

# Integrity in customs: Taking stock of good practices



# Integrity in Customs

## TAKING STOCK OF GOOD PRACTICES

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## TABLE OF CONTENTS

TABLE OF CONTENTS .....	3
ACRONYMS AND ABBREVIATIONS.....	7
EXECUTIVE SUMMARY .....	8
INTRODUCTION: TAKING STOCK OF GOOD PRACTICES FOR INTEGRITY IN CUSTOMS .....	11
INSTITUTIONAL INFORMATION.....	15
1. LEADERSHIP AND COMMITMENT BY ALLOWING FOR OVERSIGHT, PROPER RISK MANAGEMENT AND COMMUNICATING THE RIGHT MESSAGE .....	17
Legislative oversight.....	17
Leadership.....	18
Risk assessment .....	19
Ensuring monitoring .....	21
Good practices .....	21
2. REGULATORY FRAMEWORK HARMONIZING CUSTOMS RULES AND BORDER CONTROLS.....	22
Good practices .....	22
3. WHERE TO FOCUS REFORM AND MODERNIZATION EFFORTS .....	23
Reviewing and improving procedures on an ongoing basis.....	24
Considering integrity in reform and modernization efforts .....	27
Good practices .....	27
4. AUTOMATION AT THE CORE OF INTEGRITY CONTROLS IN CUSTOMS ADMINISTRATIONS .....	28
Implementing automated systems.....	28
Protecting automated systems against integrity risks .....	30
Implementing measures to avoid soliciting or accepting bribes .....	32
Good practices .....	39
5. TRANSPARENCY AS A TOOL FOR INCREASING PREDICTABILITY AND ACCOUNTABILITY WITHOUT COMPROMISING INFORMATION SECURITY.....	40
Promoting certainty and predictability in customs procedures.....	40
Guiding discretionary powers .....	42
Engaging into meaningful public campaigns.....	42
Guaranteeing the security of commercial and personal information .....	43
Good practices .....	44
6. THE CODE OF CONDUCT AS AN ESSENTIAL PILLAR OF A CULTURE OF INTEGRITY .....	45
Using practical examples to clarify integrity provisions .....	45
Using effective communication strategies to promote compliance .....	45
Good practices .....	47

7. AUDIT AND INVESTIGATION: USING INTEGRITY CONTROLS AND RISK ASSESSMENT	47
Implementing strategies to enhance disclosures of wrongdoing	48
Who is the recipient of whistleblower allegations?	52
Good practices	53
8. HUMAN RESOURCES MANAGEMENT: AN ESSENTIAL PILLAR OF AN INTEGRITY CONTROL SYSTEM	54
Security checks	55
Disclosure of private interests	57
Integrity training	58
Salary levels	60
Succession planning and rotation of employees	61
Good practices	62
9. PROMOTING MORALE AND ORGANIZATIONAL CULTURE THROUGH TRANSPARENT DECISION-MAKING AND A TWO-WAY DIALOGUE	62
Including integrity in performance appraisals	63
Encouraging employees to reflect about promoting integrity in customs	63
Encouraging employees to disclose wrongdoing	64
Making it mandatory to report wrongdoing	65
Hierarchy not a factor in the imposition of sanctions	65
Good practices	66
10. RELATIONSHIP WITH THE PRIVATE SECTOR IS KEY TO CUSTOMS POLICYMAKING	66
Good practices to engage economic operators	67
Weighting the value of stakeholder observations	68
Good practices	68
CONCLUSION: TOWARDS GOOD INTEGRITY PRACTICES IN CUSTOMS ADMINISTRATIONS	69
BIBLIOGRAPHY	70
ANNEX – G20 ANTI-CORRUPTION WORKING GROUP INTEGRITY IN CUSTOMS SELF-ASSESSMENT QUESTIONNAIRE	72

## Tables

Table 1 - Public institutions responsible for administering customs administrations	15
Table 2 – Presence of measures to avoid the solicitation or acceptance of bribes prior to customs clearance	33
Table 3 – Presence of measures to avoid the solicitation or acceptance of bribes during customs clearance	35
Table 4 – Presence of measures to avoid the solicitation or acceptance of bribes in relations with the release of goods	37
Table 5 – Measures implemented in G20 customs administrations to disclose wrongdoing	51
Table 6 – External checks made on new recruits by customs administrations	55
Table 7 - Customs administrations with succession planning and staff rotation strategies	61

## Figures

Figure 1 – Ratification of the Harmonized System Convention and the WCO Revised Kyoto Convention by G20 countries.....	23
Figure 2 – Corruption risk assessment of automated systems by G20 customs administrations.....	31
Figure 3 – Countries requiring a formal acknowledgement of their code of conduct .....	46
Figure 4 – Measures to encourage disclosures of wrongdoing.....	49
Figure 5 – Main communications channels to disclose wrongdoing.....	52
Figure 6 – Categories of private interests that must be disclosed by customs officials.....	57
Figure 7 – Customs officials salaries equivalent or higher than average salary in the public sector.....	60
Figure 8 – Customs officials salaries equivalent or lower than in the private sector.....	61
Figure 9: G20 customs administrations that link integrity with performance appraisals.....	63
Figure 10: G20 countries where it is mandatory to report wrongdoing.....	65

## Boxes

Box 1 – The Revised Arusha Declaration.....	12
Box 2 – The methodology underlying the Compilation of good practices in customs.....	13
Box 3 – Oversight of U.S. Customs and Border Protection by Congress.....	18
Box 4 – Canada’s CBSA delegation of responsibilities with respect to integrity risk management .....	19
Box 5 – U.K. PaceSetter Programme.....	24
Box 6 – Some of Brazil’s significant customs reform and modernization achievements since 2006 .....	26
Box 7 - U.K.’s Customs Handling of Import and Export Freight (CHIEF) system.....	28
Box 8 – Spain’s automated risk management system.....	29
Box 9 – Mexico’s Customs Technological Integration System (PITA) .....	30
Box 10 - Italy’s Agenzia delle dogane e dei monopoli’s automated system to prevent the payment of bribes.....	34
Box 11 - Germany’s Atlas automated system to detect irregularities in relation with customs clearance.....	34
Box 12 – Brazil’s use of post-clearance risk analysis and audits associated with drawback related operations.....	38
Box 13 – U.K. HMRC post-clearance risk analysis and audit for their assurance visits.....	39
Box 14 – Mexico’s Tax Administration Service public opinion polls on quality of services that have taken place in 2015 .....	40
Box 15 - CBSA Border Commercial Consultative Committee .....	41
Box 16 – HMRC Joint Customs Consultative Committee.....	41
Box 17 – Russian Federation’s Federal Customs Service’s Communication Strategy on Anti-Corruption.....	42
Box 18 – U.S. Customs and Border Protection Integrity Advisory Panel .....	43
Box 19 - U.K. HMRC’s use of a maturity model to ensure information security .....	43
Box 20 - Ensuring Information Security in customs - India’s use of the ISO 27 001 Standard .....	44
Box 21 – SAT’s effective communication strategy on integrity requirements included in the customs code of conduct and related policies.....	46
Box 22 – U.K.’s Public Interest Disclosure Protection Act (PIDA).....	50
Box 23 – Review of the U.S. CBP internal audit by Congress and the Supreme Audit Institution.....	52
Box 24 - Canada’s Public Service Disclosure Protection Act (PSDPA) regime to disclose wrongdoing.....	53
Box 25 – U.S. CBP Integrity checks conducted on customs officials.....	56
Box 26 - U.K. HMRC Security vetting for customs officials.....	57

Box 27 – Italy’s Agenzia delle dogane e dei monopoli’s ongoing random checks on potential conflicts of interest.....	58
Box 28 – Financial disclosure to detect illicit enrichment in Argentina’s General Customs Directorate.....	58
Box 29 - Number of employees trained and main training topics in Argentina, Brazil, Canada, Germany, Korea, Mexico, U.S., and U.K.....	59
Box 30 – Germany’s bottom-up approach to enhance staff creativity to reform and modernize customs.....	64
Box 31 – Korea Customs Service’s use of integrity contests and anti-corruption parody exhibits.....	64
Box 32 - The U.S. Customs Modernization and Informed Compliance Act .....	67

## ACRONYMS AND ABBREVIATIONS

<b>ABF</b>	Australian Border Force
<b>ACE</b>	U.S. Automated Commercial Environment
<b>ACS</b>	U.S. Automated Commercial System
<b>ACWG</b>	G20 Anti-Corruption Working Group
<b>AEAT</b>	Spain's Tax Agency
<b>AEO</b>	Authorized Economic Operator
<b>AGA</b>	Mexico's Customs General Administration
<b>BCCC</b>	Canada's Border Commercial Consultative Committee
<b>CBEB</b>	India's Central Board of Excise and Customs
<b>CBP</b>	U.S. Customs and Border Protection
<b>CBSA</b>	Canada Border Services Agency
<b>CHIEF</b>	U.K. Customs Handling of Import and Export Freight automated system
<b>COPA</b>	Mexico's Committee on Customs Operations
<b>DIBP</b>	Australia's Department of Immigration and Border Protection
<b>GAO</b>	U.S. Government Accountability Office
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>IAMM</b>	U.K.'s Information Assurance Maturity Model
<b>JCCC</b>	U.K.'s Joint Customs Consultative Committee
<b>MATCE</b>	Mexico's Model of Tax Administration of Foreign Trade
<b>NAO</b>	U.K.'s National Audit Office
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PIDA</b>	U.K.'s Public Interest Disclosure Act
<b>PITA</b>	Mexico's Customs Technology Integration Project
<b>PSDPA</b>	Canada's Public Servants Disclosure Protection Act
<b>SAAI</b>	Mexico's Integral Automated Customs System
<b>SARS</b>	South Africa's Revenue Service
<b>SAT</b>	Mexico's Tax Administration Service
<b>TI</b>	Transparency International
<b>VUCEM</b>	Mexico's Single Window for Foreign Trade
<b>WCO</b>	World Customs Organization
<b>WTO</b>	World Trade Organization

## EXECUTIVE SUMMARY

Customs administrations play an essential role in facilitating global trade while reinforcing integrity in cross-border exchanges of goods and services and collecting public revenue. Evidence shows that addressing lack of integrity in customs can create significant benefits for the public and private sectors, as well as society as a whole. This is why the G20 Anti-Corruption Working Group (ACWG) and the OECD have set integrity in customs a priority. The G20 ACWG has requested the OECD to prepare a compendium of good practices to strengthen integrity in customs based on a questionnaire developed by the G20 ACWG, under the leadership of Mexico.

Having the OECD and G20 work together ensures synergies in advancing the global anti-corruption agenda. The G20 High Level Principles on Countering Corruption in Customs states that “each G20 country should adopt a comprehensive strategy to promote integrity in customs, bearing in mind these High Level Principles and taking into account, as appropriate, the good practices identified in OECD’s Compendium on G20 Members practices on Integrity in Customs”. Moreover, the OECD’s 2017 Ministerial Council Statement (MCM) entitled "Making Globalisation Work: Better Lives for All", calls on increased international action to foster more inclusive growth, including strengthening international policy cooperation in the area of illicit trade and corruption. OECD countries specifically recognised the need for stronger international collaboration and enhanced implementation of integrity standards within customs, and calls on the OECD to support countries’ efforts to implement existing standards on international corruption and integrity risks. Finally, this compendium also complements the work undertaken at the 2016 OECD Integrity Forum "Fighting the Hidden Tariff: Global Trade without Corruption", which convened the global anti-corruption community to debate on most effective measures to enhance integrity in international trade<sup>1</sup>. The Forum has provided a stocktaking platform for all sectors of society to debate best approaches to prevent, detect, and curb corruption in global supply chains and customs administrations.

The evidence presented during the 2016 Integrity Forum shows that addressing lack of integrity in customs can benefit all segments of society. It can contribute to address the loss of revenue caused by customs-related corruption. Implementing elements of transparency, good governance and impartiality in customs can contribute to significantly reduce trade costs for all countries. And by reducing information asymmetries, enhancing the enforceability and accountability of regulations, and minimizing opportunities for using discretionary powers for private gain, increased integrity in customs provide firms with greater confidence that they will receive fair and consistent treatment from public officials and therefore, that they will be able to compete on equal grounds in foreign markets.

It is estimated that a complete implementation of trade facilitation measures arising from the WTO Trade Facilitation Agreement could reduce trade cost by 16.5% for low income countries, by 17.4% for lower middle income countries, by 14.6% for upper middle income countries, and by 11.8% for OECD countries (OECD, 2015; OECD, 2009). Implementing appropriate governance structures, accountability mechanisms and integrity policies in customs administrations alone has the potential to reduce trade costs by between 0.5% and 1.1% for the same country groups (OECD, 2015; OECD, 2009). These measures seek to eliminate opportunities for customs policy capture, extortion, offering bribes, as well as for numerous schemes allowing for the avoidance of taxes and tariffs, such as underreporting of exports and over-invoicing of imports. Reinforcing these measures will be welcome by businesses, which have identified corruption at the border as one of the main obstacles for cross-border trade (OECD/WTO, 2015).

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<sup>1</sup> See <http://www.oecd.org/cleangovbiz/2016-Integrity-Forum-Background-Report.pdf>.

The good practices compiled in this compendium are derived from the responses to the G20 Anti-Corruption Working Group (ACWG) Integrity in Customs Self-Assessment Questionnaire (the Questionnaire is in Annex). The country responses were collected in spring 2016 and are structured under each of the ten principles of the Revised Arusha Declaration on Integrity in Customs of the World Customs Organization (WCO). The Revised Arusha Declaration provides a global framework to address corruption in customs and increase the level of integrity of customs officials for WCO Members (see in Box 1). This compendium of good practices also reflects discussions with G20 country representatives. The G20 Anti-Corruption Working Group has commented the draft in two rounds then approved it earlier in 2017.

The stated purpose of this compendium was to make an inventory of measures reinforcing integrity in customs and it resulted in a valuable fact-finding exercise. The responses to the questionnaire and the discussions with customs administrations' staff have shown the extent of the progress achieved by G20 countries, while pointing at potential areas that could be further strengthened. Some of the main findings highlight significant progress in the following areas:

- Strengthening control environments with respect to promoting integrity, including by allowing legislative oversight, communications strategies to strengthen the “tone at the top” on integrity, and the development of anti-corruption and risk assessment strategies;
- Ratifying both the Harmonised System Convention and the WCO Revised Kyoto Convention;
- Simplifying customs procedures to increase effectiveness and reducing opportunities for rent-seeking, including through establishing a dedicated unit for assessing policy effectiveness, conducting ongoing performance reviews, and making good use of automated systems to enhance effectiveness and internal controls;
- Increasing predictability and accountability in customs procedures, including through large public awareness campaigns of main customs rules, procedures and tariffs; appropriate guidance of discretionary powers; and guaranteeing the security and confidentiality of commercial and personal information of customs users;
- Promoting effective whistleblower communication channels to enhance internal audits;
- Allowing for effective communications channels with the private sector to proactively address emerging issues.

However, there are areas where G20 customs administrations could achieve further progress, including through:

- Further integrating integrity risks in customs administrations' overall risk assessments;
- Boosting employee morale by including integrity in performance appraisals, promoting employee involvement in finding solutions to potential integrity risks, and promoting open organisational cultures where employees trust they can raise ethical concerns or potential wrongdoing without being unduly exposed to reprisals;
- Conducting effective security checks both upon recruitment as well as on an ongoing basis thereafter.

Making an inventory of good practices reinforcing integrity in customs was an important endeavour by the G20 and the OECD as it will constitute one of the cornerstones of future work on customs integrity.

Indeed, additional analysis will be required to better define a common approach to reinforcing integrity in customs and how to implement good practices, including those identified in the compendium, in a variety of contexts. This additional work could provide adapted guidance on how to effectively transfer good integrity practices by carving out every step of the implementation process, building on the foundations of a comprehensive integrity system that is essential to instilling a culture of integrity within customs. The OECD remains committed to support the implementation of good integrity practices by providing adapted guidance and supporting carving out every step of the implementation process, building on the foundations of a comprehensive integrity system that is essential to building a culture of integrity within customs.

## **INTRODUCTION: TAKING STOCK OF GOOD PRACTICES FOR INTEGRITY IN CUSTOMS**

Customs administrations play an essential role in facilitating global trade while reinforcing integrity in cross-border exchanges of goods and services and the collection of public revenue. Indeed, empirical evidence shows that addressing lack of integrity in customs can create significant benefits for the public and private sectors, as well as society as a whole. It can contribute to address the loss of revenue caused by customs-related corruption. In addition, implementing elements of transparency, good governance and impartiality in customs can contribute to significantly reduce trade costs for all countries. Finally, by reducing information asymmetries, enhancing the enforceability and accountability of regulations, and minimizing opportunities for using discretionary powers for private gain, increased integrity in customs provide firms with greater confidence that they will receive fair and consistent treatment from public officials and therefore, that they will be able to compete on equal grounds in foreign markets.

The cost for failing to address integrity issues in customs and other border agencies is significant, as it exposes society to global threats engendered by the dark side of globalization. For instance, a lack of effective integrity system in border agencies may benefit organized crime by facilitating illicit trade and smuggling, which range from strictly prohibited goods such as narcotics, to counterfeit consumer goods and pirated goods.

The OECD and the WCO are cognizant of the fact that many aspects of Customs' work can be vulnerable to corruption (OECD 2016c; WCO, 2014). Corruption at the border, for example, is considered one of the top three obstacles for importing goods and services by the private sector (OECD/WTO, 2015). Indeed, customs work can yield significant opportunities to seek illicit rents due to the officials' control over the international flow of goods combined with discretionary powers in the application of rules and procedures. The inherent complexity of global supply chains also creates vulnerabilities that may encourage some businesses and individuals to engage in corrupt transactions. It is thus paramount that risks from these complexities are mapped and effectively managed to remove any incentive to engage into corrupt behaviour. Effectively addressing the integrity risks in customs requires a shared responsibility between governments, the private sector and society as a whole.

In a strategic document entitled "Customs in the 21<sup>st</sup> Century", the WCO identified ten interlinked building blocks that are considered to be integral to modern, effective and efficient customs administrations (WCO, 2008). One of these building blocks is integrity, which emphasizes that fighting corruption, safeguarding integrity and enhancing good governance are critical to a modern, effective and efficient Customs administration. In 2003, WCO members adopted the Revised Arusha Declaration, which identifies ten key factors that may be taken into account by effective national customs integrity programmes (Box 1). Such national customs integrity programmes may rely on a robust training and integrity enhancement approach, as well as an organizational culture supporting high levels of integrity, demonstrating consistency, transparency, honesty and fairness (WCO, 2012).

In addition, several measures aiming at preventing integrity in customs may be drawn from the 1998 OECD Recommendation of the Council on Improving Ethical Conduct in the Public Service, the 2016 OECD Draft Recommendation of the Council on Public Integrity and chapter II of the United Nations Convention against Corruption (UNCAC). The 1998 and 2017 OECD Recommendations provide a comprehensive policy framework for reinforcing integrity and managing ethics in the public sector through a whole-of-government and whole-of-society approach. While UNCAC is a general framework to fight

corruption, its chapter II provides a number of specific measures that can or must be implemented by Parties to the United Nations Convention against Corruption.

### Box 1 – The Revised Arusha Declaration

Amongst different declarations and regulations, the WCO developed the *Arusha Declaration (1993) on Integrity in Customs* aiming at enhancing the efficiency of its member states' administrations in the elimination of risks and opportunities for corruption. In 2003, the WCO Council adopted a revision of the Arusha Declaration including an Integrity Development Guide that serves as a comprehensive integrity tool set to address the adverse effects of corruption.

The WCO Revised Arusha Declaration is the focal tool and central feature of a global and effective approach to preventing corruption and increasing the level of integrity for WCO Members. The declaration provides the most practical basis for the development and implementation of integrity and anti-corruption strategies relevant to the customs operating environment.

The *Integrity Development Guide* is articulated around the ten-principles of the Revised Arusha Declaration and offers support the harmonisation and standardisation of the prevention, measurement and reporting of corruption, as well as the strengthening of integrity in customs administrations. These principles include:

- Leadership and Commitment
- Regulatory Framework
- Transparency
- Automation
- Reform and Modernization
- Audit and Investigation
- Code of Conduct
- Human Resource Management
- Morale and Organizational Culture
- Relationship with the Private Sector

Source: WCO, 2014; WCO, 2003.

