

Risk Management

Brazilian Authorized Economic Operator



AEO

Authorized Economic Operator



Receita Federal

Risk Management – Brazilian Authorized Economic Operator

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1. INTRODUCTION

The purpose of this document is to guide the elaboration of a customs risk management process, in view of the provisions of art. 12-A of Normative Instruction RFB nº 1598, dated 2015/01/12, employed by economic operators within the scope of the Brazilian Program of Authorized Economic Operator (AEO Program).

The objective, therefore, is not to exhaust the subject, but rather to present the structure of a risk management process as a parameter for certification purposes such as AEO, as well as permanent monitoring, as provided in art. 20 of Normative Instruction RFB nº 1598 / 2015.

Customs risk management can be defined as a set of actions aimed at identifying, analyzing, evaluating, prioritizing, addressing and monitoring events that can affect objectives related to specific AEO program criteria.

2. CONCEPTS

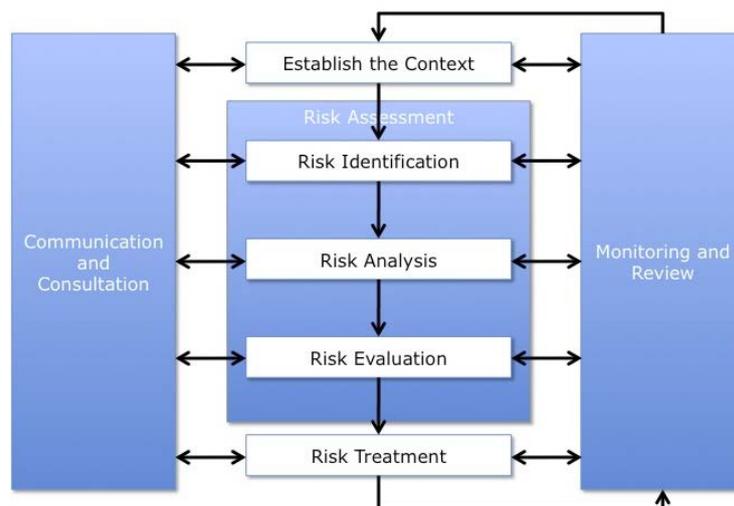
For the purposes of the plan presented herein, the following concepts are adopted:

- **Probability (P).** Possibility of the risk event occurring, established from a predefined scale.
- **Consequence (C).** Degree or importance of the effects of the occurrence of a risk, established from a predefined scale.
- **Specific criteria of the AEO Program.** Parameters established in the AEO Program as a basis for evaluating the management process employed by the economic operator to minimize risks to the international logistics chain or to tax and customs obligations, according to the certification modality considered.
- **Event.** Occurrence generated based on internal or external sources that may cause negative, positive impact or both.
- **Risk management.** Continuous process consisting of the development of a set of actions aimed at identifying, analyzing, evaluating, prioritizing, treating and monitoring events that can affect the worker's work processes negatively or positively.
- **Risk management.** Set of actions directed to the development, dissemination and implementation of risk management methodologies, aiming to support the continuous improvement of work processes.
- **Level of risk (LR).** Criticality of the risk, thus understood the intensity of the impact of a risk on the objectives, work processes and projects of the operator, from a predefined matrix.
- **Checkpoint (CP).** Difference between levels of inherent and residual risk. Expresses the effectiveness of the implemented controls.

- **Work process.** Activity chaining, which transforms inputs into products or services and delivers value to its recipients.
- **Risk.** Possibility for an event to occur and negatively or positively affect the operator's work processes.
- **Future risk.** Level of risk expected to be achieved with the implementation of new controls proposed by the risk assessment.
- **Inherent risk.** Risk level if there were no implanted controls.
- **Residual risk.** Risk level resulting from existing controls.
- **Subcriteria of the AEO Program.** Subdivisions of the AEO Program criteria, aiming at better organization and understanding of the themes.

3. RISK MANAGEMENT PROCESS

Risk management can be briefly defined as the process by which risks are identified, analyzed, evaluated and treated. Such a process, according to ISO 31000: 2009, can be divided into stages.



3.1 Establishing the context

In the initial phase, the environment is presented, the objectives must be identified, and the scope, delimited. The delimitation of scope is essential, so that the process is developed within defined limits.

3.2 Risk assessment process

This process involves identifying, analyzing and assessing risks.

3.2.1 Risk identification

It consists of the detection of internal and external events with potential negative or positive impact on the objectives of what is under evaluation. For each identified risk, possible causes and effects should be associated, if any.

The purpose of this step is to generate a broad list of events-based risks, since an unidentified risk at that time will not be included in subsequent analyzes. Therefore, even risks with sources beyond the control of the organization or with uncertain causes should be included.

3.2.2 Risk analysis

At this stage, causes and effects of risks are assessed, their probability of occurrence and its consequences being defined; risk level is the product of these factors. Furthermore, the existing controls and their effectiveness are verified.

Risk analysis methods can be quantitative (numerical analysis of probability and consequence), qualitative (the level of risk is expressed by descriptions, rather than numerical means) or semiquantitative (values or ranges of values are assigned to qualitative scales). The choice of method is influenced by factors such as context, objectives and available resources.

