



ICAO – WCO JOINT WORKSHOP

AIR CARGO

SECURITY AND FACILITATION



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MODULE 7

RISK MANAGEMENT MODELS



Module Objective

- Present Risk Management models used by ICAO and WCO



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■ DEFINITIONS



Threat

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The probability that an act of unlawful interference is attempted, based on an adversary's intentions and capabilities but NOT taking into account current security measures

WCO

The WCO Risk Management Compendium and related tools provides a comprehensive strategy for threat assessment



Consequence

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The outcome of an act of unlawful interference, in human, economic, political, and reputational terms under a reasonable worst-case scenario

WCO



Vulnerability

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Inadequacies and/or characteristics of a system/asset that could permit an act of unlawful interference

WCO

Risk indicators: Specific criteria which, when taken together, serve as a practical tool to select and target movements that pose a risk of potential non-compliance with Customs laws



Risk

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Probability of an act of unlawful Interference being successfully carried out on a specific target, based on an assessment of threat, vulnerability, and consequence

$$\text{RISK} = \text{THREAT} \times \text{CONSEQUENCE} \times \text{VULNERABILITY}$$

WCO

Effect of uncertainty on objectives



High Risk Cargo

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High-risk cargo is cargo presented by an unknown entity or which shows signs of tampering and, in addition, meets specific criteria such as: specific intelligence, shows anomalies, its nature prevents baseline security measures from detecting prohibited items

WCO

Cargo for which there is inadequate information or reason to deem it as low-risk, that tactical intelligence indicates as high-risk, or that a risk-scoring assessment methodology based on security-related data elements identifies as high risk



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 CUSTOMS

PERSPECTIVE



Customs Mandate:

- Balanced approach to (1) collect revenue;(2) control the movements of goods and passengers across borders; (3) facilitate trade

- WCO: Chapter 6 of the General Annex Guidelines to Revised Kyoto Convention, which relates specifically to Customs control



Customs Mandate:

- SAFE Framework of Standards to Secure and Facilitate the International Supply Chain (“SAFE Framework”) as a basic regulatory model for its members on RM approach to mitigate security risks and threats



Risk Management Defined

Different levels: strategic; operational and tactical risk management (different information sources and responses)



Risk Management Defined

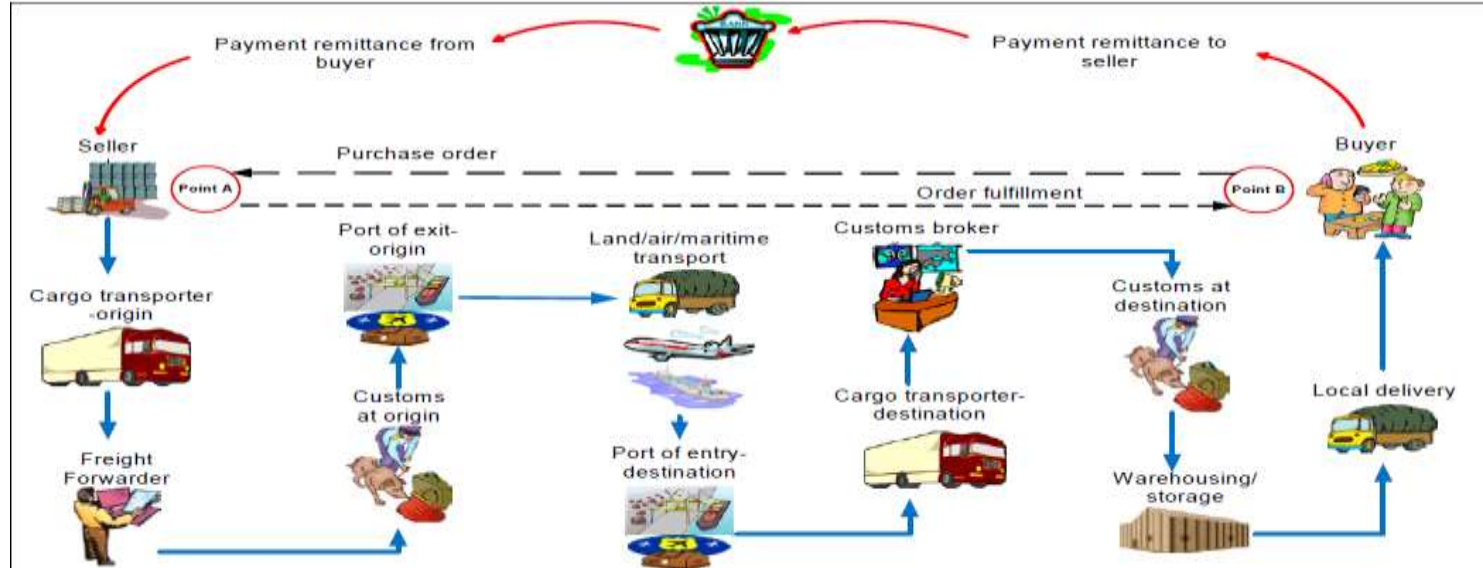
The systematic application of management procedures and practices which provide Customs with the necessary information to address movements or consignments which present a risk