Integrity and trade facilitation measures have the potential to benefit all countries. It is estimated that a complete implementation of trade facilitation measures arising from the WTO Trade Facilitation Agreement could reduce trade cost by 16.5% for low income countries, by 17.4% for lower middle income countries, by 14.6% for upper middle income countries, and by 11.8% for OECD countries (OECD, 2015; OECD, 2009). Implementing appropriate governance structures, accountability mechanisms and integrity policies in customs administrations alone has the potential to reduce trade costs by between 0.5% and 1.1% for the same country groups (OECD, 2015; OECD, 2009). These measures seek to eliminate opportunities for customs policy capture, extortion, offering bribes, as well as for numerous schemes allowing for the avoidance of taxes and tariffs, such as underreporting of exports and over-invoicing of imports. Reinforcing these measures will be welcome by businesses, which have identified corruption at the border as one of the main obstacles for cross-border trade (OECD/WTO, 2015).

The implementation of the OECD Anti-Bribery Convention shed light on many issues related to corruption in trade. An important consideration is that 71% of foreign bribery cases concluded between 1999 and 2014 involved intermediaries (OECD, 2014). Therefore, reducing corruption in cross-border trade requires examining the role of intermediaries, such as business partners, local agents, foreign subsidiaries, shell companies, legal representatives, and family members.

It is now clear that governments, the private sector and society as a whole have an interest in elaborating and promoting mutually supportive trade integrity and facilitation policies that would remove unnecessary trade barriers while implementing effective checks and balances on fraud and corruption. The aim is thus to find the right balance between easing red tape while having appropriate controls, taking into account the local context and its inherent risk areas. The main elements of a strategy to promote integrity in trade should respond to identified integrity risks and target most harmful behaviours and opportunities for seeking illicit rents arising from global supply chains.

G20 countries recognized the importance of addressing issues related to integrity in trade and customs. The G20 ACWG identified customs as one of the main risk areas for corruption that deserved special attention in 2015-16. The G20 ACWG underscored that corruption in customs administrations can have extremely severe consequences for economic growth and development, including by diverting funds away from businesses and governments and ultimately disrupting the flow of trade by discouraging potential trading partners. The G20 also recognized that corruption within customs administrations can also facilitate organised crime, such as trafficking of drugs, weapons, and money laundering, which can seriously threaten international security. Therefore, the identification and diffusion of good practices on promoting integrity in customs is paramount to incentivize countries within and beyond G20 countries to adopt such practices (G20, 2014).

G20 countries commit to lead by example in preventing and combating corruption in customs administrations. Combating corruption within customs administrations has direct benefits for the G20 trade agenda, including by ensuring the benefits of trade are not diverted to corrupt officials and by helping to achieve a stable and predictable trading environment for businesses (G20, 2014).

As a result, G20 countries have endeavoured to respond to the Questionnaire to highlight their customs administrations' good practices to promote integrity according to international standards such as the WCO's Integrity Development Guide (Box 2).

#### **Box 2 – The methodology underlying the Compilation of good practices in customs**

The Organisation for Economic Cooperation and Development (OECD) was tasked by the G20 ACWG to prepare a draft document for discussion outlining the good practices emerging from the Questionnaire. The Questionnaire was distributed to all G20 countries in December 2015. The overall purpose of this draft document for discussion is to account for and diffuse good practices from G20 countries on promoting integrity in customs.

In total, 19 countries answered the questionnaire, including Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, the Russian Federation, South Africa, Spain, Turkey, the United Kingdom and the United States. The OECD completed the analysis of the responses given by G20 countries with desk research, as well as follow up questions via email and conference calls with some of the customs administrations that participated to the survey to clarify some of the input provided. This draft document for discussion summarises the responses to the Questionnaire, highlights some of the good practices identified by customs administrations and explains why such practices are identified as "good practices".

*Source: OECD*

This compilation is structured according to the ten key factors identified by the WCO Arusha Declaration for good governance and integrity in customs, to build on previous work done by the WCO. These chapters also include additional key cross-cutting issues that are included in several chapters, such as integrity risk management, which is discussed in the leadership and commitment, automation as well as audit and investigations chapters.

This compilation of good integrity practices within customs summarises all inputs provided by G20 customs administrations that have provided responses to the Questionnaire. Undertaking an inventory of

good practices that seek to reinforce integrity in customs can contribute to promoting good governance and integrity controls in areas that are vulnerable to corruption or other forms of fraud and abuse.

The stated purpose of this exercise was to make an inventory of measures reinforcing integrity in customs. Additional work will thus be required to better define a common approach to reinforcing integrity in customs and how to implement these practices in a variety of contexts. This additional work may seek to provide adapted guidance on how to effectively transfer good integrity practices by carving out every step of the implementation process, building on the foundations of a comprehensive integrity system that is essential to instilling a culture of integrity within customs.

The compilation starts by discussing the institutional context of customs administrations. Thereafter, the customs administrations' input is classified under each of the ten principles of the Revised Arusha Declaration to showcase how selected good practices can help contribute to the implementation of these principles. The WCO Integrity Development Guide also provided useful information regarding some of the good practices identified in each chapter.

## INSTITUTIONAL INFORMATION

G20 countries were first required to indicate whether their institutional setting for their customs administrations and border services was characterised by one of the following types of public institutions: (1) independent agency or organization; (2) department in tax administration; or (3) other. (Table 1).

**Table 1 - Public institutions responsible for administering customs administrations**

Independent Agency or Organization	Argentina, Canada, China, Italy, Korea, South Africa, United States
Department in Tax Administration	Brazil, France, Mexico, Spain, United Kingdom*
Other	Ministry of finance: Germany, India, Indonesia, Japan, Russian Federation  Specific ministry: Australia, Turkey
* In the U.K., HMRC falls under the responsibility of the Tax Administration, while the Border Force is administered by the U.K. Home Office.	

*Source:* Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

Tax administrations are responsible for managing customs and border services in Brazil, France, Mexico and Spain. In contrast, customs administrations are under the responsibility of the Ministry of Finance in Germany, India, Indonesia, Japan and the Russian Federation.

Moreover, customs and border services are delegated to agencies that are at arm's length from the government to varying degrees in Argentina, Canada, Italy, Korea, South Africa and the United States (U.S.). However, these agencies report to different ministers or departments, including the Federal Administration of Public Revenue and subject to the general legal control of the Ministry of Finance in Argentina, the Department of Public Safety in Canada and the Department of Homeland Security in the U.S., and to ministers of finance in Italy and South Africa. Korea's customs agency does not appear to report to the executive, and China's customs agency is led by a minister of customs.

Customs are under the responsibility of the Ministry of Immigration and Border Protection in Australia, and under the responsibility of the Ministry of Customs and Trade in Turkey.

Customs and border security matters may also be delegated to separate entities. In the United Kingdom (U.K.), responsibilities for customs administrations and border services are awarded to separate bodies: Her Majesty's Revenue and Customs' Authority (HMRC) is managed by the Tax Administration, while border control (Border Force) is managed by the U.K. Home Office, which leads on immigration and passports, drugs policy, crime policy and counter-terrorism and works to ensure visible, responsive and accountable policing in the U.K.

## **1. LEADERSHIP AND COMMITMENT BY ALLOWING FOR OVERSIGHT, PROPER RISK MANAGEMENT AND COMMUNICATING THE RIGHT MESSAGE**

Leadership from heads of customs institutions and the executive management team is at the heart of promoting integrity in customs operations. Naturally, integrity leadership from top management is based on the commitment to lead by example and to design and implement effective anti-corruption strategies. Customs administrations integrity strategies should be well integrated with existing broader national anti-corruption strategies and be supported at the highest political level to achieve intended results.

As customs are tasked with a critical role in relation with collecting revenues, protecting citizens, enhancing national security and competitiveness and facilitating trade, customs administrations are often subject to accountability and transparency mechanisms. A commonly used good practice is to subject customs administrations to independent oversight, which is to oversee that customs administrations' operations are effectively managed, implemented and that they are aligned with the public interest.

One of the top priorities to design effective strategies to promote integrity in customs is to conduct a comprehensive risk assessment exercise. This exercise will seek to define the integrity risks arising from the operations of customs administrations, identify the controls that are already in place to mitigate these risks, and prioritize the implementation of additional controls that are necessary to address any existing gaps.

Obviously, effective integrity risk management strategies will not only imply designing integrity risk controls, but also using the data produced by such controls to undertake corrective actions when appropriate, monitor the effectiveness of the strategy and adapt it to ever-evolving integrity risks arising from changing business practices and environments.

### **Legislative oversight**

All customs administrations indicated being subject to parliamentary or legislative oversight, except those from Canada and Argentina. However, Canada intends to pass legislation to establish a national security and intelligence committee of parliamentarians to fill this gap. Furthermore, representatives from the Canada Border Services Agency (CBSA) emphasized that CBSA's President is accountable to the Minister of Public Safety, and that administrative decisions may be reviewed by courts and tribunals. In Australia, the Department of Immigration and Border Protection (DIBP) and its enforcement arm, the Australian Border Force (ABF), are subject to oversight by the Australian Commission for Law Enforcement Integrity, whose responsibility is to provide independent assurance to government about the integrity of certain law enforcement agencies and their members. Likewise, in Turkey, the Court of Accounts is responsible for monitoring all public institutions on behalf of the Grand National Assembly of Turkey.

Elected officials from both the government and the opposition may participate in studies or investigations launched by the legislative branch. Parliamentary committees or commissions often have the power to summon senior customs officials to testify or to require them to produce documents related to the administration of customs (Box 3).

### **Box 3 – Oversight of U.S. Customs and Border Protection by Congress**

The Legislative Branch consists of the House of Representatives and the Senate, which together form the United States Congress. The Department of Homeland Security, under which U.S. Customs and Border Protection falls, is subject to legislative oversight from a variety of Congressional committees and subcommittees, including the Senate Committees on Finance and Homeland Security and Government Affairs, the House Committees on Ways and Means and Homeland Security, and the House Subcommittee on Border and Maritime Security. These legislative bodies have the authority to summon CBP officials to provide testimony during oversight hearings and launch investigations into CBP activities.

*Source:* G20 Anti-Corruption Working Group Integrity and Customs Self-Assessment Questionnaire, responses by the United States.

### **Leadership**

There are numerous measures that can demonstrate leadership in promoting integrity. Most customs administrations covered by this study conduct integrity and leadership training for customs staff, as well as integrity awareness raising activities.

More specific measures include the production and dissemination of integrity videos and agency-wide emails stating expectations on integrity and personal conduct by leaders of the U.S. Customs and Border Protection agency (CBP) and the Australian Department of Immigration and Border Protection.

Similarly, the Japan Ethics Supervisory Officer disseminates messages to all customs employees during the national public service ethics week and calls customs officials attention regularly on specific issues. The Director General of the German customs authority urgently appeals to executive employees on specific anti-corruption issues and procedures in the decree of the annual report for internal audit and prevention of corruption. India's vigilance awareness week is celebrated annually to create high value on work ethos and motivational talks are delivered by senior officials on work ethics.

Endorsement of specific measures or their dissemination by top management can also produce significant results when they are part of a holistic approach to promoting integrity. In the U.K., top management of customs authorities strongly endorse anonymous whistleblowing and other whistleblowing policies, as well as the reporting of whistleblowing referrals and outcomes to the Audit and Risk Committee, Cabinet Office and Parliamentary Accounts Committee.

The Brazilian and Italian experiences show that highlighting the importance of integrity in customs can also be done by implementing specific accountability structures and controls. In addition to the publication of anti-corruption codes, handbooks and of security awareness campaigns, Brazil mentions the creation of the Ethics Committee and of the internal audit unit as a positive signal from customs administration leaders towards ethics and integrity.

In Turkey, all public institutions are subject to the oversight of an Ethics Council centralized within the Ministry of the Prime Minister. The Turkish Ministry of Customs and Trade also has its own ethics committee, which is responsible for ethics within the ministry and reports to the Ethics Council. Moreover, the department of internal audit and the department of guidance and investigation are responsible for monitoring the implementation of the anti-corruption strategy.

## **Risk assessment**

All customs administrations covered by this study either have a tailored anti-corruption policy or strategy, or they rely on their national anti-corruption strategy. When asked about how risks of corruption were effectively identified, assessed, managed and communicated, customs administrations indicated measures that were either reactive or proactive.

Comprehensive and effective integrity risk mitigation strategies include a balanced combination of both proactive and reactive measures. Reactive measures seek to respond to integrity breaches that have already occurred and include internal or external audits, mechanisms for reporting wrongdoing, incident tracking protocols and investigations. In contrast, proactive measures seek to prevent integrity breaches before they occur. Such measures include integrity risk mapping, designing appropriate value statements and strategies that promote excellence and integrity, appropriate monitoring of the implementation of relevant rules and procedures, conducting appropriate security clearance when hiring new staff and ongoing integrity tests throughout their careers.

Many customs administrations have developed comprehensive risk management frameworks that include both proactive and reactive measures. In Canada, each type of measure is delegated to a different division (Box 4). Such a segregation of duties favours the development of specific expertise, promotes peer reviews of customs processes as well as the provision of different perspectives on the development and application of the risk management framework.

### **Box 4 – Canada’s CBSA delegation of responsibilities with respect to integrity risk management**

In Canada, the responsibilities associated with the risk management framework are segregated between distinct groups who are responsible for designing audit plans and related controls, implementing the audit plan and ensuring the overall security of the agency.

#### **Security and Professional Integrity Programs Division**

The Security and Professional Integrity Programs Division is responsible for audit responses and action plans, corporate reporting, security policy, security awareness and training, emergency management, business continuity management, functional management relationships with the Regions, and the coordination of integrity management and related initiatives. We are also responsible for Headquarters Security.

- Developing and maintaining an Integrated Security Program Management Framework and a Departmental Security Plan
- Coordinating performance measurement standards for the Security and Professional Standards Directorate programs
- Ensuring Business Continuity Plans (BCPs) are in place for critical services
- Developing and maintaining the Agency’s Strategic Emergency Management Plan
- Developing and maintaining the Agency’s Integrity Framework to ensure high standards of professionalism and integrity in our workforce and program delivery
- Developing and maintaining CBSA Security Policies to align with the Policy on Government Security
- Providing advice and guidance to Headquarters management and employees on all security matters

### **Personnel Security and Professional Standards Division**

The Personnel Security and Professional Standards Division is responsible for personnel security screening, preliminary analysis of potential misconduct or security referrals and reports, reviews for cause, and professional standards investigations.

- Conducting subject interviews when required
- Reporting and liaising with law enforcement agencies regarding criminal offences involving employees
- Providing a centralized service for independent administrative investigations into on- and off-duty allegations of employee misconduct

### **Infrastructure and Information Security Division**

The Infrastructure and Information Security Division is responsible for Physical Security, Information security, Communications Security (COMSEC), and Special Material management. We also help maintain the integrity of all CBSA information holdings and security of systems by properly identifying risks to the confidentiality, integrity, and availability of information assets.

- Conducting threat and risk assessments
- Providing advice and direction on security in contracting
- Providing advice and direction on information and physical security policy
- Providing Communications Security (COMSEC) services and guidance
- Performing and coordinating network and database monitoring activities
- Conducting oversight and monitoring activity on controlled assets, security incident reporting, IT investigations, and support to professional standards investigations

*Source: G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by Canada.*

U.S. CBP carries out strategic analysis of known corruption cases to drive upstream detection methods, and lessons learned from this analysis are shared with employees throughout their careers. Integrity officers are assigned to all field offices who work with port management to identify and address risks, and serve as preventive measures for internal corruption as well as support for internal investigations. Moreover, CBP asks an independent federally-funded research institute to review and evaluate existing integrity and anti-corruption programmes within the agency, and provide feedback on their effectiveness, identified areas of vulnerability, and recommended good practices and strategies for improving or replacing existing programmes. Similarly, the U.S. Government Accountability Office (GAO) conducts similar assessment of CBP's anti-corruption initiatives and provides recommendations on how these initiatives can be strengthened that are publicly-available.

In Korea, an integrity evaluation of the Korea Customs Service is conducted by the Anti-Corruption and Civil Rights Commission.

Australia, France, Germany, Indonesia, Italy, Mexico, the Russian Federation and the United Kingdom identify corruption risks and vulnerabilities through the elaboration of a risk map that would guide the implementation of a right mix of prevention, monitoring and audit or investigation activities. In Australia, Germany, Italy and the Russian Federation, the process of identifying, understanding, evaluating and prioritizing risks is repeated on an ongoing basis. In the Russian Federation, corruption risk assessments and performance reviews are conducted every six months for high-risk positions by specifically-designated anti-corruption units. In Australia, under the Commonwealth Fraud Control Framework 2014, a Fraud and Corruption risk assessment must be undertaken at a minimum every two years or whenever there is a significant change to policies or processes, however the Department of

Immigration and Border Protection recognises that it is better practice to conduct an ongoing assessment of fraud and corruption risks and have increased their capability to do so.

The U.K. Border Force integrity team promotes the use of horizontal work by liaising with key partners across government to identify and mitigate Border Force integrity risk. In Mexico, the Customs General Administration (AGA) conducts integrity tests on customs staff. The AGA also uses integrated cutting edge technologies to facilitate real-time monitoring of the movement of goods in order to identify and track potential breaches of protocols, which significantly contributes to mitigate the risks related to illegal trafficking of goods.

### **Ensuring monitoring**

A vast majority of customs administrations include a division specifically made responsible for monitoring the implementation of the strategy, or these tasks can be delegated to an independent body. Audits are carried out to assess whether anti-corruption rules and procedures were applied fully and consistently.

### **Good practices**

Subjecting customs administrations to parliamentary or legislative oversight is a good practice that may increase transparency and accountability. As most studies and investigations accomplished by the legislative branch will be made public, the oversight of customs by the legislative branch fosters transparency, accountability and good governance within customs.

The leadership and commitment-related practices below are identified as good integrity practices as they promote accountability and good governance by enhancing transparency, peer reviews and involving external parties in the oversight of customs administrations. These practices also promote integrity in customs by diffusing the core institutional values and standards against which all officials are expected to abide. They also seek to design internal integrity controls that are specifically tailored to the activities of a customs administration, to ensure that these controls are evaluated on an ongoing basis and that the information generated by these controls is used effectively.

Good practices identified in this chapter are:

- Subject customs administrations to the oversight of the legislative branch or another independent entity to increase scrutiny and accountability over customs administrations;
- Express integrity leadership through the publication of integrity commitments from top management, of core institutional values and integrity standards, and through the establishment of structures and controls that will enhance the implementation of a culture of integrity;
- Empower different divisions within customs agencies responsible for designing integrity strategies and controls and for applying such strategies and controls;
- Implement both proactive and reactive integrity risk mitigation strategies based on potential likelihood and impact;
- Assigning field ethics officers in charge of identifying and addressing potential risks on the ground, and serve as preventive measures for internal corruption as well as support for internal investigations;
- Using internal resources as well as an expert third party to review and evaluate existing integrity and anti-corruption programmes, and provide feedback on their effectiveness, identified areas of vulnerability, and recommended good practices and strategies for improving or replacing existing programmes.

## **2. REGULATORY FRAMEWORK HARMONIZING CUSTOMS RULES AND BORDER CONTROLS**

The harmonization of customs rules and border control systems significantly contribute to facilitating trade and making customs procedures predictable and transparent. The Harmonized System Convention and the WCO Revised Kyoto Convention on the Harmonization and Simplification of Customs both aim at minimizing the complexity of customs regulations, procedures and policies to enhance trade effectiveness. Such international legal tools also guide countries that wish to rationalize non-tariff trade barriers based on comprehensive risk management strategies.

However, beyond ratification, it is important that countries invest necessary efforts to effectively align and update their legislation with internationally agreed standards. Periodic reviews of national legislation to assess its compliance with internationally-agreed standards and good practices may further contribute to the implementation of the Harmonized System Convention and the WCO Revised Kyoto Convention.

All customs administrations of the G20 covered by this study indicated ratifying both the WCO Revised Kyoto Convention and the Harmonized System Convention, with the exception of Brazil and Mexico, which only ratified the Harmonized System Convention (Figure 1). Legal frameworks governing customs are either included in a dedicated law or in numerous laws applying to customs administrations.

