



WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

Integrity Development Guide

2007

**This Guide was prepared by the WCO Asia/Pacific Region in
co-operation with the World Customs Organization**

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Part 1 – INTRODUCTION TO THE INTEGRITY DEVELOPMENT PROCESS

A. PURPOSE

The Integrity Development Guide is based on a self-assessment process designed to be a practical tool for Customs administrations. It focuses on a number of core issues that are central to the development of an effective and efficient integrity program. It provides a framework to examine the management, administrative and integrity strategies currently being employed and to identify opportunities for further improvement.

B. INTEGRITY DEVELOPMENT CYCLE

To use the Integrity Development Guide successfully Customs 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 are constantly changing. In particular, as more Members undertake integrity self-assessment and evaluation, there is a growing body of knowledge and experience that Members can draw on in the further development of their integrity strategies. It is important therefore that integrity strategies are flexible and are designed to be part of an ongoing process of continuous improvement and reform.

Ideally, integrity strategies should be developed as part of a Customs administration's overall governance and planning processes. This ensures that the integrity strategies form part of the overall 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 three phases to the integrity development cycle:

Phase One, the integrity self-assessment process, is designed to assist Member administrations to:

- Identify the key elements of an effective integrity strategy; and
- Provide a practical guide, or checklist, to assist Customs managers to both assess the usefulness of their current strategies and to identify areas of future improvement.

Phase Two is designed to assist Member administrations to develop an Integrity Action Plan that includes a range of key integrity development strategies, identifies responsible officials, establishes timelines, and sets verifiable performance indicators.

Phase Three, the evaluation phase, is for administrations that have already undertaken the integrity self-assessment process and have implemented an Integrity Action Plan. It is designed to be conducted at least 12 months after implementation of the Integrity Action Plan has commenced. It will assist Member administrations to:

- Assess their integrity strategies to determine whether they have achieved the outcomes anticipated in the Arusha Declaration;
- Determine where there are areas that require further attention and/or new initiatives that might be introduced;
- 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 has been commenced. 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 leading to the development of a revised action plan to further refine and institutionalize the organization's integrity program.

C. WHY INTEGRITY IS IMPORTANT

Customs generally deals with four key issues: revenue collection, community protection, trade facilitation and protection of national security. To effectively deal with these issues, a high level of integrity is critical. The 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 within a Customs administration include:

- 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;
- Low staff morale and "esprit de corps";
- Increased costs which are ultimately borne by the community;
- A reduction in the level of voluntary compliance with Customs laws and regulations;
- Revenue leakage;
- Distortion of economic incentives;
- A reduction in national security and community protection; and
- Creating an unnecessary barrier to international trade and economic growth.

It is probably safe to assume that some degree of corruption is present in all countries and in all public institutions. Customs, however, because of the scope, nature and complexity of its work is particularly susceptible to corruption. As a former Secretary General of the World Customs Organization noted:

"There are few public agencies in which the classic pre-conditions for institutional corruption are so conveniently presented as in a Customs administration. The potent mixture of administrative monopoly coupled with the exercise of wide discretion, particularly in a work environment that may lack proper systems of control and accountability, can easily lead to corruption."

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 and develop and implement solutions which are relevant to their needs and which reflect Customs unique operating environment.

D. INTERNATIONAL ATTENTION

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 range of standards and practices considered necessary to deal with it.

Three declarations: the WCO's 1993 Arusha Declaration; the 1994 Columbus Declaration; and the 1997 Lima Declaration set forward a range of Customs-related recommendations. Additionally, the 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.

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 Customs administrations. This Guide, while keeping within the general spirit and principles outlined in the above documents, and in particular, the WCO Arusha Declaration, goes a step further by providing a guide to assist in the implementation of a range of practical strategies specifically designed to be used by Customs administrations.

E. DEFINITIONS

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 themes, 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 it needs 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 the more positive aspects of integrity development.

For example, some administrations have redefined the concept of integrity to not only include combating abuse of power or corruption but also conforming to a standard in service performance as pronounced in documents such as service standards or client charters. In many Customs administrations, the concept of integrity now means delivering services to meet the expectations of clients and stakeholders.

Integrity therefore can 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.

F. ASSUMPTIONS

The integrity or anti-corruption strategies outlined in this Guide are based on the following important assumptions. Corruption is most likely to occur where Customs officials:

- enjoy monopoly power over clients;
- have discretionary power over the provision of goods or services; and
- the level of control or accountability is low.

