# INTEGRITY DEVELOPMENT GUIDE

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Part 1 – INTRODUCTION TO THE INTEGRITY DEVELOPMENT PROCESS

FOREWORD

Customs administrations in the 21st Century are faced with considerable and, at times, contradictory demands. On the one hand there is a need for effective security and control of the international supply chain, while on the other hand there are increasing demands for greater facilitation of legitimate trade.

A new strategic direction for Customs was developed and articulated in the “Customs in the 21st Century” policy document, which was adopted by the Council of the World Customs Organization (WCO) in June 2008. The document identifies ten building blocks that are seen to be integral to a modern, effective and efficient Customs administration.

One of these building blocks is integrity, which emphasizes that the fight against corruption, the safeguarding of integrity and the enhancement of good governance measures are critical to a modern, effective and efficient Customs administration. This building block relies 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.

It is recognized that the WCO Revised Arusha Declaration (2003) remains the focal tool and central feature of a global and effective approach to preventing corruption and increasing the level of integrity for WCO Members. This Declaration is also cited in the “Customs in the 21st Century” (C21) document as follows:

“The fight against corruption remains an important task that should be undertaken over the years to come. The WCO Arusha Declaration will remain the reference document for all Customs administrations. All the efforts of the Columbus Programme could be undermined and even eliminated without integrity.”

The ten elements contained in the WCO Revised Arusha Declaration provide the most practical basis for the development and implementation of integrity and anti-corruption strategies relevant to the Customs operating environment. The Declaration is also supported by a number of other WCO tools for promoting integrity and anti-corruption, including the Integrity Development Guide (IDG).

This IDG is designed to improve the integrity situation within Members and to provide the necessary framework in which the entire range of integrity elements can be fully discussed and enhanced. Members are encouraged to keep this guidance document relevant by making adjustments and updates that are beneficial to keep pace with the challenges they face.

A. PURPOSE

The IDG is designed primarily for WCO Members. However, it is also recognized that there are many different institutional arrangements observed by WCO Members. These can include Customs’ functions being part of Ministries of Finance, stand-alone Customs administrations, Revenue Authorities, Border Security Agencies and Ministries of Interior, amongst others. These guidelines can be used in the context of all of these different arrangements and be applied accordingly. Throughout this document, unless specified otherwise, the generic terms of administration and employees will be frequently used in a manner that can apply very 

1 “Customs in the 21st Century” – Enhancing Growth and Development Through Trade Facilitation and Border Security (Annex II to Doc. SC0090E1a)
broadly. Where a specific situation involving Customs is noted, the distinction will be purposeful. Similarly, the term Director General (DG) is often used in this Guide in a generic manner to apply to the Head administration official, because this term is well established in the WCO vernacular and may apply to many titles for top officials, such as Commissioner, Chief Executive Officer, etc.

The IDG provides a practical framework to examine the management, administrative and integrity strategies currently in place and to identify opportunities for further improvement. The IDG is articulated around the Revised Arusha Declaration. It contains a detailed description of each element, a checklist to conduct a self-assessment exercise and examples of good practices. The IDG is normally used to carry out a self-assessment exercise either during an integrity development workshop or any other type of initiatives. This tool is a guide, which means that it does not prevent the moderator of a workshop from also referring to other material and leading the participants through the checklists by excluding or including questions as appropriate.

When designing and reviewing the IDG it has been taken into account that economies are at different stages of development. Therefore, it was necessary to strike a balance when establishing an integrity development model that would be relevant for all WCO Members.

In addition, when embarking on integrity enhancement and anti-corruption initiatives, an essential precondition is political will in order to secure active support in defining and promoting policy objectives. It is therefore suggested that a dialogue be engaged at the highest levels in relevant ministries and governmental bodies.

B. INTEGRITY DEVELOPMENT CYCLE

To use the IDG successfully, administrations will need to adopt a philosophy of continuous improvement by implementing an ongoing cycle of integrity self-assessment, strategy development and progress evaluation. The nature of corruption and developments in the field of integrity is constantly changing. As more Members undertake integrity self-assessment and evaluation, there is a growing body of knowledge and experience that Members can draw on for the enhancement of their integrity strategies. It is therefore important that integrity strategies be flexible and be designed to be part of an ongoing process of continuous improvement and reform.

Integrity strategies should be developed as part of an administration’s overall governance and planning processes. This ensures that integrity strategies form part of the general strategic direction of the administration.

The Integrity Development Cycle is designed to be undertaken as a group exercise, drawing on the strengths and experience of a range of people from within the organization, and, where appropriate, from outside the organization. To get the most out of this process it is strongly recommended that a trained internal or external consultant be used as a facilitator.

There are several steps to the Integrity Development Cycle that are described in detail in Part 2 of this Guide.
C. **WHY INTEGRITY IS IMPORTANT**

Customs generally deals with four key issues: revenue collection, community protection, trade facilitation and national security. To effectively address these issues, a high level of integrity is critical. The perceived lack of integrity and/or presence of corruption can destroy the legitimacy of a Customs administration and severely limit its capacity to effectively accomplish its mission. The adverse effects of corruption and the perceived lack of integrity and good governance measures within a Customs administration may include:

- Revenue leakage
- Distortion of economic incentives
- Reduction in public trust and confidence in government institutions
- Reduction in the level of trust and co-operation between Customs administrations and other government agencies
- Low personnel morale and "esprit de corps"
- Increased costs which are ultimately borne by the community
- Reduction in the level of voluntary compliance with Customs laws and regulations
- Reduction in national security and community protection
- Creation of an unnecessary barrier to international trade and economic growth

No country is immune to corruption. However, in developing countries the effect of corruption can be more detrimental, insofar as corruption impedes on reforms and development efforts. In addition, because of the scope, nature and complexity of their work, Customs administrations are particularly susceptible to corruption.

Key reasons for this include:

- Customs employees having monopoly power over clients
- Customs employees having discretionary power over the provision of goods or services
- The level of control or accountability may be low, combined with the high expectations of family networks in some regions of the world
- Customs employees often work in remote and largely unsupervised border stations
- Clearance of many goods and conveyances being time sensitive creates additional incentives to circumvent Customs procedures and formalities
- Customs employees often enforce a large range of complex legislative regulations and exercise a wide range of discretionary powers

For any deterrent to be effective it must present a real risk to offenders. If it does not, then even the most severe penalties will not deter corrupt behaviour. Disincentives associated with detection must be such that they are greater than the incentives associated with continuing to undertake corrupt activities.

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2 The term “Customs” is generically used throughout this document to account for both Customs and Tax administrations, so this guidance should be seen as of value to either and/or both types of administrations (as previously noted in “Purpose” Section A).
In order to both minimize the negative consequences of corruption and to further develop and maintain public trust and confidence, Customs administrations need to address the issue in a logical and systematic way, as well as to develop and implement solutions which are relevant to their needs and which reflect Customs’ unique operating environment.

D. OTHER INTERNATIONAL INSTRUMENTS

In recent years there has been a range of conferences, declarations and conventions focused on the issue of administrative corruption. They have all attempted to identify the problem of corruption and set out a variety of standards and practices considered necessary to deal with it.

Three declarations in particular, those being the WCO Arusha Declaration (1993), the Columbus Declaration (1994), and the Lima Declaration (1997), set forth a range of Customs-related recommendations. Additionally, the Organization for Economic Co-operation and Development (OECD), the Organization of American States, the European Union, the United Nations, the World Bank and Transparency International have focused their attention on administrative corruption.

The United Nations Convention against Corruption (UNCAC) was the first legally binding international anti-corruption instrument. The United Nations General Assembly recognized that an effective international legal instrument against corruption, independent of the United Nations Convention against Transnational Organized Crime, was desirable and decided to establish an ad hoc committee for the negotiation of such an instrument in Vienna at the headquarters of the United Nations Office on Drugs and Crime. The Convention was adopted by the General Assembly in 2003.

While it is positive to note the amount of international attention that has been devoted to this issue in recent years, little practical work has been done to date on developing a comprehensive model to deal with the problems of institutional and administrative corruption in administrations. This Guide, while keeping within the general spirit and principles outlined in the above documents and, in particular, the WCO Revised Arusha Declaration, goes a step further by providing guidance to assist in the implementation of a range of practical strategies specifically designed to be used by administrations.

E. KEY CONCEPTS

Integrity

Some administrations have redefined the concept of integrity to not only include combating abuse of power or corruption, but also to conform to standards in service delivery as promulgated in documents such as service standards or client charters. In many administrations, the concept of integrity now means delivering services to meet the expectations of clients and stakeholders.

Integrity can therefore be defined as:

“A positive set of attitudes which foster honest and ethical behaviour and work practices.”
In other words, integrity is more than simply the absence of corruption. Rather, it involves developing and maintaining a positive set of attitudes and values which give effect to the organization’s aims, objectives, and the spirit of its integrity strategy. Integrity challenges remain a major obstacle to effective reforms and have a detrimental effect on the overall pride, *esprit de corps* and professionalism of an organization.

**Corruption**

There is no universally agreed definition of corruption and none that specifically deals with corruption in the Customs field. Most useful definitions, however, focus on three key concepts to effectively describe it, namely:

- The departure from, or contravention of, public duty
- The provision or receipt of some form of improper inducement, and
- An element of secrecy

For an act to be considered corrupt, it usually needs to involve the contravention of public duty, the receipt of some form of improper inducement, and to occur in an environment of secrecy, or at least without official sanction.

There are many specific behaviours and combinations of behaviours which are generally regarded as corrupt. These typically fall under three broad headings: bribery, nepotism and misappropriation.

Many aspects of Customs’ work are vulnerable to these forms of corruption, particularly as Customs often has monopoly power over certain services such as the release of cargo or the clearance of passengers.

In recent times, however, the focus of anti-corruption efforts has expanded to incorporate more positive aspects of integrity development.

**F. THE ELEMENTS OF AN INTEGRITY STRATEGY**

The ten elements outlined in the WCO Revised Arusha Declaration provide the most practical basis for the development and implementation of a range of integrity or anti-corruption strategies relevant to the Customs operating environment. Those elements are:

- 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
While the Revised Arusha Declaration provides the basic structure for this Guide, additional ideas, strategies, approaches, etc. have been sourced from a wide range of other anti-corruption models and included herein.
Part 2 - THE SELF-ASSESSMENT PROCESS

ASSESSING THE CURRENT INTEGRITY SITUATION

Before undertaking an integrity programme or initiative, it is useful for administrations to conduct a simple assessment of the external situation and environment in which they operate, along with assessing the existing levels of corruption within the organization. This assessment would involve diagnosing what the actual and suspected levels of corruption are in the administration, what factors are causing this and how corruption is manifesting itself.

This assessment can be performed relatively quickly by determining the areas at greatest risk of corruption, which can then point to what priorities or actions need to be undertaken as part of any integrity programme. This would also set a benchmark by which future progress could be monitored.

This Guide is designed for administrations to assist them in developing a comprehensive integrity programme. It is formulated to provide practical advice on how to implement the Revised Arusha Declaration. The ten elements of the Revised Arusha Declaration should not, however, be considered in isolation. An effective national integrity programme must address each of the elements as part of a global approach.

The elements are addressed through the practical examination of a list of questions contained in the checklist at the end of each section. The questions are not intended to be exhaustive. Furthermore, the nature and weight to be accorded these, and other elements of this Guide, will necessarily differ from administration to administration. Likewise, a ‘yes’ or ‘no’ answer is not required, nor ideal, as the checklist questions are intended to stimulate discussion and identify solutions. There are generally no simple right or wrong answers.

Integrity Development Cycle

Step I - Diagnostic and Self-Assessment

An integrity development programme should begin with a diagnostic that consists of gathering information on the current challenges the administration faces in terms of integrity. The diagnostic will also identify the level of organizational commitment, as well as the current actions and initiatives underway to deal with the problem.

The diagnostic may be conducted in two phases, starting with discussions with senior officials and key stakeholders from the private sector to identify their concerns and their analysis of the
integrity situation in their environment. The diagnostic is then pursued through a structured analysis conducted, during a workshop, by a group of senior staff drawn from a wide range of areas of the administration, including the strategic planning unit.

This analysis includes a facilitated self-assessment exercise using the IDG. This results in the preparation of a document outlining all the major challenges faced by the administration. This participative approach also ensures that a greater number of officials are involved in the process from the outset, and that they therefore take ownership of the initiative.

When carrying out an integrity development workshop, careful attention should be paid to the selection of participants, who should come from various areas of the administration, such as Human Resources, Legal Department, IT, Procedures, Enforcement, etc. The level of the participants will influence the outcome of the workshop and the integrity action plan that arises from it. Participants who are familiar with the current situation in their area of work and at a level of decision-making that allows them to share reliable information would influence the quality of the discussions and the resulting action plan.

The IDG is the main tool used to carry out this part of the Cycle. For this step to be fruitful it is important for preliminary preparations to have been made and for officials to be involved so as to secure their ownership of the process. WCO experts may be called upon to guide the process and facilitate discussion among participants and stakeholders.

**Step II - Analysis and Action Planning**

The elements identified during the self-assessment process are analysed during this step in order to understand their impact and develop relevant and tailored solutions. These solutions and their respective desired outcomes will then constitute the integrity action plan in which the objectives, activities, parties responsible, deadlines and performance indicators will be outlined. WCO experts may be called upon to provide advice in the development of the action plan.

During this part of the process, given the sensitive and complex nature of integrity development, the WCO encourages a constructive and open dialogue with stakeholders from the private sector. For the dialogue to be fruitful, the administration must carefully decide when and how to involve those partners in this process. The stakeholders concerned should be informed and consulted on issues and solutions that can potentially affect them, since their active participation is vital to the implementation of the solution.

Once the integrity action plan is finalized, it should be submitted for consideration to the appropriate authorities. This may prove useful in securing political and financial support for the initiatives at a later stage.

**Step III - Implementation**

The implementation phase is the most crucial one as it is the administration that will be responsible for making sure that the activities featuring in the action plan are carried out according to the deadlines. The WCO is available to provide advice and assistance whenever needed, but the success of an integrity development programme depends on the commitment of the administration and the team established to lead the project.

The implementation of priority integrity initiatives can be more focused and achievable if the administration begins with a pilot project. The administration can choose one or more elements of its integrity action plan according to its priorities and test its implementation progressively. Such pilot projects can consist of setting up an internal affairs unit, drafting and implementing a Code of Conduct, reviewing working conditions, focusing on leadership and commitment,
automation, etc. This approach is results-oriented, creates momentum and, depending on the nature of the project, can require few resources yet still have a real impact in a short period of time. It is recommended that the people and units involved in the planning also be involved in the implementation and in the pilot project.

**Step IV – Monitoring and Evaluation**

Monitoring and evaluation are essential to ensure the plan is meeting the milestones to achieve the desired outcomes. Monitoring should focus on the implementation of the plan, and propose readjustments as necessary. Evaluation should look at the outputs and outcomes of the project. This can be done by considering performance indicators such as the number of corruption allegations, the number of arrests and convictions, the level of awareness among employees and stakeholders before and after the implementation of the integrity action plan, etc. This step is also critical to demonstrating the results of the initiative and consequently securing funding for the future. The WCO Secretariat and/or other external integrity experts may be involved in the monitoring and evaluation process.

The following section of the IDG introduces in detail each of the Revised Arusha Declaration elements and includes a checklist for each heading of the Declaration as well as examples of good practices. The reader will notice that, in some cases, questions may seem repetitive. This repetition is intended to ensure that interconnected elements are thoroughly explored from various perspectives. As far as examples of good practices are concerned, it may be noted that some sections are more developed than others. This document is considered to be a living document and Members are encouraged to submit additional good practices for inclusion whenever necessary.
1. LEADERSHIP AND COMMITMENT

The Revised Arusha Declaration states:

The prime responsibility for corruption prevention must rest with the head of Customs and the executive management team. The need for high levels of integrity must be stressed and commitment to the fight against corruption maintained over the long term. Customs managers and supervisors should adopt a strong leadership role and accept an appropriate level of responsibility and accountability for maintaining high levels of integrity in all aspects of Customs work. Customs managers should demonstrate a clear and unequivocal focus on integrity and be seen to set an example that is consistent with both the letter and spirit of the Code of Conduct.

The administration’s integrity and anticorruption strategies can only be successful if they are part of a more general integrity framework that is supported at the highest political level. Integrity must also be demonstrated at the highest level within the administration to maintain an integrity programme within the organization.

Communication between the government and the administration is paramount. The government should be aware of the steps that the administration is taking and receive regular updates on progress. This can be achieved through publications, briefings, verifiable performance indicators and also indirectly through the media.

Effective integrity programmes also require a high level of management support and leadership. It is important that there are clearly defined supervision and decision-making structures and obligations. Employees at all levels must accept an appropriate degree of responsibility and accountability.

Senior management must lead by example. If its behaviour is not seen as consistent with the provisions or “spirit” of the Code of Conduct, then anti-corruption strategies are almost certain to be unsuccessful.

Few corrupt practices can be conducted for any length of time without the collusion, or at least knowledge, of others. To encourage the maintenance of appropriate supervision practices and peer pressure mechanisms, administrations could consider widening the concept of responsibility for corrupt behaviour to include supervisors and members of the wider work team. For example, a system of accountability could be introduced to make supervisors at least partly answerable for their subordinates’ misdeeds. Employees at all levels should be encouraged to identify and report breaches of integrity, including within their own work team.