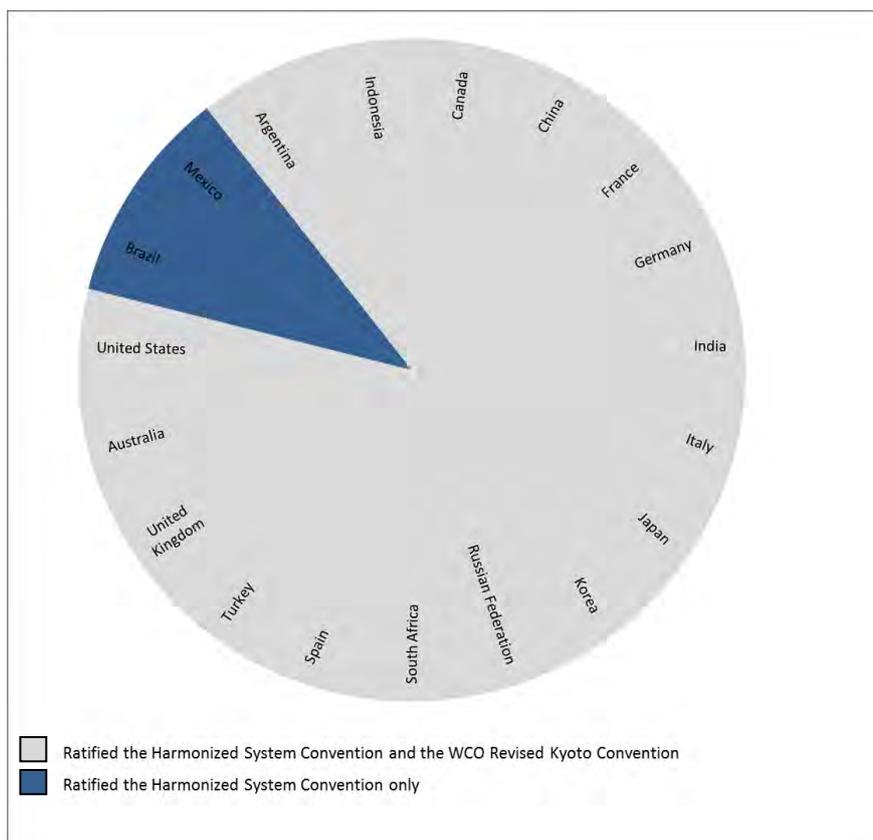
### **Good practices**

The legal framework related practices included below are identified as good integrity practices as they incentivize countries to address unnecessary complexities in customs procedures, which may create significant opportunities to seek illicit rents. They also incentivize countries to harmonize their customs-related legislation with internationally-agreed standards and good practices, and provide an opportunity to review the compliance of their legal framework with these standards on an ongoing basis. Aligning national laws with standards provided by the Harmonized System Convention and the WCO Revised Kyoto Convention will promote integrity by increasing transparency, certainty and predictability in the delivery of customs services.

Good practices identified in this chapter are:

- Ratify the Harmonized System Convention and the WCO Revised Kyoto Convention;
- Align national legislation with internationally-agreed standards and good practices;
- Review national legislation on an ongoing basis to promote compliance with the Harmonized System Convention and the WCO Revised Kyoto Convention.

**Figure 1 – Ratification of the Harmonized System Convention and the WCO Revised Kyoto Convention by G20 countries**



Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

### 3. WHERE TO FOCUS REFORM AND MODERNIZATION EFFORTS

Efforts towards reform and modernization of customs administrations, while being comprehensive, generally focus on simplifying and harmonizing rules, systems and procedures, because unduly burdensome and non-transparent procedures create additional opportunities to seek illicit rents and additional incentives to engage into corrupt behaviour. A specific unit within customs administrations can be designated as responsible for undertaking appropriate reform and modernization efforts, and be accountable for reaching its performance targets.

However, reform and modernization efforts should not be exclusively based on reported cases of inefficiencies uncovered, for instance, through audits and investigations. Effective reform and modernization efforts are based on ongoing performance assessments of relevant tools, procedures and controls. Moreover, considering the amount of resources and delays that are required to carry out legal amendments, efforts to achieve meaningful reform and modernization of customs can focus on internal

policy and standards of procedure reviews, unless more comprehensive legislative authority is essential to achieve the intended reform objectives.

### **Reviewing and improving procedures on an ongoing basis**

All G20 customs administrations covered by this study claimed having a process of continuous review and improvement of customs systems and procedures. In addition, a vast majority of customs administrations indicated there was a division clearly identified as responsible for improving systems and procedures, which is a cornerstone of a sustainable management strategy.

Moreover, many customs administrations pointed out to state-of-the-art practices to reform and modernize customs. Canada conducts ongoing quarterly and bi-annual programme performance review meetings that will feed into ongoing improvement of enforcement guidelines and programme action plans, along with internal audits and self-assessment practices. Russian Federation's, Turkey's and the U.S. customs specifically apply their risk management framework to reform and modernization processes. Argentina, France, Italy, the Russian Federation and the U.K. Border Service improve their systems and procedures based on internal audits carried out on an ongoing basis.

U.K. HMRC uses a continuous improvement methodology called PaceSetter since 2012 (Box 5). This methodology requires dedicated teams to continuously manage pre-identified targeted risk, monitor business processes, to be appraised and respond to customer requirements, to measure the performance of standards of procedures through strategic indicators, and to resolve concerns by finding the root cause of problems.

#### **Box 5 – U.K. PaceSetter Programme**

HM Revenue & Customs' PaceSetter Programme, aimed at streamlining business operations, has improved productivity through new ways of working and may have contributed to greater staff engagement. It was introduced five years ago, and it is designed to help HMRC change the way it works, to deliver more with less resources. Through PaceSetter, HMRC has pioneered the use of process improvement techniques in central government. The types of improvements made vary but have included the redesign of claim forms, the standardisation of procedures across offices and more tailored approaches to checks based on risk.

The Department estimated that productivity improvements due to PaceSetter between 2005-06 and 2010-11 are equivalent to £400 million of resource savings and £860 million of tax yield. However the extent to which these reported savings represent overall efficiency improvements still need to be clarified, in part because of the limited evidence on overall trends in business performance. According to the U.K. National Audit Office, a more comprehensive assessment of the costs associated with PaceSetter needs to be undertaken. PaceSetter aims to engage frontline staff in continuously improving the way they work and so improve staff motivation. The Programme has had a positive impact on staff engagement.

To maximise the benefits of PaceSetter, HMRC can use the Programme to help it streamline its business operations in a strategic way, based on a clear understanding of processes in their entirety and of what its customers require.

Source: U.K. National Audit Office, <https://www.nao.org.UK/report/pacesetter-hmrcs-programme-to-improve-business-operations/>.

Similarly in Mexico, the Committee on Customs Operations (COPA) serves as the coordinating and cooperation body between the AGA and its clients to identify and implement solutions that improve border processes. The AGA has also recently invested many efforts, including through an inventory and review of all administrative procedures related to foreign trade operations comprised in the Manual of Customs

Procedures, which it is now publicly available, with the objective to standardize the implementation of customs rules and procedures to increase certainty and predictability for importers and exporters.

Finally, Brazil was praised by the WCO for its significant reform and modernization achievements since 2006. Brazil's WCO Columbus Phase 3 final report acknowledges the significant progress accomplished with respect to reform and modernization, taking into account the recommendations made at Phase 1. While the assessment took into account the provisions of the SAFE Framework of Standards (FoS), it took a more holistic approach based on sustainable organizational development as provided by the WCO Diagnostic Framework and the Customs in the 21<sup>st</sup> Century policy statement. According to Brazilian officials, the WCO observed significant advancements in all of the 7 areas of the Columbus diagnostic framework (Strategic Management, Human and Financial Resource Management, Legislation, Customs Procedures and Enforcement, Information and Communication Technology, Communication and Stakeholder Engagement and Good governance and Integrity).

Key achievements accomplished by Brazil since 2006 include: (1) The establishment of the Customs and International Relations under-Secretariat; (2) The development of a comprehensive Reform & Modernization Plan; (3) The on-going development of the new Single Window portal and the launch of a collaborative Authorized Economic Operator (AEO) Programme; (4) The significant improvements in Human Resource Management overall and in particular the development of a Competency Framework and training delivery; (5) The improved use of formal Directives as an effective method of implementing legislative changes to Customs procedures; (6) The significant importance placed on the development of Information and Communication Technology (ICT) capacity overall; (7) The expansion of the successful Brazil / Paraguay Integrated Border Management initiative; (8) The establishment of a dedicated Risk Management Unit and the significant improvement in the application of cargo risk management technology and passenger profiling capability; (9) The significant enhancement in the relationships with external stakeholders, in particular the business community; and (10) The development of internal audit and internal integrity programmes and the development of Business Process Manuals and Standard Operating Procedures (SOP) that form an effective basis for transparent audit and integrity monitoring.

Some of these improvements are summarized below (Box 6).

## **Box 6 – Some of Brazil’s significant customs reform and modernization achievements since 2006**

### **The Development of a Comprehensive Reform and Modernization Plan**

The Brazilian Customs Modernization Plan (“PMAB”) in collaboration with international experts, contracted through specific resources and international bidding, to provide methodology and specific support on key issues. It is a part of a set of actions related to activities of many federal agencies, under the Equitable and Sustainable Economic Growth Technical Assistance Program (“PACE”). This program, established between the Brazilian government and the World Bank, has the purpose of promoting microeconomic reforms in logistics, business atmosphere, financial system and innovation.

The PMAB aims at improving the State performance on foreign trade control activities through the implementation of streamlined customs procedures. It is intended to ensure the uniform implementation of applicable rules and promote excellence in the delivery of services. It also aims to ensure secure customs transactions, to effectively combat smuggling, piracy and other types of crime, and to increase the country's competitiveness at the international level. The Plan, seeks to simplify procedures, optimize foreign trade flows, and enhance transparency in controls and overall effectiveness of customs activities.

In accordance with the World Customs Organization recommendations, the areas covered in the plan are (1) strategic management and governance, (2) resources (human, physical and financial), (3) legal model, (4) processes, (5) information technology and (6) external relations. The results were consolidated into four partial reports and a final report.

### **The emphasis placed on the development of information and communication technology capacity overall**

Information technology represents an essential component for the development Brazilian Customs. Given the relevance of the theme, the Undersecretary of Customs and International Relations is a member of a governance structure established in Receita Federal in order to define the strategic direction of IT in customs.

Over the past few years, Receita Federal invested more than R\$ 80 million (~ USD 22 million) in the development of computerized systems and, through these applications, the Customs have achieved some institutional objectives in their various work processes. The improvements achieved include the simplification of procedures, reduction in use of paper, time rationalization and cost reduction in import and export flows, integration of foreign trade actors, and the reinforcement of risk management and of the efficiency in traveller luggage control.

### **The expansion of the successful Brazil / Paraguay Integrated Border Management initiative**

The implementation of integrated controls at border crossing points with Paraguay, especially in St. Helena (Brazil), including a fully integrated unit for cargo control that borders Puerto Indio on the Paraguayan side, resulted in significant savings in time and money for importers, exporters, carriers, customs brokers and both governments. Customs clearance procedures are now carried out on only one side of the border. Officials from both countries work together to exercise their duties and apply all customs controls sequentially or, where possible, simultaneously, in addition to focus on the harmonization and simplification of customs procedures where ensuring the effectiveness of applicable controls.

### **The establishment of a dedicated risk management unit and the significant improvement in the application of cargo risk management technology and passenger profiling capability**

The Customs Risk Management National Centre (Cerad) was created in July/2012. It coordinates the exchange of information among clearance, audit, surveillance and enforcement teams, as well as with others agencies in Brazil and other Customs administrations. Since that time, Cerad has counted on technology to establish targets. Cerad uses integrated technology systems to establish targets, identify patterns as well as potential high-risk operations. The system reinforces the passenger profiling capability to identify suspicious travellers by using passengers lists, photo data from passports and immigration control as well as a facial recognition system.

*Source:* G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses from Brazil.

## **Considering integrity in reform and modernization efforts**

It is important to mention that many customs administrations have implemented measures to ensure that new projects, policies and initiatives developed through reform and modernization programmes focus on integrity.

Customs administrations from Japan, Mexico and the U.S. suggest that increased transparency will ensure that integrity will be taken into account in the development of new rules and procedures seeking to modernize customs, which is why these countries systematically use consultation and review processes while reforming and modernizing customs and border programmes. In addition, Mexico relies on enhanced security checks and integrity training for AGA staff who will be involved in the modernization of customs projects, to ensure that such projects involve reliable and adequately trained personnel with strong ethical values.

Finally, Argentina, Australia, Brazil, Germany and the U.K. systematically use process and risk mapping to ensure that all significant reform and modernization programmes are subject to standard risk management assurance checks.

## **Good practices**

The practices below are described as good practices as they proactively seek to identify reform and modernization areas on an ongoing basis before procedural issues may arise, and seek to ensure that all customs employees feel concerned about the reform and modernization of customs procedures. These good practices are either based on an ongoing systematic risk assessment or on customs staff's own personal experiences; combined with enhanced communication channels between management, those in charge of risk assessment and customs staff in general.

Good practices identified in this chapter are:

- Using methodologies requiring dedicated teams to constantly manage pre-identified targeted risk, monitor business processes to be appraised and respond to customer requirements, to measure the performance of standards of procedures through strategic indicators, and to resolve concerns by finding the root cause of problems;
- Establishing bodies that may include private sector representatives to identify and implement solutions that improve border processes on an ongoing basis;
- Conduct ongoing programme performance reviews at regular intervals;
- Undertaking an inventory and review of all administrative procedures related to foreign trade operations to standardize the implementation of customs rules and procedures and increase certainty and predictability for importers and exporters;
- Designate a specific unit that is responsible for undertaking appropriate reform and modernization efforts, and make this unit accountable for reaching its performance targets;
- Develop a comprehensive Reform & Modernization Plan with the help of experts, as necessary;
- Develop and making good use of information and communication technology capacity overall within customs;
- Explore the opportunity for integrated border management with neighbouring countries.

#### 4. AUTOMATION AT THE CORE OF INTEGRITY CONTROLS IN CUSTOMS ADMINISTRATIONS

The automation of customs procedures is an important part of reform and modernization efforts, as automated systems are one of the main integrity controls within customs administration. By facilitating audits and reviews of decisions by customs officials, automation of a wide range of processes can be used to increase transparency and accountability in customs administrations. The use of automated systems is also often designed to gather necessary information in such a way so as to provide for a one-time, single-window submission of electronic data that minimizes face-to-face interactions between customs officials and clients, and thus minimize the opportunity for the inappropriate exercise of official discretion.

Automated systems are also increasingly used to manage integrity and corruption risk effectively. They can be used by customs officials to track the movement of goods in real time, and to record a large of data that allow for the development of trends that may be indicative of corruption or other integrity issues. Computerised systems also use elaborated algorithms based on a wide range of variables to determine shipments involving higher integrity risks.

##### **Implementing automated systems**

Customs administrations covered by this study have all implemented automation or computerization procedures, although the scope and depth of these procedures vary. Some countries systematically use automated systems to process virtually all import and export declarations, such as Australia, Japan, Mexico and the Russian Federation. U.K.'s Customs Handling of Import and Export Freight (CHIEF) system, which has been in place since 1994 and is already one of the world's largest electronic services for the international movement of goods, is currently being reviewed to respond to U.K.'s evolving requirements in relation with customs applications and information technology services (Box 7).

##### **Box 7 - U.K.'s Customs Handling of Import and Export Freight (CHIEF) system**

The Customs Handling of Import and Export Freight (CHIEF) system records the declaration to Customs of goods by land, air and sea. It allows importers, exporters and freight forwarders to complete customs information electronically, and automatically checks for entry errors. CHIEF connects with five Community System Providers (CSPs); these are independent trade systems that directly serve hundreds of carriers, transit sheds and freight forwarders. CSPs record and track the movement of goods within ports and airports, enabling them to operate more efficiently. CHIEF provides a service that is available 24 hours a day, and is able to include future software and business process development work to support U.K.'s evolving requirements in relation to Customs applications and information technology services.

CHIEF is also part of HMRC risk assessment process. It identifies which consignments, or goods within a consignment, will need to be physically examined, or have their documentation examined. This gives legitimate goods, and those deemed to be a low-level risk, faster clearance when they are directly imported from non-EU countries, or exported to them from the U.K.

CHIEF is a national computer system that carries out 3 key functions for HMRC:

- the collection of £34 billion of revenue each year
- the accurate collection of international trade and transport statistics
- the protection of society by controlling the import and export of restricted goods, and detecting the smuggling of prohibited goods

CHIEF also provides a number of services to economic operators:

- direct trader access to electronic processing of imports and exports - including the calculation of duties, currency and quantity conversions, and the automatic clearance of consignments
- identification of goods which require documentary or physical examination, making use of a highly sophisticated risk profiling system
- information for the production of the U.K.'s external trade statistics
- a means of electronic communication between customs and business users
- validation of the accuracy of data input - CHIEF advises the users of any errors
- recording, monitoring and accounting for duties and taxes incurred by individual importers

Source: HMRC (2012), <https://www.gov.UK/guidance/chief-trader-import-and-export-processing-system>.

U.S.'s automated systems, entitled Automated Commercial Environment (ACE) and Automated Commercial System (ACS), seek to minimize face-to-face interaction by offering trade parties to file imports and exports transactions. These systems will transition into a single-window allowing for manual processes to be streamlined and automated. This will minimize the use of paper as record of customs transactions and allow the international trade community to more easily and efficiently comply with U.S. laws and regulations.

Spain has also implemented a risk management system that indicates what kind of physical examinations or document checks must be done for each type of cargo based on a number of factors, and through which officials should record the checks that have been carried out as well as their results (Box 8). This appears to be similar to the systems in place in Germany (Box 9), Italy and the U.K., where consignments are selected for examination through national and local pre-identified risk profiles set in computerised declaration services discussed earlier. Such systems include internal control procedures that govern the creation of risk profiles, independent checks, and independent testing. These systems also ensure that once a case is selected for examination, there are further internal controls such as segregation of duties among those who manage the release of goods and those who carry out the examination.

#### **Box 8 – Spain's automated risk management system**

The customs risk analysis system for the selection of declarations for control, is an electronic automatic system where the Risk Analysis Central Unit of the Customs and Excise Department uploads and manages the risk profiles. Risk profiles are defined on the basis of risk criteria and are used to select customs declarations. The IT system informs the customs officers on the actions (documentary or physical) to carry out, giving them information also about the detected risk. In order to facilitate the comprehension, the system can provide with documents, images, etc.

Risk profiles are produced taking into account different data categories to which values are assigned based on the customs declarations and other tax information. In addition, some algorithms are applied for comparing the information included in the declaration and the available tax information of the operator.

This tool has been improved progressively and has been adapted to the needs of the customs officers who carry out the controls (the system can warn the officer of a selected declaration).

Customs officers will implement the actions associated with the risk profile that affect the declaration to control. They must introduce information in the clearance electronic system, for the different goods covered by the declaration to be controlled, which actions of the ones proposed by the risk profile have been carried out, which ones have not and, if that is the case, for what reason.

All mentioned information is available for the customs authority, by means of different electronic tools, in order to feed the system and re-evaluate the different risk profiles.

Source: G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by Spain.

Similarly, Argentina's and Russia's computer systems, in addition to administer overall customs operation related to export and import declarations as well as the exchange of information among different actors involved in foreign trade, also allow for real-time risk management. The stated objective of Mexico's customs computer systems, which include the Model of Tax Administration of Foreign Trade (MATCE), the Customs Technology Integration Project (PITA) (Box 9), the Mexican Single Window for Foreign Trade (VUCEM) and the Integral Automated Customs System (SAAI), is to mitigate risk by limiting discretion, increasing accountability and transparency, and thus acting as deterrent to engage into corrupt behaviour. Automated systems in Australia, Indonesia, Italy, the Russian Federation and Turkey also seek to reduce personal interactions with public officials in general. They allow for a single-window, one-time submission of required documentation that is forwarded to only one government agency.

#### **Box 9 – Mexico's Customs Technological Integration System (PITA)**

PITA is the largest technology project in Mexico's current Federal Public Administration. It provides for the integration of business intelligence tools that automate customs operations as a means to achieve the following objectives :

1. Time reduction in customs clearance.
2. Improvement in generating business intelligence.
3. Greater assertiveness in risk management.
4. Traceability of all customs operations, with performance indicators in real time.
5. Decreased discretion of personnel involved in customs clearance.