A number of additional factors also need to be considered as contributing to the probability of administrative corruption. These include:

- the relative level of remuneration available to Customs officials;
- the degree to which the organizational culture and behavioural norms fosters or actively discourages corrupt behaviour (including penalties violators receive when identified);
- the deterrence value of the administrative controls in place; and
- The level of face to face contact between Customs officials and clients.

In addition, it matters little what anti-corruption strategies are employed if the real risk of detection is low. For any deterrence to be effective it must present a real risk to violators. If it doesn’t, 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.

- Moreover, due to the environment in which many Customs personnel operate, a number of additional factors need to be considered when crafting an effective integrity strategy for Customs. These include:
- Customs personnel often work in remote and largely unsupervised border stations;
- Clearance of many goods and conveyances is time sensitive creating additional incentive to circumvent Customs procedures and formalities; and

- Customs personnel often enforce a large range of complex legislative regulations and exercise a wide range of discretionary delegations.

G. THE ELEMENTS OF AN INTEGRITY STRATEGY

The ten elements outlined in the WCO's (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.

H. ASSESSING THE CURRENT INTEGRITY SITUATION

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

This assessment can be performed relatively quickly by using a set of questions to determine the areas of greatest risk for corruption which then point to what priorities or actions need to be undertaken as part of any integrity program. It would also set a benchmark which future progress can be monitored against.

By posing, then answering the following questions, Customs administrations will be able to form a view about the current integrity situation faced by their organization:

Assessing the External Situation and Operating Environment

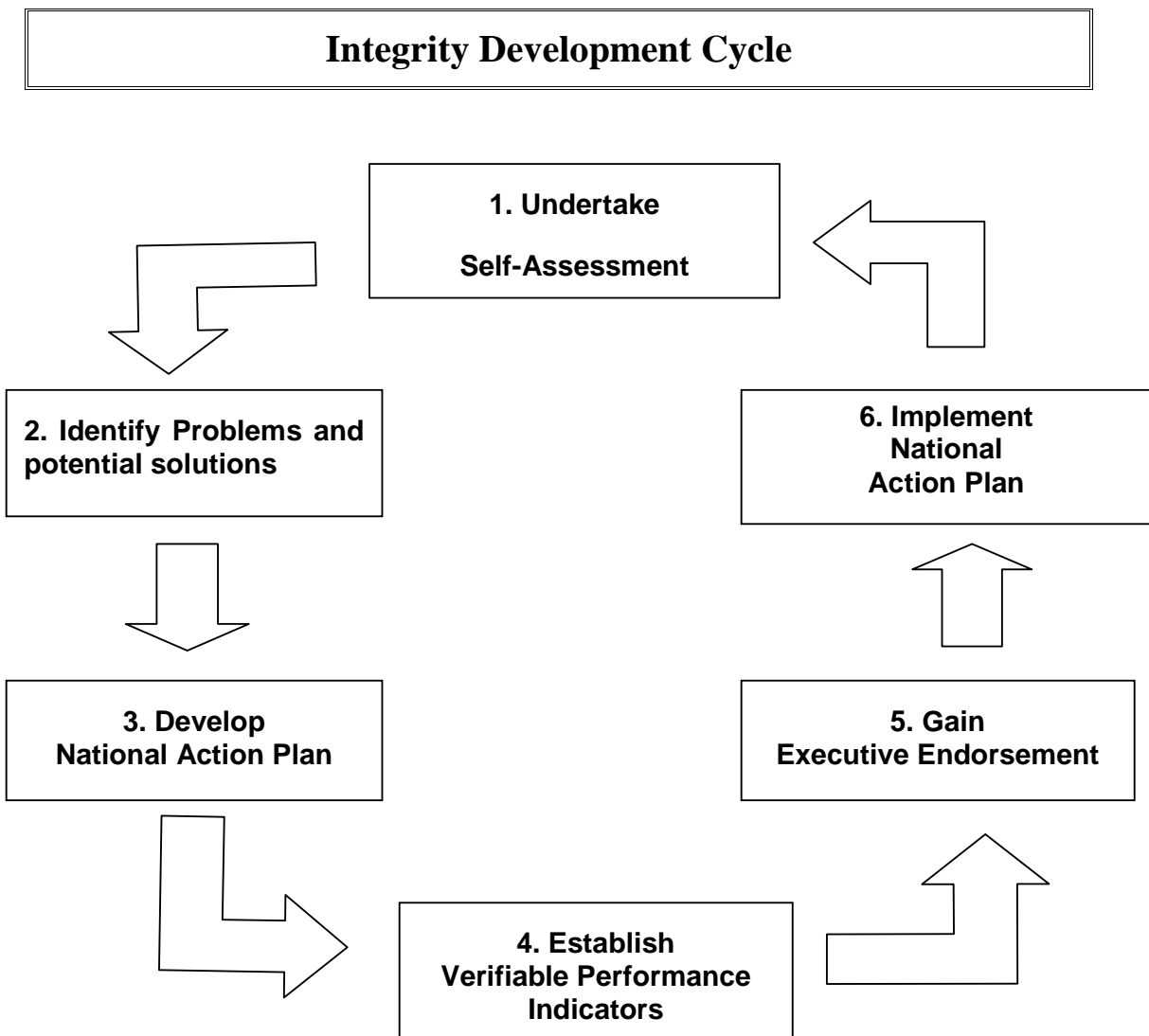
- Have any external or independent reviews been conducted on organizational efficiency and integrity and what were the results?
- How many external investigations or reviews have been carried out against Customs staff?