WCO Risk Management



- **Volume 1:**
Principles, framework,
process for managing
risk
- **Volume 2:**
Operational risk
management, tools
and instruments

Customs Risk Management Challenge



Customs Control Methodologies

“The gatekeeper approach”:

- to ensure compliance with national legislation
- entails physical control over goods until payment of duties and/or compliance with legislation
- The term “gatekeeper” refers to Customs officers physically manning gates or points (i.e. chokepoints) of entry/exit in order to perform their functions



Customs Control Methodologies

“The gatekeeper approach”:

- Still relevant?
- Changing world: globalization, increased international trade, **terrorism, organized crime**, limited resources and budget constraints



Customs Control through risk management

- The legal basis for the risk management approach is the Revised Kyoto Convention (“Kyoto”) with the SAFE Framework are the main WCO’s instruments that underscores the importance of a risk management approach



Customs Control through risk management

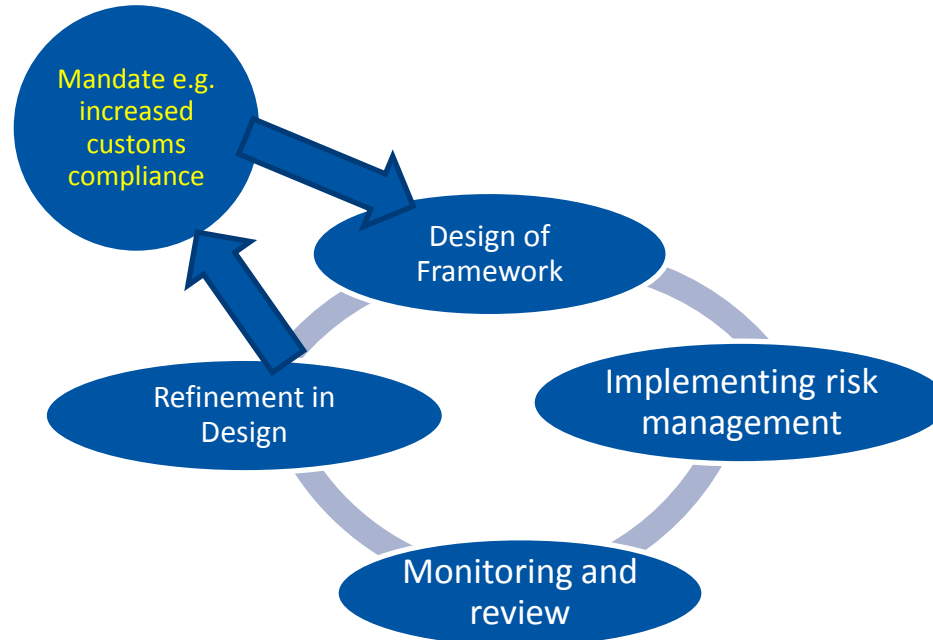
- In terms of Chapter 6, Standard 6.3, of the General Annex to the Revised Kyoto Convention, risk management is the key element in achieving the objectives of control, facilitation and protection and should therefore be integral to the control programme of a modern Customs administration
- In terms of Standard 4, pillar I of SAFE Framework of Standards, Customs administrations are requested to identify potentially high-risk cargo and/or transport conveyances