This project consists in providing a comprehensive solution that automates most of the customs clearance process, making it paperless and human-less, through provisioning customs of electromechanical devices, servers, processors, communications, data centre solutions, as well as any other physical element and logical solution involved at local and central levels.

PITA covers 99% of commercial cargo operations performed in the top 60 checkpoints and 52 border crossings in the north and south of the country; as well as the modernization of the video surveillance system with more than 14,400 cameras distributed in the SAT buildings, resulting in the efficient and timely handling of more than 16 million pediments and 74 million crossings of private vehicles that are generated annually through Mexican customs.

*Source:* G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by Mexico.

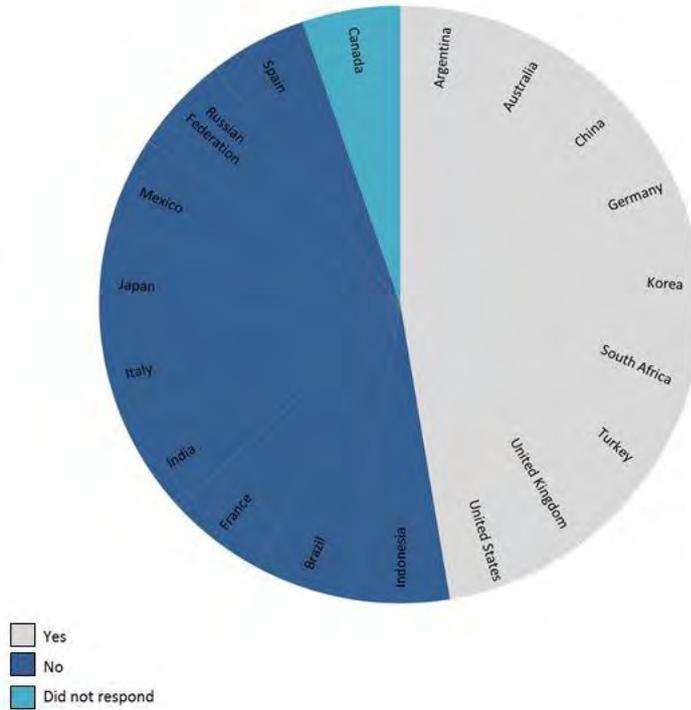
Moreover, all customs agencies provided having implemented options for electronic payment systems to limit or eliminate the physical handling of funds, although in some cases cash payments are still allowed.

#### **Protecting automated systems against integrity risks**

Although automated systems are extremely useful to increase transparency and accountability in customs administrations, there are operations that cannot be automated with currently used technologies and as such, these operations require increased attention and appropriate controls specifically-tailored to the risks they are meant to address.

However, only approximately half of customs administrations acknowledged carrying out a comprehensive assessment of corruption risk and other vulnerabilities associated with their automated system (Figure 2). Nine customs administrations out of 19 do not conduct such an exercise, and another country did not respond to the question.

**Figure 2 – Corruption risk assessment of automated systems by G20 customs administrations**



Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

Cargo examination by customs officials is an example of a procedure that cannot be fully automated and that requires human intervention, and for which G20 countries provided a number of additional controls seeking to make individuals who replace automated procedures accountable.

Customs administrations in Australia, Germany, Italy and the U.K. also exercise a number of internal controls where automated systems may not be used, such as management supervision, rotation of duties, breaking off work teams and undertaking performance reporting. Germany also carries out reviews of 10% of document volume, which must include at least 20 documents and not more than 200 documents.

In the U.K. Border Force, there is a segregation of roles between the Border Force Targeting Team and examination teams, when Border Force select consignments for anti-smuggling examinations based on specific methods of risk assessment. A detailed record, including photographic evidence, is completed for each examination and is subject to management assurance checks. Border Force also has a national system of front line assurance and a dedicated port inspection capability to test compliance with operational policy, guidance and legislation. Assurance checks apply to both automated and manual processes. The Russian Federation’s Customs Service grants considerable attention to the areas that cannot be automated by detailing and formalising examination rules and procedures, as well as by strictly regulating and monitoring customs examination procedures through integrity controls.

Other customs administrations reinforce scrutiny over employees who are more vulnerable to corruption risks. China, Indonesia and Japan exercise closer scrutiny on employees in charge of receiving cash funds through management and regular inspections and audits by designated auditors. Similarly, Mexico and India assign ethically-sensitive functions to officials who have been specifically trained and who go through reliability tests and scrupulous norms of examination on a regular basis. Mexico also

facilitates manual labour with the use of enhanced information systems as well as other technologies such as x-rays and gamma rays.

### **Implementing measures to avoid soliciting or accepting bribes**

Well-designed measures seeking to reduce face-to-face interactions between customs officials and clients can be quite effective at reducing opportunities for extortion or deriving other illicit rents from customs operations. This is widely acknowledged among G20 customs administrations, as a majority indicate they have designed and implemented automated systems to reduce bribery opportunities prior to customs clearance (Table 2). Many G20 customs administrations have implemented measures to avoid the solicitation or acceptance of bribes for the following purposes:

- to accelerate the processing of documents during the assessment of origin, value, and classification of goods;
- to ignore the fact that some cargo listed on the manifest was not declared;
- to certify fictitious exports or provide for a wrong Harmonized System classification;
- to permit goods in transit to be released for domestic consumption;
- to permit the under-invoicing of goods;
- to accept a false country of origin declaration, thus permitting the importer to benefit from a preferential tariff regime.

**Table 2 – Presence of measures to avoid the solicitation or acceptance of bribes prior to customs clearance**

	Accelerate processing documents	Avoid declaration of cargo	Fictitious exports or classification	Release goods in transit	Under-invoicing	Fake origin of goods
Argentina	yes	yes	yes	yes	yes	yes
Australia	yes	yes	yes	yes	yes	yes
Brazil	yes	yes	yes	yes	yes	yes
Canada	yes	yes	yes	yes	yes	yes
China	yes	no	yes	no	yes	yes
France	no	no	no	no	no	no
Germany	yes	yes	yes	yes	yes	yes
India	yes	yes	yes	yes	yes	yes
Indonesia	yes	yes	yes	yes	yes	yes
Italy	yes	yes	yes	yes	yes	yes
Japan	Yes	Yes	Yes	Yes	Yes	Yes
Korea	yes	yes	yes	yes	yes	yes
Mexico	yes	no	no	no	yes	no
Russia	yes	DNR	DNR	yes	yes	DNR
S. Africa	yes	no	no	no	no	no
Spain	yes	yes	yes	yes	yes	yes
Turkey	yes	yes	yes	yes	yes	yes
U.K.	yes	yes	yes	yes	yes	yes
U.S.	yes	yes	yes	yes	yes	yes
<b>Total</b>	<b>18</b>	<b>14</b>	<b>15</b>	<b>15</b>	<b>17</b>	<b>15</b>

Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

A commonly used method to prevent the payment or acceptance of bribes before clearance is using a single automated system to collect any customs fees or levies from clients. For instance, Argentina, Australia, Germany, Indonesia, Italy, Japan, Mexico and the Russian Federation use single-window systems to process all information related to foreign trade operations. Argentinian and Italian customs (Box 10) provide that their automated system processes all authorizations and certifications required by regulation related to import, export and transit of goods, as well as to the activities of the entities responsible for monitoring the private sector.

However, as cash transactions are still allowed by some of the G20 countries, other measures may be considered to dissuade the payment of bribes to customs officials.

**Box 10 - Italy's Agenzia delle dogane e dei monopoli's automated system to prevent the payment of bribes**

Italy's Agenzia delle dogane e dei monopoli provides that most issues related to the payment of bribes prior to customs clearance are addressed by the electronic system of customs declarations that:

- Processes the declarations according to the order of submission;
- Compares the customs declarations with the cargo manifests submitted by the operators to the customs;
- Through the automated risk analysis system, manages profiles related to goods which could fraudulently be classified under codes contiguous to the correct one in order to avoid duties or restrictions (quotas, licenses, permits, etc.)
- Through transit procedures, manages the operation in an integrated manner throughout the EU by the computer application NCTS (New Computerized Transit System) using electronic messages exchanged between the Customs point of entry and exit of the goods.
- The risk analysis automated system also includes profiles for minimum thresholds of declared value for certain types of goods (e.g. Textiles)

In cases of suspected declaration or declaration selected by the automated risk analysis system, which are also for a possible ex-post review, the origin and movement certificates can be verified by means of mutual administrative assistance with the country where the same has been issued.

*Source:* G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses from Italy.

U.S. CBP and Germany use operational data to identify trends and patterns that may be indicative of integrity issues. Germany's automated Atlas system (Box 11), which allows for the identification of suspicious charges and discrepancies in the application of procedures by customs officials, has already been successfully used to produce trial evidence for criminal proceedings.

**Box 11 - Germany's Atlas automated system to detect irregularities in relation with customs clearance**

ATLAS is a fully integrated IT-system for customs clearance that includes targeted checks and controls that are carried out throughout the clearance processes. These controls include tailored checks and balances that assess the credibility of customs declarations and that can be used to systematically single out integrity breaches, such as under-invoicing. The declarations that are processed through Atlas are subject to a comprehensive automated risk assessment, whereby declarations that do not meet risk parameters are further scrutinised for more in-depth controls. Declarations that do not meet pre-identified risk parameters all have to be documented in the system, including when no specific additional measures were taken. The credibility and accuracy of customs declarations can also be checked in real-time by using interfaces that are connected to other authorities' databases. ATLAS also randomly selects a number of declarations that have to be examined more closely by customs officers.

*Source:* G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses from Germany.

Moreover, the identification of trends and patterns may create useful data to benchmark and measure the performance of recently implemented automated systems to process travellers and cargos electronically in a more efficient and effective manner. The Brazil Tax Administration requires the authentication of electronic documents and operations with digital certificates, and automated systems select inspection targets, based on risk analysis, and distribute inspection duties to staff.

U.K. HMRC also use several controls in addition to automated systems such as appropriate segregation of duties, independent quality and management assurance, rotation of duties, external audit and performance reporting.

Australia and Japan promote an organisational culture which is resistant to fraud and corruption through structured support and training for staff, reporting mechanisms (including mandatory reporting for certain activities). Moreover as many importers of goods often employ the services of a customs broker to act on their behalf when importing goods, particular attention must be paid to the integrity of these intermediaries. As customs brokers are vulnerable to corruption risk, these are subject to a rigorous application process to obtain a Broker License in Australia and Japan. These countries have also indicated that warehouses and depot operators must be licensed and are thus made accountable for the safe custody and account of goods held in the warehouse or depot.

Customs administrations acknowledged having implemented measures to avoid soliciting or accepting bribes during clearance (Table 3). Many G20 customs administrations have implemented measures to avoid the solicitation or acceptance of bribes for the following purposes:

- to provide for automatic clearance and release of cargo;
- to influence the findings of the inspection;
- to get speedy clearance;
- to obtain preferential treatment.

**Table 3 – Presence of measures to avoid the solicitation or acceptance of bribes during customs clearance**

	Automatic clearance	Influence inspection	Speedy clearance	Preferential treatment
Argentina	yes	yes	yes	yes
Australia	yes	yes	yes	yes
Brazil	yes	no	yes	yes
Canada	yes	no	yes	yes
China	yes	yes	DNR	yes
France	DNR	DNR	DNR	DNR
Germany	yes	yes	yes	yes

India	yes	yes	yes	yes
Indonesia	yes	yes	yes	yes
Italy	yes	yes	yes	yes
Japan	yes	yes	yes	yes
Korea	yes	yes	yes	yes
Mexico	yes	yes	yes	yes
Russia	yes	DNR	yes	DNR
S. Africa	yes	yes	yes	yes
Spain	yes	yes	yes	yes
Turkey	yes	yes	yes	yes
U.K.	yes	yes	yes	yes
U.S.	yes	yes	yes	yes
<b>Total</b>	<b>18</b>	<b>15</b>	<b>17</b>	<b>17</b>

Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire.

Practices mentioned earlier about preventing the payment or acceptance of bribes before customs clearance may also prevent corruption during customs clearance. However, additional practices specifically identified by customs administrations as preventing bribery during customs clearance include the granting of pre-approved certification for lower-risk importers or exporters. The CBSA and the Russian Federation Customs Service use machine release for low-risk goods from low-risk importers who comply with pre-determined standards. Moreover, the CBSA applies its Trusted Trader Programme, which has two main objectives. First, it facilitates the movement of legitimate goods by providing streamlined and efficient border processes for pre-approved, low-risk traders who voluntarily demonstrate that their business systems and internal controls are effective and reliable. Second, it enhances the security and integrity of supply chains through collaboration and partnerships with businesses.

Likewise, Australia and Japan are currently implementing their own Trusted Trader programme which encourages compliance by providing trade facilitation benefits to those economic operators with a strong history of compliant behaviour. Entities that provide services to Australian and Japanese businesses active in the international supply chain, such as customs brokers, are also eligible to join trust trader programmes, which further incentivises compliant behaviour and assists in the prevention of bribery and solicitation.

Additional measures implemented by Indian custom seeking to prevent corruption during customs clearance include the installation of camera in key locations and the consistent application of the “first in first out” principle be applied to all cases of customs verification, inspection and examination; and that any unusual delay in such procedures be approved by a senior official. The Korea Customs Service also

uses operating mobile patrols and regular random inspections to avoid corruption during customs clearance.

Finally, a vast majority of respondents acknowledged having measures in place to avoid soliciting or accepting bribes in relation with the illegal release of goods on domestic markets (Table 4). Many G20 customs administrations have implemented measures to avoid the solicitation or acceptance of bribes for the following purposes:

- to permit traders to release goods for domestic consumption without paying the required import duties;
- to permit traders to claim drawbacks for fictitious exports;
- to permit importers to transfer imports that benefited from duty relief to non-authorized users or for non-intended purposes;
- to permit importers to introduce goods in excess of the amounts agreed to.

**Table 4 – Presence of measures to avoid the solicitation or acceptance of bribes in relations with the release of goods**

	Release goods in transit by traders	Drawbacks for fictitious exports	Transfers to unauthorized users	Imports over amount allowed
Argentina	yes	yes	yes	yes
Australia	yes	yes	yes	yes
Brazil	yes	yes	yes	yes
Canada	yes	yes	yes	yes
China	yes	DNR	yes	DNR
France	DNR	DNR	DNR	DNR
Germany	yes	yes	yes	yes
India	yes	no	yes	yes
Indonesia	yes	yes	yes	yes
Italy	yes	yes	yes	yes
Japan	yes	yes	yes	yes
Korea	yes	yes	yes	yes

Mexico	yes	yes	yes	yes
Russia	DNR	DNR	DNR	DNR
S. Africa	yes	yes	yes	yes
Spain	yes	yes	yes	yes
Turkey	yes	yes	yes	yes
U.K.	yes	yes	yes	yes
U.S.	yes	yes	yes	yes
<b>Total</b>	<b>17</b>	<b>15</b>	<b>17</b>	<b>16</b>

Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire.

In addition to the good practices mentioned above, Australia's DIBP, Brazil's Tax Administration and Japan's Customs and Tariff Bureau conduct post-clearance audits and risk analysis in drawback related operations. In Brazil, goods are released only if the total amount of taxes and fees has been transferred from the importer's or exporter's bank accounts to the Federal Treasury Account (Box 12). In Italian customs, all payments are handled by bank transfers (no cash) and checked against the debit accounts used for the submission of import declarations. The automated system, through risk analysis algorithm, selects the operations to be verified, which reduced the discretionary power of customs officers.

HMRC have checks in place to assess the overall credibility of the trader's commercial activities during their assurance visits. Moreover, evidence may be called by in support of drawback claims by customs officials. Japan and HMRC also conduct checks on end use of certain products during the assurance visit, to ascertain whether the goods have been attributed to the correct usage as per relief claimed. This is intended to detect any transfer of imports benefiting from duty relief to non-authorized users or for non-intended purposes (Box 13).

**Box 12 – Brazil's use of post-clearance risk analysis and audits associated with drawback related operations**

Brazilian customs risk management teams send to Post Clearance Audit teams files (called DPFA) information regarding the company that must be audited, including evidence and estimated liabilities. This information is based mostly on in-house documents, data warehouse and other systems. The Post Clearance Audit teams complete the information with required and collected documents. The activity of requiring and collecting documents and evidences is regulated by law (Federal Act 12815/2013), which gives the Customs power to enter any facility, including vessels and other means of transport, where the goods are, and request documents and information. The internal data coming from Customs systems and the external data coming from the collected and requested documents are then merged and analysed.

From 2011 till 2015, 442 companies were audited. Penalties were enforced on 381 audits (86%). The total amount of tax liabilities and penalties was about R\$ 1.5 billion (~USD 400 millions).

Source: G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses from Brazil.

### **Box 13 – U.K. HMRC post-clearance risk analysis and audit for their assurance visits**

HMRC needs to ensure that representations on the conditions under which specific goods were exported or in transit are accurate. As part of this, HMRC carries out compliance interventions - also referred to as assurance visits – which include desk inspections, enquiries, investigations, or real time verifications. One of the main objectives of these interventions is to achieve enhanced compliance through improved targeting and greater use of risk analysis and systems-based audit techniques. Our assurance officers are able to inspect the trader's operations and management systems. An assurance visit does not always mean that HMRC believes there are any serious problems, or give assurance that everything within the trader's records and systems are satisfactory, but a visit does help to discourage dishonesty and make sure our systems are operating fairly for traders. If a visit shows that there is nothing wrong, HMRC will bring it quickly to an end.

*Source:* G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by the United Kingdom.

Mexican customs have also implemented numerous computer checks through its Customs Electronic System, which allows verification, validation and cross-checking to detect irregular operations and invariably contains an identification of the customs official who took part in the operation. Mexico also reports that the integration of these systems works as a deterrent for officials who may be tempted to engage in activities related to the illegal release of goods.

### **Good practices**

The automation practices below have been identified as good integrity practices as they minimize opportunities for individuals involved in global supply chains to seek illicit rents, such as extorting or accepting bribes, and more generally abuse their position. They also allow for the recording of a large range of data associated with customs transactions, which can be used to provide audit trails and effectively mitigate corruption and other integrity risks. These practices also address some of the links in customs processes that cannot be automated, as well as the risk that automated systems be by-passed by corrupt officials.

Good practices identified in this chapter are:

- Using of computerized import and export freight systems that record the customs declaration of goods by land, air and sea, double-check for entry errors, and track the movement of goods in real time;
- Using automated risk management systems indicating what kind of physical examinations or documents checks must be done for each type of cargo based on a number of factors, and through which officials should record the checks that have been carried out as well as their results;
- Using operational data to identify trends and patters that may create useful data to benchmark and measure the performance of recently implemented automated systems to process travellers and cargos electronically in a more efficient and effective manner;
- Using operational data to identify trends and patterns that may be indicative of integrity issues;
- Reinforce management supervision, segregation of duties, and staff rotation in relation with positions that are more vulnerable to corruption and other integrity risks;
- Using post-clearance risk analysis and audits associated with drawback related operations and with the assessment of the overall credibility of the trader's commercial activities during their assurance visits.

## **5. TRANSPARENCY AS A TOOL FOR INCREASING PREDICTABILITY AND ACCOUNTABILITY WITHOUT COMPROMISING INFORMATION SECURITY**

Transparency is the ultimate means to ensure certainty and predictability on the provision of public services to citizens and private sector entities, and the world of customs is no exception to that premise. Transparency is also essential to ensure that customs officials are accountable for the appropriateness of the way they apply customs rules and policies, including their discretionary powers when applicable. Transparency is one of the key pillars on which relies the OECD's strategy on promoting a comprehensive and coherent public integrity system that is applicable to all stages of the policy cycle.

Generally, the entire scope of rules, procedures and administrative guidance related to customs should be made easily accessible to users of customs services. Moreover, clear guidance for the use of customs officials' discretion as well as decisions by customs administrations should be easily accessible to ensure that customs rules are applied in fair and consistent manner, as well as the process to challenge decisions taken by customs administrations. However, while ill-defined discretionary powers without appropriate accountability can create opportunities to engage in corrupt behaviour, attempting to completely eliminate the discretion of customs officials may be counter-effective as it may reduce ethical reasoning to a culture of just following rules and procedures.