- Are there any economic estimates on what the true level of revenue collection should be (what is the potential level of revenue leakage)?
- Has there been any media criticism of the Customs administration or the civil service in general and what is the nature of this criticism?
- Has there been any political criticism of the Customs administration's or the civil services performance?
- Has there been criticism of the Customs administration or the civil service by the Judiciary and/or other agencies (can they be questioned informally)?
- Have any surveys been carried out on clients and stakeholders – what are their views and attitudes about the Customs administration or the civil service in general?
- Do Customs agents/brokers, industry groups, exporters and clients (including the travelling public) regularly complain about the Customs administration?
- Has there been any adverse comment made about the Customs administration internationally?
- What is the situation regarding corruption in the wider civil service?
- How many internal investigations or reviews have been carried out against Customs staff?
- Has any benchmarking exercise been carried out on the Customs administration's procedures or processes?
- Are organizational performance standards set and achieved?
- What are the results of internal audit activity?
- Have there been any or many allegations of corruption – what percentage of these have been proven?
- What conclusions have internal enquiries reached about corruption – what are the causes of corruption?
- How many staff have actually been convicted of corruption (or dismissed)?
- Is there an external anti-corruption body present in the country and has the Customs administration had any dealings with this group?

Part 2 - THE SELF-ASSESSMENT PROCESS

This phase is for Customs administrations developing a comprehensive integrity program. It is designed 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 Customs integrity programme must address each of the elements.

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 as the checklist questions are intended to stimulate discussion and identify solutions. There are no right or wrong answers.



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.

There needs to be a firm commitment at the highest political level to maintaining a high standard of integrity throughout the civil service and particularly in Customs. This is particularly important in a society where corruption is a widespread 'systemic' problem, and does not just involve individual cases. This is necessary to provide the leadership and commitment to maintain an integrity program within the organization.

It is important that the government is aware of the steps that Customs is taking and receives regular updates on progress. This can be achieved through publications, briefings, verifiable performance indicators and also indirectly through the media.

Effective integrity programs 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. Staff at all levels must accept an appropriate degree of responsibility and accountability.

Senior management should lead by example. If their 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. Staff at all levels should be encouraged to identify and report breaches of integrity, including within their own work team.

CHECKLIST

- Does the Government actively promote the maintenance of a high level of integrity within the civil service and/or Customs specifically?
- Is there bipartisan support for the integrity program in Customs?
- Are politicians aware of the organization's integrity efforts?
- Is the Minister responsible for Customs held accountable for the integrity performance of the organization?
- Does the Customs administration receive adequate resources to allow it to fulfill its functions effectively and efficiently?
- Are strategies in place to increase or maintain political support for integrity in Customs
- If so, are they effective?
- Can they be improved?
- Does the CEO actively promote integrity with external stakeholders?
- Does the CEO and the Senior Management Team provide leadership and demonstrate an active commitment to the integrity program?
- Is there proactive and visible leadership on the issue of integrity from the highest levels of management?
- Does the CEO and the Senior Management Team lead by example?
- How does the CEO and the Senior Management Team deal with or respond to allegations of corruption?
- Is there a strategy in place to address the issue of integrity among the Senior Management Team?
- Is there a system in place to assist managers to identify staff that, by virtue of temporary personal circumstances, may be vulnerable to corruption and malpractice?
- Are managers held responsible and competent to undertake this task?
- In selection for management positions, is appropriate consideration given to the personal integrity of the officer?
- Does the selection process take account of their commitment to and ability to implement the administration's anti-corruption policies?
- Do managers work with staff to identify any weaknesses and vulnerabilities in relation to processes and procedures?
- Do internal management training programs adequately address management responsibilities for corruption prevention and detection?
- Do supervisors take a strong leadership role for promoting integrity and leading by example?
- Is this a requirement of their role and are they held accountable?
- Are supervisors held accountable for corrupt practices and malpractice engaged in by staff under their supervision?
- To what extent are members of a work team held accountable for corrupt practices engaged in by other members of the work team?
- Are all new projects, policies and initiatives examined to take into account integrity risks?