Conditions for Risk Management

- Holistic approach to government priorities with specific emphasis on administration and enforcement of regulations at point of import/export
- Organizational framework for risk management

Risk Management Framework (ISO 31000:2009)





Risk Management Principles

- Contribute to achievement of objectives and improve performance
- Aligned to organization's role
- Integral part of organizational processes
- Part of decision-making processes

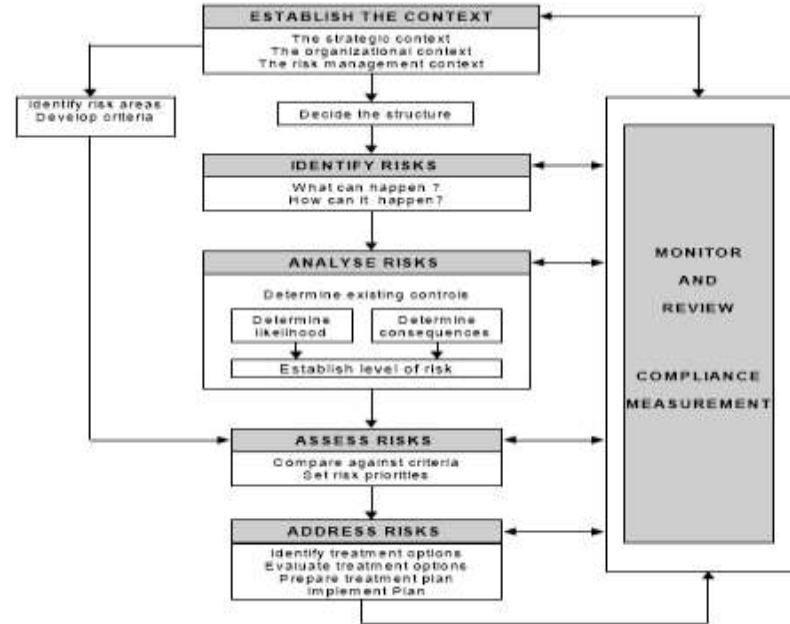


Risk Management Principles

- Systematic, structured and timely
- Based on best available information
- Be transparent and inclusive
- Dynamic and response to change
- Facilitate continuous improvement

Risk Management Steps

KEY COMPONENTS OF CUSTOMS RISK MANAGEMENT



Reference : Based on Australian/New Zealand Standard "Risk management", AS/NZS 4360:1005 p.11



Risk analysis, assessment & risk profiles

- Risk analysis and risk assessment are analytical processes that are used to determine which risks are the most serious and should have priority for being treated or having corrective action taken



Risk analysis, assessment & risk profiles

Create risk profiles:

- Targeting/Selectivity make use of risk profiles (which have been established in a process of risk analysis and assessment)



Risk analysis, assessment & risk profiles

Create risk profiles:

- Risk profiles encompass various indicators, such as type of goods, knowing the trader and compliance records of traders, value of goods and applicable duties, destination and origin countries, mode of transport and routes and are built based on characteristics displayed by unlawful consignments (or offending passengers)



Risk analysis, assessment & risk profiles

Enhance Profiles:

- By gathering, charting and analysis of intelligence and through the WCO tools developed to assist its member countries

Estimating, rating and ownership of risk

Select target against level of risk:

- Profiles drive inspection selectivity programmes
- Categorize: $\text{risk} = f(\text{event}, \text{likelihood} \times \text{impact})$
- Low medium high (3x3 or 5x5 rating scale) e.g. low likelihood – low impact can largely disregarded



Estimating, rating and ownership of risk

Select target against level of risk:

- Risk treatment:
 - Tolerate
 - Treat
 - Transfer
 - Terminate



Estimating, rating and ownership of risk

Select target against level of risk:

- Risk ownership: register or risk matrix
 - Senior management owns risk
 - Managers are accountable for managing risks
 - Front line staff responsible for intervention and feedback



Risk Management Responses

- Pre-arrival screening
- Physical screening
- Dog detector
- Intelligence sharing
- MOUs