### **Promoting certainty and predictability in customs procedures**

Most countries publish customs rules, procedures, and annual reports on operations on customs administrations' websites. For instance, Mexico's AGA posts the procedures and authorizations that taxpayers, importers and customs brokers can perform, as well as various authorisations to benefit from exemptions on the SAT website.

Some customs administrations suggested creative ways to ensure certainty and predictability in the provision of customs' services. Spain's AEAT uses periodic advertising campaigns through newspapers, radio and television, as well as brochures, leaflets and notices of information to bring relevant issues to the attention of the general public. The AEAT also publishes its guides and operating manuals. It participates in seminars, fora and other specialised events to engage stakeholders who require specialised customs services on a more frequent basis. Finally, Mexico annually develops opinion polls targeted to the main foreign trade users, in order to measure and understand the trends in perception and service experience, customs clearance and simplification of procedures, among others (Box 14).

#### **Box 14 – Mexico's Tax Administration Service public opinion polls on quality of services that have taken place in 2015**

##### **National Telephone Survey on the Mexican Customs**

This survey is conducted annually and aims to measure the perception of three major customs users: importers, exporters and customs brokers. The survey evaluates quality, operations, and transparency in the customs procedures and processes. The study consists of 1,042 nationwide interviews in the three types of customs (border, maritime and inland). Information is analysed and illustrated by segments (reflecting opinions of the three types of users mentioned above).

##### **Interception Survey on the perception of service and experience by passengers and users of Tijuana customs**

A survey was performed to measure the perception on quality service, transit time in customs, technology used for vehicles and goods inspection, new infrastructure and foreign trade users experience when crossing borders or doing official procedures in Tijuana, specifically at El Chaparral and Puerta México.

The study sample consisted of 452 interviews to people walking through the border crossings near San Ysidro, California. The results of the study are displayed using three profiles of users and passengers: pedestrian, in vehicles, and in trucks. This second study comprehensively covers customs users according to the different profiles and service approaches.

Source: G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by Mexico.

Canada communicates changes to customs rules, procedures and policies through the Border Commercial Consultative Committee (BCCC), of which commercial stakeholders are members. The BCCC provides CBSA officials and commercial stakeholders with a forum to discuss border-related policies, operational programs and administrative procedures that govern and affect Canada's commercial trade (Box 15).

#### **Box 15 - CBSA Border Commercial Consultative Committee**

The Border Commercial Consultative Committee (BCCC) provides CBSA officials and commercial stakeholders with a forum to discuss border-related policies, operational programs and administrative procedures that govern and affect Canada's commercial trade. This collaboration benefits the Agency and the Canadian trade community, as well as the Canada and the Canadian economy.

The BCCC helps advancing government-industry cooperation on improving commercial processing in a manner that optimizes the free flow of legitimate goods; promotes the global competitiveness of businesses through the efficient management of supply chains; promotes solutions that reflect the needs and priorities of both the CBSA and the trade community; and ensures supply chain security and compliance with customs laws, regulations and policies.

Source: Canada Border Service Agency, <http://www.cbsa-asfc.gc.ca/agency-agence/consult/bccc-ccacf/menu-eng.html>.

Likewise, U.K.'s HMRC has set up the Joint Customs Consultative Committee (JCCC) to communicate with key stakeholders to exchange views on and discuss proposed changes to customs procedures and documentation relating to the entry and clearance of goods (Box 16).

#### **Box 16 – HMRC Joint Customs Consultative Committee**

An HMRC-sponsored forum which was established in 1969 to exchange views on and discuss proposed changes to customs procedures and documentation relating to the entry and clearance of goods. It gives the opportunity for HM Revenue and Customs (HMRC) to consider representations from over 20 member organisations on a face-to-face basis. This committee is the main forum for the department to consult trade on imports and exports.

The purpose of the JCCC is to:

- discuss and advise upon proposed strategic changes to customs policies, procedures and business model
- share information and act as a consultative group for EU, international and national customs initiatives, and obtain industry views to ensure coherence and a common understanding in influencing negotiations
- understand industry and regulatory impacts
- horizon scan
- review progress against agreed aims and objectives, and to suggest remedial action for objectives that are not being achieved

Source: HMRC, <https://www.gov.UK/government/groups/joint-customs-consultative-committee>.

South Africa's SARS also mentions having elaborated their own stakeholders' engagement framework, and that a number of stakeholders' fora have been set up to share and discuss customs administration's strategic objectives and proposed legislative changes. Italian customs set up national and regional discussion groups with economic operators, and publish guidance on its website as well as through conferences and workshops.

U.S. and South African law requires rules and regulations go through a "notice-and-comment" rulemaking process, which requires agencies to publish regulations proposals and allows stakeholders to voice their views and concerns before such regulations become effective. Moreover, the U.S. CBP is the sole customs administrations that mentioned issuing binding advance rulings and other legal or administrative customs decisions on its website.

### **Guiding discretionary powers**

Customs administrations were also asked whether they had attempted to circumscribe the discretionary powers of customs officials, when applicable. Almost all customs administrations replied that they guide the exercise of customs officials' discretionary powers through legislation, codes of conduct, orders or administrative guidelines. Moreover, most countries that guide the exercise of customs officials' discretion have made that guidance available to the public.

### **Engaging into meaningful public campaigns**

Moreover, customs administrations have indicated engaging from time to time into public relations campaigns to promote their integrity and anti-corruption measures. The Russian Federation Federal Customs Service acknowledged undertaking significant efforts in that respect (Box 17). All customs administrations disclose either their anti-corruption strategy, their code of conduct or a values statement to display their commitment towards integrity and reinforce the expectations the public should have on customs administrations integrity. Brazil also mentions that the penalties applied to corrupt employees are also made publicly available.

#### **Box 17 – Russian Federation's Federal Customs Service's Communication Strategy on Anti-Corruption**

The Federal Customs Service of the Russian Federation has invested significant efforts in making integrity and fighting corruption visible to the external stakeholders and the general public. The Federal Customs Service's plan for countering corruption specifically requires relevant authorities to conduct public education and outreach on anti-corruption as part of the customs' service strategy to prevent corruption. Overall in 2015, the issue of corruption in customs was the topic of:

- 218 conferences, seminars and roundtables;
- 4003 consultations of civil servants;
- 58 memos and manuals;
- 23 interviews of customs high officials;
- 145 publications;
- 148 262 television and radio stories.

Source: G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by the Russian Federation.

Customs administrations from China, India, Mexico, South Africa and the United Kingdom highlighted advertising their whistleblower hotlines to the public on an ongoing basis as part of their strategy to showcase their commitment to address wrongdoing within customs. Canada's CBSA underscores the priority given to enforcement by disclosing the professional standards on investigations as

well as statistics on disciplinary measures taken on its website. Similarly, U.S. CBP indicates that the report of the CBP Integrity Advisory Panel, which oversees the implementation of its Integrity and Personal Accountability Strategy (Box 18), is made available online.

#### **Box 18 – U.S. Customs and Border Protection Integrity Advisory Panel**

In December 2014, the Homeland Security Advisory Council was directed to establish the CBP Integrity Advisory Panel to provide findings and recommendations on the best practices from federal, state, local, and tribal law enforcement integrity leaders. The Advisory Panel addresses topics such as Use of Force reviews, integrity incident prevention as well as transparent incident response and discipline. The Panel also advises on how CBP can develop an effective capability for investigating criminal misconduct by evaluating CBP's efforts to become an intelligence-driven organization, and make recommendations to enhance participation among law enforcement and intelligence agencies through an interagency task force environment. A draft of the Panel's findings and recommendations was made publicly available on 15 March 2016 at <http://southernborder.org/wp-content/uploads/2016/03/Report-on-U-S-Customs-and-Border-Protection.pdf>.

Source: Homeland Security Advisory Council, <https://www.dhs.gov/homeland-security-advisory-council>.

#### **Guaranteeing the security of commercial and personal information**

Obviously, seeking transparency of customs rules and procedures should not be achieved at the expense of guaranteeing the security of sensitive commercial or personal information. All customs administrations have implemented strict legal prohibitions against the disclosure of sensitive personal or commercial information by customs officials, and sometimes of comprehensive policies, procedures and systems on how such information should be managed. Customs administrations from Canada, Brazil, India (Box 20), Italy, Korea, Mexico, Spain, Turkey, the U.K. (Box 19), and the U.S. also suggest that they have strict security protocols with internal controls in place to limit the disclosure of sensitive information to a limited number of employees within customs agencies. Specific policies for conducting background checks of customs employees will be discussed in chapter 9 on human resources management.

#### **Box 19 - U.K. HMRC's use of a maturity model to ensure information security**

HMRC aligns its information security measures with several governmental security classifications as well as different policy frameworks and managements systems. One of these systems is the Cabinet Office's Information Assurance Maturity Model (IAMM), which is widely used in government departments since 2008. The Model aims at establishing a self and external assessment and audit strategy for Information Risk Management in areas such as:

- Leadership and Governance
- Training, Education & Awareness
- Compliance and assured information sharing

The IAMM seeks to control and limit the access to ICT systems and physical assets, and applies to all HMRC staff and suppliers. The system is also used to design physical security measures that comply with local requirements and to set annual reporting guidelines to the Cabinet Office on security progresses.

Source: G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by the United Kingdom.

### **Box 20 - Ensuring Information Security in customs - India's use of the ISO 27 001 Standard**

The Central Board of Excise and Customs (CBEB) in India has adopted the ISO 27001 Standard for Information Security in 2011. The Standard ensures that the production, development and testing of data is protected and operated by a Network Operating Centre that is separate from other client environments. In 2012, the CBEB won the Indian Security e-Governance Award for establishing a security network that includes:

- The hosting of business and logic data in separate network segments using various firewalls and an around-the-clock monitoring team
- Most stringent password controls and strictly limited accesses from offices without WLAN connections
- Adopting a virtual private data base that allows authorized users to only obtain data on the specific current location
- Securing daily, weekly and monthly back-ups on disks and tapes stored in an offsite fireproofed location

In addition, the ISO 27001 Standard require users to access databases through diskless devices without local storages, on which navigation is restricted to mouse clicks and keyboard strokes.

*Source: G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by the India.*

Customs administrations from Canada, Korea, Mexico, Turkey and the U.K. expressly mentioned offering specialized training on handling and ensuring the security of sensitive information within customs, while these same countries, in addition to the customs administrations from the U.S. and India, have expressly set up protocols with respect to the handling of sensitive information by third parties entering into a relationship with customs authorities. For instance, Mexican customs mention that the system used in the clearance of cargo is monitored so that only authorized users can access through the use of fingerprints and passwords that are unique and non-transferable.

Korea also invests significant efforts and resources to guarantee the security of sensitive information within the Korea Customs Service. Top management formulates audit and security work plans that are updated on an ongoing basis. Security inspections are frequently conducted on computerized systems used to store and handle sensitive information to diagnose cybersecurity, and specific measures seek to prevent wire-tapping, interception of radio messages, and to promote the security of computer networks and network equipment.

### **Good practices**

The transparency and information security practices below are designated as good integrity practices as they promote effective communications channels between customs officials and users of customs services without jeopardizing information security; they contribute to reinforce the certainty and predictability of customs processes, which decreases the opportunity to seek illicit rents; and they reinforce the accountability of customs officials by requiring them to record the motivations underlying their actions and decisions associated with the exercise of their duties.

Good integrity practices identified in this chapter are:

- Use surveys and opinion polls to give an opportunity to customs stakeholders to express their opinions or concerns related to the delivery of customs services;
- Use periodic public campaigns to bring relevant customs issues to the attention of the public and users;

- Make the entire scope of rules, procedures, tariffs, fees and administrative guidance related to customs easily accessible to the public;
- Circumscribe customs officials discretionary powers while not eliminating it completely to avoid reducing ethical reasoning and creating a culture exclusively based on following the rules;
- Use stakeholders engagement frameworks to discuss border-related policies, operational programmes and administrative procedures that govern and affect commercial trade;
- Establish customs administrations' integrity advisory panels, which oversee the implementation of integrity and personal integrity strategies, and make publicly available their reports;
- Implement ISO 27 001 on Information Security;
- Use information management maturity models to secure sensitive information by self and external assessment and audit strategy for Information Risk Management;
- Use multifaceted communication strategies to ensure customs are fully aware of their requirements under customs code of conduct and related policies.

## **6. THE CODE OF CONDUCT AS AN ESSENTIAL PILLAR OF A CULTURE OF INTEGRITY**

A comprehensive code of conduct seeking to address ethics vulnerabilities within an organization is another essential pillar underlying integrity systems within customs. It sets the standards of conduct expected from managers and employees of customs organizations in relation with the fulfilment of their duties, which means that codes must be tailored according to each organization's operations. A comprehensive code of conduct should comprise both strict prohibitions to ensure customs officials do not engage in most serious misconduct, combined with broad values statements to ensure officials are not blindly following rules and procedures without exercising ethical reasoning. Codes of conduct should also use practical examples to reinforce messages that are key to the implementation of both formal and informal cultures.

### **Using practical examples to clarify integrity provisions**

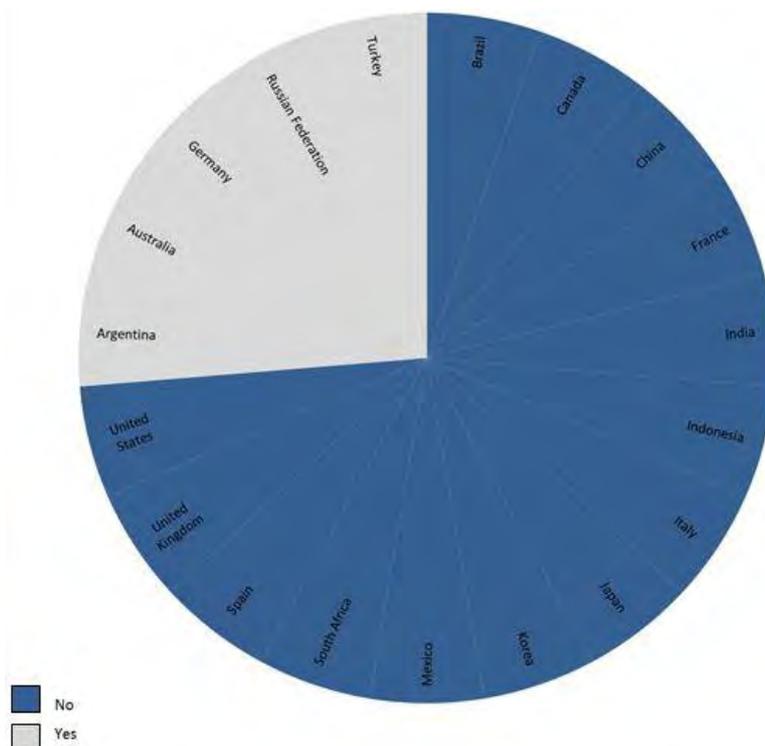
The utility of practical examples to illustrate provisions from codes of conduct have been acknowledged by a majority of customs administrations from G20 countries, as 16 of the 19 customs administrations covered by this study mentioned using such examples to clarify the provisions of their code of conduct.

### **Using effective communication strategies to promote compliance**

G20 customs administrations highlight that communication strategies for codes of conduct are essentially conducted through disclosure on intranet and internet, as well as through ongoing training activities for customs officials. Almost all G20 countries disclose their code of conduct on their intranet as

well as on the internet. Only four customs agencies require each employee to sign the code of conduct, namely Argentina, Germany and the Russian Federation and Turkey (Figure 3). Interestingly, some of the provisions of the code of conduct of Argentina’s customs agency are included in the customs officials collective agreement, which directly links these provisions to existing disciplinary regimes in case of a breach of the collective agreement.

**Figure 3 – Countries requiring a formal acknowledgement of their code of conduct**



Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

Moreover, customs agencies from the Argentina, Australia, Germany, Indonesia, Italy, Japan, Korea, Mexico (Box 21), South Africa, Turkey and the U.S. provide they hold regular trainings or awareness campaigns on their code of conduct for employees.

**Box 21 – SAT’s effective communication strategy on integrity requirements included in the customs code of conduct and related policies**

Upon recruitment, all public officials agree to review and make themselves aware of SAT’s Code of Conduct. Additionally, the internal communication strategy about the SAT Code of Conduct and the Code of Ethics for Public Officials of the Federal Public Administration consists in raising awareness of the values contained in both codes through various diffusion channels, including computers’ wallpapers, customs whiteboards, banners on the intranet (IntraSAT), telephones’ screens, book markers, and institutional printed calendars, among others. The external diffusion is made through the publication of both Codes in the Institutional website.

Additionally, to strengthen the internal promotion there is a tutorial on the Code of Conduct that is mandatory to all active and incoming personnel.

SAT’s communication strategy appears to be very effective. Based on the results of the “National Electronic Survey on the SAT Code of Conduct and the Code of Ethics of the Federal Public Administration” conducted

between August and September 2015, by an electronic interview made to 10,385 Public Officials, it was observed that the SAT Code of Conduct is acknowledged by 99% of the employees. Likewise, 89% of the respondents confirmed to have seen or heard awareness campaigns related to the Code of Conduct.

Regarding the Code of Ethics of the Federal Public Administration, 80% of SAT's public officials responded being aware of it.

*Source: G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire, responses given by Mexico.*

## **Good practices**

The practices related to codes of conduct below are promoted as good integrity practices as they seek to address the integrity risks that are common in customs administrations, and establish a culture of integrity throughout customs administrations. Some of these measures have also been specifically designed to facilitate the customs officials' understanding of applicable rules, and to require them to certify that they will comply with such rules.

Good practices identified in this chapter are:

- Involve staff and stakeholders in the design and the implementation of the code of conduct;
- Design the code of conduct in order to address all integrity risk areas within customs;
- Include prohibitions for serious misconduct as well as broader values statements to promote ethical reasoning;
- Use effective communication strategies to raise awareness about the code of conduct, such as through the use of intranet and internet and other promotion materials;
- Require customs officials to acknowledge being aware of their obligations included in the code of conduct and certify that they will abide by them;
- Conduct regular training and other awareness-raising activities on the code of conduct;
- Using examples to facilitate customs officials' understanding of the integrity requirements and obligations they are subject to.

## **7. AUDIT AND INVESTIGATION: USING INTEGRITY CONTROLS AND RISK ASSESSMENT**

To be fully effective, strategies aiming at preventing corruption in customs must be combined with appropriate controls seeking to detect misbehaviour, as well as in-depth investigations of potential breaches of internal rules and policies and proportioned sanctions where appropriate. Integrity controls must be based on a proper assessment of an organization's integrity risk inherent to its operations as well as to the context in which it operates, and their effectiveness to address the institution's overall integrity risk must be evaluated through proper audits that should be conducted periodically.

It is also critical that the information created by the organization's internal controls be directly transferred to a recipient who possesses sufficient expertise and who will be responsible for analysing and

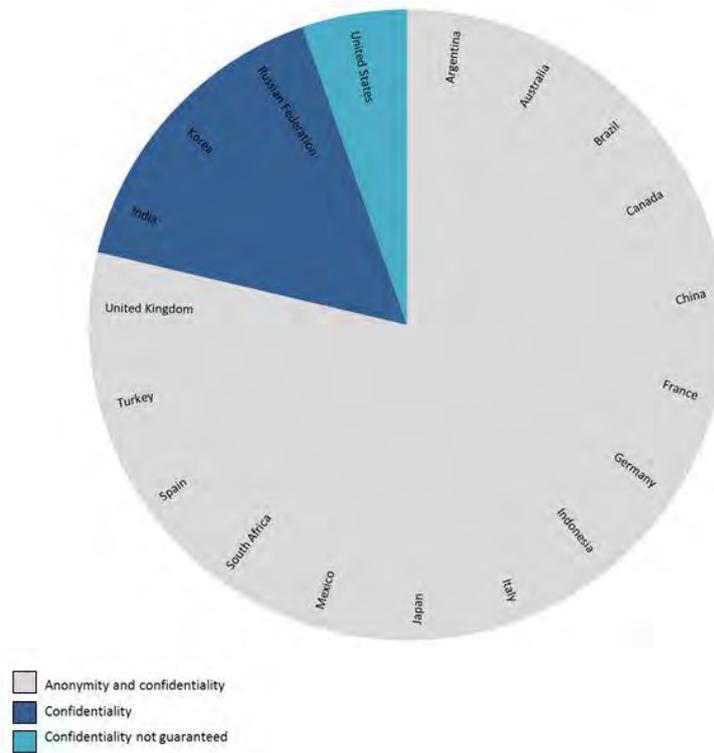
detecting potential cases of misbehaviour (OECD, 2016a). Designated internal inspectorates should be responsible for designing internal integrity controls, conducting audits and leading internal investigations when allegations of misbehaviour in customs warrant. When allegations of misbehaviour are widespread or involve top management, it may be more appropriate to designate an external, independent third party to conduct the investigation. Internal integrity controls can be reinforced based on outcomes arising from both audits and investigations.