CHECKLIST

Political Leadership and Commitment

- How does the government actively promote the maintenance of a high level of integrity within the civil service and/or Customs specifically?
- What is the broader awareness within government of the administration’s integrity efforts?
- What is the role of the responsible Minister as it relates to the integrity performance of the administration?
Integrity Development Guide -

- What strategies are in place to increase or maintain political support for integrity in the administration? If so are they effective? How can they be improved?
- What mechanisms are in place to ensure that the administration receives adequate resources to allow it to fulfil its functions effectively and efficiently?
- Is the commitment to promote integrity and fight corruption visible? Does the administration have a well articulated anti-corruption strategy as part of its vision, mission, values and goals? Can you provide a copy of such strategy?
- Is this commitment publicized and disseminated within and outside the administration? Can you provide documentation?
- Is the strategy translated into action in areas such as the recruitment process, mechanisms to report integrity breaches, reward systems, implementation of a Code of Conduct, internal audits and disciplinary measures?
- Is there an evaluation mechanism to assess the ethical health of the administration?

**Role of Senior Management**

- How does the DG actively promote integrity with external stakeholders?
- How does the DG and the Senior Management Team provide leadership and demonstrate an active commitment to the integrity programme? How do they demonstrate leading by example?
- What strategies are in place to address the issue of integrity among the Senior Management Team?
- How does the DG and the Senior Management Team deal with or respond to allegations of corruption?
- Do all levels of management take a strong leadership role for promoting integrity and leading by example? Is this a requirement of their role and how are they held accountable for breaches of integrity?
- How do managers work with employees to identify any weaknesses and vulnerabilities in relation to processes and procedures?
- What systems are in place to assist managers to identify employees that, by virtue of temporary personal circumstances, may be vulnerable to corruption and malpractice?

**Culture, Behaviours and Practices**

- Is there a clear definition of the role and responsibility of the administration, desired values and behaviours and the objectives to be achieved? How is this communicated to employees and stakeholders?

**Recruitment, Selection and Promotion**

- How are management positions selected? Is appropriate consideration given to the personal integrity of the employee?
- Does the selection process take account of the applicant’s commitment to and ability to implement the administration’s anti-corruption policies?

**Training and Professional Development**

- How do internal management training programmes address management responsibilities for corruption prevention and detection?

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3 Please consult the corresponding headings for additional information.
Reform and Modernization

- Are all new projects, policies and initiatives examined to take into account integrity risks?

Examples of Possible Good Practices

- Integrity checks carried out by supervisors
- Data collection mechanism to evaluate the ethical health of the administration
- Oversight mechanism to assess the integrity of senior management as a whole
- Complaint handling system to manage complaints inside and outside the organization
2. REGULATORY FRAMEWORK

The Revised Arusha Declaration states:

Customs laws, regulations, administrative guidelines and procedures should be harmonized and simplified to the greatest extent possible so that Customs formalities can proceed without undue burden. This process involves the adoption of internationally agreed conventions, other instruments and accepted standards. Customs practices should be reviewed and redeveloped to eliminate red tape and reduce unnecessary duplication. Duty rates should be moderated where possible and exemptions to standard rules be minimized. Systems and procedures should be in accordance with the revised International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention).

Complex regulations, procedures or administrative guidelines may provide an environment that could allow for corrupt practices to develop and flourish. The elimination of ‘red tape’ includes cumbersome processes that may involve duplication of effort or unnecessary processing procedures.

Possible strategies to minimize burdensome regulation and provide for more harmonized and transparent procedures include the adoption of internationally agreed standards, including:

- Harmonized System (HS) Convention
- World Trade Organization (WTO) Valuation Agreement
- ATA Carnet Convention/Istanbul Convention
- WTO Intellectual Property (TRIPS) Agreement
- WCO Revised Kyoto Convention (RKC) on the Harmonization and Simplification of Customs Procedures

Barriers to the free flow of goods, such as non-tariff regulations including quotas, import licences and permits, should be reduced to the maximum extent possible. The rationalization of non-tariff barriers is a matter that often extends beyond the policy responsibility of the administration. In this respect, the administration should maintain a close relationship with other responsible agencies, for example through regular inter-departmental liaison processes.

A key initiative is the adoption of risk management principles to ensure that trade and travel risks are most effectively assessed, as well as to identify and investigate integrity risks within the organization.
CHECKLIST

International Conventions, Instruments and Standards

- Is the national legislation aligned with the RKC?
- What level of co-operation and co-ordination exist within your administration's various departments to facilitate the implementation and ratification of the RKC?
- Have the principles that underpin the RKC been implemented or ratified? If not, is implementation and ratification of the Convention a high priority and scheduled for introduction in the near future?
- What other internationally agreed standards have been implemented and/or are scheduled for implementation (e.g. HS Convention, WTO Valuation Agreement, ATA Carnet Convention/Istanbul Convention, etc.)?

Integrated Risk Management

- What risk management policies and practices are in place to identify high-risk cargo/passengers and to better allow for the facilitation of legitimate trade and travel?
- How are the risk management systems and procedures in place reviewed and aligned with the provisions of the RKC?
- Is the application of any administrative penalty system transparent and understandable and is it applied in a consistent manner?
- Does current legislation clearly stipulate what procedures and practices to follow?
- How is risk management supported by automated systems?

Review of Customs Practices, Procedures and Systems

- What structured mechanisms are in place for reviewing systems and procedures to eliminate red tape and avoid duplication? For example, is there an agreed periodical cycle and/or a continuous improvement programme?
- When systems and procedures are being reviewed, how is attention paid to eliminating corruption, including any combination(s) of monopoly of powers, official discretion and minimal accountability?
- How do you ensure that reviews of systems and procedures are introduced in a transparent manner?
- Have you considered the post-release collection of taxes and duties?

Stakeholder Consultation

- How are stakeholders, the private sector and other government agencies and employees involved in the review process?
- How are stakeholders consulted on whether legislative provisions and procedures are workable and understandable?
- What is the mechanism for close liaison and co-operation with other border agencies to ensure that policies and procedures are co-ordinated effectively and that opportunities to reduce or eliminate red tape are explored?
- Is there regular Customs/administration representation at interdepartmental liaison activities on the reduction of tariff and non-tariff barriers to trade?
- What are the steps being taken to eliminate or reduce non-tariff barriers (such as quotas, import licences, permits, etc)?
• How are exemptions, concessions, regulations, procedures and legislation made transparent and communicated to stakeholders?

**Examples of Possible Good Practices**

• Process for analysing the efficacy and compatibility of legislation against international standards and commitments
• Formal process for periodic review of systems and procedures
• Implementation of appropriate international instruments, agreements and standards
• Client and employee surveys (covering issues such as the degree of 'red tape', understanding of legislation, etc.)
• Publicly available documents which describe expected standards of performance
• Use of 'one-stop shops' for entry formalities
• Participation in international benchmarking initiatives
• Consistent application of legislative provisions
• Formal process for periodic review and rationalization of exemptions
• Formal process for the application of risk management
• Application of the WCO Time Release Study methodology
3. TRANSPARENCY

The Revised Arusha Declaration states:

Customs clients are entitled to expect a high degree of certainty and predictability in their dealings with Customs. Customs laws, regulations, procedures and administrative guidelines should be made public, be easily accessible and applied in a uniform and consistent manner. The basis upon which discretionary powers can be exercised should be clearly defined. Appeal and administrative review mechanisms should be established to provide a mechanism for clients to challenge or seek review of Customs decisions. Client service charters or performance standards should be established which set out the level of service clients can expect from Customs.

Transparency, one of the fundamental norms of the trading system, is generally seen both as legitimate in itself and essential in modern governance (Lamy, 2007). The WTO Glossary defines transparency as "the degree to which trade policies and practices, and the process by which they are established, are open and predictable. It includes a number of interrelated actions, such as how a rule is or policy is developed at home, how it is enforced and how the rule is published." 5

Transparency is a key issue for all administrations. Increasing accountability and maintaining an open and honest relationship with clients and stakeholders is crucial to maintaining public trust and confidence in the performance of administration functions. Transparency can contribute to high compliance levels.

Any deviations from laws, regulations and discretionary power should be justified and documented for later review. There should be a capacity for administrative or judicial review. In the first instance, such a review should be made on an internal basis. However, clients should have access to independent and external review. In developing or implementing appeal or review mechanisms, an appropriate balance should be struck between the need to make the process inexpensive, timely and accessible and the need to ensure it is not used inappropriately for frivolous appeals.

Rules, policies, standards and practices are far more effective when the people they affect (end users) understand them, know why they are in place, how they have been developed, who has been involved and at what stage for them to embrace them. Sensitization of stakeholders about organizational principles and practices increases compliance, accountability and transparency. Wide usage of print and electronic media such as websites, intranet, brochures, text messages, pamphlets, seminars and other communication channels can be important for disseminating the requisite information. This information should be simplified, very precise and unambiguous.

Client service charters are a way of increasing accountability and demonstrating the administration’s commitment to providing quality service to clients. Service standards should be challenging (but realistic) and be fully supported by the organization’s systems and procedures.

A high level of transparency may not be an easy task to establish and/or maintain, but it is nevertheless vital to the development of a comprehensive integrity programme.

5 http://www.wto.org/english/tratop_e/glossary_e/glossary_e.htm
CHECKLIST

**Publication of Customs Laws, Regulations, Procedures and Administrative Guidelines**

- How are clients provided with sufficiently accurate, consistent, accessible and user-friendly information to allow them to meet their responsibilities to the administration?
- What mechanisms are in place to report new initiatives, decisions, or changes in legislative requirements and procedures that may impact upon clients (information circulars, routine orders, Customs Client Notices, etc.)?
- What are the procedures in place for informing clients of their rights when dealing with the administration and how are these procedures communicated?

**Tools for Communicating Laws, Regulations, Procedures and Administrative Guidelines**

- Can you provide examples of communication tools you have in place, such as Customer Help Desks/Call Centres, hotlines, free phone numbers, Information Centres, Industry Consultative Committees, displays and signage?
- What use is made of electronic and print media for dissemination of information to clients?
- Is critical information on rules, policies, standards and practices summarized or simplified in files, brochures, etc. and are such materials translated in different languages (where necessary and possible) for wide circulation?
- How are clients consulted to determine their information requirements and preferred media?
- What mechanisms are in place to interact with the media? For example, is there an existing Memorandum of Understanding (MoU) to co-operate with the media, particularly in disseminating information on amended rules, procedures, etc?

**Monitoring**

- How and when are instances of non-compliance with Customs and Tax procedures analysed to determine if the cause of the breach is a lack of adequate communication from the administration?
- Is there a system for monitoring consistency between different offices, provinces or regions concerning decisions, procedures and information provided?
- How are deviations from established rules and procedures reported and justified?
- Are there established programmes designed to train and retrain employees to ensure that they are not only knowledgeable, but also keep abreast of the current legislation, procedures and practices?
- Are information circulars/administrative guidelines regularly issued to all employees?
- What simple processes or systems for seeking tariff classification and valuation rulings prior to importation are in place in order to provide clients with a degree of certainty and predictability?
- Is the validity period stated on advance rulings and classification opinions/decisions?
- Are these easily accessible via a public domain repository of previous decisions?
- Does the organization regularly update its website with changes in law, policies, rulings, etc?
- Does the organization have a “Frequently Asked Questions” (FAQ) section on its website? How often is it reviewed and updated?
Discretionary Powers

- Is the basis or criteria upon which officials exercise discretionary power clearly defined and publicly available?
- Where appropriate, are the reasons for decisions conveyed to those affected?
- Are systems in place to assist employees in making uniform decisions, such as (for example) a valuations database system?
- Is such a database updated regularly?
- When an administration’s official has exercised discretionary powers, are the grounds upon which the decision was made required to be documented clearly and retained for later review?

Appeal Processes

- What review and appeal mechanisms have been implemented to allow clients the opportunity to seek review or challenge the administration’s decisions, with the possibility of independent adjudication if required? If so, are the procedures published and promoted?
- Is there an independent external appeal mechanism in addition to internal mechanisms?

Relationship with Clients

- Have citizen or service charters been developed which clearly state the level of service that clients should expect to receive?
- How are service standards measured for practical application and able to be supported by the organization’s systems and resources?
- Are service charters displayed in public areas such as airports, cargo inspection areas and Customs Houses?
- Are they accessible through print and electronic media and web?
- Are they regularly reviewed to reflect the changing times and realities?
- Are employees aware of the standards contained in service charters and are those holding service positions provided with training in client service?
- Has the organization documented internal standards, detailing the timelines within which employees should respond to clients within the time frames outlined in the service charter?

Reporting and Accountability Mechanisms

- Are all fees and charges levied published in order to allow traders to calculate more accurately the costs involved in complying with Customs requirements?
- Are there suitable controls over procurement procedures and tendering for Customs and Tax work?
- Have mechanisms been developed and implemented which monitor and evaluate the organization’s performance against established standards?
- Are the results of Customs/Tax performance made publicly available (i.e. Internet, annual report, etc.)?

Examples of Possible Good Practices

- Client and employees surveys
- Service Charters
Integrity Development Guide -

- Internal standards
- Innovative approaches to information dissemination (such as use of media and Internet)
- Training in client service for relevant employees
- Formal and informal consultative mechanisms
- Establishment of MoUs with the media
- Publication of the grounds upon which Customs/the administration’s decisions are made
- Existence of effective and accessible and independent internal/external appeal and review mechanisms
- Formal procedures for seeking advanced rulings on tariff and valuation
- Compliments/complaints tracking and analysis system, which ensures that any complaints are examined and dealt with promptly
- An audit trail is kept to facilitate monitoring of the exercise of employee discretion
4. AUTOMATION

The Revised Arusha Declaration states:
Automation or computerization of Customs functions can improve efficiency and effectiveness and remove many opportunities for corruption. Automation can also increase the level of accountability and provide an audit trail for later monitoring and review of administrative decisions and the exercise of official discretion. Where possible, automated systems should be configured in such a way as to minimize the opportunity for the inappropriate exercise of official discretion, face-to-face contact between Customs personnel and clients and the physical handling and transfer of funds.

Administrations must employ the most effective means to respond to changing international trade practices, which are increasingly involving the use of electronic commerce. The electronic service delivery of Customs functions improves efficiency within the organization and the trading community and provides a mechanism to reduce the opportunity for corrupt behaviour. A fully automated Customs clearance system enables the administration to detect loopholes in the system and bad practices in specific areas of the work. Administrations must adopt a comprehensive approach that is fully supported by sufficient resources and training.

Information and Communication Technology systems should complement processes that cannot be fully automated, such as the examination of cargo. In this respect, the design of computerized systems should ensure that the most vulnerable points in the manual system are not replicated and that the new system does not simply shift the point of corruption to a part of the process that is not being automated (for example, by insisting on the maintenance of paper-based systems which duplicate or parallel the automated one or by shifting the point of collection of illicit fees from the duty assessment phase to the cargo examination phase).

Automated systems can be vulnerable to attack and manipulation from inside and outside the organization. Where external consultants or contractors are involved it is important to ensure appropriate security checks are undertaken and appropriate supervision and accountability systems are established. Where sensitive information is stored on automated systems, a suitable audit trail needs to be established to protect the information and identify any officials who may access information for private or inappropriate purposes.
CHECKLIST

System Design

- Have you increased possibilities for electronic data submission?
- Have your automated systems been designed to significantly restrict or reduce opportunities for corruption, as well as to identify the processes that could present such opportunities?
- Has the system been designed to minimize the input of data by Customs officials and to limit the routine requirement for physical presentation of documents to Customs?
- Are standardized data requirements, such as those defined in the WCO Customs Data Model, applied?
- Are there appropriate operating procedures to support the use of electronic trading?
- When automated systems have been introduced, has appropriate attention been paid to increasing official supervision and accountability at those points in the process that cannot be automated (such as cargo examination)?
- Have automated payment systems been established which eliminate or limit the physical handling and transfer of funds between Customs/Tax officials and clients?

Task Separation

- Is there adequate separation of tasks between those officials associated with identifying risk and those officials involved in subsequent Customs procedures, such as cargo inspection and revenue collection, risk assessment/target identification and inspection/investigation?

Risk Management

- Is a comprehensive risk assessment or review conducted on an ongoing basis to assess and analyse the corruption risk posed by your automated systems?
- Is there co-ordination between the entity responsible for risk identification and the entity responsible for cargo examination?
- Has the opportunity for unnecessary day-to-day contact between officials and clients been reduced?
- Is the number of officials with access to the system’s programming limited and controlled?
- Does the administration have an on-line action plan supported by an IT security strategy addressing the risks associated with on-line electronic trading?
- Is the audit of the automated payment system conducted by a specialist who is able to carry out checks?
- If external consultants and contractors are involved in the provision or support of computer systems, have they been subject to security checks, and have supervision and accountability systems been established to monitor performance?
- Is the use of on-line trading supported by self-assessment and audit-based controls?
- Is there genuine risk analysis whereby, using mathematical and statistical techniques, the areas of risk are identified and control efforts are focused on those areas?