Risk Management Responses

- Joint initiatives
- Whole of government approach
 - there is a time critical need for information, or
 - you are in a joint working situation with the recipient of the information, or
 - you have an established working relationship with the recipient of the information
- Training and development



WCO Tools

- Risk Profiles can be enhanced through WCO TOOLS:
 - RILO (Regional Intelligence Liaison Offices)
 - CEN (Customs Enforcement network)
 - nCEN (national)
 - Above are useful for intelligence sharing, joint projects, capturing and storage of seizure data
 - Benefit of more than 160 countries contributing
- Other instruments available: e.g. Mutual Assistance



Benefits of a risk based targeting approach

- Reduced release time
- Lower transaction costs
- Better human resource allocation
- Increased revenue



Benefits of a risk based targeting approach

- Improved compliance with laws and regulations
- Improved collaboration between traders and Customs
- Improved efficiencies



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 AVSEC

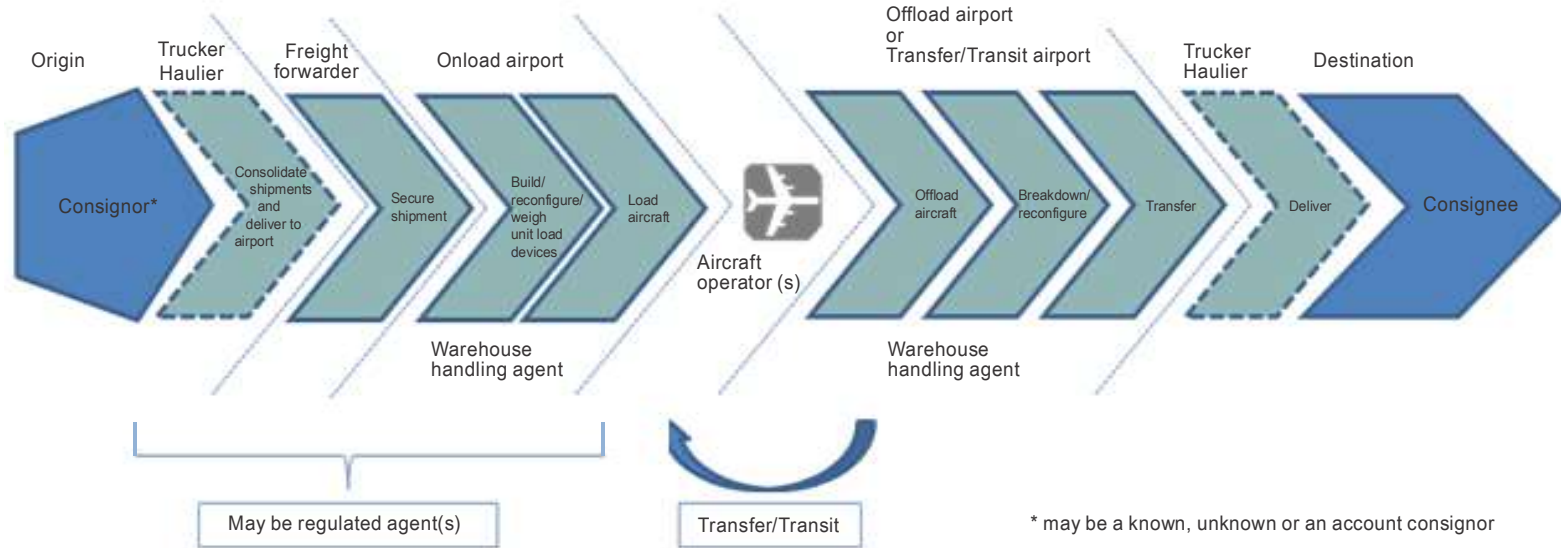
PERSPECTIVE



ICAO AVSEC Mandate

- A38-15: Consolidated statement of continuing ICAO policies related to aviation security, Appendix C
- Annex 17 SARPs

AVSEC Risk Management Challenge



HRC – Decision making process



HRC – decision making process

Cargo is tendered for transport at any point in the supply chain or at a point of origin

NO threat info

RA/KC/AC/AO
relevant info, no tampering

NOT difficult to detect PI due
to nature of cargo

NO anomalies or reasons
to suspect



State's Security Controls

Have SC in practice been able to
resolve the item?