Scale	Probability of Occurrence
Rare	I would be surprised if it happened / could occur in exceptional circumstances
Unlikely	Most likely not to occur than occur / small chance of occurring
Likely	As likely to occur when it does not occur / may occur at some point
Very likely	More likely to occur than not to occur / likely to occur in various circumstances
Almost right	I'd be surprised if it did not / should happen at some point

Table 1. Qualitative Scale of Probability Measurement Parameters

Scale	Consequence of Negative Risks
Very weak	Unimportant impact on objectives
Weak	Minor negative effects on goals
Moderate	It may prevent the achievement of some objectives
Strong	It may hinder the achievement of some important objectives
Catastrophic	It may prevent the achievement of most of the objectives

Table 2. Qualitative scale of measurement parameters of consequence of negative risks

Scale	Consequence of Positive Risks
Very weak	Unimportant impact on objectives
Weak	Minor positive effects on goals
Moderate	It may help in achieving some
Strong	It can help you achieve some important goals
Extraordinary	It can help achieve most of the goals

Table 3. Qualitative scale of measurement parameters of consequence of positive risks

Risk matrix

From the defined scales of probability and consequence, by assigning values to the semantic scales, it is possible to obtain a numerical representation of the levels of risks in a semiquantitative risk matrix.

Consequence	Very weak (5)	Weak (8)	Moderate (17)	Strong (27)	Catastrophic (40)
Probability					
Almost right (5)	25	40	85	135	200
Very likely (4)	20	32	68	108	160
Likely (3)	15	24	51	81	120
Unlikely (2)	10	16	34	54	80
Rare (1)	5	8	17	27	40

Table 4. Semiquantitative negative risk matrix

Although the numerical representation of semiquantitative risk matrices does not correspond to the real magnitude of the risks, it allows us to visualize the most critical ones and, thus, to facilitate the prioritization of the treatment actions.

3.2.3 Risk evaluation

This step consists in comparing the level of risk calculated in the stage of risk analysis with the criteria defined in the stage of establishment of the context as a basis for the assessment of the significance of the risks. The purpose is to aid in decision-making.

3.3 Risk treatment

The objective of this step is to modify risk levels established by means of new controls or improvement of existing controls. Possible outcomes of risk management are:

- Removal of the source of risk;
- Change in probability of occurrence;
- Change of consequence;
- Action to avoid risk (do not start or discontinue activity that causes the risk);
- Action to increase risk (positive) in order to seize opportunity.

The order of priority of each treatment should be defined, including also the monitoring options, which make it possible to measure the effectiveness of the proposed measures and to change the level of risk.

An action plan for risk treatment includes, among other measures, identifying the reasons that guided the choice of the controls to be implemented, the expected benefits, the responsible ones, the proposed actions, the necessary resources.

3.4 Monitoring and critical review

Permanent activities, through which the evolution of risk levels is monitored, with the objective of knowing, at appropriate intervals, the success or failure of the measures implemented.

Through periodic or specific revisions and updates of the risks involved, we must seek the continuous improvement of work processes. Thus, it is verified if the recommendations are executed correctly and if there were changes in factors that entails adequacy or reassessment of control options.

3.5 Communication and consultation

Throughout the risk management process, those responsible for the activity must maintain a regular and constant flow of communication with the technical areas involved, consulting them on information related to each phase of the process.

The exchange of information should take into account the level of information that the stakeholders have or need to manage and adopt measures related to the work process submitted to risk management.

3.6 Records of the risk management process

Risk management activities should be recorded and documented as they provide the foundation for improving process methods and tools. According to ABNT NBR ISO 31000: 2009, records creation decisions should take into account the need for continuous learning of the organization, costs and efforts involved in creating and maintaining records, means of storage and access, facility recovery, among other factors.

4. RISK MAP

The recording of the events detected in the stage of risk identification can take place in a form called a risk map. For purposes of customs risk management, the purpose of this document is to present the following information for each objective related to the specific criteria of the OAS Program:

- Specific criteria;
- Related objective;
- Risk events, their causes and their effects;
- With regard to inherent risk, assessments of probability, consequence and level of risk;
- With regard to residual risk, description of treatments and monitoring, and assessments of probability, consequence and level of risk;
- With regard to future risk, description of proposed treatments and monitoring and assessments of probability, consequence and predicted level of risk, if said treatments and monitoring are implemented;
- Checkpoint. Finally, an example of a risk map containing this information is presented.

BRAZILIAN AUTHORIZED ECONOMIC OPERATOR PROGRAM
 CUSTOMS RISK MANAGEMENT
 RISK MAP

Business name:

ID:

Criteria:

Criteria Objective:

Risk Evaluation			Inherent Risk			Existing Controls		Residual Risk			CP	Proposed Controls		Future Risk		
Event	Causes	Effects	P	C	LR	Tratamento	Monitoramento	P	C	LR		Treatment	Monitoring	P	C	LR

Table 5. Risk map