System Security

- Do security checks allow for a proper assessment of the current state of overall protection of the system, so that the necessary measures can be taken to strengthen it?
Integrity Development Guide -

- Is a monthly security and firewall report prepared?
- Are appropriate security and firewall provisions in place to protect the systems from external misuse?
- Are processes in place to ensure that the system is not vulnerable to employees with relevant system knowledge?
- Is access to secure information strictly controlled, monitored, and regularly audited to ensure that information is not being viewed for inappropriate or private purposes?
- Are employees aware of the need to maintain privacy when dealing with confidential information?

Relations with Users

- Is there a programme dedicated to developing business partnerships with businesses and trade associations with the aim of increasing voluntary compliance with electronic commerce requirements?
- Are there regular evaluations to assess if clients’ needs are being met with respect to the automation of Customs procedures?
- Have users been trained on how to use the system?
- Have users been made aware of the reforms taking place within the administration in the area of automation?

Examples of Possible Good Practices

- Automated payment or funds transfer system
- Automated systems that minimize opportunities for inappropriate employee discretion
- Minimal day-to-day contact between Customs officials and clients
- Proactive maintenance, including appropriate security protocols and periodic reviews of system vulnerability
- Integrated audit capability, including aspects such as user access monitoring
- Automated system in line with international standards
- Internal and external audit includes automated systems
5. REFORM AND MODERNIZATION

The Revised Arusha Declaration states:

Corruption typically occurs in situations where outdated and inefficient practices are employed and where clients have an incentive to attempt to avoid slow or burdensome procedures by offering bribes and paying facilitation fees. Customs administrations should reform and modernize their systems and procedures to eliminate any perceived advantages which might be obtained through circumventing official requirements. Such reform and modernization initiatives should be comprehensive in nature and focus on all aspects of Customs operations and performance. The Revised Kyoto Convention provides a sound reference point for such initiatives.

Reform and modernization of the administration should be based on a comprehensive diagnosis of needs and be tailored to the individual circumstances and aspirations of the administration concerned.

A sound reform and modernization programme should:

- focus on simplifying and harmonizing systems and procedures;
- be comprehensive in nature and address all the administration’s roles and responsibilities;
- involve all key stakeholders;
- focus on developing local ownership;
- be sustainable in the long term; and
- be sufficiently resourced to ensure effective implementation.

The key theme being that Customs/Tax administrations should be regarded by governments as an important national asset and a tool for trade facilitation, revenue collection, community protection and national security.

Reform and modernization initiatives are vital to the development of integrity as they improve the overall efficiency, effectiveness and responsiveness of administrations. As a result, the incentive to circumvent correct procedures is minimized. Implementation of the RKC is a key instrument for achieving improvements and ensuring that the reform programme delivers the desired results.

Reform and modernization need to be carried out in order to keep abreast of Customs challenges in the 21st Century and to address the changing role of Customs administrations. Besides performing a traditional role of revenue collection and smuggling prevention, Customs is also involved in preventing human trafficking, enforcing intellectual property rights, interdicting narcotics and suppressing money laundering. With these changing roles, Customs needs to streamline its strategy to cope with the new functions. Obsolete procedures will hamper trade and prevent economic growth.
In term of reforms, it has been identified that changes need to be made in tariff classification, Customs valuation and procedures which should be simplified and harmonized in accordance with international practices. Tariff classification needs to be applied in accordance with the WCO’s HS Convention. Adoption of a common, simplified and harmonious tariff code will help traders plan their imports. It will also help the industrial players to determine their production costs. Customs valuation is another area in need of change. With the adoption of the WTO Valuation Agreement, it is hoped to eliminate practices that are open to fraud and corruption.

Customs procedures also need revamping. Outdated procedures provide avenues for circumventing the official process. Procedures need to adhere to practices that conform to international standards and conventions. Adopting and implementing such conventions would help to eradicate corrupt practices and facilitate trade. The RKC is designed to simplify procedures.

Modernization refers to changes in management systems, relationships with clients and other administrations, as well as technological changes in work processes and benchmarking. Management change should also be made in term of Human Resource Management. The hiring process of potential employees should also include their academic qualifications, attitude, physical fitness and their background. Training programmes should be evaluated to emphasize basic, intermediate and advanced skills. Management skills should be included in the training module and instilling integrity should also be included during basic training.

Salary and benefits should be considered as an incentive to employees. Consideration for this welfare-related aspect for employees will be well-regarded and will inspire them to be more diligent in their assignment and thereby lead to improved performance. Performance management should be given priority in areas such as performance standards, performance evaluation, performance incentives and performance improvement plan.

Relationships developed between the administration and business should be utilized as a means towards modernization. Trust and co-operation between both entities can lead to improved service and encourage compliance with the law by businesses. This effort can help in balancing facilitation and enforcement of the law.

Relations between different (Customs) administrations should also benefit, insofar as the exchange of ideas, information, technology and experiences is beneficial. Joint operations between countries help to monitor international syndicates and smuggling of illicit drugs, goods and human trafficking. Relationships with other government agencies should also be promoted.

Technological improvements in work processes should be encouraged. Equipment for the application of non-intrusive inspection, automation, computerization and automated single window processing should be adopted. Risk management should be a core practice through the use of pre-arrival notification (of passengers and cargo) and post-clearance audit control (as some examples). Benchmarking should be seen as adopting international standards and conventions, as well as analysing best practices that are applicable in the domestic administration.
CHECKLIST

The Reform and Modernization Process

- What technical support structure do you have in place for managing sustainable reforms?
- On what basis has the administration’s reform and modernization process been developed and has there been a WCO diagnostic or a WTO needs assessment of the administration’s capacity?
- How do you ensure that the reform and modernization programme is comprehensive in nature and addresses all the key functional areas of Customs? For example, how has the C21 strategic document influenced your approach?
- Does the reform and modernization programme focus on the adoption of agreed international standards and instruments (for example the RKC, SAFE Framework of Standards, etc.)?
- What mechanisms are in place to ensure sufficient human and financial resources have been allocated to the reform and modernization programme?
- How do the employees within the administration access expert advice and assistance necessary to ensure effective implementation of reform and modernization initiatives?
- How are reform and modernization programmes measured, for example is there an external evaluation to ensure that the reform is cost-effective and efficient?
- What are the communication mechanisms in place to ensure that everyone is informed and has a strong sense of ownership in the reform and modernization approach?

Integrity is Central to Reforms

- How have integrity-related issues been taken into account?
- How has the reform and modernization programme focused specifically on promoting integrity?
- Is there an effective Code of Conduct in place?
- How are your administrative controls, while continually improving over time, designed to deter corruption and foster integrity?
- How has job design and redesign focused on eliminating the corruption-inducing factors of monopoly power, employee discretion and low levels of control or accountability?

Involvement of Stakeholders in Reforms

- How have you ensured that employees have a strong sense of ownership and are committed to the reform and modernization programme?
- What initiatives have been taken to ensure the active involvement of key stakeholders, including the private sector and other government agencies?
- How has relevant industry been consulted well in advance of reform?
- How have other government agencies been consulted and areas of common activity simplified?
- How has the reform and modernization process included an external review of the changes?
- What mechanism is in place for acquiring feedback from stakeholders?

Performance Measurement

- How are performance targets for reform and modernization initiatives being set for core Customs processes?
- How have Customs processes been benchmarked with other administrations, such as (for example) tripartite arrangements between and among WCO Members and the Secretariat?
- What process review mechanisms are in place to ensure continuous improvement?

**Examples of Possible Good Practices**

- WCO diagnostic
- WTO needs and priority assessment
- Project management methodology/disciplines
- Dedicated team
- Reform and modernization is well supported by key stakeholders and the administration’s senior management
- Management and implementation of the programme is co-ordinated effectively
- The reform and modernization development and implementation process is sufficiently resourced, with roles and responsibilities clearly defined
- Appropriate results-focused performance standards and indicators have been established, regularly monitored and evaluated
- See the Australian Customs and Border Protection case study at Appendix 2 describing how this administration has engaged a reform with a view to fighting corruption
6. AUDIT AND INVESTIGATION:

The Revised Arusha Declaration states:

The prevention and control of corruption in Customs can be assisted by the implementation of a range of appropriate monitoring and control mechanisms such as internal check programmes, internal and external auditing and investigation and prosecution regimes. Such regimes should strike a reasonable balance between positive strategies to encourage high levels of integrity and repressive strategies designed to identify incidences of corruption and to discipline or prosecute those personnel involved. Customs personnel, clients and the general public should be encouraged to report corrupt, unethical or illegal activity and, when such information is provided, it should be investigated in a prompt and thorough manner and sources should be protected. Where large scale or complex investigations are warranted or in administrations where corruption is widespread, there should also be recourse to independent anti-corruption agencies.

Mechanisms to detect and prevent corruption are a primary element of any corruption prevention strategy. Internal and external audits can review processes and procedures with the aim of focusing on areas that have a high risk associated with their function. Audits also provide an independent opinion regarding the efficiency and effectiveness of procedures and controls. The audit process should include check programmes, random sampling and on-the-spot checks.

Administrations need to be resistant to criminal infiltration and corruption. This is achieved through effective audit and investigation functions, which limit risks to the integrity of the employees, information, security, assets, programmes, and operations. Sound audit and investigation practices encompass four functions: integrity risk management; disclosure; investigations; and audit. Integrated risk management is a continuous risk management process assisting in the understanding, managing and communicating of risks. A disclosure mechanism allows employees to disclose wrongdoing, while the investigations function follows-up on allegations of wrongdoing. An audit function helps management achieve oversight and control, while all together these four functions play a vital role in ensuring the integrity of the administration.

6.1 INTEGRATED RISK MANAGEMENT

In order to apply risk management practices effectively, an integrated risk management culture must be developed that supports the overall vision, mission and objectives of the administration. Risk is unavoidable - integrated risk management is a function of probability of an adverse or unwanted event, and the severity or magnitude of the consequences of that event. Integrated risk management provides senior management with risk-based information to make strategic and proactive decisions contributing to the overall achievement of the corporate objectives.

The process comprises several steps, building on the results of an environmental scan and supported by appropriate corporate infrastructure.

1. Establish the Context: The risk exposure must be defined at all levels of the organization, from corporate through to front-line operations. This step should also include engagement and consultation with internal and external stakeholders.
2. **Risk Assessment:** The risks must be identified and analysed to determine the impact of the risk, the validity, and contributing issues for each risk including the effectiveness of the controls. Evaluating the risks determines the real and relative seriousness of each risk.

3. **Address the Risk:** The way of treating the risk must be determined. This includes defining a risk response, developing action plans, and implementing risk mitigation measures.

4. **Monitor and Report on the Risks:** The rationale for arriving at decisions should be communicated to all stakeholders to strengthen accountability and demonstrate due diligence.

Consistently applying a risk management process strengthens an administration's resilience to its changing environment.

### 6.2 Disclosure

Disclosures of wrongdoing should be mandatory in any administration. Employees should have an avenue for coming forward when they believe that wrongdoing has occurred, or is about to occur, in their workplace. Protected disclosure of wrongdoing is a formal process which protects employees from reprisal when they disclose wrongdoing. Provisions should be in place to allow employees to bypass their immediate supervisor and make anonymous disclosures. Every effort must be made to ensure confidentiality to the extent possible for all parties involved, making it a mechanism that is fair and objective, both for those who make the disclosure, and those against whom the disclosures of wrongdoing are made. Training sessions should be delivered to make employees aware of their responsibilities with regard to the disclosure of wrongdoing.

The reporting of wrongdoing should be promoted within an organization. An independent third party should be made available to receive disclosures of wrongdoing from employees, stakeholders, and the general public. Further, the independent third party should review complaints or reprisals. A communications strategy should be in place to raise awareness of the procedures to be followed when disclosing wrongdoing. These activities will demonstrate to employees, stakeholders and the public the transparency and accountability of the administration.

### 6.3 Investigations

To support the integrated risk management, audit, and disclosure functions, it is essential to have an investigative function that is separate from the criminal investigations area. The investigative function provides a systematic and thorough process involving the examination of circumstances surrounding an incident or allegation, the purpose of which is to establish and document all the relevant facts, and to analyse these in order to allow management to make an informed decision. The investigative function supports the overall integrity of the administration.

Investigators must have the authority to conduct investigations and be capable of conducting an independent and impartial investigation in a thorough, timely, discreet, and sensitive manner. Training in investigation and interview techniques is essential. Investigators must also have a security clearance appropriate for the case being investigated and be at arm’s length from the employees they are investigating. Equally important, investigators must create an environment of trust and confidence throughout the investigation.

All investigations should be conducted in a consistent manner. A sound investigation involves the selection of an investigator, the development of the investigator’s mandate, the gathering of information, the analysis of the information and the preparation of a final report, which will be presented to the management representative for a decision on whether wrongdoing has occurred. Procedural fairness, the requirement that management be fair and reasonable, must be upheld while conducting investigations. A formalized discipline process must be established.
These measures will ensure consistency supporting the overall integrity of the investigative process.

The results of investigations should be subject to a regular independent review. In the event of serious wrongdoing, it is recommended that an independent investigative authority rather than the administration conduct the investigation. These measures will ensure the impartiality of the investigation and likely better stand up to public scrutiny and foster public confidence in the administration.

6.4. INTERNAL AUDIT

Internal audit is an independent appraisal function that brings a systematic evidence-based approach to assessing and improving the effectiveness of risk management strategies and practices, management control frameworks, systems and practices, and governance processes within an administration. It helps management achieve oversight and control of programme activities, apply sound risk management practices, target its attention to areas that need improvement and demonstrate accountability. Internal audits also help Senior Management identify where the greatest risk exposures are and what remedial actions are available and appropriate.

An internal audit function complements, but does not replace, an organization’s investigations and inspections units and, preferably, should be separate from them: its main purpose is not to uncover fraud or other irregularities as such, though it might do so as a by-product of its work.

6.5 EXTERNAL AUDIT

An external audit function provides support to the legislative and oversight needs of the government. Its work emphasizes making a difference to the public by promoting answerable, honest and productive government that reflects a commitment to sustainable development. It carries out independent audits and examinations that provide objective information, advice and assurance to the government. This is done to promote fair and frank accounting of government's stewardship; efficiency and productivity; cost-effectiveness; the collection of revenues; and compliance with authorities. External audits provide quality control procedures to ensure that a high standard is maintained in performing this core function for government.
CHECKLIST

Risk Management

- How are risks effectively identified, assessed, managed, and communicated?
- How has a consistent risk assessment process been developed and implemented?
- How is an integrated risk management process consistently applied in all areas and at all levels and is there ongoing consultation with internal and external stakeholders?
- How are the employees responsible for the risk management function properly trained?

Disclosure

- Do you have legislation, policies, and procedures in place to facilitate the reporting of wrongdoing and are they widely communicated/available to employees, stakeholders, and the public?
- Does the legislation allow for the anonymous disclosure of wrongdoing?
- Are employees made aware of their responsibilities and the procedures to be followed to report cases of wrongdoing?
- If an employee reports a case of wrongdoing, is their confidentiality protected and are they protected against reprisal?
- Is it mandatory to report suspected or known cases of wrongdoing? If so, are employees aware of this?
- Has an independent third party been identified and authorized to receive complaints of reprisals made against an employee?
- Are there mechanisms in place for employees, clients, stakeholders, and the general public to report instances of wrongdoing? Is information about their obligations broadly communicated to all employees?

Investigations

- Do the investigators receive training in interview and interrogation techniques?
- Do investigators have the legal authority to conduct investigations?
- Are prevention and education strategies developed for all employees based on findings from investigations?
- Where large-scale corruption is suspected or alleged, is there access to an independent investigation authority?
- Are the investigators at arm’s length from the employees they are investigating?
- Is procedural fairness maintained throughout the investigation?
- Is there a formalized discipline process to take action as a result of an investigation?
- Are investigations subject to an independent review?
- Is the data obtained from investigations analysed to identify trends, vulnerabilities, and opportunities for improvement?
Audit

- Is an internal audit plan for the administration developed on an annual or cyclical basis?
- Are internal audits performed by a team that is qualified and independent from the investigations and inspections areas?
- Are the internal audits conducted using a systematic and evidence-based approach?
- Do the internal audits provide independent and evidence-based information?
- Are remedial action plans developed based on the results of an internal audit?
- Is the Internal Audit Section subject to external review?

Examples of Possible Good Practices

- Formalized organization strategy to address risk management is in place
- Strategic audit plan and strategy are established at target areas of highest risk
- Capacity to investigate allegations made against employees
- Employees allocated to audit and investigation functions are suitably qualified
- Appropriate degree of independence for audit and investigation personnel
- The administration is subject to external audit on a regular basis
- Access to external investigation when appropriate
- Audit and investigation personnel have a role in education and other preventative strategies

7. CODE OF CONDUCT

The Revised Arusha Declaration states:
A key element of any effective integrity programme is the development, issue and acceptance of a comprehensive code of conduct which sets out in very practical and unambiguous terms the behaviour expected of all Customs personnel. Penalties for non-compliance should be articulated in the code, calibrated to correspond to the seriousness of the violation and supported by appropriate administrative and legislative provisions.

A Code of Conduct describes the standards of behaviour and conduct expected by all Customs officers to ensure the integrity and good reputation of the administration is maintained. The WCO has prepared a Model Code of Ethics and Conduct that describes the key elements required.