**Additional
measures**



**Item can
be carried**

HRC – decision making process

Cargo is tendered for transport at any point in the supply chain or at a point of origin



Threat info



RA/KC/AC/AO



OR
NO relevant info, Tampered with



Difficult to detect PI due
to nature of cargo



Anomalies or reasons
to suspect

HRC

HRC – decision making process

Cargo is tendered for transport at any point in the supply chain or at a point of origin

HRC

Apply appropriate screening that would effectively detect an IED or other prohibited item(s), as determined by the State's AA, this may include additional detection methods or other robust security measures

Have SC in practice been able to resolve the item?



**Additional
measures**

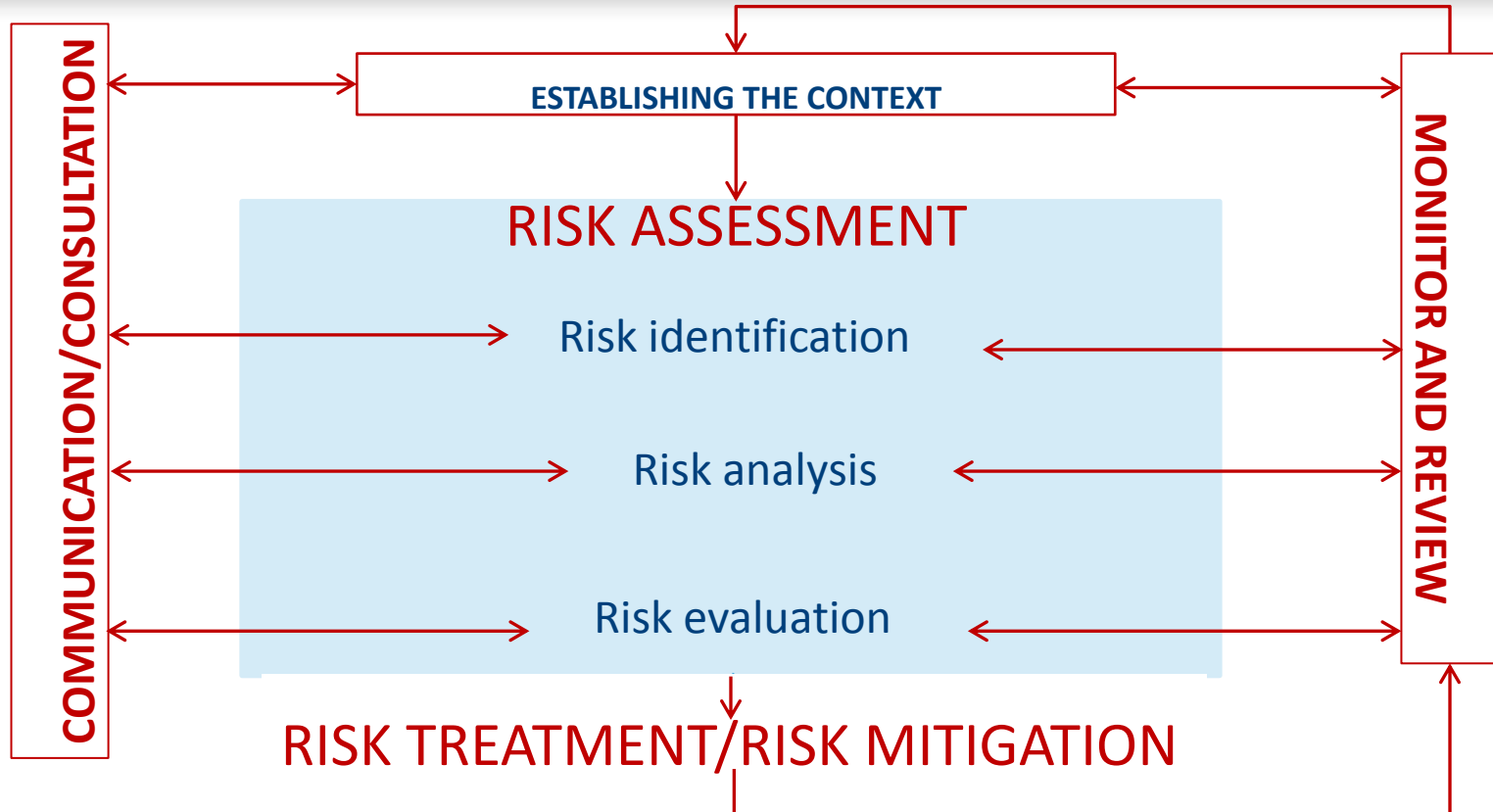


**Item can
be carried**



Risk Management process

- Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analyzing, evaluating, treating, monitoring and reviewing risk