Possible Good Practice Examples

- Demonstrated linkage between integrity standards and promotion to managerial positions.
- Responsibilities for maintaining and promoting integrity are included in senior management job/role descriptions.
- Performance management/appraisal system includes a focus on managers' commitment to the integrity program.
- Periodic surveys to assess staff and stakeholder perceptions of level of leadership and commitment by Senior Management.
- Customs leadership/participation in wider public sector anti corruption/integrity initiatives.
- Managerial decisions are consistent with the organizational values, communicated to officials and open to review and scrutiny.
- Safeguarding integrity is included in the administration's vision, mission and value statements.

2. REGULATORY FRAMEWORK

The (Revised) Arusha Declaration states:

Customs laws, regulations, administrative guidelines and procedures should be harmonised 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 International Convention on the Simplification and Harmonization of Customs procedures (Revised Kyoto Convention).

Complex regulations, procedures or administrative guidelines allow corrupt practices to develop and flourish. The elimination of 'red tape' includes cumbersome processes that may involve duplication in effort or unnecessary processing procedures.

Possible strategies to minimize regulation include the adoption of internationally agreed standards including the:

- HS Tariff Convention;
- WTO Valuation Agreement;
- ATA Carnet Convention/Istanbul Convention;
- WTO Intellectual Property (TRIPS) Agreement; and
- WCO Revised Kyoto Convention on the Harmonization and Simplification of Customs procedures.

Barriers to the free flow of goods such as non-tariff regulations including quotas; import licenses 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 Customs administration. In this respect, Customs 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 assessed and to identify and investigate integrity risks within the organization.

CHECKLIST

- Have the principles that underpin the Revised WCO Kyoto Convention been implemented? If not, is its implementation and ratification of the Convention a high priority and scheduled for introduction in the near future?
- Have other internationally agreed standards such as the HS Tariff Convention, the WTO Valuation Agreement, the ATA Carnet Convention/Istanbul Convention and the WTO Intellectual Property (TRIPS) Agreement been implemented or are they scheduled for implementation?
- Are systems and procedures periodically reviewed and/or re-engineered to eliminate red tape and avoid duplication?
- If so are the staff that perform the functions or procedures involved in the review process?
- Does the organization have a formal system to implement a 'continuous improvement' strategy?
- When systems and procedures are being reviewed is attention paid to eliminating the corruption inducing combination of monopoly power, official discretion and minimal accountability?
- Are steps being taken to eliminate or reduce non-tariff barriers (such as quotas, import licenses, permits etc)?
- Is there regular Customs representation at interdepartmental liaison on the reduction of tariff and non-tariff barriers to trade?
- Are exemptions, concessions, regulations, procedures and legislation, transparent and communicated to stakeholders?
- Are changes based on periodic review and introduced in a transparent manner
- Are stakeholders consulted on whether legislative provisions and procedures are workable and understandable?
- Is the authority to approve exemptions limited and strictly controlled?
- Are appropriate risk management policies and practices in place to identify high-risk cargo/passengers etc. and allow the speedy clearance of low risk ones?
- Are risk management systems and procedures in place reviewed and aligned to the provisions of the WCO Revised Kyoto Convention?
- Is the application of any administrative penalty system simple and straightforward and is it applied in a consistent manner?
- Is risk management supported by automated systems?
- Is there 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?

Possible Good Practice Examples

- Process for analyzing 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 staff surveys (covering issues such as degree of 'red tape', understanding of legislation).
- 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 should expect from Customs.

Transparency is a key issue for all Customs 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 Customs functions.

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 review should be made on an internal basis. However, clients should have access to independent, 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.

Client service charters are a way of increasing accountability and demonstrating Customs' 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 is not an easy task but it is vital to the development of a comprehensive integrity program.

