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Risk Management Under a Self-Certification System

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Risk Management Under a Self-Certification System

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Overview

- Introduction
- Risk Management
- Targeted Selection
- Risk Factors of Origin
- Specific Research and Analysis
- Risk Assessment Model
- Questions

Introduction

- This presentation outlines the risk assessment approach used by the Canada Border Services Agency (CBSA) to manage trade compliance relating to our origin program;
- The CBSA utilizes two distinct approaches to identify trade verification cases;
- The CBSA performs no risk assessment on the self-certifications issued by its domestic exporters.

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Risk Management

- The CBSA establishes the workload of compliance verification cases by using two distinct approaches:
 - Random Selection
 - Targeted Selection (risk based)
- Random selection uses a statistically sound methodology to randomly select compliance verification cases. Its main goals are to:
 - Measure compliance of programs and requirements of Other Government Departments and Agencies
 - Measure the revenue gap associated with non-compliance
 - Provide intelligence for our risk based targeted selection
 - Establish the need for client service activities

Risk Management (cont'd)

- Targeted selection uses a risk based assessment approach to select compliance verification cases that present certain risk factors. Its main goals are to:
 - Identify inherent weaknesses within our trade programs
 - Address specific areas of suspected non-compliance
 - Address cases that are derived from specific intelligence (i.e. industry complaints, referrals from investigation, referrals from client services)
 - Engage stakeholders in the management of risks related to trade programs
- The CBSA selects all its exporter origin verifications using the targeted selection approach.*

* *The proof of self-certification of origin may be requested from our domestic importers as part of a random verification; this does not constitute an exporter origin verification to validate the originating status of the goods certified by the foreign exporter / producer.*

Targeted Selection

- This approach ensures that the verification cases that are assigned to compliance verification officers / auditors have a medium or high probability that the goods self-certified by the exporter / producer may not qualify as originating.
- Potential verification cases are identified based on a source of **specific intelligence** or using a **risk assessment** approach that analyzes data and consider specific origin risk factors.
- All potential targeted verification cases are reviewed using a risk management model that assesses the level of risk and determines the priority level of the case in order to assess if a compliance verification should be undertaken.

Targeted Selection *(cont'd)*

Risk Assessment

- Perform stakeholder engagement with source of specific intelligence (i.e.: Internal referrals, industry complainant), Other Government Departments and Agencies, domestic manufacturers, importers and business associations, to identify issues or areas of concern relating to origin of imported goods;
- Assess the stakeholders' issues using the Government of Canada's risk management principles and policies;
- Identify the nature & extent of the perceived risk, and determine the potential impact(s) of non-compliance. This process involves data mining of our internal systems to analyze importation data, in order to identify trends and changes in import patterns, and also to analyze past compliance history to assess the risk of non-compliance.

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Targeted Selection *(cont'd)*

Risk Assessment *(cont'd)*

- A Risk Analysis is developed, detailing issue, risk rating and impacts of non-compliance and to establish parameters for selection of exporters for verification.

Prioritizing

- Verification cases that have a greater impact are to be initiated prior to those cases that have a lower impact.
- Risks are prioritized as follows:
 - National Security
 - Health and Safety
 - **Revenue** *
 - Trade Data

* Loss of revenue is the main concern relating to origin

Risk Factors for Origin

- Commodities (HS classification numbers) and companies that have not been the subject of any previous verifications;
- Commodities (HS classification numbers) where a high percentage of non-compliance has been found in the past;
- Exporters that have been non-compliant in the past and where there is still risk for non-compliance at the present;
- Companies that were issued non-qualifying final reports by headquarters but did not make voluntary amendments and pay the duties owed.

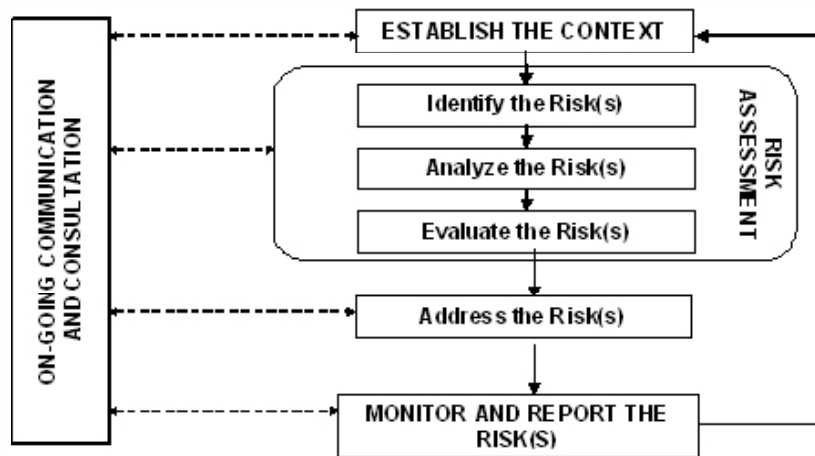
Risk Factors for Origin *(cont'd)*

- Commodities (HS classification numbers) with a high import (value for duty) amount;
- Commodities (HS classification numbers) of goods with a high Most Favoured Nation rate of duty;
- HS classification numbers with a complex rule of origin requirement (ie.: value test of regional value content);
- Commodities within industry sectors known to require key input materials that are not available within the domestic's (or within the FTA territory) supply chain.

Specific Research and Analysis

- External Research
 - Internet
 - Trade and Industry Publications
- Data Analysis on the Importation Volumes
 - by Country of Origin
 - by Place of Export
 - by Tariff Treatment
 - Duty at Risk Calculation (Origin)
 - Volume trend analysis (up to 5 years)
- Review of Previous Verifications
- Duty Rate Analysis (*macro or industry level*)
- Specific Rule of Origin Analysis

Risk Assessment Model



Questions?

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