An effective Code of Conduct must describe in very practical and clear terms the standards of behaviour expected of all employees. The Code should be regularly reinforced to employees. Management must lead by example in following the provisions of the Code of Conduct and take appropriate action, including disciplinary action, when employees fail to abide by the required standards.
The penalty system associated with breaches of the Code must be sufficient to provide a deterrent to engaging in behaviour contrary to the Code. Penalties should be calibrated to correspond to the seriousness of the violation and could, for example, include added managerial oversight, fines, written reprimands, suspension, demotion and dismissal.

Appropriate conditions of employment, remuneration, and administrative and legislative provisions must support the practical implementation of the Code and be sufficient to provide a positive incentive.

If a general civil service code also exists, the administration’s Code of Conduct should be consistent with, rather than conflict with, the general code.
CHECKLIST

Establishment of a Code of Conduct

- Does your organization have a formal Code of Conduct?
- Was your organization’s Code developed in consultation with clients, other government agencies and employees at all levels?
- Does the Code provide a range of practical examples to clarify various provisions of the Code so that employees can easily discern the meaning of the provisions?

Awareness Raising

- Are all employees, including senior management, required to sign an acknowledgement that they have read the Code and understand its provisions, obligations and responsibilities? This requirement can be accomplished when an employee first begins employment with the organization, and can possibly be reinforced on an annual basis.
- Are all new and existing employees given training in the application of the Code?
- Is the Code readily accessible to all employees?

Management Leadership and Commitment

- Do members of the Senior Management Team, and all other managers, lead by example and display model behaviour that is consistent with the provisions of the Code of Conduct?
- Do supervisors and managers take appropriate action when employees are in breach of the Code of Conduct?
- Is the Code available for outside entities to review so that they can familiarize themselves with the rules to which employees are subject, such as restrictions on their ability to accept gifts?

Implementation Aspects

- Are effective disciplinary measures for non-compliance with the Code in effect in Customs or public sector legislation?
- Are there appropriate mechanisms in place and contact information available for employees to report suspected breaches of the Code?
- Are there procedures in place to investigate alleged or suspected breaches of the Code?
- Are breaches of the Code fully investigated?
- Has the introduction of a limited amnesty been considered as an element of the integrity strategy?

Examples of Possible Good Practices

- The Code of Conduct is compatible with the WCO Model Code of Ethics and Conduct
- There is consultation with and participation by employees in the development of the Code
- Employees are required to read, understand and endorse the Code
- There is an effective communication strategy and internal/external promotion of the Code
- The Code of Conduct is periodically reviewed and updated
- Introductory training includes coverage of the organization’s values and the content of the Code
• Prompt action is taken to redress any breaches of the Code
8. HUMAN RESOURCE MANAGEMENT:

The Revised Arusha Declaration states:
The implementation of sound human resource management policies and procedures plays a major role in the fight against corruption in Customs. Human resource management practices, which have proved useful in controlling or eliminating corruption in Customs, include:
- providing sufficient salary, other remuneration and conditions to ensure Customs personnel are able to maintain a decent standard of living;
- recruiting and retaining personnel who have, and are likely to maintain, high standards of integrity;
- ensuring staff selection and promotion procedures are free of bias and favoritism and based on the principle of merit;
- ensuring that decisions on the deployment, rotation and relocation of staff take account of the need to remove opportunities for Customs personnel to hold vulnerable positions for long periods of time;
- providing adequate training and professional development to Customs personnel upon recruitment and throughout their careers to continually promote and reinforce the importance of maintaining high ethical and professional standards; and
- implementing appropriate performance appraisal and management systems which reinforce sound practices and which foster high levels of personal and professional integrity.

A key element in any effective integrity strategy or programme is managing the personal integrity of employees. People management is just as important as the reform of systems and procedures. Human resource policies should not only be aimed at recruiting the right people, but also at improving employees' skills and providing a quality work environment which recognizes and supports the work efforts of employees. Just as a high standard of work performance and integrity is expected from employees, so employees expect a high level of integrity in the administration and implementation of associated human resource policies and procedures which underpin the work environment. Even in situations where administrations do not have ownership of the recruitment process, because it is managed by a higher institution, a significant amount can be done to redesign and improve human resource policies so that they offer proper incentives and provide for adequate sanctions for non-compliance with the expected work ethic. A professional attitude towards work and users should be promoted.

8.1. REMUNERATION AND CONDITIONS

Appropriate conditions of employment, and in particular remuneration that can sustain a reasonable standard of living, are extremely important. Salaries need to be sufficient to ensure that employees are not tempted to accept low paying government positions on the assumption that they can supplement their income with illegal commissions.
Remuneration may in certain circumstances include social benefits such as health care, housing, and/or incentive payments. The latter can be used to reward specific individuals for behaviours that reduce or control corruption. For example, performance evaluation/appraisal schemes can be employed which provide incentives for model behaviour. Employees can be rewarded for identifying methods by which corruption can occur and for suggesting improved control mechanisms. Non-monetary rewards should also feature in human resource policies. Such rewards could include promotional transfer, training and travel, as well as public recognition for officials that are performing well and demonstrating a professional attitude towards work and clients.

There should be a mechanism in place to identify serious indebtedness in the workforce, because employees facing serious debt problems may be more vulnerable to corruption. When employees are identified as facing severe financial difficulties they should receive counselling and close supervision and, where appropriate, be transferred away from high-risk areas. Provisions could be made to assist them (where possible), such as a salary advance or temporary loan.

8.2. RECRUITMENT, SELECTION AND PROMOTION

Recruitment and selection procedures should focus on selecting employees on the basis of perceived incorruptibility as well as academic, professional and/or technical competence. Recruitment and selection must take into account the characteristics of honesty, dependability and high standards of personal behaviour.

Employees’ selection and promotion should be based on merit. The process should be objective and immune to interference. Each recruitment or promotion committee should be composed of independent members selected from different work areas of the organization. Such an arrangement can minimize the chance of nepotism and corruption.

Examining previous employment records and/or relying on guarantees of honesty should be taken into account when screening potential employees. It may be necessary to use outside expertise to examine and suggest improvements to internal selection processes and procedures. This policy is particularly important for positions where the exercise of discretion is unavoidable and supervision is difficult.

In some countries, the administration does not own the recruitment process. Nevertheless, some clear provisions should exist to cover internal movements of employees and promotions. The results of the selection and promotion process should be published prominently (intranet or notice boards).

8.3. DEPLOYMENT, ROTATION AND RELOCATION

Removing opportunities for employees to hold vulnerable positions for long periods of time is an important integrity measure. To ensure employees do not develop close and inappropriate relationships with clients, roster rotation or mobility schemes should be in place. Decisions on posting of employees should be based on established objective criteria and the basis for posting decisions recorded. Employees that have remained in a post for a long period of time or have held positions that are more vulnerable to corruption should be moved to another position or location (within a specified period of time).

Job segregation can be utilized so that a number of officials are able to discharge the same discretionary functions to ensure clients do not have to deal with one official.
Attention should be paid to the design of jobs to ensure that individual officials are unable to exercise discretionary power without reference to other officials. For example, in keeping with accepted accounting practice, officials should not be able to both initiate and certify payments.

In cases where examinations or inspections need to be undertaken, allocation of those work assignments to individual employees may be made on a random basis, rather than on a commodity, industry or geographical basis. The conduct of examinations or inspections can also be subject to regular peer and independent review.

Rotation can be an expensive and difficult process to implement in most places. In some small states, such as islands, rotation might not be feasible. Nevertheless, other provisions should be made to avoid regular dealings with the same clients.

Rotation should also take into account employee work experiences, so as to avoid having inexperienced employees in positions that could delay the process, which in itself may encourage corruption and therefore become counterproductive. Transfers might be an easier solution in cases where rotation is not possible, but these should be made in the best interests of all concerned.

8.4. TRAINING AND PROFESSIONAL DEVELOPMENT

Education and training play a major role in the fight against corruption. They provide employees with appropriate professional development, thus increasing their technical competence and professionalism. They can be used as part of a reward and career enhancement system and will boost employees' morale while improving their performance. Introductory training should include instructional sections on ethical standards and should allow for candid and free discussions.

To maintain the credibility of the training that is provided, it is essential that the content of the training accurately reflect what is happening on the job. Training should be provided on a meritocratic basis and correspond to the needs of the job.

8.5. PERFORMANCE MANAGEMENT/APPRAISAL

Performance appraisal should be an objective process that enables managers to assess the performance of employees, identify developmental opportunities, recognize and reward employees for good work, and contribute to the achievement of an organization's goals.

Performance appraisal can also provide incentives for model behaviour by reinforcing the desired workforce characteristics and conduct. Regular appraisal encourages employees to take responsibility for maintaining high levels of personal and professional integrity.

Performance appraisal is important from an accountability point of view. Employees must know that they have to take responsibility for their actions. This is important in the context of anti-corruption.

For example, integrity can be an element of the performance process. This may encourage employees to engage in opportunities to reduce or control corruption, and reward those who have been able to identify methods by which corruption can occur and for suggesting improved control mechanisms.
The performance appraisal process should be linked to a comparable reward/recognition system. This may include salary advancement, as well as non-monetary rewards such as transfer, training, travel and public recognition to further encourage positive behaviour. Such rewards may recognize immediate good performance; however the appraisal system should be designed with the aim of optimizing employees' performance in the long term.

Performance appraisal should be undertaken on a regular basis, whether weekly, monthly or annually. Management should be accountable for the performance of its employees and actively manage performance issues. Performance appraisal should (whenever possible) rely on objective data that can be obtained from the administration's automated system.
CHECKLIST

Remuneration and Conditions

- Are remuneration levels for employees comparable to similar public sector positions?
- Do remuneration levels for employees take into account the opportunity presented for their work to supplement income through illegal commissions?
- Are mechanisms available to identify signs of serious indebtedness of employees?
- Is there a non-monetary reward system and is it fairly administered?
- Is there a bonus or similar reward system that shares the benefits widely amongst all employees that demonstrate high standards of work performance, or does it only recognize a small number of those officials who work in a particular area where seizures and prosecutions are commonplace?
- Is there a health, housing and/or pension scheme?

Recruitment, Selection and Promotion

- Are selection criteria published and strictly adhered to for all vacancies?
- Do the selection criteria focus on high ethical standards as well as job specific knowledge and technical competence?
- Is the appointment and selection process based on merit or does it help to know someone in the administration?
- Are employees aware of the selection process and are results communicated promptly?
- Is there a procedure in place for employees to challenge the outcome of the selection process?
- Are selection committees comprised to ensure impartiality?
- What is the composition of selection committees? Are there representatives of different areas of work? Do they contain a member of Human Resources?
- What external checks are performed on new recruits (i.e. background and police checks, previous employment records, references, etc.)?
- Are references and qualifications always checked?
- To what extent are conflicts of interest tolerated? Are officials allowed to engage in secondary employment? If so, do they have to obtain approval to do so?
- Are officials being nominated for promotion assessed on merit and their willingness to accept an appropriate level of responsibility for corruption prevention and promotion of integrity?

Deployment, Rotation and Relocation

- Are employees prevented from holding vulnerable positions for long periods of time?
- Are employees expected to transfer or rotate at regular intervals?
- Are rotation guidelines clear and easily accessible?
- Is rotation/mobility a clearly understood condition of service where such provisions exist?
- What consideration has been given to a separate rotation scheme for technical positions?
- Is the rotation policy enforced and subject to independent review?
• What are the established mechanisms in place to oversee the rotation of employees at regular intervals? Is this process free of bias or favouritism?
• How do you avoid the working environment fostering the development of an inappropriate relationship between employees and clients?
• What mechanisms are in place to ensure suitable control, accountability and supervision of employees working in such environments?
• Does automation provide for the random allocation of employees to perform specific functions?
• At points of interaction with the public, such as passenger and cargo control points, are there mechanisms in place to prevent prior notification that given officials will be performing particular functions at certain times?
• Are functions segregated in areas that are vulnerable to corruption? For example, is it possible for an individual official to initiate, check and authorize payments?
• Are examinations and inspections allocated on a random basis, rather than on a commodity, industry or geographical basis?
• Are inspections subject to regular independent review?
• Are employees subject to random shift rotation to decrease predictability of assigned duties?

Training and Professional Development

• Does the administration provide formal vocational training and structured on-the-job training for employees covering both general and specialist skills?
• Are new recruits specifically given introductory training regarding integrity principles and the Code of Conduct of the organization?
• Is on-the-job training structured and does it reinforce the integrity policies of the administration?
• Is there a programme of succession planning to ensure that the administration does not become over-reliant on a few key individuals?
• How is the effectiveness of training periodically evaluated?
• How does the performance management/appraisal system identify development needs and reinforce integrity principles?
• Is training provided to a selected group of individuals or does it depend on the needs of the job and the good performance of individuals?

Performance Management/Appraisal

• Does the administration have a performance appraisal system in place?
• Does the appraisal system prevent subjectivity?
• Is the appraisal system based on the results of an automated system?
• Is the system in place fairly administered and regularly monitored and reviewed?
• Are performance appraisals undertaken on a regular basis?
• Is there a reward system linked to the performance appraisal system?
• If so, does the reward system share the benefits widely amongst all employees that demonstrate appropriate ethical standards, does it encourage the development and maintenance of high standards of work performance, or does it only recognize a small
number of those officials who work in a particular area where seizures and prosecutions are commonplace?

- Does the performance appraisal system link performance to the administration’s Code of Conduct?
- Is demonstrating a high level of personal and professional integrity specifically captured in the performance appraisal process?
- Do employees have the opportunity to challenge their performance assessment if they disagree with any aspect of their appraisal?
- Are managers required to take an active role in managing the performance of employees?

**Examples of Possible Good Practices**

- A comprehensive overall human resource management strategy in place
- Process for recruitment, promotion and deployment is apolitical, objective, merit-based and consistently applied across the administration
- An independent, fair, transparent and accessible selection appeals process
- Potential employees are vetted during the recruitment process
- Ongoing periodic security vetting for existing employees
- Recruitment processes are subject to internal audit
- Requirement to report potential conflicts of interest and relevant changes in personal circumstances (i.e. secondary employment, new sources of income, etc.)
- Acceptance of the Code of Conduct is a prerequisite for employment
- A formal, centralized training system is in place
9. MORALE AND ORGANIZATIONAL CULTURE

The Revised Arusha Declaration states:
Corruption is most likely to occur in organizations where morale or ‘esprit de corps’ is low and where Customs personnel do not have pride in the reputation of their administration. Customs employees are more likely to act with integrity when morale is high, where human resource management practices are fair and where there are reasonable opportunities for career development and progression. Employees at all levels should be actively involved in the anti-corruption programme and should be encouraged to accept an appropriate level of responsibility for the integrity of the administration.

Before organizational change can occur it is necessary to understand the culture and practices that currently exist within the administration and to determine the most appropriate methods for achieving real and sustained improvement. The extent of the changes necessary must be based on the administration’s current situation and its capacity to appropriately support and embrace the necessary cultural change.

Employees and employees associations should be actively involved in this process. For example, special project teams can be set up in each office to identify high-risk areas and suggest changes to existing systems and work practices. Changes in attitude and organizational culture are extremely difficult to achieve, particularly when corruption is widespread or endemic. Without change, however, even if those guilty of corrupt behaviour are replaced, corruption may occur with their replacements. Improving organizational culture, so that employees have pride and loyalty in the service, is vital in breaking this cycle.
CHECKLIST

Role of Senior Management
- Does senior management lead by example and demonstrate its commitment to integrity and fairness through its behaviour?
- Is senior management’s decision-making open and transparent?
- Are employees encouraged, recognized, acknowledged and/or rewarded for identifying methods by which corruption can occur and for suggesting improved control mechanisms?

Proactive Mechanisms for Enhancement
- Are special project teams used to develop integrity strategies for their work areas? Do all employees have the opportunity to contribute?
- Are activities undertaken to measure levels of morale, such as employee surveys to gather feedback and provide suggestions?
- Are mechanisms available in which employees can raise, discuss and resolve any cultural and/or morale issues which impact on the administration’s anti-corruption efforts?
- Are meetings and staff journals used to communicate the standards of behaviour expected, highlight instances of meritorious behaviour, and expose of those found to be involved in corruption?

Internal Communication
- Do the administration’s systems and culture recognize and respect the rights of employees and the need for fairness in all human resource management matters?
- Are employees recognized or rewarded for performance that demonstrates the highest levels of integrity?
- Are internal communication mechanisms used to discuss integrity and ethical issues? Are cases of corruption discussed openly?

Enforcement Mechanisms
- Is prompt action taken against those who fail to meet integrity standards?
- Is effective legislation in place that protects employees who report breaches of integrity?
- To what extent are employees at all levels encouraged to identify and report breaches of integrity?
- Are employees who come forward to report corrupt practices rewarded or victimized?
- Are penalties for corrupt behaviour sufficient to deter inappropriate behaviour?