Risk Management – ISO Principles*

- Tailored
- Takes human and cultural factors into account
- Transparent and inclusive
- Dynamic, iterative and responsive to change
- Facilitates continual improvement and enhancement of the organization

**ISO 31000*



ICAO Tools

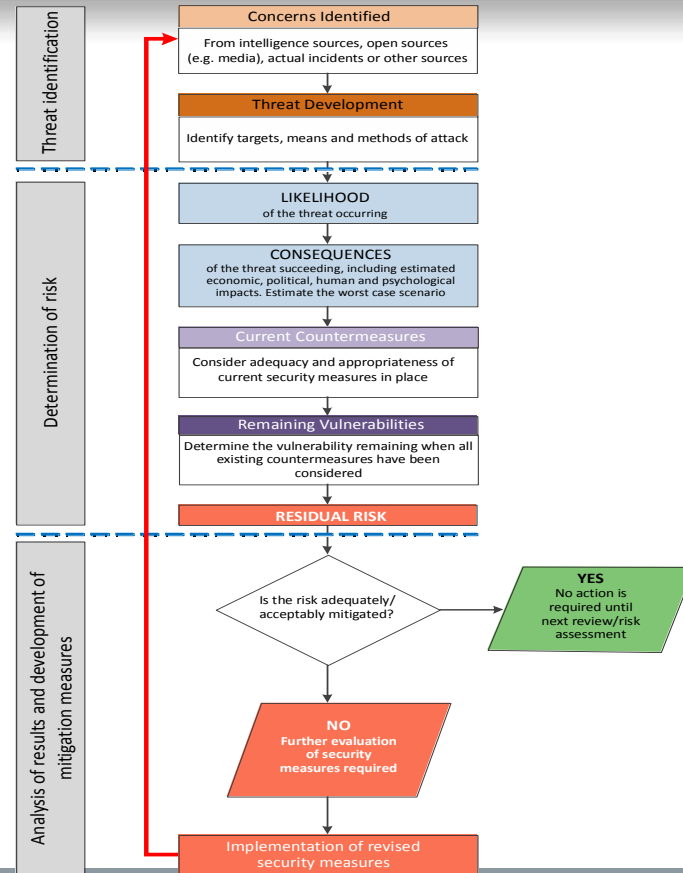
- Risk Context Statement
- Aviation Security Manual (8973-Restricted)
- Risk Management Workshop



Risk Context Statement Considerations

- Analysis of plausible threats, probability, and consequences
- Residual risk assessment
- Recommendations for further risk-based work and possible mitigation

Risk Context Statement Process Map





RCS Scores

- High
 - Medium-low
- Medium-high
 - Low
- Medium



Risk Context Statement

IEDs in Cargo - Matrix (4)

- Likelihood (Medium)
- Consequences (High)
- Mitigation measures
- Residual vulnerability (Medium)
- Residual risk (Medium-High)



Examples of Mitigation

- controlling access to areas where cargo is processed and stored
- screening individuals entering such areas for items that could be inserted in cargo
- applying appropriate screening methods to cargo that are capable of detecting IED types within the type of cargo in question
- identifying cargo categorized as high-risk and applying more rigorous screening methods to it



Examples of Mitigation

- implementing known consignor and regulated agent regimes
- applying effective security principles throughout the supply chain to prevent insertion of an IED into a consignment and ensure that the security history of an item can be verified; and
- cooperating with other agencies such as customs and border control, in the sharing of information that might identify items of concern being consigned for carriage by air or weaknesses in security arrangements



Module Summary

- Introduce Risk Management Models used by WCO and ICAO



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End of Module 7