CHECKLIST

- Are clients provided with sufficient accurate, consistent, accessible and user-friendly information to allow them to meet their responsibilities to Customs?
- Are mechanisms in place to report new initiatives, decisions, or changes in legislative requirements and procedures that may impact upon clients (Customs Client Notices etc.)?
- Is attention given to informing clients of their rights when dealing with Customs?
- Is this information easily accessible?
- For example, Customer Help Desks/Call Centres, Information Centres, Industry Consultative Committees, displays and signage
- Use of electronic media for dissemination of Customs information to clients
- Are clients consulted to determine their information requirements and preferred media?
- Are there mechanisms in place to interact with the media?
- Are instances of non-compliance with Customs procedures analyzed to determine if the cause is a lack of adequate communication from Customs?
- Is there a system for monitoring consistency between different offices, provinces or regions concerning decisions, procedures and information provided?
- Have simple processes or systems for seeking tariff classification and valuation rulings prior to importation been established in order to provide clients with a degree of certainty and predictability?
- Are these easily accessible (is there a library or database of previous decisions?)
- Is the basis or criteria upon which Customs officials exercise discretionary power clearly defined and publicly available and, where appropriate, have the reasons for decisions been conveyed to those affected?
- When a Customs official has exercised discretionary power, are the grounds upon which the decision was made, required to be documented clearly and retained for later review?
- Have appropriate review and appeal mechanisms been implemented to allow clients the opportunity to seek review or challenge Customs 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?
- Have citizen or service charters been developed which clearly state the level of service clients should be able to expect? If so, are service standards realistic 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 staff aware of the standards contained in service charters and are those holding service positions provided with training in client service?
- Have mechanisms been developed and implemented which monitor and evaluate the organization's performance against established standards?
- Are the results of Customs performance made publicly available (i.e. Internet, annual report)?

- 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 work?

Possible Good Practice Examples

- Client and staff surveys.
- Service charters.
- Innovative approaches to information dissemination, such as use of media and Internet.
- Training in client service for relevant staff.
- Formal and informal consultative mechanisms.
- Publication of the grounds upon which Customs decisions are made.
- Existence of effective and accessible 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 officer 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.

Customs must respond to changing international trade practices that are increasingly involving the use of electronic commerce. The electronic service delivery of Customs functions improves efficiencies within the organization and the trading community and provides a mechanism to reduce the opportunity for corrupt behaviour.

Customs 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 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

- Have your automated systems been designed with elimination of corruption in mind? For example, have all opportunities to reduce the risk of corruption been considered?
- 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 the processes of:
 - Revenue collection,
 - Risk assessment/target identification and
 - Inspection/investigation?
- Has a comprehensive risk assessment or review been conducted to assess the corruption risk posed by your automated systems?
- Has the opportunity for unnecessary day-to-day contact between officials and clients been reduced?
- 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 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 staff with relevant system knowledge?
- Is the number of officials with access to the system's programming limited and controlled?
- 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 staff aware of the need to maintain privacy when dealing with confidential information?
- 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 (for example, cargo examination)?
- Have automated payment systems been established which eliminate or limit the physical handling and transfer of funds between Customs officials and clients?
- 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?
- Does the administration have an on-line action plan supported by an IT security strategy addressing the risks associated with on-line electronic trading?
- Are standardized data requirements as defined in the WCO Customs data model applied?
- Are there appropriate operating procedures to support the use of electronic trading?
- Is the use of on-line trading supported by self-assessment and audit-based controls?
- Is there a program of developing business partnerships with business with the aim of increasing voluntary compliance with electronic commerce requirements?

Possible Good Practice Examples

- Automated payment or funds transfer system.
- Automated systems that minimize opportunities for inappropriate officer discretion.
- Minimal day-to-day contact between Customs officials and clients.
- Good housekeeping – including, appropriate security protocols and periodic reviews of system vulnerability.
- Sound in-built 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 that 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 Customs 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 program should:

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

The key theme being that Customs 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 Customs administrations. As a result, the incentive to circumvent correct procedures is minimized. Implementation of the revised Kyoto Convention is a key instrument for achieving improvements and ensuring that the reform program delivers the desired results.

CHECKLIST

- Is the administration's reform and modernization process based on a comprehensive diagnosis of the administration's capacity needs?
- Is the reform and modernization program comprehensive in nature and does it address all the key functional areas of Customs?
- Have sufficient human and financial resources been allocated to the reform and modernization program?
- Do staff within the administration have access to expert advice and assistance necessary to ensure effective implementation of reform and modernization initiatives?
- Has attention been paid to ensuring the active involvement of key stakeholders, including the private sector and other government agencies?
- Has relevant industry been consulted well in advance of reform?
- Do staff have a strong sense of ownership and are they committed to the reform and modernization program?
- Has the reform and modernization program focused specifically on improving integrity?
- Are your administrative controls designed to deter corruption and foster integrity?
- Has job design and redesign focused on eliminating the corruption inducing factors of monopoly power, officer discretion and low levels of control or accountability?
- Have other government agencies been consulted and areas of common activity simplified?
- Has the reform and modernization process included an external review of the changes?
- Has reform and modernization included an external audit to ensure that the reform is cost-effective and efficient?
- Are performance targets being set for core Customs processes?
- Have you developed a process review mechanism that will ensure cyclical improvement?
- Do Customs staff participate in the reform and modernization of their processes?
- Have Customs processes been benchmarked with other administrations?
- Does the reform and modernization program focus on the adoption of agreed international standards and instruments (for example, the revised Kyoto Convention)?
- Have you increased possibilities for electronic data submission?
- Have you identified compliant traders so you can fast track their entries to enable targeting of risk traders?
- Have you considered the post-release collection of taxes and duties?