One of the key integrity controls used by public and private organizations is the implementation of a credible and safe channel for employees, business partners and clients to report wrongdoing in relation with their operations. Whistleblower mechanisms can gather important tips on which further investigations or audits may be subsequently built. Effective whistleblower mechanisms encourage relevant individuals to report wrongdoing and grant sufficient protection for doing so (OECD, 2016a). Effective reports of wrongdoing will lead to proper investigations or audits where appropriate, bring the wrongdoing to an end and lead to institutional changes when necessary to minimize chances that such wrongdoing reoccurs.

### **Implementing strategies to enhance disclosures of wrongdoing**

All but two of the 19 customs administrations of G20 countries reported having policies in place to encourage the reporting of wrongdoing in customs (Figure 4). Moreover, all but one of the customs administrations covered by the Questionnaire responded seeking to protect whistleblowers before they may be exposed to reprisals for disclosing wrongdoing, such as by allowing for confidential, and sometimes anonymous, reporting. A vast majority of customs administrations (Figure 4) reported providing for both confidential and anonymous disclosure of wrongdoing, although the U.K. specified that confidentiality in some cases is not guaranteed. For instance, Japan's internal regulations provide that the confidentiality of whistleblowers' identity is guaranteed. India's, Korea's and Russian Federation's customs agencies only provide for confidential reporting, while the U.S. responded that reporting is possible but that confidentiality is not guaranteed under U.S. legislation.

**Figure 4 – Measures to encourage disclosures of wrongdoing**



Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

Indeed in some circumstances, preventing the public disclosure of the whistleblowers' identity may not be possible. For instance, if criminal prosecution were to arise from a whistleblower's disclosure of wrongdoing, the defendant may argue before the court that the disclosure of the whistleblower's identity is essential to uphold his or her right to a fair trial and to a full answer and defence (OECD, 2016a). In such circumstances, public prosecutors will uphold any request for confidentiality as far as possible, and some jurisdictions implemented measures that minimize the risk that the identity of the whistleblower needs to be disclosed before courts.

In the U.S., the authorities responsible for receiving disclosures of wrongdoing from customs officials may not disclose, without consent, the identity of any individual who makes a disclosure as defined under applicable laws, except in an extraordinary case of imminent danger to public health, public safety, or an imminent violation of criminal law; or if it is determined that such disclosure is unavoidable during the course of the investigation. In Brazil and the U.K., prosecuting authorities will advise the whistleblower before proceeding with judicial procedures in situations where it has become impossible to safeguard the identity of the whistleblower. In limited circumstances, U.K. prosecutors may seek public interest immunity from the trial judge, which, if granted, could lead to closed hearings that would avoid to publicly disclose the identity of the whistleblower. In the U.S., the identity of the whistleblower will be protected at trial only in exceptional circumstances, such as if there is fear for the whistleblower's safety.

In the U.K., public authorities generally encourage whistleblowers not to report wrongdoing anonymously. U.K. authorities explained that whistleblower anonymity impedes on their ability to request further details and to clarify their understanding of relevant issues. HMRC also argued that self-identification enables relevant authorities to provide whistleblowers with a certain degree of assurance that they will not suffer reprisals as a result of disclosing wrongdoing.

When asked to describe how employees are protected against reprisals for reporting wrongdoing, the most common answer to the Questionnaire was to prohibit reprisals against disclosures of wrongdoing through legislation. A clear prohibition to exercise reprisals against whistleblowers is essential, but it must be accompanied by additional measures that will make this prohibition enforceable. In addition to having protective measures in place to avoid reprisals before they take place, such as anonymity and confidentiality discussed above, other measures seeking to rehabilitate whistleblowers after they unduly experience reprisals for disclosing wrongdoing may be appropriate. Indeed, measures seeking to rehabilitate whistleblowers are most necessary to respond to organizations that cannot be trusted as to how they handle disclosures of wrongdoing, and to cases where it is impossible to preserve the confidentiality or anonymity of whistleblowers.

Australia, Canada, France, India, Italy, Korea, Mexico, South Africa, the United Kingdom and the U.S. have reported having regimes in place to protect the status of whistleblowers if their identity is publicly disclosed. In Canada, the U.S., and the U.K. (Box 22), whistleblowers can seek protection from an independent third party against reprisals. In France, employees of the Customs Administration can solicit protection from the organization if a judicial inquiry is open. China maintained that those who retaliate against whistleblowers will be punished by law.

#### **Box 22 – U.K.’s Public Interest Disclosure Protection Act (PIDA)**

PIDA provides three different levels of protection for whistleblowers, but each level includes its own evidence threshold that one must meet in order to be protected.

The lowest threshold arises from subsections 43C to 43E of PIDA, which virtually provide automatic protection for internal whistleblowing or whistleblowing in the course of obtaining legal advice. By making protection more readily available to those who raise their concerns with their employer, PIDA reinforces the importance of internal lines of accountability.

The second tier consists of the regulatory disclosures under subsection 43F of PIDA, which are readily but not quite as easily protected. Here the threshold requires that the whistleblower reasonably believes the information reported to the regulator and any allegation contained in it to be substantially true. The threshold for protection is deliberately lower than for wider disclosures based on the assumption that a disclosure to a prescribed regulator is more likely to be in the public interest. PIDA suggests that the legitimacy of reporting directly to a regulator is high as it does not require whistleblowers to have raised the concern internally first before disclosing the matter to a prescribed regulator.

The third tier relates to public disclosures, and this level of disclosure requires the highest threshold in order to be granted protection under subsections 43G or 43H of PIDA. It is here that the protection is less readily available, because in order to grant protection, a tribunal would have to determine the appropriate balance between the public interest and the interest of the employer. For instance, one of the requirements is satisfying a general test of whether, in all the circumstances, it was reasonable to make the disclosure. The uncertainty about whether protection will be granted seeks to encourage the whistleblower to first make the disclosure to the person or entity directly accountable for the failure or to the regulator.

*Source:* Bowers and al. 2012; Calland and Dehn 2004.

Mexico’s SAT provided that the person subject to the allegations of wrongdoing may be suspended at least temporarily, to prevent that person from hindering the investigation conducted against her. Such suspension will also contribute to preventing acts of reprisals against the whistleblower, particularly if the whistleblower is subordinated to the alleged perpetrator.

G20 customs administrations were also asked if their customs administration had implemented either customer help desks, hotlines, websites or other communication channels to facilitate the disclosure of wrongdoing. Brazil, China, Mexico and the U.K. have made all three communication channels available for whistleblowers, while India, Japan, Korea, the Russian Federation, South Africa, Turkey and the U.S. have implemented at least two of these communication channels (Table 5).

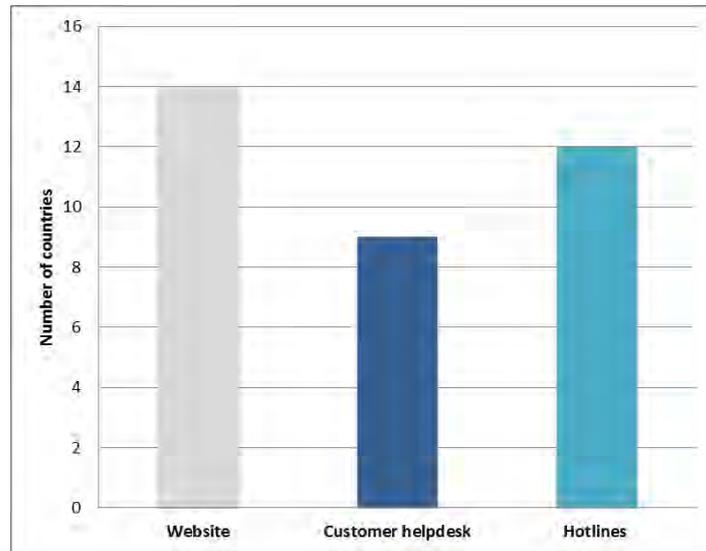
**Table 5 – Measures implemented in G20 customs administrations to disclose wrongdoing**

Channel to disclose wrongdoing	Countries
Implementation of help desks	Brazil, China, France, India, Indonesia, Mexico, Spain, United Kingdom, United States
Implementation of hotlines	Australia, Brazil, China, Indonesia, Japan, Korea, Mexico, Russian Federation, South Africa, Turkey, United Kingdom, United States
Implementation of websites	Australia, Brazil, Canada, China, India, Indonesia, Italy, Japan, Korea, Mexico, Russian Federation, South Africa, Turkey, United Kingdom

Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

Customer help desks, hotlines and websites are largely implemented among customs administrations of G20 countries that have answered the Questionnaire: twelve countries use websites, eight countries use customer help desks and ten countries use hotlines (Figure 5).

**Figure 5 – Main communications channels to disclose wrongdoing**



Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

### Who is the recipient of whistleblower allegations?

In customs administrations from Brazil, France, Indonesia, Italy, Korea, Mexico, the Russian Federation, South Africa, Spain, Turkey, and the U.S., the authority that is primarily responsible for initially investigating whether the allegations of wrongdoing appear to be accurate are customs agencies' internal services. The risk for potential institutional conflicts of interest and lack of accountability is however mitigated by the fact that the operations of internal services in the vast majority of these countries is reviewed by a separate entity (Box 23). In fact, all but three customs administrations observed being regularly subject to professional external audits.

#### **Box 23 – Review of the U.S. CBP internal audit by Congress and the Supreme Audit Institution**

As a part of the Office of the Inspector General, the Internal Affairs unit is subject to the overall supervision of the Inspector General (IG). The Department of Homeland Security (DHS) reports to the Office of the Inspector General, and is subject to the general supervision of the Head of DHS or to the next officer in rank to whom the supervision authority was delegated, as applicable. Neither the head of DHS nor the officer next in rank shall prevent or prohibit the IG from initiating, carrying out, or completing any audit or investigation, or from issuing any subpoena during the course of any audit or investigation [IG Act § 3(a)]. Additionally, the IG Act creates a rare dual reporting obligation for IGs to keep both the head of the agency and the Congress “fully and currently informed” about deficiencies in agency programs and operations, and progress in correcting those deficiencies [IG Act § 4(a)(5)]. Further, in carrying out their duties and responsibilities established under the IG Act, each IG is to give regard to the activities of the Government Accountability Office with a view toward avoiding duplication and ensuring effective coordination and cooperation [IG Act § 4(c)].

Source: G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire, responses by the United State.

In contrast, allegations of wrongdoing in customs administrations of Argentina and Korea are primarily handled by independent anti-corruption authorities. Australia, Canada, China, India, Italy and the United Kingdom indicated that investigations into allegations of wrongdoing can either be handled by

internal services or an independent third party, such as an anti-corruption agency or a specifically designated authority (Box 24). For instance in Australia, where internal controls signal there are reasons to believe a suspect activity is ongoing or is about to happen, the relevant information is communicated to a working group of multiple stakeholders for further analysis and investigation rather than to only one individual. Police forces can also be instructed to conduct the investigation if it likely relates to criminal activities within customs administration.

#### **Box 24 - Canada's Public Service Disclosure Protection Act (PSDPA) regime to disclose wrongdoing**

The PSDPA requires most federal public sector entities, including the CBSA, to establish internal reporting channels since the coming into force of the PSDPA in 2007. Section 10 requires chief executives (e.g. a Deputy Minister) of a federal department or agency to establish internal procedures to manage disclosures made pursuant to the PSDPA. In addition, each chief executive must designate a senior officer to be responsible for receiving and dealing with disclosures of wrongdoing made by employees of their own department or agency. As such, public servants have the choice to disclose wrongdoing to their immediate superior or to the senior officer designated for that purpose by the chief executive of the department or agency. The identity of the whistleblower, potential witnesses and of the alleged wrongdoer must be protected according to subsection 11(1)a) of the PSDPA.

Section 12 of the PSDPA provides that a public servant may disclose to his or her supervisor, or the senior officer designated by the chief executive, "any information that the public servant believes could show that a wrongdoing has been committed or is about to be committed, or that could show that the public servant has been asked to commit a wrongdoing". If employees of a department or agency are reluctant to use the internal reporting mechanisms of their organization, section 13 of the PSDPA provides that a public servant may disclose information pursuant to section 12 of the PSDPA to the Public Sector Integrity Commissioner (the Commissioner), who is an independent Officer of Parliament whose raison d'être is to provide an alternative route to report wrongdoing outside a public sector entity.

Source: Public Service Disclosure Protection Act, sections 10 to 12, <http://laws-lois.justice.gc.ca/PDF/P-31.9.pdf>.

### **Good practices**

The practices below related to audits and investigations are designated as good practices as they seek to reinforce scrutiny and integrity controls within customs administrations, which will ultimately increase effective detection of wrongdoing. These practices seek to ensure that the information generated by internal controls is used effectively, and that adequate corrective actions are undertaken, when appropriate, to prevent similar misconduct to reoccur in the future. The implementation of comprehensive and effective controls, as well as appropriate use of the information generated will significantly contribute to creating a culture of integrity in the workplace.

Good integrity practices identified in this chapter include:

- Implement rules that make it mandatory to disclose wrongdoing for customs officials;
- Implement appropriate policies to encourage the disclosure of wrongdoing by customs officials, business partners, economic operators and the public, such as confidential and anonymous disclosure channels;
- Allow customs officials to disclose wrongdoing to an independent third party;
- Implement policies that will protect whistleblowers from reprisals in case their identity is made public;

- Direct the information generated by internal integrity controls, including disclosures of wrongdoing by whistleblowers, to a designated recipient who possess adequate expertise to use the information effectively;
- Implement corrective actions, when appropriate, to close the gaps and loopholes in customs procedures to prevent the misconduct from reoccurring;
- Designate an external, independent third party to conduct an investigation when the allegations of wrongdoing are systemic or when they involve top management.

## **8. HUMAN RESOURCES MANAGEMENT: AN ESSENTIAL PILLAR OF AN INTEGRITY CONTROL SYSTEM**

Human resources are an essential part of an integrity strategy in customs, as policies and controls can only be as good as managers or employees who supervise and implement them. It is thus imperative that human resources policies should be based on merit, fairness, and transparency to establish an organizational culture that thrives on excellence and organizational ethics. Human resources policies should first seek to recruit the people with the experience, competencies and values that are suitable to fulfil relevant duties, and that correspond to the core values of the organization. Once the right people are recruited, human resources policies should seek to retain qualified and high performing individuals by providing them with competitive salaries, benefits, as well as training and assignment opportunities to enhance their professional careers.

Transparency, integrity and merit-based principles form the core of good practices for the recruitment, selection and promotion of customs personnel. In addition, performance management and objective appraisal systems, applied regularly and systematically, constitute effective measures to enhance performance, particularly if such measures are linked to promotions and additional training, as well as opportunities for both monetary and non-monetary rewards. Integrity can be an important part of performance appraisals for all customs officials.

An appropriate compensation package (i.e. salary and benefits) provided to customs personnel ensures that they are able to maintain a decent standard of living and avoid the temptation of supplementing their income with illegal commissions or outside employment that may compromise their integrity and the performance of their official duties. A good practice is to provide advisory services on personal finances, particularly on personal debt management, and to provide for the possibility of salary advances and staff loans for eligible officials.

It is also of utmost importance that integrity training be given on an ongoing basis throughout customs officials careers, particularly for those occupying positions involving access to strategic information and those that highly vulnerable to corruption risks. Basic integrity training is also often mandatory for all customs officials. Training curriculums and materials are generally specialised and tailored to the needs of the job and include on-the-job training. To ensure that training activities remain effective and up-to-date, the quality and impact of training materials is regularly monitored including through external/independent review. Performance management systems are used to identify areas for improvement and are linked to training opportunities.

The assignment and distribution of responsibilities amongst customs personnel based on good practices in internal control and accounting pays special attention to most vulnerable positions, which can be subject to additional policies and controls aiming at mitigating corruption risk. These include the separation of certain duties and reduction of individual discretion over key decisions. For some positions (inspectors, for instance) job assignment can be random. In some contexts it is also important that measures be in place to enhance integrity controls, such as the promotion of staff mobility and the rotation of responsibilities.

### Security checks

Customs administrations have indicated using a wide diversity of security checks to recruit new personnel, but the most common check is educational background and police records, which are used by 16 countries, followed closely by professional competencies and integrity checks, used by 15 countries. Socioeconomic background is the less commonly-used check, being used only by four countries. The second less common check is personal references, which are used by eight countries, while previous employment records are used by 14 countries (Table 6).

**Table 6 – External checks made on new recruits by customs administrations**

	Prof. compet.	Socio. bground	Educ. bground	Employ. records	Personal Ref.	Police Records	Integrity checks
Argentina	yes	no	yes	yes	no	yes	yes
Australia	DNR	DNR	DNR	DNR	yes	yes	DNR
Brazil	yes	no	yes	yes	no	yes	yes
China	yes	no	yes	yes	yes	yes	yes
Canada	yes	yes	yes	yes	yes	yes	yes
France	no	no	yes	no	no	yes	no
Germany	yes	yes	yes	yes	no	yes	yes
India	yes	no	yes	yes	yes	yes	yes
Indonesia	yes	no	yes	no	no	yes	yes
Italy	yes	no	yes	yes	no	yes	yes
Japan	yes	no	yes	yes	no	no	yes
Korea	yes	no	no	yes	yes	yes	yes
Mexico	no	yes	no	no	no	no	no
Russia	yes	no	yes	yes	yes	yes	yes

S. Africa	yes	no	yes	yes	yes	yes	yes
Spain	no	no	yes	no	no	yes	yes
Turkey	yes	no	yes	yes	no	yes	yes
U.K.	yes	no	yes	yes	yes	no	no
U.S.	yes	yes	yes	yes	yes	yes	yes
<b>Total</b>	<b>15</b>	<b>4</b>	<b>16</b>	<b>14</b>	<b>9</b>	<b>16</b>	<b>15</b>

Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

Most common integrity checks identified by G20 customs administrations are checks of criminal records prior to recruitment by Brazil, Italy, Germany, Spain, the United States and Turkey, and specific questions on integrity during the recruitment interview by Germany, Japan, Korea, and the United States. Moreover, the United States conducts strict integrity checks on an ongoing basis throughout CBP officials' careers (Box 25).

**Box 25 – U.S. CBP Integrity checks conducted on customs officials**

All CBP candidates must successfully complete a background investigation before being appointed. The background check includes credit and criminal history checks, as well as the successful completion of a polygraph exam for law enforcement officer positions. Polygraph questions will concern the answers one gave on his/her application forms; others will deal with national security issues (e.g., foreign contacts, mishandling of classified information, and involvement in terrorist activity). Periodic reinvestigations of an employee's background are conducted throughout an employee's career in order to identify emerging integrity and conduct concerns.

Source: G20 Anti-Corruption Working Group Self-Assessment Questionnaire on Integrity in Customs Organizations, Responses by the United States.

Customs administrations from Canada and the U.S. have indicated using all seven security checks, while Mexico only checks socioeconomic background, and Spain and France check educational background and police records.

12 countries, including Argentina, Canada, China, India, Italy, Mexico, Russia, Turkey, the U.K. (Box 26) and the U.S. indicated having procedures in place in customs administrations to ensure appropriate security vetting of staff considered for recruitment and on existing staff. Germany and South Africa implemented such procedures for existing staff while Brazil has done so only for recruitment purposes. Korea and Spain did not implement such procedures.

### Box 26 - U.K. HMRC Security vetting for customs officials

HMRC operates rigorous security vetting for all staff (at various levels depending on role and building location). Having strong industry relationships, regular management checks and for behavioural checks to form 50% of the performance management systems. To ensure the same Officers are not allocated to specific large traders for significant periods of time, such as in excess of 3 years. Management checks on excessive visits to one trader. Management checks on failure to close cases following visits. All officers to sign declarations of confidentiality and that they understand the appropriate policies. It is an offence to disclose information and to be involved in corruption. Strong management checks in place to ensure that the risk of corruption is mitigated.