Examples of Possible Good Practices
- Employees and client satisfaction surveys
- Effective employees and management consultative practices
- Special project teams tasked with integrity improvements
- Performance Management/Discipline framework
- Systems for monitoring and reviewing morale indicators such as employee attrition and absenteeism rates
- Client awareness of integrity initiatives in Customs/the administration
- Administrative practices based on procedural fairness and equity
Prompt action when breaches of integrity occur
Willingness to make public the results of corruption-related investigations
Willingness to undertake self-assessment and other international integrity activities
Employee participation in integrity-related initiatives
Reputation of the administration as a good employer
Effective ‘whistle blower’ procedures in place
10. RELATIONSHIP WITH THE PRIVATE SECTOR

The Revised Arusha Declaration states:

Customs administrations should foster an open, transparent and productive relationship with the private sector. Client groups should be encouraged to accept an appropriate level of responsibility and accountability for the problem and the identification and implementation of practical solutions. The establishment of Memoranda of Understanding between Customs and industry bodies can be useful in this regard. Likewise, the development of codes of conduct for the private sector, which clearly set out standards of professional behaviour, can be useful. Penalties associated with engaging in corrupt behaviour must be sufficient to deter client groups from paying bribes or facilitation fees to obtain preferential treatment.

It is important to focus attention on the central role that client groups play in controlling corruption. After all, many forms of administrative corruption require the active involvement of external partners. This fact is acknowledged in the International Chambers of Commerce Rules of Conduct, the Lima Declaration, the UN Declaration Against Corruption and Bribery in International Commercial Transactions, the Pacific Basin Economic Council Statement on Standards and the Organization for Economic Co-operation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Performance standards and/or client service charters may provide a useful starting point and a practical monitoring mechanism. When administering a major integrity programme it may be useful to have feedback through client surveys on their perceptions of performance quality and operating effectiveness. This may be in addition to the quantity and timeliness standards that are measured under a client service charter.

Liaison committees can provide an important vehicle for administrations to clearly communicate the standards of behaviour expected of clients. It may be appropriate to establish a joint administration/client anti-corruption task force to identify practical solutions and identify corrupt officials. Co-operative mechanisms can be established with industry groups, to encourage the provision of information to identify unusual or suspicious activity related to illegal activities such as drug trafficking and money laundering.

Clients, the general public and third parties such as banking institutions and trade associations can provide potential sources of information about an organization's most vulnerable points, or indeed, about actual instances of corruption. Providing guarantees of anonymity can facilitate the provision of information, as can setting up a hotline and a complaints and compliments system. Information received needs to be thoroughly investigated, and it should be clearly apparent that the administration has responded effectively.

A comprehensive communication strategy could include setting up Customer Information Centres and hotlines to provide information on all processes and procedures, information leaflets/official notices, as well as promoting the achievements of the administration via the media. These initiatives need to be well publicized and easily accessible.
CHECKLIST

**Private Sector Consultation**
- How have all relevant stakeholders and clients been identified and their support and co-operation obtained?
- Have appropriate consultative mechanisms been established to facilitate communication and co-operation between Customs/the administration and client groups?
- How have major client groups been involved in the development of your administration’s anti-corruption strategies?
- Have formal co-operative arrangements been established with industry bodies incorporating aspects such as the knowledge of Customs’ procedures, information exchange and two-way training?
- Have Codes of Conduct for the private sector, which clearly set out standards of professional behaviour, been established?

**Reporting and Accountability Mechanisms**
- How do client groups accept a share of responsibility for both the problem and the solution?
- When corrupt practices are detected involving members of client groups, are the clients penalized for engaging in such behaviour? Are the penalties imposed sufficient to deter future violations?
- Do legal provisions appropriately recognize all parties involved in corrupt practices or do they only cover the administration employees involved?
- Are clients, the general public and third parties such as banking institutions actively encouraged to report instances of corruption or attempted corruption?
- Are mechanisms in place to report instances of corruption, such as through hotlines or a complaints and compliments system? Are these mechanisms regularly promoted to stakeholders?
- What guarantees/commitments are provided to clients and third parties that any information provided will be treated confidentially? Are these commitments kept?
- Are mechanisms in place to investigate information provided to the administration from third parties?
- Do clients accept their share of responsibility for maintaining a corruption free environment?
- Is there a client communication strategy to not only provide information to clients, but also to promote the achievements of the administration?

**Examples of Possible Good Practices**
- Client surveys
- Formal co-operative agreements in place
- Practical consultative mechanisms in place
- Joint Customs - Business task force to address integrity issues
- Development and promotion of a system for reporting allegations of corruption
- Business partnership and outreach arrangements and programmes
- Effective screening process for licensed clients
- Self-regulating industry associations (Code of Conduct, sanctions, penalties for inappropriate behaviour, etc.)
- See Uruguay Customs’ business case at Appendix 3 that describes a partnership approach with the private sector to fight corruption.
Part 3 – THE ACTION PLANNING PROCESS

3.1 ESTABLISHING PRIORITIES

Once checklist questions have been considered, a number of areas requiring action and/or opportunities for development will be identified. These should be prioritized and an Integrity Action Plan prepared. An integrity implementation team should be formed to oversee the implementation of these strategies.

The first part of this process involves prioritizing the activities that were identified during the self-assessment process. The criteria used to determine which issues are considered the highest priority should include (but not be limited to):

- Importance
- Urgency
- Consequence of failure
- Probability of obtaining executive and employee commitment
- Impact
- National/international obligations
- Ease of implementation
- Cost

3.2 DEVELOPING AN INTEGRITY ACTION PLAN

The Action Plan can be developed using the following examples as a guide:

<table>
<thead>
<tr>
<th>TASK</th>
<th>Responsible official(s)</th>
<th>Verifiable Performance Indicators</th>
<th>By when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target sectors and develop appropriate and relevant information/guidance for the benefit of each group regarding new initiatives, decisions, changes in legislation and procedures</td>
<td>Name of unit</td>
<td>No. of studies conducted and guidance issued</td>
<td>Short term</td>
</tr>
<tr>
<td>Implement automated system payment at the national Airport</td>
<td>IT, Finance, Customs, administration</td>
<td>Complete automation of the system at the airport</td>
<td>Short term</td>
</tr>
<tr>
<td>TASK</td>
<td>Responsible official(s)</td>
<td>Verifiable Performance Indicators</td>
<td>By when?</td>
</tr>
<tr>
<td>------</td>
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</tr>
<tr>
<td>Ensure that Directors systematically provide feedback on actions taken following audit findings at operational level through the establishment of follow-up procedures</td>
<td>Each Director/Internal Audit</td>
<td>Formal channels of communication between the different levels of hierarchy established</td>
<td>Short term</td>
</tr>
<tr>
<td>Establish a joint Consultative Committee between the administration and private sector stakeholders</td>
<td>All departments</td>
<td>Committee established and regular meetings held</td>
<td>Short term</td>
</tr>
</tbody>
</table>

3.3 DEVELOPING A COMMUNICATION STRATEGY

In order to ensure the results of the self-assessment and action planning process are properly understood and accepted by the executive and embraced by the majority of the organization’s employees, it is important to develop a practical information and communication approach. For maximum benefit and synergies, any integrity strategy developed should ideally be synchronized with other national or regional plans that are also ongoing.

The approach should be based on a number of key principles. These include the need to:

- Involve as many people as possible in the process;
- Secure political and media support;
- Secure private sector support and involvement;
- Promote the real benefits of an improved integrity regime to all employees;
- Gain executive management commitment to the Plan;
- Ensure that those not present at the workshop also support the key elements of the Action Plan; and
- Ensure that each of the workshop participants maintains an active role in the implementation of the Action Plan (which should all be raised in dialogue with the DG).
PART 4 – ACTION PLAN REVIEW, EVALUATION AND REDEVELOPMENT

The WCO will remain available to review, evaluate and re-develop the Integrity Action Plan once it has been implemented. Reviewing the Integrity Action Plan will assist Member administrations to:

- Assess their individual integrity strategies to determine whether they have achieved the outcomes anticipated in the Integrity Action Plan initially developed
- Determine the areas that require further attention and/or initiatives that might build on the momentum already established
- Develop an enhanced Integrity Action Plan

The evaluation phase should only be undertaken after both the self-assessment process and implementation of an integrity action plan have been completed. The result of evaluation will be a comprehensive integrity gap analysis that will determine whether the administration needs to revisit certain aspects of the self-assessment process to develop a revised action plan to further develop the organization’s integrity programme.

The review, evaluation and re-development process should involve a second self-assessment process using the checklist questions contained in Part 2 of this Guide. The answers to the questions, together with an examination of the verifiable performance indicators identified in the Integrity Action Plan, should provide the necessary data upon which to evaluate the success, or otherwise, of the individual strategies or activities included in the Action Plan.

Indicators of performance that might prove useful in assessing the success of the Integrity Action Plan include:

- Results of client/stakeholder satisfaction surveys
- Number of complaints or allegations against Customs/the administration’s employees
- Number of successful investigations and/or prosecutions for integrity breaches
- Positive/negative media coverage of integrity in Customs/the administration
- Reports by international agencies
- Number and nature of ombudsman complaints
- Complaints by the travelling public, Customs brokers or importers
- Results of internal and external audits
- Achievement of performance targets/client charter standards
- Increase/decrease in operational performance statistics
Once this review and evaluation process has been completed, it is necessary to develop a new Integrity Action Plan. The new Plan will include:

- Ongoing activities and strategies that require continued attention
- A range of activities and strategies that are designed to improve or re-focus elements that were addressed in the previous Action Plan
- A range of new activities and strategies

The revised Integrity Action Plan will include the identification of existing problems or opportunities for improvement, identified solutions, responsible officials, timelines for implementation and verifiable performance indicators.

Following this process, appropriate attention should be paid to ensuring executive endorsement of and commitment to the revised Action Plan and the effective marketing of it to employees and relevant stakeholders.
THE REVISED ARUSHA DECLARATION

DECLARATION OF THE CUSTOMS CO-OPERATION COUNCIL CONCERNING GOOD GOVERNANCE AND INTEGRITY IN CUSTOMS

THE CUSTOMS CO-OPERATION COUNCIL*,

NOTING that Customs administrations throughout the world perform a number of vitally important tasks on behalf of their Governments and contribute to national goals such as revenue collection, community protection, trade facilitation and protection of national security;

ACKNOWLEDGING that integrity is a critical issue for all nations and for all Customs administrations and that the presence of corruption can severely limit Customs capacity to effectively accomplish its mission. The adverse effects of corruption can include:

- a reduction in national security and community protection;
- revenue leakage and fraud;
- a reduction in foreign investment;
- increased costs which are ultimately borne by the community;
- the maintenance of barriers to international trade and economic growth;
- a reduction in public trust and confidence in government institutions;
- a reduction in the level of trust and co-operation between Customs administrations and other government agencies;
- a reduction in the level of voluntary compliance with Customs laws and regulations; and
- low staff morale and “esprit de corps”;

CONSIDERING that corruption can be combated effectively only as part of a comprehensive national effort;

AFFIRMING that a priority for all Governments should be to ensure that Customs is free of corruption. This requires firm political will and a sustained commitment to the fight against corruption;

DECLARES that an effective national Customs integrity programme must address the following key factors:

* Customs Co-operation Council is the official name of the World Customs Organization (WCO).
1. Leadership and Commitment

The prime responsibility for corruption prevention must rest with the head of Customs and the executive management team. The need for high levels of integrity must be stressed and commitment to the fight against corruption maintained over the long term. Customs managers and supervisors should adopt a strong leadership role and accept an appropriate level of responsibility and accountability for maintaining high levels of integrity in all aspects of Customs work. Customs managers should demonstrate a clear and unequivocal focus on integrity and be seen to set an example that is consistent with both the letter and spirit of the Code of Conduct.

2. Regulatory Framework

Customs laws, regulations, administrative guidelines and procedures should be harmonized and simplified to the greatest extent possible so that Customs formalities can proceed without undue burden. This process involves the adoption of internationally agreed conventions, other instruments and accepted standards. Customs practices should be reviewed and redeveloped to eliminate red tape and reduce unnecessary duplication. Duty rates should be moderated where possible and exemptions to standard rules be minimized. Systems and procedures should be in accordance with the revised International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention).

3. Transparency

Customs clients are entitled to expect a high degree of certainty and predictability in their dealings with Customs. Customs laws, regulations, procedures and administrative guidelines should be made public, be easily accessible and applied in a uniform and consistent manner. The basis upon which discretionary powers can be exercised should be clearly defined. Appeal and administrative review mechanisms should be established to provide a mechanism for clients to challenge or seek review of Customs decisions. Client service charters or performance standards should be established which set out the level of service clients can expect from Customs.

4. Automation

Automation or computerization of Customs functions can improve efficiency and effectiveness and remove many opportunities for corruption. Automation can also increase the level of accountability and provide an audit trail for later monitoring and review of administrative decisions and the exercise of official discretion. Where possible, automated systems should be configured in such a way as to minimize the opportunity for the inappropriate exercise of official discretion, face-to-face contact between Customs personnel and clients and the physical handling and transfer of funds.

5. Reform and Modernization

Corruption typically occurs in situations where outdated and inefficient practices are employed and where clients have an incentive to attempt to avoid slow or burdensome procedures by offering bribes and paying facilitation fees. Customs administrations should reform and modernize their systems and procedures to eliminate any perceived advantages which might be obtained through circumventing official requirements. Such reform and modernization initiatives should be comprehensive in nature and focus on all aspects of Customs operations and performance. The Revised Kyoto Convention provides a sound reference point for such initiatives.
6. Audit and Investigation

The prevention and control of corruption in Customs can be assisted by the implementation of a range of appropriate monitoring and control mechanisms such as internal check programmes, internal and external auditing and investigation and prosecution regimes. Such regimes should strike a reasonable balance between positive strategies to encourage high levels of integrity and repressive strategies designed to identify incidences of corruption and to discipline or prosecute those personnel involved. Customs personnel, clients and the general public should be encouraged to report corrupt, unethical or illegal activity and, when such information is provided, it should be investigated in a prompt and thorough manner and sources should be protected. Where large scale or complex investigations are warranted or in administrations where corruption is widespread, there should also be recourse to independent anti-corruption agencies.

7. Code of Conduct

A key element of any effective integrity programme is the development, issue and acceptance of a comprehensive code of conduct which sets out in very practical and unambiguous terms the behaviour expected of all Customs personnel. Penalties for non-compliance should be articulated in the code, calibrated to correspond to the seriousness of the violation and supported by appropriate administrative and legislative provisions.

8. Human Resource Management

The implementation of sound human resource management policies and procedures plays a major role in the fight against corruption in Customs. Human resource management practices, which have proved useful in controlling or eliminating corruption in Customs, include:

- providing sufficient salary, other remuneration and conditions to ensure Customs personnel are able to maintain a decent standard of living;
- recruiting and retaining personnel who have, and are likely to maintain, high standards of integrity;
- ensuring staff selection and promotion procedures are free of bias and favoritism and based on the principle of merit;
- ensuring that decisions on the deployment, rotation and relocation of staff take account of the need to remove opportunities for Customs personnel to hold vulnerable positions for long periods of time;
- providing adequate training and professional development to Customs personnel upon recruitment and throughout their careers to continually promote and reinforce the importance of maintaining high ethical and professional standards; and
- implementing appropriate performance appraisal and management systems which reinforce sound practices and which foster high levels of personal and professional integrity.

9. Morale and Organizational Culture

Corruption is most likely to occur in organizations where morale or ‘esprit de corps’ is low and where Customs personnel do not have pride in the reputation of their administration. Customs employees are more likely to act with integrity when morale is high, where human resource management practices are fair and where there are reasonable opportunities for career development and progression. Employees at all levels should be actively involved in the anti-corruption programme and should be encouraged to accept an appropriate level of responsibility for the integrity of the administration.
10. Relationship with the Private Sector

Customs administrations should foster an open, transparent and productive relationship with the private sector. Client groups should be encouraged to accept an appropriate level of responsibility and accountability for the problem and the identification and implementation of practical solutions. The establishment of Memoranda of Understanding between Customs and industry bodies can be useful in this regard. Likewise, the development of codes of conduct for the private sector, which clearly set out standards of professional behaviour, can be useful. Penalties associated with engaging in corrupt behaviour must be sufficient to deter client groups from paying bribes or facilitation fees to obtain preferential treatment.

We, the Members of the Customs Co-operation Council, call upon Customs administrations to implement comprehensive and sustainable integrity action plans based on the key principles outlined above and on Governments, the business sector and members of the international community to support Customs in its fight against corruption.

Done at Arusha, Tanzania, on the 7th day of July 1993 (81st/82nd Council Sessions) and revised in June 2003 (101st/102nd Council Sessions).
Reform - the Australian Customs and Border Protection Service experience

How integrity issues provided a powerful springboard for the Australian Customs and Border Protection Service (the Service) to re-think and re-forge itself

Finding itself confronted by unprecedented integrity challenges provided a compelling impetus for the Service to give serious, focussed and innovative attention, not just to preventing recurrence of the identified problems, but also to defining the type of Service it intended to be into the future.

Shaken first by the arrest of eight officers and seizure of quantities of drugs, cash and assets suspected to be the proceeds of crime, and then by identification of multiple problems in a comprehensive report into the Operation, the Service began a period of honest self-appraisal and future planning. The resultant integrity reforms are intended to rebuild pride in officers and the confidence of the public. The Service has taken significant steps to improve professional standards, promote ethical behaviour, harden resilience to corruption and eliminate or mitigate integrity vulnerabilities.

So far as can be ascertained, a small number of officers commenced unauthorised importations of steroids in 2007. In the intervening years, this enterprise expanded to include more officers and the importation of the precursor drug, pseudoephedrine. Between 2007 and 2012, on a number of occasions, the network is suspected to have organised and facilitated numerous importations of border-controlled precursors from Thailand and Vietnam.