Possible Good Practice Examples

- Reform and modernization is well supported by key stakeholders and the administration's senior management.
- Management and implementation of the program is co-ordinated effectively.
- The reform and modernization development and implementation process is sufficiently resourced, with roles and responsibilities clearly defined.

- Appropriate result-focussed performance standards and indicators have been established and regularly monitored.

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 programs, 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 focussing on areas that have a high risk associated with their function. Audits also provide an independent opinion regarding the efficiency and effectiveness of Customs procedures and controls. The audit process should include check programs, random sampling and on-the-spot checks.

To prevent collusion between Customs officials and clients and to avoid clients anticipating Customs actions, a task force comprising staff from different work areas may be set up to conduct unannounced special operations or checks at various high risk Customs posts at irregular intervals. In order for this to be successful, staff must be made aware of the positive nature of the program and understand the role performed by members of the special task force. On-the-spot inspections should be conducted frequently enough to provide a real deterrent to corrupt behaviour.

The organization must have the necessary resources to follow up any information provided. This may require an internal affairs or investigation capability with sufficient independence and autonomy to allow it to undertake its investigations. People selected for such work must be given appropriate training and management support and be free of any integrity-related suspicions.

There should be mechanisms in place to encourage staff and stakeholders to report corrupt practices, including confidentiality provisions. For example, there should be a channel for staff to report corrupt practices directly to the most senior level that bypasses their immediate supervisors. Alternatively, staff may report directly to an independent anti-corruption authority.

CHECKLIST

- Have effective internal audit and internal investigation/affairs units and programs been established and appropriately resourced?
- Are the role and functions of such units promoted within the organization, including procedures for reporting instances of alleged corruption?
- Are the people selected to perform such functions at arms length from the officials they are investigating?
- Are they sufficiently trained and have appropriate powers of investigation?
- Is the audit program sufficient to ensure regular review of high-risk work areas and functions?
- Is any data obtained from audits and investigations analyzed to identify trends, vulnerabilities, and opportunities for improvement?
- Is the general control environment conducive to maintaining high levels of integrity (internal controls, audit trails, reporting relationships, level of staff competence, delegations etc.)?
- To what extent do major activities carry an inherent risk of corruption (dealing in cash, approving applications, licenses, permits etc.) and what systems have been put in place to identify and manage these risks?
- Does the audit function ensure that effective and comprehensive internal controls are in place to prevent corruption?
- Are inspections and examinations subject to regular internal audit, peer review, and/or independent review?
- Are the results of audits reported and regularly followed up for review?
- Have special task forces been established to conduct unannounced inspections at high-risk Customs posts?
- Are staff aware of the positive role of the special task forces?
- Are records kept of all high-risk decisions made by officials for later review and audit?
- Where large-scale corruption is suspected or alleged, do you have access to an independent anti-corruption investigation authority?
- Are clients, the general public and third parties such as banking institutions actively encouraged to report instances of corruption or attempted corruption?
- Are staff aware of the channels they should follow to report instances of corruption?
- Can staff report instances of corrupt activities in a way that bypasses their immediate supervisor or work area, for example directly to an internal affairs unit?
- What guarantees/commitments are provided to clients, third parties and staff that any information provided will be treated confidentially? Are they kept?
- Are allegations of corruption followed up? Does the audit and investigation function include education and other preventative strategies?
- Are actions taken as a result of audit and investigation
- Are these actions communicated to staff?
- Are sufficient resources available to ensure allegations are fully investigated?

Possible Good Practice Examples

- 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 Customs officials.
- Staff allocated to audit and investigation functions are suitably qualified.
- Appropriate degree of independence for audit and investigation staff.
- The administration is subject to external audit and on a regular basis.
- Access to external investigation when appropriate.
- Audit and investigation staff 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 program 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 required of employees to ensure that the integrity and good reputation of Customs 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 Customs officials; and
- Provide a guide to solving ethical issues for those working in Customs and those who have dealings with Customs officials.

The Code should be regularly reinforced to staff. Management must lead by example and take appropriate action when staff falls short of the required standards.