HMRC also has a dedicated team whose remit is to detect internal fraud and computer misuse committed by officials. A number of risk profiles are run regularly to identify irregular/suspicious employee behaviour which is reviewed and where necessary referred to the relevant strand of HMRC Internal Governance for further investigation/fact finding. Their investigations can lead to sanctions under Conduct and Discipline rules or potentially criminal prosecution.

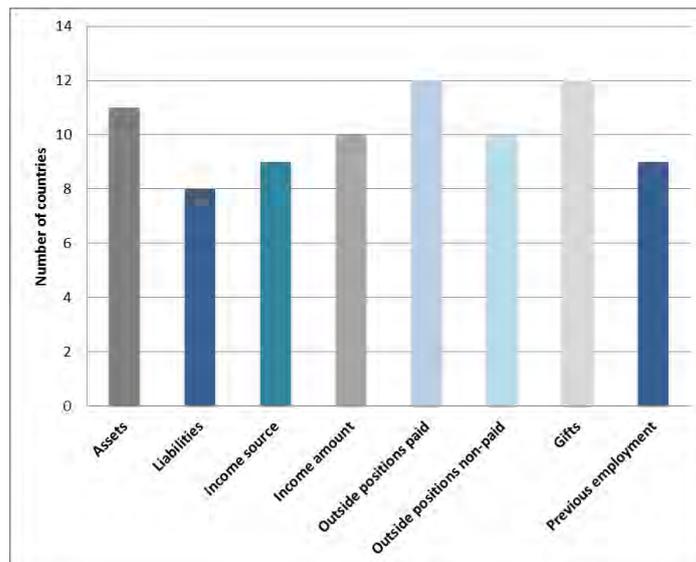
To facilitate this, an audit requirement is incorporated in each new business system developed which ensures that actions in IT systems performed by an employee can be easily identified.

Source: G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by the United Kingdom.

### Disclosure of private interests

Concerning disclosures of private interests by customs officials, the most commonly used requirements are the disclosure of paid outside employment and the reception of gifts, which are made mandatory by 12 countries. Brazil specified that the disclosure of gifts is not mandatory, but the acceptance of gifts of a value over 100 Brazilian Reais is prohibited. Disclosures of assets and previous employment are required in 11 customs agencies, while income amounts are required in ten customs agencies and liabilities and income sources are required in eight customs agencies (Figure 6).

Figure 6 – Categories of private interests that must be disclosed by customs officials



Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

The purpose of disclosures of private interests is twofold: uncovering potential conflicts of interests (Box 27), or detecting cases of illicit enrichment (Box 28).

**Box 27 – Italy’s Agenzia delle dogane e dei monopoli’s ongoing random checks on potential conflicts of interest**

The Italian customs carry out regular random checks (every year) to verify the absence of potential conflicts of interest by employees, in relation with possible extra-institutional undeclared activities performed.

The employees to be controlled are identified through a computer procedure that takes into account some risk parameters (shift work, job title, qualifications, possession of any professional qualifications)

*Source:* G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by Italy.

**Box 28 – Financial disclosure to detect illicit enrichment in Argentina’s General Customs Directorate**

The Federal Administration of Public Revenue’s General Customs Directorate of Argentina specified that its staff was subject to the Law on ethics in the public service (Law No. 25188), which requires officials holding positions vulnerable to corruption risks, to submit an annual Tax Return that is transferred with an authenticated copy of the statements to the National Commission on Public Ethics. The tax return involves an ongoing analysis of the evolution of an employee’s assets, and is one of the main elements that may give rise to investigations and criminal prosecutions for illicit enrichment. Officials subject to the law must disclose:

- a) Real Estate property and the improvements made on such property;
- b) Personal property subject to registration;
- c) Personal property worth 5,000 pesos or more;
- d) The total value of other residual personal property;
- e) Capital invested in bonds, shares and other securities whether they be marketable or not on the stock Exchange, or in the running of personal or company’s business;
- f) Bank deposits amounts, or amounts deposited in other financial entities, whether they be savings or provisional deposits, national or foreign, cash in national or foreign currency (including security boxes and credit cards);
- g) Credits and mortgage debts, pledge debts or common debts;
- h) Annual income and expenses derived from work under an employment contract or from the exercise of professional or independent activities;
- i) Annual income and expenses derived from revenue or social security systems;
- j) For paragraphs a) to d), the official must also include the value and date of acquisition, and the origin of the funds used for such acquisitions.

*Source:* G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire, responses by Argentina; and United Nations Development Programme, Ethics in the Public Service Law 25188, <http://www.snap-undp.org/DemocraticGovernanceTempDocumentLibrary/Argentina%20Ethics%20in%20the%20Public%20Service%20Law%201999.pdf>.

## **Integrity training**

Most customs administrations acknowledged the importance of ongoing integrity training to foster an institutional culture based on values and ethics, as 16 of 19 countries have indicated conducting anti-

corruption training periodically. Some customs agencies train a smaller number of employees every year, while others intensively train a larger number of employees every few years (Box 29).

Some countries, like Japan and the United States, effectively link integrity training to the local culture. The U.S. CBP employs proactive outreach and training methods at regular intervals to build a strong anti-corruption culture and to encourage a high degree of ethics. There are also postings on the internal systems that describe "trust betrayed", as well as "honour portrayed" in order to give good examples and case studies for the workforce. Similarly, Japan indicates that one of their key strategies to prevent corruption in customs is to remind employees, through regular communication and training given by senior managers, that corrupt acts will damage public trust and shed dishonour on customs officials as a whole.

**Box 29 - Number of employees trained and main training topics in Argentina, Brazil, Canada, Germany, Korea, Mexico, U.S., and U.K.**

- **Argentina (5,277 employees):** 518 employees of the General Customs Directorate were trained between January and September 2015 on the new Code of Ethics for the staff of the Federal Administration of Public Revenue;
- **Brazil (5,000 employees):** Approximately 4,500 employees attended the meeting for new recruits and the protect programme, which seek to raise awareness of the institutional culture and provide information to employees through conferences and meetings on main duties, responsibilities, obligations, prohibitions, penalties;
- **Canada (13,000 employees):**
  - 1408 new recruits have been trained (facilitator-led) to ensure they know how to detect, report, avoid and mitigate situations involving misconduct.
  - 361 employees received the Ethical Leadership & Professional Integrity Awareness training online to ensure they integrate the public sector and the CBSA values in all their decisions and actions, and that they receive the necessary resources to make ethical decisions.
- **Germany (37,408 employees):** 4779 customs officials were trained in 2014. The training covered the fundamentals of corruption prevention, and advance training sessions looked at concrete situations involving potential integrity breaches in different fields of the Customs Administration.
- **Italy (8,859 employees):** All staff participated in specific training courses with verification through evaluation tests. Specific training courses have been delivered on technical matters so as to allow the rotation of the staff belonging to those areas much exposed to corruption risks.
- **Korea (4,600 employees):** 592 officials received training through lectures on increasing integrity and reinforcing the culture of integrity within customs through online education. The training will be given to all customs officials.
- **Mexico (7,648 employees):** Between October 2014 and March 2015, 33,292 employees of the Tax Administration Service received training on corruption and its consequences (i.e. approximately 90% of the employees), and among them, most officials from the General Administration of Customs. The tutorial has been included as a module in SAT's Introduction Course, which is mandatory for all new employees.
- **Turkey (16,120 employees):** Between 2001 and 2014, 404 workshops were organized with 19643 participants. In 2015, 23 training programs and workshops on principles of professional ethics were organized, and 1153 employees participated.
- **United Kingdom (9,000 employees):** HMRC undertook a programme of work to promote increased fraud awareness during 2013 which extended to the whole of the Department. As part of this work, HMRC also took the opportunity to clarify the various fraud reporting channels available to staff and also promoted the Civil Service Learning (CSL) 'Counter Fraud and Corruption' module. For Border

Force, online counter fraud and corruption training is available to all staff and is a mandatory course.

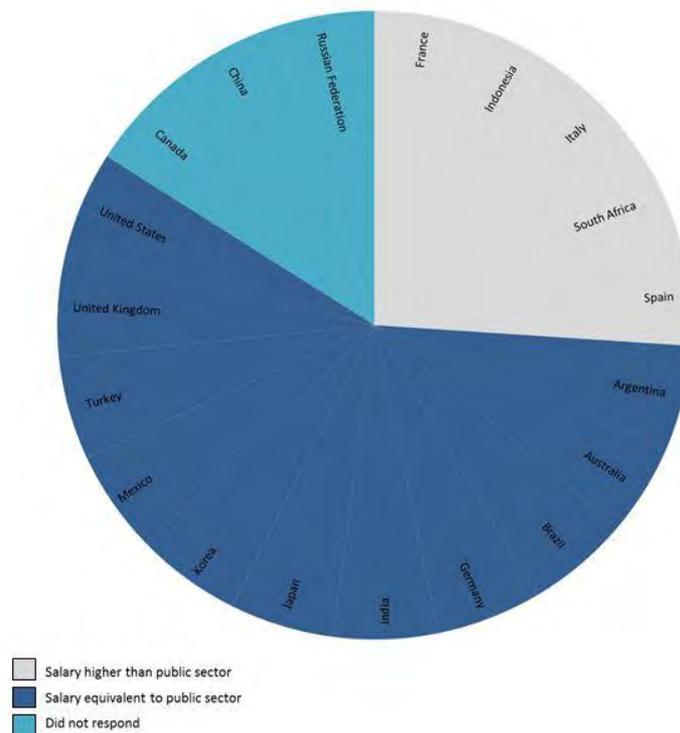
- **United States (59,969 employees):** All employees take the Annual Integrity Awareness Training. Supervisors receive subsequent specialized leadership training to prevent corruption, including courses on identifying and removing personnel who have been corrupted, honesty in leadership, warning signs of corruption, monitoring subordinates, and resisting corruption.

Source: G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by Argentina, Brazil, Canada, Germany, Italy, Korea, Mexico, Turkey, the United Kingdom and the United States.

## Salary levels

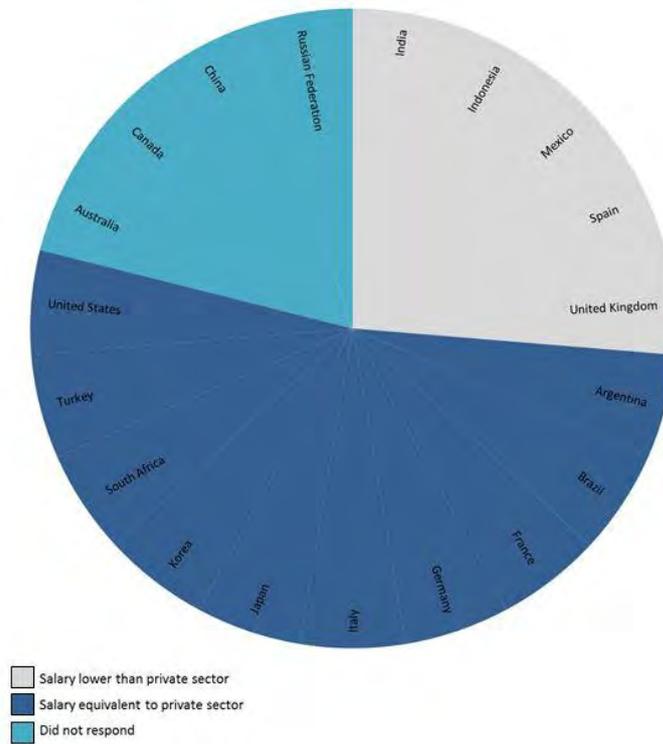
Customs staff in all countries that have provided details on salary levels are paid at least as much or higher than other public officials working in the public sector, with four countries where customs officials were better paid than other public officials and ten countries where customs officials were earning the same salary as other public officials (Figure 7). In contrast, customs staff was paid equivalent or lower than in the private sector in all countries that provided salary details, with four countries where customs officials were earning less than in the private sector, and ten countries where customs officials were earning equivalent salaries to the private sector (Figure 8).

**Figure 7 – Customs officials salaries equivalent or higher than average salary in the public sector**



Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

**Figure 8 – Customs officials salaries equivalent or lower than in the private sector**



Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

### Succession planning and rotation of employees

Ten customs agencies indicated having a programme of succession planning, while 11 customs administrations rotate their employees occupying high corruption risk positions (Table 7).

**Table 7 - Customs administrations with succession planning and staff rotation strategies**

Succession planning	Argentina, Australia, Brazil, China, Germany, India, Indonesia, Italy, Japan, Korea, United Kingdom, United States.
Staff rotation	Argentina, Australia, Brazil, China, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Turkey, United Kingdom.

Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire.

## Good practices

The human resources practices included below are designated as good integrity practices as they recommend the use of proactive controls that seek to ensure the recruitment of new personnel whose values are centred on ethics and the pursuit of excellence. They also suggest controls that may detect any corruption or lack of integrity vulnerabilities throughout the careers of customs officials. Finally, good human resources practices will ensure that the right conditions for the successful establishment of core integrity values are in place within customs administrations on an ongoing basis.

Good practices identified in this chapter are:

- Use security checks upon recruitment of new personnel, such as educational background, professional competencies, previous employment records, and criminal records;
- Use comprehensive and ongoing security checks on customs officials, including reinvestigations in employees background, behavioural checks, psychometric checks, management checks, elaboration of risk profiles and random auditing; particularly for positions that are highly vulnerable to corruption and other integrity risks;
- Require the disclosure of private interests by customs officials, which may be adapted to whether the objective is to detect potential conflicts of interests or illicit enrichment;
- Conduct integrity training that seek to foster an institutional culture based on values and ethics;
- Provide for salaries and advantages that allow customs officials to have a proper standard of living, and make clear that accumulated pension benefits may be lost upon conviction of a serious offence in relation with their duties as customs officials;
- Provide for the rotation of employees and succession planning for strategic positions as well as those that are highly vulnerable to corruption and other integrity risks.

## **9. PROMOTING MORALE AND ORGANIZATIONAL CULTURE THROUGH TRANSPARENT DECISION-MAKING AND A TWO-WAY DIALOGUE**

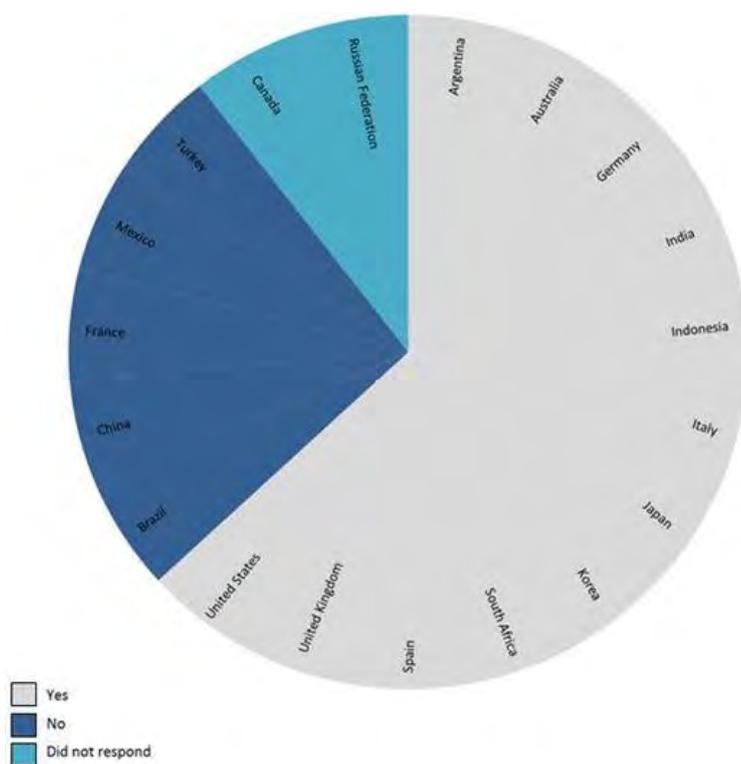
Having an open and transparent decision-making processes for senior management will avoid perceptions that certain decisions may have been biased or taken unfairly. Transparency is particularly important for human resources management decisions, which fairness will have a significant impact on staff morale and motivation, as well as on the overall culture of integrity in general. Human resources decisions taken on merit and in a transparent manner will contribute to boost employee motivation and establish an institutional culture that rewards commitment and excellence.

Morale and an institutional culture based on integrity and the promotion of excellence will also be reinforced by having consultation mechanisms where employees can confidentially raise concerns and seek advice at both professional and personal levels. Providing advisory services at both professional and personal levels will also allow the organization to detect situations that can eventually make employees vulnerable to corruption or misconduct, and thus act as a proactive preventive measure.

## Including integrity in performance appraisals

G20 customs administrations largely link employees' performance appraisals with integrity and ethics, as 12 countries implemented such practices (Figure 9). Some G20 customs administrations have suggested ways to link performance appraisals with integrity. U.K. HMRC and Spain AEAT responded that abiding by core public service values was mandatory, and that behavioural standards, including integrity, are taken into account for the employee performance appraisal system. The German Federal Ministry of Finance provided that ongoing disciplinary proceedings can be taken into account in so-called "conditional performance appraisals". The Korea Customs acknowledged that although integrity is not a direct consideration for the awarding of bonuses to officials, those who are imposed disciplinary measures are excluded from receiving performance bonuses. Brazil's Secretariat of Internal Revenue, however, indicated that there is performance appraisals only for the first three years of employment and that after these years, integrity matters may be flagged only through internal affairs investigations.

**Figure 9 – G20 customs administrations that link integrity with performance appraisals**



Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

## Encouraging employees to reflect about promoting integrity in customs

Involving employees in defining core values and good operational integrity practices will highlight staff creativity, provide customs officials with a sense of ownership over integrity policies and enhance morale as well as an institutional culture of integrity. For example, Germany uses innovative bottom up approaches to improve the administrative operations of customs authorities by using the knowledge, the experience, and the creativity of the whole staff. Good reform and modernization proposals are not only praised and encouraged, they are also rewarded (Box 30).

### **Box 30 – Germany’s bottom-up approach to enhance staff creativity to reform and modernize customs**

All staff members of the German federal administration can make suggestions of good practices on a voluntary and anonymous basis. The idea management system is organized in such a way as to enable staff to input their ideas and suggestions directly into an automated system.

The purpose of this idea management system is to collect innovative ideas aimed at:

- increasing the effectiveness and efficiency of administrative and operational workflows,
- enhancing the quality of works and services,
- improving occupational health and safety and promoting environmental protection,
- increasing job satisfaction,
- making the administration more responsive to citizens' needs,
- eliminating sources of errors,
- reducing costs and saving resources.

Staff members who contribute to the idea management system may be awarded a bonus payment of up to €25,000, if their idea is considered as successful.

*Source:* G20 Anti-Corruption Working Group Integrity and Customs Self-Assessment Questionnaire, responses by Germany.

The Korea Customs Service also proposes an innovative approach whereby good practices contests on anti-corruption and integrity are organized, in addition to selecting customs houses that are most respectful of integrity principles and organizing integrity events such as anti-corruption parody exhibits (Box 31).

### **Box 31 – Korea Customs Service’s use of integrity contests and anti-corruption parody exhibits**

The Korea Customs Service uses a number of innovative practices to enhance staff creativity and promote integrity in customs.

**Best-practices contests on anti-corruption and integrity:** An overall evaluation of anti-corruption and integrity policy measures implemented by local customhouses is conducted annually.

**Anti-corruption parody exhibits:** Customs officials are invited to enter into a parody contest with their own artistic work related to integrity, such as movie posters or paintings. The parodic artistic works are exhibited in public places and other local customhouses through travelling exhibitions.

**Selection of customs local agencies that are most respectful of integrity principles:** Selection is done by comprehensively evaluating both the results of surveys on integrity by public users of local customhouses and the efforts made for higher integrity through anti-corruption activities.

*Source:* G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses from Korea.

Moreover, many customs agencies seek to stimulate internal discussion on integrity by extensively publishing their code of conduct internally and externally to disseminate integrity standards that are expected from customs officials. Others, like CBP’s Office of Field Operations, set up goals and standards to achieve highest levels of integrity among CBP staff. Finally, South Africa’s SARS conducts ongoing integrity awareness workshops involving other government organizations and relevant stakeholders.