While this was occurring, as a result of its increasing role in Australia’s law enforcement environment, in January 2011 the Service came under the jurisdiction of the Australian Commission for Law Enforcement Integrity (ACLEI) which is responsible for investigating law enforcement related corruption issues, particularly in relation to serious and systemic corruption. ACLEI investigates any information or allegation which indicates that corrupt conduct has occurred, is occurring, or may be likely to occur.

Once the formal partnership with ACLEI was in place, the Service’s integrity and professional standards area referred some intelligence to ACLEI about an officer suspected of being involved in the illegal importation of border controlled substances. As a result, in March 2011 ACLEI established Operation Heritage to investigate these allegations with assistance from the Australian Federal Police (AFP) and the Service. In order to discover the breadth of the corrupt network and its modes of operation, Operation Heritage was allowed to continue for more than 18 months. The investigation revealed a deeply concerning scenario. The conduct observed involved long-term collusion between a number of officers at Sydney International Airport, with the ultimate aim of importing illicit drugs.

Global context

It would be easy to conclude that all of this was the fault of the Service. Yet it is important to add some further context about why some of this activity occurred.

Australia is an attractive market for transnational criminal enterprises. A strong economy, well-established domestic distribution networks, and a strong demand for a broad range of illicit drugs mean Australians are willing to pay a relatively high price for those drugs, compared to the global average. Accordingly, the profits at stake can be enormous. One estimate is that the Australian illicit drug market is worth as much as AUD$7 billion annually.
The opportunity for lucrative illicit profits increases the probability that organised crime groups may seek to compromise law enforcement officers to enlist their aid in circumventing border controls. Indeed, the more effective the border control, the greater the incentive to find a corrupt pathway. Syndicates will continually adapt and use inventive approaches to find weakness to gain access to information of operations and clearance practices. They consistently modify their area of focus and utilise new and emerging technologies to attempt to circumvent border controls.

The money on offer also increases the risk that law enforcement officers themselves may seek to import illicit substances, particularly if they feel confident in their ability to defeat whatever systems are in place to prevent such activity occurring. Plainly, the situation is serious, and one the Service is determined to combat on multiple levels.

As you would expect, this very clear evidence of corruption within the organisation was a watershed for the Service. It highlighted a number of vulnerabilities and the challenge was to address the risks, particularly in relation to organisational culture. To achieve the required change the Service embarked on a journey of reform, not only to find and remove any corrupt officers, but to simultaneously rebuild pride of its officers and the confidence of the public, strengthen its professional standards capability, and harden the Service against criminal infiltration.

To support this reform programme, a Customs Reform Board was established to have oversight of the strategic transformation of the Service and to help drive the implementation of reforms.

The response was divided into two phases, first the introduction of additional internal powers followed by development and publication of a comprehensive Blueprint for Reform 2013-2018, looking to the future Service we want to be.

**Phase One**

The first phase, implemented in late 2012, was directly prompted by the arrests. A number of supplementary internal powers were put into operation to combat the threat of criminal infiltration and corruption. These powers were enacted through a combination of legislative change and internal instruments known as Chief Executive Officer (CEO) Orders. The powers include the introduction of drug and alcohol testing for all officers; the power to determine that the termination of an officer’s employment was on the grounds of serious misconduct; the legal requirement for all officers to report any serious misconduct, corrupt conduct or criminal behaviour they witness (including activities that they themselves are involved in) and finally, the ability to conduct integrity testing of officers.

**Drug and alcohol testing**

The Service is a drug and alcohol free workplace. There is zero tolerance for the possession, use or sale of prohibited drugs, and officers must not be impaired by alcohol while on duty, irrespective of the type of duty performed. Officers can be tested at any time they are at work (random testing). Alternatively officers may be targeted for testing if a reasonable suspicion exists that they are affected by alcohol or a prohibited drug, if a serious incident occurs, or if they are subject to an official inquiry.

**Integrity testing**

As the Service has learned, a seemingly appropriate organisational culture and a seemingly effective control environment do not always mean that everyone is able to resist temptation or manipulation by outside criminal influences. An integrity test creates, under a system of strict
parameters and accountability, a situation where there are reasonable grounds to suspect that an officer is committing corrupt or criminal behaviour can be observed. The scenario is specifically designed to test whether the identified officer responds in the appropriate way, or in a corrupt or unethical manner. It is not a ‘set-up’—the officer has an equal chance of passing or failing the test. Integrity testing offers an additional option for skilled investigators to dismantle the levels of secrecy and deceptive behaviour that characterise corrupt and criminal conduct, and as such is a useful adjunct to existing integrity measures.

Mandatory reporting

Under a CEO Order issued in early 2013 it is now a legal mandatory requirement for all workers to report any suspected serious misconduct, corrupt conduct or criminal conduct when they become aware of such incidents. The activity does not need to be proven in order to be reported. Mandatory reporting ensures employees are not tempted to ignore corruption or misconduct and allows the Service to manage identified risks and vulnerabilities, at the same time reinforcing the message that it is the responsibility of every worker to fight corruption.

An Integrity Support and Referral Network (ISRN) has been established to support staff with mandatory reporting requirements and is similar to the one successfully run within the AFP. The ISRN is a network of trained employees providing a facility for officers to readily access support and advice, or to be able to come forward with information relating to misconduct, corruption or criminal behaviour. It provides employees with a fair and confidential mechanism to meet their reporting obligations.

The introduction of mandatory reporting requirements brings the Service into line with its key Commonwealth law enforcement partners, the AFP and the Australian Crime Commission (ACC), and supports other integrity mechanisms.

Power to terminate

The CEO has the power to issue a written declaration which prevents review of the termination of employment under the *Fair Work Act 2009* for unfair dismissal. This declaration must be made within 24 hours of the decision to terminate the person's employment and only where the CEO believes on reasonable grounds that the staff member's conduct, or any part of it, amounts to serious misconduct or is highly likely to have a damaging impact on the professional self-respect or morale of members of the Service, or the reputation of the Service.

Phase Two

The second phase of the Service’s journey towards reform is implementation of the *Blueprint for Reform*. The Blueprint was developed in response to the findings of Operation Heritage, the first report of the Customs Reform Board, in addition to a separate Australian Public Service (APS) capability review which had been undertaken in July of 2013. The Blueprint, already published and disseminated throughout the Service, is scheduled to commence from July 2014, focusing on three key areas of reform: integrity, modernisation and people.

The integrity measures are designed to regain public confidence and align the Service with other Australian law enforcement agencies. Modernisation measures will ensure we have efficient business systems, streamlined processes and sophisticated intelligence to deal with the predicted significant increases in volumes of people and goods across Australia’s border. The establishment of a new people and operating model will ensure we are a professional and agile Service that is able to adapt to change and meet the demands of the future.
Ongoing threat from organised crime groups

ACLEI’s report had identified that the criminal conspiracy grew out of a confluence of circumstances. The network of officers involved in the illicit importations shared some common demographics, including school links, age and community ties. These same links and sources of obligation extended to friends who were active members in organised crime groups, including outlaw motorcycle gangs. Disregard for the law, perhaps driven by an uncritical sense of loyalty to one another, appears to have underpinned the orchestration. A number of the individuals used illicit drugs, and the compromise of individuals—which could be the basis for blackmail, or just the means of assuring loyalty—may also have been a factor in how the network formed and strengthened. Misplaced loyalties and deliberate compromise appears to have formed the basis for the network, linking some border officials with each other and with organised crime.

Organisational changes and risk mitigation

To mitigate the chances of any recurrence, a new Integrity, Security and Assurance Division has been created to strengthen the Service’s integrity systems and processes. Establishment of this Division enables the Service to provide a more integrated approach to managing professional conduct, fighting corruption and criminal infiltration, and dealing with issues of misconduct.

We have also created the position of Special Integrity Advisor. This role is responsible for managing the investigation of complex and serious cases of misconduct, including investigations undertaken jointly with ACLEI. It is also responsible for ensuring that the Service’s anti-corruption processes and systems are fair.

Within the new Division, the Service has expanded the remit of the Integrity and Professional Standards Branch (I&PS) to directly manage all disciplinary processes undertaken under the provisions of the APS Code of Conduct. This provides a more integrated approach to managing professional conduct in the workplace, fighting corruption and criminal infiltration, and dealing with misconduct.

A new professional standards practice model has been introduced to achieve a greater alignment of processes across the integrity continuum. This includes revising the management of Service-wide complaints and cases, including Code of Conduct matters. This model supports the role of the Special Integrity Adviser and will achieve improved and expedient resolution of matters.

The success of the Service’s reform program depends on the extent to which all officers contribute to the assessment of fraud and corruption risk, and embrace the philosophy of actively managing risk. With this in mind I&PS amplified and accelerated its ongoing program of communication and training so that all employees are not just aware of their individual responsibility for ensuring a high level of ethical behaviour, but importantly so that they can take pride in being part of an organisation with a robust ethical culture.

Awareness and education

It is now more important than ever that officers must be aware of their integrity obligations. This is achieved through an ongoing face-to-face fraud and corruption awareness training program which educates employees regarding fraud and corruption risks, available reporting mechanisms and their responsibility to behave ethically and with integrity. Awareness sessions are mandatory for all employees. Regular fortnightly sessions in Central Office ensure that all new employees receive integrity training when they join the Service, as well as any officers who may have missed out on earlier sessions. Sessions are conducted as needed in the regions.
Officers are also required to undertake an annual mandatory integrity fraud and corruption awareness course online. The course sets out the expectations of ethical behaviour and everyday sound decision making processes to be applied by all officers, by stepping participants through a series of thought provoking scenarios relevant to the Service's unique environment. The course explains unambiguously to officers their responsibilities regarding fraud control, corruption prevention, ethics and integrity.

In addition scenario-based face-to-face workshops have been developed which, coupled with the online course, ensure that all officers, no matter where they are located, are aware of the threats they may face and what they need to do to ensure that they, and the Service as a whole, are protected.

Above all, our officers needed to be fully informed of the changes afoot, the reasons, and what was expected of them. An active and multi-faced communication program ensured that every officer has been kept fully informed of every stage of the reform program. In addition to the upgraded fraud and corruption awareness training and staff fact sheets, the CEO and Executive have spoken with staff in every region, and the CustomsNEWS fortnightly newsletter has provided a platform to regularly publicise each of the many facets of the new integrity measures as they are rolled out. The reforms have also been communicated via the broader ACBPS Reform Programme.

**Professional standards**

The investigation found that a culture had been allowed to develop in Sydney International Airport that accepted poor standards and allowed the flouting of rules and regulations as the norm, which indicated that a significant aspect of the move forward would need to be a focus on people. The arrested officers had used their official positions and their friendships as well as other connections that they had developed in the workplace to gather information, and to cover their tracks.

Some individuals became compromised because of their use of illicit drugs and links to criminal networks, including outlawed motorcycle gangs. Evidence also suggests there was a risk that any supervisor who took action about misconduct would be open to reprisal from certain staff.

Armed with this knowledge the Service adopted a multi-pronged approach towards minimising future risk from organised crime and corruption. Similar to Federal and State police, the Service already had in place a requirement for officers to successfully complete Service-specific Organisational Suitability Assessments (OSAs) in addition to Commonwealth security clearances. Interestingly, the arrested officers had clean records and had been cleared by the OSA process.

As a result of this identified vulnerability the OSA regime is now being enhanced to make it one of the toughest in the public sector, especially regarding detecting and dealing with officers with criminal associations. This will be done as part of the recruitment process, with ongoing requirements for all officers to be monitored to check for links with criminal groups. Psychological testing will also be included in this program with risk profiles created to better focus on the areas of the workforce with the highest risk.

In recent months policies surrounding the requirement for officers to report information regarding any variations to their personal circumstances have been strengthened to address the potential threat posed by relationships and contact that officers may have with individuals engaged in criminal activity. Currently all officers are required to report on any changes in their personal circumstances. This includes changes in relationships with partners, moving house, coming into an amount of money and changes in their health. It also includes awareness of criminal activity,
even if the officer is implicated. Added to this, the Service has introduced a Declarable Associations policy which requires Officers to refrain from particular criminal and other like associations and to declare them when that is not possible to minimise any threat to officers both on and off duty.

**Outside employment and voluntary activities**

Policy has also been strengthened around officers who undertake outside employment or voluntary activities. All officers have the option of having a second job; however it is important to ensure that any outside employment undertaken by officers does not place them at risk of compromise. The Service has now enhanced its outside employment and voluntary activities policy to ensure that officers are not working in industries identified as high risk or which could create the perception of a conflict of interest with their employment in the Service. Prior to commencing any employment outside the Service, whether it is paid or voluntary, permission has to be granted by the Service. Industries captured under the enhanced policy include the private security industry and those directly associated with the movement of goods, people, vessels or aircraft across the Australian border.

Officers will also not be able to remain in a particular workplace role for longer than three years, thereby reducing the risk of identifying the vulnerabilities of a particular system or procedure.

On 15 January 2014 the *Public Interest Disclosure Act 2013* (the PID Act) took effect, replacing the existing procedures and protections for whistleblowing for all federal public servants. The legislation allows current and former public officials to disclose information about suspected wrongdoing to agency officials who are authorised to receive such reports. This new policy works collaboratively alongside the Service’s already-existing mandatory reporting requirements and offers civil and criminal immunity for disclosers in making a disclosure, in addition to protecting disclosers from reprisal.

**Taskforce Pharos**

Taskforce Pharos has been established within the Service’s Integrity and Professional Standards Branch to identify any officers currently working in the Service who pose a significant risk to its integrity and operations as a result of their on-duty or off-duty behaviour, their associations outside the workplace or their involvement in criminal activities. Officers in the Taskforce work closely with ACLEI, the AFP and the ACC to ensure that the Service and its officers continue to be protected from the ongoing threat of corruption.

**Technology**

The corrupt conduct occurred as a result of long term collusion between a small number of officers at Sydney International Airport using their inside knowledge to defeat surveillance and interdiction systems, including information about law enforcement techniques and systemic vulnerabilities. They had privileged access to databases and to the secure border environment. By working together, they exploited weaknesses in the supervision system and manipulated rosters and job placements. The Service had introduced a ‘whole of airport’ operating model to address peak workloads but this exposed more staff to sensitive information and created an increase in opportunity for corrupt conduct.

The Service is investing in enhanced security measures, with a strong focus on cyber security measures. As in any good security capability, the Service is intent on detecting and protecting security threats, both from external threat actors and, unfortunately, from those within the organisation itself.
Policy and practice has been implemented to further restrict the use of personal mobile electronic devices (PMEDs) in certain operational environments like the airport, or work areas with access to sensitive information, including information that could affect real time border interventions. This action minimises the risk of operationally sensitive information being communicated outside of official channels and systems.

The term PMEDs covers devices with telecommunication, internet access or sound or image recording capability and includes mobile or smart phones, Blackberrys, iPads, tablets, iPods, interactive CD/MP3 Players, radios, digital cameras and camera phones, personal digital assistants, USBs and personal computers. Due to their small size, large storage capacity and information processing capability, PMEDs could potentially be used to gain unauthorised access to information, tamper with information, transmit information, or to interrupt information services. Criminals may use them to circumvent the risk controls that the Service has in place. For these reasons unrestricted carriage and personal use of PMEDs in certain work areas may constitute an unacceptable integrity risk to the Service. Restriction of PMEDs reduces the opportunity of officers to circumvent border controls by communicating operational information outside of official channels and systems.

Organisational integrity

While the bulk of the reforms have focused on the integrity of the individual, there is a further level at which the concept can be applied—organisational integrity. Organisational integrity means a culture of transparent decision making with clear lines of accountability and responsibility in a strong governance framework.

The Service has proved to be, as an entity, very good at addressing issues as they arise and responding to operational crises. The Service has decided to improve its focus on longer term preparation to meet changing environments, and taking the lessons learnt from operations and transforming them into normal, Service-wide business practice.

Implementation of an integrated approach to risk and assurance is allowing the Service to systematically identify, assess, record, manage and report on significant risks across all areas of operations, and subsequently question whether current levels of assurance (or resourcing of controls) are adequate or otherwise. This approach is designed to generate improvements in efficiency, support resource allocation decisions by critically examining the effectiveness of control frameworks, and feed into the planning process to allow the Executive enhanced visibility over emerging risks.

In order to generate a whole-of-Service perspective around assurance functions and roles, an Assurance Strategy and a preliminary assurance map have been drafted. This approach has identified that the Service’s strengths are in the areas of legislative compliance and operational assurance, while highlighting that more needs to be done as an organisation around understanding the end-to-end alignment of risks, controls and assurance activities. In addition, current control testing provides information about particular process areas (border management functions), but has identified that lessons learnt are not currently being translated particularly well into other areas of the organisation.

A rolling program of Fraud and Corruption Risk Assessments (FCRAs) was conducted between August 2011 and November 2012, capturing integrity risks specific to each division, as well as enterprise risks that apply across the Service. Common themes emerged across FCRAs and were listed as areas of significant exposure.

A Risk Management Framework was developed from the FCRA information, which determined the Service’s approach to identification and management of all risks.
The FCRAs are living documents, owned and continually updated by each individual Division, and embedded into normal divisional business planning activities, which further enhances fraud and corruption risk resistance.

To support the Service’s approach to organisational integrity, the existing independent Audit Committee has had its remit expanded to now focus on both audit and risk. This change has quickly highlighted the value of externally reviewing and questioning the Service’s risk management and related frameworks.