The penalty system associated with breaches of the Code must be sufficient to provide a real disincentive to engaging in corrupt behaviour. Penalties should be calibrated to correspond to the seriousness of the violation and can include fines, demotion and dismissal for serious offences, and less obvious penalties such as peer pressure, restrictions, transfers, reduction in autonomy or discretionary power, loss in professional status and negative publicity.

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 exists, care should be taken to ensure the Customs specific code is complementary but does not replace the general code.

CHECKLIST

- Does your organization have a formal Code of Conduct?
- Was your organization's Code developed in consultation with clients, other government agencies and staff at all levels?
- Does the Code provide a range of practical examples and guidance for dealing with ethical issues that is relevant to the different types of work carried out by staff in Customs?
- Are staff required to sign a provision indicating that they have read and understood the Code, and accept its provisions, obligations and responsibilities?
- Are new and existing staff given training in the application of the Code?
- Is the Code readily accessible to all staff and periodically promoted within the organization?
- Does senior management promote the Code with their staff and lead by example?
- Do supervisors and managers take appropriate action when staff falls short of required standards?
- Is the Code promoted to clients, especially in relation to acceptance of gifts and tokens, and appropriate relations with stakeholders?
- Are there appropriate sanctions for non-compliance with the Code?
- Does the Code describe management and staff responsibilities in respect to the collection, storage, maintenance and dissemination of information obtained in the course of duty?
- Does the Code include provisions related to the acceptance of gifts, rewards, hospitality and discounts?
- Are staff required to declare their investments, assets, indebtedness and possible conflicts of interest?
- Are staff required to declare any financial problems or hardships they might be facing?
- Are appropriate mechanisms in place to provide financial support to officials facing temporary hardship in order to ensure that they are not tempted to engage in corrupt practices to overcome financial problems?
- Do effective disciplinary measures exist in Customs or public sector legislation?
- Are there appropriate mechanisms for staff 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 and the results made available?
- Has the introduction of a limited amnesty been considered as an element of the integrity strategy?
- Do members of the senior management team lead by example and model behaviour that is consistent with the spirit of the Code of Conduct?
- Does the Code describe the values of the administration in a practical way?

Possible Good Practice Examples

- Code of Conduct is compatible with the WCO Model.

- Effective communication strategy and internal/external promotion of the Code.
- Staff consultation and participation in the development of the Code.
- Code is periodically reviewed and updated.
- Staff are required to read, understand and endorse the Code.
- Introductory training includes coverage of the values of the organization and the content of the Code.
- Prompt action 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 practises which have proved useful in controlling or eliminating corruption in Customs, include:

- Providing sufficient salary, other remuneration and conditions to ensure officials 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 or favouritism 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 officials 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
- 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 staff. 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 improve staff skills, and provide a quality work environment which recognizes and supports the work efforts of staff. Just as a high standard of work performance and integrity is expected from staff, staff expects a high level of integrity in the administration and implementation of associated HR policies and procedures which underpin the work environment.

8.1. REMUNERATION AND CONDITIONS

Appropriate conditions of employment and in particular remuneration that can sustain a reasonable standard of living is extremely important. Indeed, severe penalties applied to breaches of a Code of Conduct are more likely to be accepted in circumstances where the difficult working environment and required levels of integrity are recognized in the base level of remuneration.

The issue of appropriate pay or remuneration is, however, an extremely difficult one for Customs administrations. Official remuneration can never be at a level that will prevent all corrupt behaviour. However, pay levels need to be sufficient to ensure officials 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 and behaviours that reduce or control corruption. For example, performance evaluation/appraisal schemes can be employed which provide incentives for model behaviour. Staff can be rewarded for identifying methods by which corruption can occur and for suggesting improved control mechanisms. Non-monetary rewards such as transfer, training, travel, praise, and publicity can also be used to encourage positive behaviour.

Staff who receive sufficient remuneration to afford them a reasonable standard of living still need to be monitored to ensure they do not get into serious indebtedness. Staff facing serious debt problems may be more vulnerable to corruption. When staff are identified as facing severe financial difficulties they should receive counselling and close supervision, and where appropriate, transferred away from high-risk areas.

CHECKLIST

- Do staff receive sufficient remuneration to maintain a reasonable standard of living?
- Are remuneration levels for Customs officials comparable to similar public/private sector positions?
- Is the government aware of the important role that conditions of service, and in particular, adequate remuneration, plays in maintaining high standards of integrity?
- Do remuneration levels for Customs officials take into account the opportunity presented by Customs work to supplement income through illegal commissions?
- Are mechanisms available to identify signs of serious indebtedness of staff?
- Is there a reward system and is it fairly administered?
- If so, does the reward system share the benefits widely amongst all staff 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?

