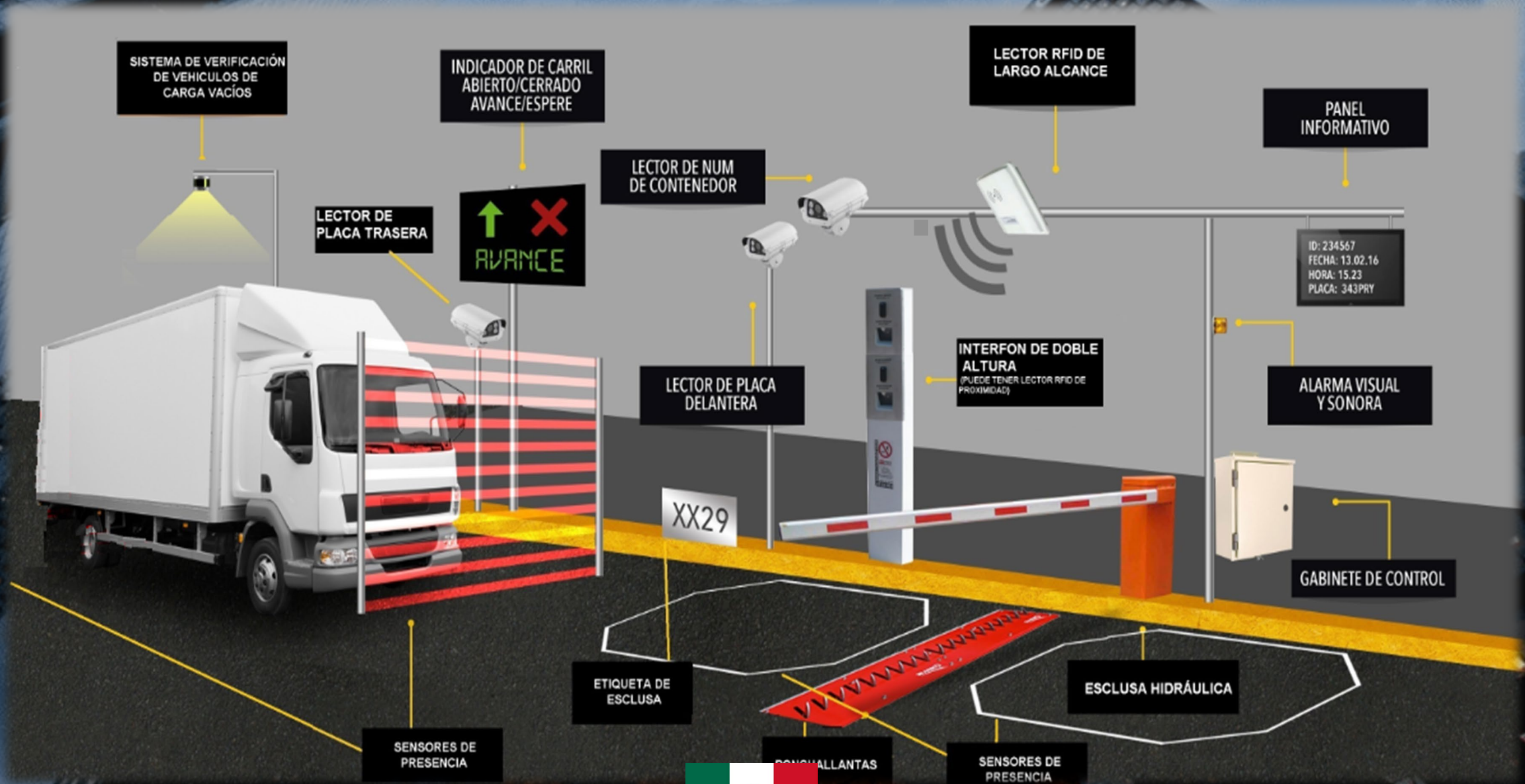
2001 – 2005
SYSTEMS IMPROVEMENTS
-Government Agency Interoperability
-Risk Analysis.
-100% Electronic Customs declaration
-Electronic Payment

1993
SAAI: Centralie Information
MSA: Automated random inspections 10% or
by parametric

1989
CADEPA: Captura de datos desconcentrada de pedimentos
MSA: Random Inspections 10%



Proyecto de Integración Tecnológica Aduanera



Pre-arrival Risk Variables

Origin	Frecuence
Supplier vs Black/grey Lists	Value
Kinf of Transport	Consignee different at Importer
Port of Loading,	Route
Port of Transshipment	Previous similar operatios
Kind of Products	Regulations
Volume	Alerts or Warnings from origin



Post Clearance Audit – Global Risk Index

Type of Risk	Description of Risk
New importer	Type of person: natural or company
Value of exports greater than or equal to revenues	Declared value lower or higher in % with respect to the indicative value defined by Customs
Value of imports greater than or equal to declared sales	Risk history with other government agencies Insolvent importer
Average VAT rate and average import tax rate	VAT sales declarations, less than VAT purchases
Gross revenue growth vs. foreign trade transactions	Country of origin of risk
Level of net income vs. net revenues	Frequency of use of residual tariff items 99, all others
At-risk, alerted or blacklisted suppliers	High concentration of the imported value in customs, in special regimes (temporary, transit, bonded warehouses)
Risk carrier / Risky port / Risky customs broker (with high number of incidents)	High concentration of operations with tariff preference.
Imported goods inconsistent with your primary activity	Risk index of the tax administration
History of serious non-compliance, evasion or undervaluation incidents	Net profitability
Non-habitual importer, atypical operation	Level of indebtedness
Importer with complaints	Payment of social security contributions
Growth of imports very disparate with reported gross income	Board members linked to other companies



Risk Example: VITOL Wrong HS Code declaration

- Taxes lost due to false tariff classification of gasoline and diesel, as well as lower value hydrocarbons, have cost SAT approximately \$100 million dollars in 2021.
- There are many other companies with the same modus operandi
- Immediately in July 2021 Customs suspends importers' registry license



Customs Operation Data
COA (Monthly)



INSIDE KPI follow Up



Conclusions

- The lack of risk management in customs has a negative impact on the prevention and mitigation of compliance risks.
- Risk management needs a solid legal framework to facilitate and not fail to control.
- Risk management needs to eliminate discretionality
- Customs must have mechanisms to improve information governance.
- IT systems should be aligned with processes, not the other way around. Providing tools to exploit information with transparency and security.
- The division in charge of customs risk must be one step ahead and always innovating.