The cumulative aim of these initiatives is to embed accountability for decision making and assurance around risk controls into our leaders, to make decisions transparent and defensible, and ensure such decisions are made on reasonable evidence of the risks around the decision. This is empowering for the Service’s leaders, and represents a move away from the traditional public service approach of avoiding risk or removing risk, toward one of accepting and tolerating risk where to do so improves organisational outcomes.

Culture

The integrity challenge faced by the Service is more than the establishment of standards and rules. The Service is also committed to embedding an enduring integrity culture. This will be achieved through initiatives that build the capability of individuals to act in accordance with the APS values and the principles and standards of the Service. The aim is to enable officers to instinctively make decisions and judgments which are ethical, consistent with desired values and behaviours that demonstrate integrity.

Moving forward, to embed the programme of reform and cultural change we have worked collaboratively with all officers to identify core behaviours for the Service. These behaviours are based on the APS ICARE values which set out the high level principles of good public administration.

These Core Service Behaviours are being embedded in linked programs across the Service, such as recruitment, the performance framework, learning and development, an awards and recognition framework and corporate branding. They will also form part of day to day operational instructions and guidelines. The behaviours will provide a set of unifying themes that show that, no matter what level we are or which section we work in, there are fundamental commonalities that bind all officers in the way we approach and deliver our work. Clearly stating expected behaviours will help establish shared expectations about how missions, vision and daily activities are undertaken.

The reform initiatives recognise the central role officers will play in achieving reform and cultural change. The Service will therefore reward outstanding examples of living the established values and behaviours to promote and reinforce how strong values and behaviours support an ethical and professional workforce, hardened against corruption. The first reward ceremony was conducted in February 2014, and nominations for the next award in June of this year are currently being considered.

All officers will now be required to put in place a career plan, with initial career plans to be in place by 1 July 2014. Every officer will, in consultation with their supervisor, assess where they fit best with the new workforce model, and will become responsible for active management of career choices and aspirations. They will be encouraged to take advantage of opportunities for development consistent with career goals and aspirations, and to take pride in being part of the organisation. This will encourage officer commitment and contribution to shaping the future of the organisation.
Looking to the future

While it is regrettable that corruption has occurred within the Service, significant lessons have been learnt from which other law enforcement and government agencies, both in Australia and internationally, can also learn. There are common themes, challenges and benefits to be gleamed from sharing experiences and strategies.

Over the last twelve months the Service has shared its story internationally as well as at home in order to assist other organisations with their integrity challenges. We believe that by continuing to share experiences, both positive and negative, as well as initiatives and policies, together we can combat the shared global threat.

The Service has come a long way since the release of the *Blueprint for Reform 2013-2018* in July last year. The CEO, Michael Pezzullo, highlighted to officers in a recent issue of the *CustomsNEWS*:

‘The agile, responsive Service of the future is fast becoming our present, and while there is still a lot of hard work to be done in preparation for [delivering on the reform agenda by] 1 July, this is an exciting time for the Service. ... The Service will continue to face many challenges—both financially and operationally—in the coming months. It will be the continued hard work, smart thinking and professionalism of our people that will see us succeed’.
Case study on implementation of policies relating to integrity and transparency
National Directorate of Customs of Uruguay
March 2010 - December 2013

Implementation of the project “May Integrity unite us”
Towards a culture of integrity and transparency

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2.  (1) Background.

For Uruguay Customs – as for most of the world’s Customs – integrity failures and cases of corruption involving the work of its employees and traders is a key issue which any process to improve Customs management must consider and address.

At a time when trade has grown in volume and trade transactions are on the rise, the enhancement of integrity in external trade is crucial for speeding up the availability of goods and for stepping up security in Customs clearance, as well as for improving the quality of services offered by the State.

We believe that our organization is a key player in enabling Uruguayan companies to compete in the international market by doing business swiftly, efficiently and transparently. As a Customs, we can contribute to improving the country’s business environment.

It is against this backdrop, where the organization needed to match up to today’s requirements, that Uruguay launched a Customs modernization process in 2008.

The reform focused on the need to combine the elements of facilitation, control and security, and on involving the private sector in this change.

Implementation involved drawing up eight projects which covered the modernization of: processes and procedures, the system for external trade statistics, strengthening of human resources, planning and evaluation of results, training and modernization, building adaptations, legal reform, and information and communication.

Initially, the Modernization Project did not explicitly include the theme of Integrity. It did, however, highlight that its success depended on a parallel effort in terms of staff capacity building and the professionalism of its officials.

It was the failure to take into account the human factor that had been the major shortcoming of the previous reform which had led to implementation of “Lucía” – an IT system which involved computerizing the four basic external trade operations: import, export, temporary admission and transit of goods in Uruguayan territory. That reform was put into effect in the late 90s and involved a significant, qualitative leap forward in the management of Customs operations.

There is no record as to whether the theme of Integrity was explicitly addressed at any point. It is, however, already clear that Customs placed the emphasis on establishing, developing and optimizing traditional control powers.

The most noteworthy recent advance can be found in the Restructuring Decree which was adopted in 2002, in which the powers of the Customs Inspection Directorate were extended to include an Internal Audit Department which completed and complemented the tools for internal/external control.
Implementation of reform is a long-term process and, over time, the objectives initially set in 2008 were enhanced by the addition of new projects which increased the reform’s focus and depth – essentially from 2010.

It became clear at the end of that year that Integrity had to be included as one of the key planks of the reform policy.

In December 2010, a survey was carried out on behalf of the National Directorate of Customs (DNA) with a view to capturing and analysing the level of satisfaction among traders, DNA officials and the wider public with how our organization was managed.

The measurement was intended to establish a baseline level of satisfaction and to provide a snapshot which could be used as a starting point for assessing how the Customs modernization process was progressing.

The first survey provided us with direct proof of something which we had already suspected: namely, that our institution has low trust and approval ratings from traders and citizens, and that there was a particular lack of trust regarding the integrity and management of our work.

The findings showed that 52% of respondents considered that Customs was not trustworthy, 63% that it was not efficient, and 61% that it was not a modern Customs.

Some of the survey findings are shown below:
We do not think it necessary to enlarge on the point that this perception that Customs lacks integrity is an important factor when it comes to losing public trust.

Internally, when it comes to improving management, the persistence of focal points for corruption translates into networks of organized mafias, a lack of values, and an absence of respect for established standards of conduct.

Officials with these traits are scarcely likely to co-operate in any change proposed. Consequently, to get results it is essential to tackle this issue and to do so vigorously.
Looked at in a wider context, the presence of corruption in Customs directly affects external trade performance, increases costs for users, results in lower revenue for the State, jeopardizes the security of the supply chain, and contributes to a loss of credibility, ultimately becoming a barrier to economic development.

In parallel and in addition to the survey, as part of a participatory process, Customs drew up its vision and mission as an institution. What is striking here is that this vision for the future – the first time one had been framed by Customs – includes and focuses on the theme of Integrity.

**Vision 2020**

“We will be recognized internationally as a model Customs. We will provide leadership to the country’s external trading community within our areas of activity.

*As Customs employees, we will be proud to be public servants who are professional and efficient in the performance of our duties, who have integrity and are uncompromising with corruption.*

We will be seen by society and the external trading community as an organization which is predictable, technically independent and serving the country”.

No less important when it came to starting work was that Uruguay Customs participated in the WCO Integrity Sub-Committee for the first time – something which happened in October 2010.

That experience allowed us to discover more, exchange information on the progress and problems shared by Customs administrations around the world, delve deeper into the Revised Arusha Declaration and its tools, and to learn about the experience gained from the Integrity Pilot Projects.

Given these considerations and the context described, it was clear to the National Directorate of Customs that the theme of Integrity had to be tackled from different angles which involved reviewing and expanding the traditional model of control.

3. **II) The Customs response:**

Against this backdrop, the Customs response focused on the following:

Deciding that the exercise of its traditional powers of internal/external control could be complemented and expanded by other – fundamentally preventative – proposals for working;

Allowing itself to innovative in terms of tools, and to approach the phenomenon from the perspective of a cultural change which highlighted shared values;

Stepping out beyond the organization itself to create partnerships with the private sector, with other State bodies and with civil society.

Secondly, two key decisions were taken:
1) To draw up a work programme containing specific objectives.
2) To include the item “Integrity and Transparency” in the Customs Strategic Plan, thereby formalizing as an institution our willingness to shape, implement and measure results.

After three years of intensive work, the process has included various steps which have converged to form a comprehensive anti-corruption programme.

At the end of 2013, the different objectives were unified, and all the initiatives brought together to give a project entitled: “May Integrity unite us. Towards a culture of integrity and transparency”.

The title is intended to highlight two elements which are felt to be key: that the objective of integrity is a hub for harnessing the collective will of Customs, players in external trade, and civil society, plus that we have the desire to build and uphold a culture which is based on principles.

Integrity is, of course, universal and horizontal in its scope, encompassing the external trading community as a whole.

4. III) Development of the project.

1) The elements underpinning the project can be summarized as follows:
- Integrity and transparency as a tool for cultural cohesion inside and outside the organization.
- The uniting of internal and external players in the solution.
- The fostering of partnerships with the State, private sector and civil society.
- The need to construct formal spaces where exchanges can take place.
- Customs implementing best international practice.
- An ongoing programme of improvements.
- Customs and the private sector both accepting an equal degree of responsibility for the problem.
- An acknowledgement that there are two sides to corruption and that the effort should be a joint one.

2) The benefits expected from the project are:
- Officials who have integrity and are professional.
- Traders who have integrity and are professional.
- Clear rules of conduct.
- Greater institutional transparency.
- Better channels for making disclosures.
- Lower costs.
- Greater supply chain security.
- Fewer risks to the public.
- Greater public trust.
- Increased business for the country.
Uruguay better considered internationally.

3) Specific project objectives
In terms of objectives, the project was divided into two stages:

a) 2011 to 2013, where five strategic objectives were set:
   ✓ Integrity Pacts with the private sector.
   ✓ Blueprint for a Code of Ethics.
   ✓ Specific powers in the organization.
   ✓ Awareness-raising and training.
   ✓ Integrity Pilot Project with the WCO.

b) At the end of 2013 – and showing that the modernization agenda remains live and is constantly being refined – two further strategic objectives were added to reflect the progress made and a new understanding of the extent of the phenomenon:
   ✓ National system of disclosures.
   ✓ Institutional transparency, implementation of the Law on Access to Public Information.

5. IV) Where to start – first steps:

The first steps focused on:

1) Incorporating the topic of Integrity into the organization’s agenda and into Customs modernization, and making the dual concept of integrity/corruption part of the language of the organization.

   Internally, corruption was a problem experienced and felt in silence, below the surface. In day-to-day interaction, there was a discernible resistance to referring to the issue plainly in order to avoid confronting it for what it is: another of the organization’s shortcomings.

   By including it on the official agenda, accepting its existence and discussing it, it emerged from the shadows.

   The words “ethics”, “corruption” and “integrity” began to be used in exchanges between internal and external players, because people understood that addressing these issues was key to improving external trade performance.

   The private sector also came on board, ultimately becoming a key player and major partner in presenting proposals for improvements.

   Just as important as the topic’s inclusion in the Modernization Project was to make the words part of the organization’s language: calling things by their name and moving beyond the point where the problem was unmentionable.

   This process was not easy – it took effort and a lot of perseverance. But we are able to say that now, as at January 2014, the words “ethics”, “corruption” and “integrity” can be heard around the organization, and that the topic is referred to almost naturally in presentations, in training and in exchanges between internal and external players.
2) Changing the angle of approach and moving from a defensive stance to a proactive stance, creating a programme of changes spearheaded by Customs.

Generally speaking, Customs’ starting position for engaging with this issue was essentially defensive. Employees found it extremely frustrating to constantly feel that, whatever they did, there was an overriding perception that they were part of an organization lacking transparency.

There were numerous officials who would describe the negative and sarcastic reactions they encountered in different scenarios whenever they mentioned that they were Customs officers.

In order to reverse that situation, it was necessary to approach the problem from a different perspective and move from a defensive stance to a proactive stance. The initiative for changing this state of affairs had to be spearheaded by Customs.

3) Reaching out to the private sector. Signing of Memorandum of Understanding on Integrity and Transparency with associations linked to external trade.

One of the first steps taken was to reach out to the private sector to bring them on board and to conclude written agreements.

It should be pointed out that the private sector and Uruguay Customs were already forging a close relationship of mutual trust, where there was space to exchange views, they were heard on the formulation of procedures, and it was possible to make enquiries and convey the concerns of the sectors concerned.

One should also recall a landmark event which in 2008 shook the world of the external trading community: the prosecution at first instance of eleven Customs officials and twenty-five Customs brokers following a legal investigation into the payment of backhanders at Carrasco Airport.

That event marked a watershed, publicly and starkly displaying our weaknesses as an institution. It dealt a heavy blow to the institution’s public credibility, forced us to take a hard look at ourselves, and prompted Customs brokers to accept their share of responsibility in creating the problems and – ultimately – in implementing a future solution.

The act of uniting, working together, making a commitment and joining forces is crucial. Problems of corruption are usually examined and approached on an individual basis. To include a sectoral approach and make the problem a shared one is key to delivering change.

As stakeholders we were prepared, persuaded, and alive to the fact that something had to be done, and done quickly.

Drawing on Article 10 of the Revised Arusha Declaration, the private sector was invited to sign Memoranda of Understanding on Integrity and Transparency.
Given the background described, we should not be surprised that the first Memorandum of Understanding was signed on 10 May 2011 with the Association of Customs Brokers of Uruguay.

Further to that one, a further 9 Memoranda were progressively signed with key associations in the external trade sector.


Clear and appropriate rules are fundamental in attempting to take forward any anti-corruption initiative or process.

The Constitution of the Eastern Republic of Uruguay contains various Articles which provide the basis for Standards of Conduct in the Civil Service, establishing that the public interest takes precedence over private interest in civil servants' activities.

At international level, our country has always been noteworthy for incorporating international Conventions on this issue into its legal framework.


For the purposes of preventing and deterring corrupt behaviour, Customs applies the provisions mentioned above, as well as Law 17,060 of 23 December 1998, “Rules on the Abuse of Public Power (Corruption)” and its Implementing Decree Number 30/003 of 23 January 2003.

Our Organic Rules, effected by Executive Decree, have always laid down specific Articles setting out Prohibitions and Incompatibilities regarding the activities of Customs officials, with a view to preventing misconduct in the exercise of their duties (Decree 204/2013 of 17/7/2013 and its predecessor, Decree 282/2002, which join those already provided).

As well as the above, Law No 18,381 on Access to Public Information was adopted in 2008. This seeks to promote transparency regarding the administrative role of every public body, whether State-run or otherwise, and to guarantee the individual’s fundamental right of access to information. Law No 18,381 obliges public bodies to meet certain requirements in relation to the information they hold and in relation to access by users.

We therefore consider that our country has the appropriate accompanying legal framework to ensure that corrupt, unethical activity, if detected, will have consequences for public officials, traders and the general public.
7. VI) Sources used as the basis for action, best international practice.

As a small country in terms of territory and population, Uruguay has used its international engagement and international guarantees as the basis for some of its foreign policy.

It is a Member of the World Customs Organization and, in particular, has participated in the WCO Integrity Sub-Committee.

Its involvement there and familiarity with the Organization’s recommendations have guided the choice of tools for effecting change and improvement.

An outstanding instrument developed by the WCO is the “Declaration of the Customs Co-operation Council concerning Good Governance and Integrity in Customs” (Revised Arusha Declaration). The Declaration constitutes a realistic, practical programme for framing improvement policies on integrity-related issues in any of the world’s Customs, as do the WCO Integrity Development Guide and Model Code. The solutions chosen have drawn directly on these texts.

In particular, our action in terms of improving ethical standards was directly inspired by the recommendations in Article 10 of the Revised Arusha Declaration, “Relationship with the Private Sector”, which provides:

“Customs administrations should foster an open, transparent and productive relationship with the private sector. Client groups should be encouraged to accept an appropriate level of responsibility and accountability for the problem and the identification and implementation of practical solutions”.

We also took into account Article 7 of the Arusha Declaration, which provides:

“A key element of any effective integrity programme is the development, issue and acceptance of a comprehensive code of conduct which sets out in very practical and unambiguous terms the behaviour expected of all Customs personnel. Penalties for non-compliance should be articulated in the code, calibrated to correspond to the seriousness of the violation and supported by appropriate administrative and legislative provisions”.

In addition, in view of Article 8 of the Revised Arusha Declaration (“Human Resource Management”), we train staff by providing courses on integrity in the civil service, and on the benefits of anti-corruption practices.

8. VII) Developing Integrity Pacts with the private sector.

At the forefront of the Integrity Project was the signing of Memoranda of Understanding on Integrity and Transparency with the private sector. This has been the most successful outcome of the steps taken and the one which this report will consider in detail.
It involved Customs crossing over and inviting the private sector to face the problem institutionally and formally, thereby ushering in a new stage of interaction.

In fact, both sides crossed the most difficult hurdles – those which had prevented them from tackling this scourge directly. The proposal to formalize this desire in writing deepened the level of commitment and trust.