### **Encouraging employees to disclose wrongdoing**

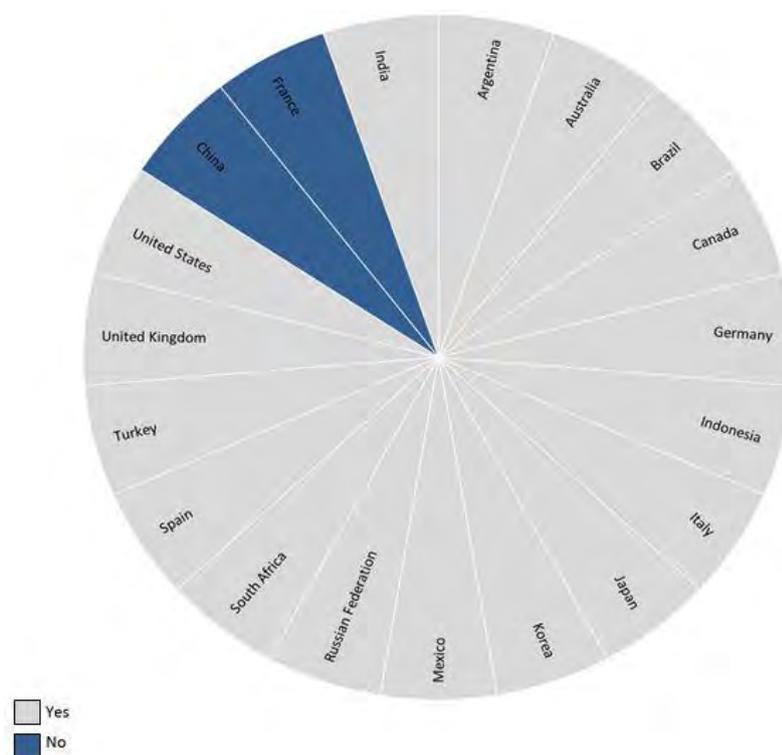
Whether it is well-accepted to discuss cases of misconduct and mismanagement will also greatly impact on staff morale and the establishment of an institutional culture based on integrity. As discussed in chapter 7, a vast majority of customs administrations reported providing for both confidential and anonymous disclosure of wrongdoing.

Protecting employees who disclose misconduct and mismanagement may also contribute to reinforce an institutional culture of integrity. Australia, Canada, France, India, Italy, Korea, Mexico, South Africa, the United Kingdom and the U.S. have reported having regimes in place to protect the status of whistleblowers if their identity is publicly disclosed. Japan’s internal regulations guarantee the confidentiality of the identity of whistleblowers.

### Making it mandatory to report wrongdoing

Creating an obligation to report wrongdoing can significantly contribute to establish a culture that is favourable to disclosures of wrongdoing by employees. 17 of 19 customs administrations reported that disclosing suspicions of wrongdoing was mandatory within their jurisdiction. Only China and France responded that such disclosures were not mandatory (Figure 10).

**Figure 10 – G20 countries where it is mandatory to report wrongdoing**



Source: Responses to the G20 Anti-Corruption Working Group Integrity in Customs self-assessment questionnaire

### Hierarchy not a factor in the imposition of sanctions

Morale and institutional culture will also be influenced by whether wrongdoing will be sanctioned for all customs officials, regardless of their hierarchical level. G20 customs administrations unanimously reported that all of their officials were subject to the same sanctions, regardless of the nature of the position they occupy. Prompt action should be taken against all those who fail to meet integrity standards.

## Good practices

The practices included below are designated as good integrity practices as they seek to ensure that adopting behaviours based on integrity will enhance the career progression and the sense of belonging to the administration by customs staff. They provide objective standards applicable to all staff against which behaviours and performance will be evaluated, and seek to address any perceptions of lack of fairness or integrity in decision-making. These practices seek to proactively support customs officials who may be facing professional and personal issues before these may turn into potential integrity vulnerabilities.

Good integrity practices identified in this chapter are:

- Ensure integrity is a central consideration of employee performance appraisals, and that disciplinary sanctions are considered in the decision to award financial bonuses or promotions;
- Provide encouragement, recognition and rewards to employees, or customs organizations in general, who propose good integrity practices on an ongoing basis;
- Providing for confidential and in some cases, anonymous communication channels to report misconduct or signal any other concern of a professional or personal nature;
- Provide confidential advisory services for customs officials at both professional and personal levels;
- Make it mandatory for customs officials to report misconduct;
- Subject all customs officials to the same sanctions for the same breaches of integrity, regardless of their hierarchical level;
- Ensuring an open and transparent decision-making process for senior management, particularly with respect to human resources matters.

## 10. RELATIONSHIP WITH THE PRIVATE SECTOR IS KEY TO CUSTOMS POLICYMAKING

Stakeholder engagement can be leveraged to render the policymaking process more inclusive and informed, leading to policies that are more fair and closer to the client groups. The OECD Guiding Principles for Open and Inclusive Policymaking emphasise that inclusion means not only that all groups should have equal opportunities and multiple channels to access information, but also that they should be consulted. Consultation and engagement can help policy makers gather the necessary inputs and evidence to deal with the multidimensional nature of custom related issues.

Clear communication channels between customs administrations and economic operators will contribute greatly to establishing a collaborative relationship between public and private sectors, and lead all stakeholders to accept an appropriate level of accountability and responsibility with respect to promoting integrity in customs administrations. Customs administrations may wish to avoid adopting an overly repressive approach in response to non-compliance with customs rules and procedures, and invest more efforts in making the information necessary to comply with rules and procedures available, and in providing compliance-related guidance and advice.

## Good practices to engage economic operators

Customs administrations suggested a number of tools or strategies developed in coordination with the private sector to prevent and combat corruption. The U.S. promotes a shared responsibility approach to trade enforcement that is based on a robust Customs and Business relationship that allows for frank discussions on both sides (Box 32). Such relationships based on frequent exchanges between customs and business can create opportunities to reporting fraud, waste and abuse.

### **Box 32 - The U.S. Customs Modernization and Informed Compliance Act**

The Customs Modernization and Informed Compliance Act, or “Mod Act” (Title VI of P.L. 103-182) was passed in 1993 in order to streamline, automate, and modernize CBP (then the U.S. Customs Service) commercial operations while simultaneously improving compliance with U.S. customs laws, and providing safeguards, uniformity, and due process rights for importers. The U.S. Customs Modernization and Informed Compliance Act promotes a shared responsibility approach to trade enforcement. On the one hand, it requires the CPB to be responsible for informing the private sector of their rights and responsibilities under the customs regulations and related laws. On the other hand, economic operators are required to be aware of their legal obligations and make their own duty determinations through the concept of “informed compliance”. This “shared responsibility” encourages CBP and the private sector to work together on identifying issues, including those related toward corruption, and determine practical solutions.

*Source:* G20 Anti-Corruption Working Group Integrity in Customs Self-Assessment Questionnaire, responses by the United States.

Brazil (Procomex) and Mexico (Customs Modernization and Competitiveness Board) have put forward an inclusive approach by formalising whole-of-government and business consultations through shared institutions seeking to modernize and promote the effectiveness of foreign trade. Under Brazil’s Procomex, public and private sector actors collaboratively aim at modernizing Brazilian foreign trade through the mapping of business processes to inform and drive key procedural changes. Due consideration is given to both trade efficiency and implementing adequate integrity controls. In Mexico, public and private sector trade stakeholders collaborate through the Customs Modernization and Competitiveness Board to design and implement better policies in seven key areas: (1) open and two-way communication; (2) transparency; (3) collaboration; (4) inclusion of all stakeholders; (5) innovation to anticipate changes and challenges; (6) integrity for mutual trust and understanding; and (7) accountability and joint responsibility

Canada, the Russian Federation and the U.K. have set up consultative committees, which include industry stakeholders, that are used to communicate and request feedback on a variety of initiatives, policies and regulations, including some that relate to integrity and anti-corruption. Korea has also set up a consultative committee that includes private sector experts from the audit field to advise on integrity and anti-corruption matters.

Argentina’s General Customs Directorate promotes the application of agreements with different sectors through the exchange and efficient use of shared human resources, while ensuring the transparency, integrity and quality of both the processes and the operators. In some cases, economic operators collaborate in the development of regulations, such as Regulation No. 48/2008 on Authorised Economic Operators.

China and India customs organizations organize periodic meetings with economic operators on an ongoing basis on a variety of issues, including integrity and anti-corruption.

## **Weighting the value of stakeholder observations**

However, customs administrations may wish to have their own technical resources to be able to sustain a constructive dialog on private sector representations and avoid overly relying on such representations. Moreover, good lobbying practices promote democratic participation and frame the process through which decision makers access insights and technical information from economic operators, and it facilitates stakeholder access to public policy development and implementation. Yet, lobbying is often perceived as an opaque activity of dubious integrity, which may result in undue influence, unfair competition and regulatory capture to the detriment of fair, impartial and effective policy making. To level the playing field among all stakeholders in the policymaking process, the OECD adopted in 2010 the Recommendation on Principles for Transparency and Integrity in Lobbying.

## **Good practices**

The practices below are identified as good integrity practices as they seek to involve the private sector in collective action to fight corruption at the border. They promote a shared responsibility between public and private sectors in achieving clean trade.

Good integrity practices identified in this chapter are:

- Maintain a collaborative dialogue with economic operators and the public on the design and implementation of customs rules, policies and guidelines;
- Promote a shared responsibility approach to anti-corruption enforcement, based on frequent exchanges between Customs and Business can create opportunities to report fraud, waste and abuse;
- Ensure effective communication with respect to rights and responsibilities of economic operators;
- Formalise whole-of-government and business consultations through shared institutions seeking to modernize and promote the effectiveness of foreign trade;
- Avoid adopting overly repressive approaches to non-compliance with customs rules and procedures; and invest efforts in making the information necessary to comply with rules and procedures readily available, and in providing compliance-related guidance and advice;
- Maintain the internal technical resources to be able to sustain a constructive dialog with the private sector, and avoid overly relying on private sector representations;
- Ensure business groups are involved in fighting corruption at the border.

## **CONCLUSION: TOWARDS GOOD INTEGRITY PRACTICES IN CUSTOMS ADMINISTRATIONS**

The feedback on this draft paper will guide the completion of a compendium of good practices for customs integrity in line with the 2015-16 G20 ACWG Action Plan. The Good Practices for Customs Integrity will also support the implementation of the ten principles of the Revised Arusha Declaration.

However, additional guidance will be required to effectively guide countries that wish to design and implement such practices. This guidance should focus on how to effectively transfer good practices by carving out every step of the implementation process, building on the foundations of a comprehensive integrity system that is essential to building a culture of integrity within customs. Building an effective integrity system and culture should not only consider customs agencies in isolation, but adopt a whole-of-government approach while mapping integrity and corruption risk. It is also essential to avoid the pitfalls associated with “one-size fits all” and “check-the-box” approaches by ensuring that transfers of good practices are tailored according to the national context, local culture and institutional set up.

Bringing meaningful change to an organizational culture often meets resistance from stakeholders. There is a large and diversified pool of change management literature and expertise that can be drawn from to better face such challenges. Moreover, sectorial reforms will need to be prioritized according to risk mapping, resources available and the underlying local culture.

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## ANNEX – G20 ANTI-CORRUPTION WORKING GROUP INTEGRITY IN CUSTOMS SELF-ASSESSMENT QUESTIONNAIRE

In October 2014, G20 members acknowledged that certain sectors are particularly vulnerable to some unique corruption risks and challenges. The ACWG has identified that customs is a high – risk area to corruption that can have extremely severe consequences for economic growth and development.

ACWG members recognised the need for the G20 to take concrete and practical action to tackle corruption high – risk areas and committed to work on the deliverables agreed in the *2015 – 2016 Anti-corruption Implementation Plan*. Responses to this questionnaire will assist in writing the Self-Assessment Report that will help to identify individual and collective strengths and areas for improvement, as well as potential next steps to combat corruption in the Customs administrations. Some of the following questions are inspired in previous work by the World Bank and the World Customs Organization.

You are requested to send your completed questionnaire by \_\_\_\_\_ to \_\_\_\_\_

In case of questions while completing the survey, please kindly contact: \_\_\_\_\_

### CONTEXT information

1. Please indicate which government ministry/department or other agency is responsible for the Customs administration in your country. Indicate the name of the institution.

2. Is your customs service subject to Parliamentary/legislative oversight?

YES  NO

If yes, please describe.

3. What is the nature of the organization or department responsible for Customs administration?

- a. Independent Agency or Organization
- b. Department in Tax Administration
- c. Other:...

4. How many staff (full-time equivalents) are employed at the Customs administration?

5. Please name the laws, regulations and procedures that govern Customs in your country.

6. Has your country ratified the following Customs conventions?

a. WCO Revised Kyoto Convention

b. Harmonized System Convention

**REFORM AND MODERNIZATION**

7. Does your Customs administration have a process of continuous review and improvement of systems and procedures?

YES  NO

If yes, please explain:

8. How do new projects, policies and initiatives developed in the context of reform and modernization programmes take integrity into account? Please provide a brief description

**AUTOMATION**

9. Please provide details of the automated systems that your country has introduced to limit official discretion and face to face interaction.

10. Has your Customs administration established automated payment systems to eliminate or limit the physical handling and transfer of funds between Customs officials and clients?

YES  NO

11. Has your Customs administration a comprehensive risk assessment to analyse the corruption risk posed by your automated systems?

YES  NO

12. Explain how appropriate attention has been paid at those points in the process that cannot be automated (such as cargo examination).

**RISK ASSESSMENT, STRATEGY AND LEADERSHIP**

13. How are risks of corruption effectively identified, assessed, managed and communicated?

14. Does the Customs administration have anti-corruption strategy or policy?

YES  NO  (go to question 21)

If yes, please kindly provide a copy.

15. What kind of instruments are in place to monitor the implementation of the anti-corruption strategy?

16. Please provide an overview of concrete actions taken from the Senior Management Team to demonstrate leadership to promote integrity.

17. Please indicate whether your country has undertaken measures to avoid soliciting or accepting payment before clearance to:

a. Accelerate the processing of documents during assessment of origin, value and classification of goods YES  NO

b. Ignore the fact that some cargo listed on the manifest was not declared YES  NO

c. Certify fictitious exports or provide for a wrong Harmonized System (HS) classification YES  NO

d. Permit goods in transit to be released for domestic consumption YES  NO

e. Permit under-invoicing of goods YES  NO

f. Accept a false country of origin declaration, thus permitting the importer to benefit from a preferential tariff regime. YES  NO

Please indicate what relevant steps your country has taken / is taking.

18. Please indicate whether your country has undertaken measures to avoid soliciting or accepting payment during clearance to:

- a. Automatic clearance and release of cargo                      YES       NO
- b. Influence the findings of the inspection                      YES       NO
- c. Get speedy clearance                      YES       NO
- d. Obtain preferential treatment                      YES       NO

If yes, please indicate what relevant steps your country has taken / is taking.

19. Please indicate whether your country has undertaken measures to avoid soliciting or accepting payment to:

- a. Permit traders to release goods, for domestic consumption and without paying the required import duties                      YES       NO
- b. Permit traders to claim drawbacks for fictitious exports                      YES       NO
- c. Permit importers to transfer imports that benefited from duty relief to non-authorized users or for non-intended purposes                      YES       NO
- d. Permit importers to introduce goods in excess of the amounts agreed to                      YES       NO

If yes, please indicate what relevant steps your country has taken / is taking.

**TRANSPARENCY AND INFORMATION SECURITY**

20. How does your Customs administration make publically available to all relevant stakeholders exemptions, concessions, regulations, rulings, procedures and legislation? What mechanisms are in place to communicate changes?

21. Is the basis or criteria upon which officials exercise discretionary power clearly defined and publicly available?

YES  NO

Please explain:

Please provide examples of actions taken by the Customs administration to make integrity and fighting corruption visible to the external stakeholders and the general public.

22. Which regulations and internal practices does the Customs Administration have in place to guarantee information security? (e.g. policies to maintain privacy when dealing with confidential information, security checks and monitor performance of external contractors, risks assessment of automated systems, limited and controlled number of Customs officials with access automated systems)

#### CODE OF CONDUCT

23. In case you do have a Code of Conduct, does it provide for a range of practical examples to clarify the provisions that they can easily be discerned by employees/Customs officials?

YES  NO

24. Is there an effective communication strategy and internal/external promotion of the Code of Conduct? Please provide a brief description of the strategy and explain if all employees and Customs officials required reading, signing, and acknowledging it.

#### REPORTING, AUDIT AND INVESTIGATION

25. Has your country established policies, procedures and mechanisms to encourage reporting of wrongdoing in Customs?

YES  NO

26. If yes: in which manner is reporting of wrongdoing in customs possible?

a. Anonymous reporting only

b. Confidential reporting only

c. Anonymous and confidential reporting

d. Reporting is possible but confidentiality is not guaranteed

27. Please briefly describe how employees are protected against reprisal for reporting wrongdoing

28. What types of channels are in place to report instances of corruption?

a. Customer Help Desks

b. Hotline

c. Website

d. Other

29. In your Customs administration, is it mandatory to report suspected or known cases of wrongdoing?

YES  NO

If yes, please provide details on the specific legislation and on how employees and clients are aware of this obligation.

30. Which body/authority has the responsibility to deal with the investigation of allegations of corruption related to your Customs administration?

a. Independent anticorruption authority

b. Internal affairs unit

c. Other

If other, please describe.

31. If you answered "internal affairs unit - b":

a. How many employees are in the internal affairs unit?

b. Is the internal affairs unit subject to an independent review?

YES  NO

If yes, please describe:

32. In your Customs administration agency, are all employees/public officials subject to the same sanctions or penalties, regardless of their rank?

YES  NO

If no, explain why.

33. Is your Customs administration subject to regular and professional external audit?

YES  NO

#### **HUMAN RESOURCE MANAGEMENT**

34. Select the external checks used in your Customs administration agency to recruit new personnel:

- |   |                              |                             |
|---|------------------------------|-----------------------------|
| a. Professional competencies                      | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| b. Socioeconomic background                       | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| c. Educational background                         | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| d. Previous employment records                    | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| e. Personal references                            | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| f. Police records ("certificate of good conduct") | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| g. Integrity checks                               | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| h. Other  | YES <input type="checkbox"/> | NO <input type="checkbox"/> |

35. Does your Customs administration have procedures in place to ensure appropriate security vetting for:

Potential staff during recruitment

Existing Staff (Periodically)

If yes, please provide de base for selecting the staff subject to security vetting

36. Does your country require disclosure by Customs officials of:

- a. Assets                      YES               NO
- b. Liabilities                      YES               NO
- c. Income Source              YES               NO
- d. Income Amount              YES               NO
- e. Outside position: Paid      YES               NO
- f. Outside position: Non-  
Paid                      YES               NO
- g. Gifts                      YES               NO
- h. Previous Employment      YES               NO

37. Does your Customs administration promote specialized training on how to prevent and combat corruption?

YES       NO

If yes, please provide the number of employees' trained, brief description of the topics, and main results.

38. In your country Customs administration agency, staff remuneration is comparing with similar positions.

- In the public sector      LOWER       EQUIVALENT       HIGHER
- In the private sector      LOWER       EQUIVALENT       HIGHER

39. In your administration, is there a feedback and reward system for employees linked to the performance appraisal system?

YES  NO

40. Is there a programme of succession planning to ensure that the administration does not become over-reliant on a few key individuals?

YES  NO

41. Has your Customs administration developed mechanisms to transfer or rotate employees to prevent them from holding vulnerable positions for long periods of time?

YES  NO

In case you answered yes, please describe policies or guidelines of rotation mechanisms

#### **RELATIONSHIP WITH PRIVATE SECTOR**

42. Which tools or strategies has the Customs administration developed in coordination with the private sector (collective action) to prevent and combat corruption in Customs, if any?

#### **GOOD PRACTICES**

43. Which good practices, innovations or relevant experiences in the fight against corruption could be useful for other Customs administrations, if any?

Thank you for completing this questionnaire.

Please kindly provide a contact point in case some responses would require further explanation.

Name:

Function:

Contact details:

# Integrity in customs: Taking stock of good practices



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