In order for the project to succeed, there had to be some prior assumptions, namely:

- A good relationship and positive dialogue between Customs and the private sector – a relationship which was strengthened by the new administration.
- The recognition that public-private collaboration is a fundamental pillar of management and of improvement.
- The recognition of Customs since 2010 that facilitation is also one of its priorities as a concomitant to control.
- The certainty that facilitation, without the concomitants of integrity and transparency, is not acceptable.
- A private sector mature enough to accept its share of responsibility for the problem.
- A private sector which, in the midst of a period of increased Customs operations, backed business expansion and improved efficiency in all areas.
- A Customs which was prepared to publicly accept its organizational shortcomings and had the will to spearhead an agenda to change the situation.

9. VIII) How the proposal was put into effect.

In practical terms, this involved drafting a standard letter which was sent by the National Director of Customs to each association, inviting it to join in the project and sign a Memorandum of Understanding on Integrity and Transparency.

Following this, a meeting was arranged with the association’s management, at which the then Director of Customs Inspection and her team personally explained and put across the project objectives, resolving any queries.

It is important to highlight that, when sponsoring these agreements, Customs was particularly careful to inform private traders that subscribing to the agreements was completely voluntary, that any agreement made was there to be kept, and that either party would be able to require the other to abide by what was signed.

The approach taken was for a Memorandum of Understanding to be signed by each association so that its specific characteristics and interests could be taken on board.

Individual treatment also helps when it comes to evaluating results. We considered that a generic document would pose more risks in terms of delivery and increase the chance of failure.
In early 2011, the invitation was sent to ten associations, all connected to external trade.

Eight of the associations which were invited signed, whilst two displayed neither an interest nor a lack of interest in the proposal.

We would highlight that, during the process, two associations which had not been invited expressed their interest in signing and went on to do so.

To date – January 2014 – work is under way to sign a further two Memoranda, at the request of two associations.

The first Memorandum of Understanding was signed with the Association of Customs Brokers of Uruguay, which showed conspicuous initiative and leadership in its implementation. The terms in the first Memorandum of Understanding were jointly drafted and formulated by Customs and by Brokers.

The last Memorandum of Understanding was signed with the Chamber of Free Shops on 13 December 2012.

In so far as this is an account of an experience, it is important to point out that the following must be borne in mind if a proposal of this type is to succeed:

The trust and credibility of the person heading the institution.
The trust and credibility of the people heading the association.
The trust and credibility of the department where the project is delegated.

A perfectly designed project which does not, in parallel, have the credibility and trust of the person heading the organization and of his/her counterpart will fall under its own weight.

The department which spearheaded the delivery of the project on Memoranda of Understanding was the Customs Inspection Directorate (now called “Process Audit”). That Directorate is responsible, inter alia, for the conduct, monitoring and control of the enforcement of existing rules by employees, Customs brokers, and by other staff linked to Customs activity.

From our experience we feel that whoever delivers the project must – as was the case here – have direct powers of control. Such powers ensure prompt and timely intervention in the event of disclosures or alleged irregularities.

Furthermore, it is advisable that the project manager also have a direct line to senior management, without having to go through formal intermediaries in the organization. This lends weight to decisions and guarantees the necessary discretion and confidentiality. Both requirements were met by the Inspectorate and proved to be an advantage when it came to delivering results.

10. IX) Text of the Memoranda of Understanding.
The Memorandum of Understanding on Integrity and Transparency is a text in which the parties formalize different provisions by means of their signature.

From the start, the aim was to avoid clauses containing generalities, and the text produced was clear, direct and committed.

If we discount the specific characteristics of each of the associations, we can say that all the Memoranda are based on a shared form of words, with the following notable features:

The Memorandum opens with a paragraph relating to the contracting parties. The clauses are then split into what the parties recognize, what the parties agree, and what the parties commit to do.

The first section is headed Recognizing and contains a list of circumstances which the parties affirm as true. The aim is for the parties to start from a realistic position and admit their share of responsibility for the problem. In this section, Customs and the respective association recognize:

a) The crucial importance of fighting against corruption, both for the performance of Customs duties and on the part of traders.

b) The importance of implementing Article 10 of the Revised Arusha Declaration, which recommends the signing of Memoranda of Understanding and the development of codes of ethics containing sufficient penalties.

c) That the WCO, via its Integrity Sub-Committee, promotes the development of anti-corruption programmes.

d) That the National Directorate of Customs and the trader agree with these policies and make it an institutional priority to co-ordinate efforts and develop programmes designed to eliminate all unethical conduct.

e) That the establishment of Memoranda of Understanding is a useful tool.

Next, the parties agree six clauses setting out what the parties are prepared to do jointly, and agree:

1) To establish, in a co-ordinated manner, a system designed to tackle all such conduct contrary to existing rules as may involve cases of corruption, and to do their utmost to eliminate it.

2) That the National Directorate of Customs will make plans for the adoption of a Code of Ethics.

3) That the trader will review any Code of Ethics he may already have, or else adopt a Code of Ethics.

4) To provide, in a co-ordinated manner, information and training workshops relating to the Memoranda and Codes of Ethics.

5) To take steps to implement, with the WCO, a pilot plan aimed at arriving at a diagnosis and setting out remedial action arising from the project.

6) To draw up an Action Plan containing a schedule of activities to meet the aims described.
In the final part, the parties commit themselves, expressly stating what their immediate obligations will be and setting deadlines for each commitment.

Although the commitments may vary from one agreement to the other, they essentially refer to the fact that:

a) The National Directorate of Customs will draft its Code of Ethics.

b) The National Directorate of Customs will, as part of the restructuring project, put in place specific powers on Integrity and institutional transparency.

c) The trader commits to drafting or reviewing his Code of Ethics within a specific period.

d) Both are to appoint a Joint Committee, consisting of two representatives from each institution. A commitment is made to treat as confidential any information received. The Committee will draw up an action plan, also within a specific period.

e) The Committee will prepare a report which, depending on the agreement, will be either six-monthly or annual, and will be used to evaluate the Memorandum’s implementation.

11. X) Some features of implementation.

Once the Memorandum is signed, a Joint Committee is established, as agreed, and draws up an Action Plan with a view to meeting the objectives set.

The Joint Committees have always included the same people from Customs (10). These individuals also perform roles in the area of control dealing with project delivery, and this helps maintain the chain of trust.

It is also essential that those appointed onto the Committee – whether by Customs or by the associations – have a specific profile and qualities which include integrity, a clean record, and discretion, and that they be exemplary in terms of integrity and transparency.

During project delivery, there has been only one case in which an association has changed its designated representative, and this was on justifiable grounds.

Appointment to the Joint Committee is effected via a National Directorate decision, which is disseminated via the organization’s website.

All the milestones relating to the Integrity Project and to the conclusion of the Memoranda were widely disseminated on the organization’s website and highlighted in the general press.

12. XI) New clauses.
Although the wording of the Memoranda is based on the text described above, new clauses have been included over time as the result of discussions or the needs and specific characteristics of each trader. For example:

- To co-ordinate visits and training regarding their respective activities.
- To establish fields of technical co-operation on topics of mutual interest.
- To hold regular meetings between the management and technical staff of both institutions.
- A commitment from traders to expel partners if prosecuted for Customs-related offences.

13. XII) The associations with which we have signed Memoranda, and what they represent.

As at the end of 2013, the National Directorate of Customs had signed ten Memoranda of Understanding with the following institutions:

1) **Association of Customs Brokers (ADAU). May 2011.**

The Association of Customs Brokers of Uruguay includes almost 100% of Customs Brokers. Its mission is to safeguard the professional status, prestige, rights and interests of its members. It also contributes to improvements in foreign trade.

2) **Uruguayan Chamber of Logistics (CALOG). October 2011.**

The Uruguayan Chamber of Logistics comprises organizations, professionals and companies with links to logistics.

Its aim is to provide an environment for training and discussion, bringing together the most renowned logistics service professionals and companies to help reduce business costs and increase business efficiency and effectiveness. It seeks to offer a service to the logistics and business community which fosters trade, stimulates competitiveness, professionalizes logistics management, and which plots a course to position Uruguay as a regional logistics hub.

3) **Navigation Centre (CENNAVE). November 2011.**

This is a private institution consisting of companies and bodies in the country which have links to water transportation, port activities and international trade. It brings together shipping agents, port traders, container terminal traders and specific cargo warehouse traders. The institution’s fundamental aim is to promote the interests of these sectors of activity in line with the best interests of the country.

4) **Uruguayan Association of Express Delivery Service Companies (AUDESE). November 2011.**

AUDESE is the Uruguayan Association of Express Delivery Service Companies. It brings together 9 of the main companies providing an international express delivery service and represents the local interests of the express delivery industry in Uruguay.
Its main objectives include support for Customs reforms geared at modernization, efficient procedures, transparent procedures, inclusion of automation and traceability of transactions, and simplification of procedures which improve the predictability, transparency and facilitation of international trade.


The Uruguayan Association of Cargo Agents currently comprises fifty-two cargo agencies.

The following are flagged among the institution’s aims: to raise the status of activities performed by cargo agents in their capacity as technical experts in promoting and selling international freight services, as well as managing the shipments involved, and to defend the rights and interests of members, all within the strictest ethical business framework.


The Chamber of Free Trade Zones of Uruguay was established in October 2008 with a vision of enhancing Uruguay’s system of free trade zones and promoting them as a launching pad for business platforms. The business community forming the Chamber of Free Trade Zones of Uruguay (CZFUY) consists of developers (operators) and (direct and indirect) users of the Uruguayan Free Trade Zones.


The Chamber of International Automotive Land Transportation of Uruguay is a civil association created at the request of a group of entrepreneurs who, in terms of ethos and procedure, decided to join forces in order to best position an activity where they were only occasional competitors.

At present, work is conducted jointly on the basis of broad principles which include: encouraging the development of Uruguay’s land transportation as a major factor in the nation’s economic development; providing transportation which is as efficient as possible with modern and specialized vehicles, and seeking to permanently reduce costs and improve and co-ordinate services.


The Union of Exporters of Uruguay (UEU) provides ongoing assistance to private companies to help them export under optimal conditions. To develop and promote export activity, the UEU focuses on continuously improving its services, and is nationally and internationally active via a capable work team and consultants who are committed to the institution and supported by a network of efficient suppliers.
9) National Chamber of Commerce and Services of Uruguay (CNCS). August 2012.

The National Chamber of Commerce and Services of Uruguay seeks to safeguard the general interests of trade and services pertaining to the private sector of the national economy, defending principles of freedom in the broadest sense and within the framework of the rule of law.


The Chamber of Free Shop Entrepreneurs and Related Business Undertakings of Uruguay came into being in April 2010 with the aim of defending and promoting the interests of Uruguay’s duty-free border shops. It has a modern and eminently professional approach which aims at working at the highest level with other private sector stakeholders involved in the system of free shops, and at working with the authorities responsible for regulating and monitoring that system.

14. XIII) Results:

1) Memoranda of Understanding.

Two years and seven months have now passed since the start of implementation of the Memoranda of Understanding and Integrity Project overall, and we can state that these have helped engender a new approach between Customs and traders regarding unethical behaviour.

- 70% of the associations have adopted or improved their Code of Ethics.
- Customs already has in place a Draft Code of Conduct which has been run past the Board of Public Integrity and Transparency and will shortly be sent to the Government for approval.
- Within the framework of the Memoranda, 21 disclosures have been processed and investigated. Of these, 10 were made by Customs to the associations, and 11 by the associations to Customs.
- Some of the disclosures related to alleged irregularities, but action has also been taken on issues which have improved the institution’s transparency. These have included formalizing verbal orders in writing, and standardizing technical criteria relating to Customs regimes.
- Each situation handled or reported has always led to a result.
- Joint and concerted action with traders has been possible in some cases, leading to a successful investigation.
- At its request, one association has started to be notified of the Notices issued by the National Directorate.
- Work has been carried out with four associations on five draft Customs procedures which improve institutional transparency. Two have already been
implemented, and progress has already been made on the other three with regard to drafting a proposal.

- At the request of associations, Customs officials have made guided visits to operational areas.
- At the request of an association, Customs has provided information on the transparency of technical approvals it issues.
- 300 Customs officials have received training on the topic.
- The training included workshops held in Montevideo and the Interior, in liaison with the Board of Public Integrity and Transparency, plus workshops held as part of the Pilot Project with the WCO.
- Integrity has been included in the Customs curriculum and is a compulsory subject for all new entrants to the organization.
- 2013 saw the start of the annual programme cycle “Getting to know the traders”: in one-day events before an audience of Customs officials from every department, six associations spoke about their respective objectives, their perspectives and their impact on external trade, and assessed their experience of the Memoranda’s progress.
- Representatives from Uruguay Customs and members of the associations have been invited to give talks and presentations in different national and international forums as to how the experience has gone.

2) Findings of the new perceptions survey conducted in October 2012.

The survey conducted at the end of 2010 was repeated in 2012 and came up with encouraging results as to how the modernization process was progressing overall.

Our positive public perception score increased from 27% in 2010 to 32% in 2012.

Only 12% of trader operators had a positive perception of us in 2010. In 2012, our approval rating had risen to 54%.

Finally, the positive perception of Customs among government bodies was 27% in 2010 – in 2012, that had changed to 45%.

We are currently processing a new survey which was finalized at the end of 2013 and which will provide us with new inputs on how we are doing.

15. XIV) What have we learned?

- That mutual trust on the issue of Integrity is the bedrock for preventing the project’s failure.
- That this trust is constantly put to the test, and maintaining it partly involves respecting confidentiality, and partly involves being effective when it comes to taking action.
That, initially, many Customs employees not only failed to believe in the project, but also said that it was only a media exercise.
That managers in the signatory associations experienced the same situation there too.
The subject of Integrity is taboo in some organizations and Customs is no exception. Managers and officials spearheading the change should know when they get involved that they will need a great deal of strength, personally and as an institution, to take it forward.
Those involved in a project of this kind must be prepared to be the butt of constant criticism and to be scrutinized in the smallest detail.
In some associations, fear of reprisals means that there is an underlying resistance to making disclosures which identify officials.
In view of that situation, continuity and stability in the hierarchy are essential for instilling the necessary trust.
During this government term, Uruguay has been an exception, with the same National Director in place for four years – a situation which has benefited the project's continuity.
Consistent action and confidentiality in dealing with the issues considered by both parties in the Joint Committees are assets, and help generate trust between the partners.
It is essential In order to prevent failure that the public and private contact persons remain in place, at least until consolidation of the project.
Much of the project's credibility depends on providing a timely and fitting response, on confidentiality, and on tangible results once the first disclosures are made.
That, for various reasons, some associations are resistant to drawing up a Code of Ethics and that this situation needs to be remedied.

16. XV) Where we need to improve.

✓ Strive to win more support for the project from Customs officials and traders.
✓ Work towards a situation where the associations make disclosures involving their members.
✓ Set achievable objectives in the action plans.
✓ Push ourselves harder to meet the deadlines set.
✓ Quantify results to provide a more effective steer for the action plans.
✓ Greater accountability in cases of non-compliance by the parties.
✓ Ensure that 100% of the associations have a Code of Ethics.
✓ Raise awareness among officials and traders as to the opportunities offered by the mechanism to increase the transparency of Customs management and external trade.
✓ Establish mechanisms for project self-assessment.
17. XVI) Challenges.

✔ Take steps to prevent the project from collapsing as a result of future changes in management.
✔ Create a specific area to deal with this issue in the organization.
✔ Adoption by Government of the Code of Conduct for officials.
✔ Ownership of the project by officials and traders.
✔ Engage and formalize projects with organizations representing civil society.
✔ Continue to pursue a creative and innovative approach.


Continue to build on the model by preparing and taking forward action plans with each association.

The emphasis will be placed on refining the measurement of results.

To this end, each Memorandum of Understanding will have an associated Factsheet by 31 March 2013 which will contain basic information on the Memorandum and a detailed list of the activities performed.

Discussions are being held on the signing of two further Memoranda with associations which have approached Customs voluntarily to ask to participate in the project.

An agreement will be concluded with the Board of Public Integrity and Transparency on the use of our Moodle platform so that Customs officials and officials in the Ministry of the Interior can receive Public Integrity training online.

A joint evaluation event on the Customs-Private Sector project will be held during the year.

The aim is for civil society involvement to be formalized in 2014 through the signing of an Agreement with an association.

It is considered important that there be a WCO Technical Visit in 2014 to assess progress on the Integrity Pilot Project.

The National System of Disclosures project has already been framed and will enter its implementation phase at the end of March 2014.

19. XVIII) Conclusions.

Although the Transparency International survey for 2013 ranked Uruguay 19th out of 177 countries and placed it first among the countries of Latin America in terms of
perception of corruption, the perception which citizens have of Customs continues to fall short.

The situation described has provided an added incentive for bringing Customs closer to the level of transparency in the country’s other organizations.

We can see from the surveys performed that the Modernization Project as a whole, the action taken on Integrity, as well as the operations conducted by the Customs Intelligence Response Group (GRIA) – resulting in 35 prison sentences – have helped improve the perception which traders and the general public have of the organization.

Uruguay Customs embarked on a path of transformation and has changed utterly. The achievements we have described have come from recognizing what we are. Without that step, nothing would have been possible.

We are paving the way so that there is no turning back. We know that the challenges will be relentless – but we also know that our satisfaction lies in the effort. When it comes to Integrity, a continued effort is already a victory.