8.2. RECRUITMENT, SELECTION AND PROMOTION

Recruitment and staff selection procedures should focus on selecting staff on the basis of 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.

Staff selection and promotion should be based on merit. The process should be objective and immune from interference. Each recruitment or promotion committee should be composed of independent members selected from different work areas of the organization. This 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 staff. 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.

CHECKLIST

- Are selection criteria published and strictly adhered to for all Customs 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 Customs?
- Are all staff fully aware of the selection process and are results communicated promptly?
- Are selection committees selected to ensure they are impartial?
- Are members of selection committees chosen on the basis that they come from different work areas?
- What external checks are performed on new recruits (for example background and police checks, previous employment records, references)? Are references and qualifications always checked?
- To what extent are conflicts of interest tolerated? Are officials allowed to engage in secondary employment, and if so, do they have to obtain approval to do so?
- Are officials nominating for promotion assessed on merit and their willingness to accept an appropriate level of responsibility for corruption prevention and promotion of integrity? Is acceptance of the Code of Conduct a prerequisite for employment?

8.3. DEPLOYMENT, ROTATION AND RELOCATION

Removing opportunities for staff to hold vulnerable positions for long periods of time is an important integrity measure. To ensure staff do not develop close and inappropriate relationships with clients, staff rotation or mobility schemes can be introduced which force staff to move position at regular intervals.

Decisions on posting of officials should be based on established objective criteria and the basis for posting decisions recorded. Staff that have remained in posts for a long period of time or have held positions that are more vulnerable to corruption should be rotated.

Job segregation can be limited 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, who by virtue of their discretionary power, can charge an illicit fee for the discharge of their legal functions.

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 to individual officials may be made on a random 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.

CHECKLIST

- Are staff prevented from holding vulnerable positions for long periods of time?
- Are staff expected to transfer or rotate at regular intervals?

- Are rotation guidelines clear and is rotation/mobility a clearly understood condition of service?
- Has consideration been given to a separate rotation scheme for technical positions?
- Is the rotation policy enforced and subject to independent review?
- Are there established mechanisms in place to oversee the rotation of staff at regular intervals? Is this process free of bias or favouritism?
- Does the working environment foster the development of an inappropriate relationship between staff and clients?
- If so, what mechanisms are in place to ensure suitable control, accountability and supervision of staff working in such environments?
- At point of interaction with the public such as passenger and cargo control points, are there mechanisms in place to prevent prior knowledge that particular officials will perform 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?

8.4. TRAINING AND PROFESSIONAL DEVELOPMENT

Education and training, both informal and formal, play a major role in the fight against corruption in two ways. Firstly, they provide staff with appropriate professional development, thus increasing their technical competence and reducing their reliance on informal on-the-job training.

Secondly, they provide regular opportunities for the organization to reinforce the integrity/anti-corruption message. This is particularly appropriate when an organization has in place a formal Code of Conduct. Training should focus on the standards of behaviour expected of all staff and the mechanisms available to report breaches of the Code. A sense of group or shared responsibility should be fostered wherever possible.

While on-the-job training is very important, care needs to be taken to ensure it is both positive and structured and does not inadvertently reinforce certain inappropriate practices that have developed over time.

To maintain the credibility of the informal and formal training that is provided, it is essential that the content of the training accurately reflect what is happening on the job.

CHECKLIST

- Does the administration provide formal vocational training and structured on-the-job training for staff covering both general and specialist skills?
- Does all formal training cover and reinforce the integrity/anti-corruption message and focus on the standards of behaviour expected of all officials? Are new recruits specifically given introductory training regarding integrity principles/Code of Conduct in the organization?

- Is the on-the-job training structured and positive and does it reinforce the integrity policies of the administration?
- Is there a program of succession planning to ensure that the administration does not become over-reliant on a few key individuals?
- Is the effectiveness of training periodically evaluated?
- Are responsibilities and accountabilities for corruption prevention and detection clearly identified and understood by all staff? Do these responsibilities include identifying and correcting any behaviour that falls below expected standards?
- Does the performance management/appraisal system identify development needs and reinforce integrity principles?
- Are local operating practices consistent with the content of formal training programs?

8.5. PERFORMANCE MANAGEMENT/APPRAISAL

A performance appraisal and management system concerns the day-to-day management of people and their performance. Performance appraisal is a process where managers can assess the performance of staff, identify developmental opportunities, recognise and reward staff 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 staff to take responsibility for maintaining high levels of personal and professional integrity.

For example, an item that requires staff to demonstrate high standards of integrity can form part of the performance process. This may encourage staff 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 system. This may include salary advancement, as well as non-monetary rewards such as transfer, training, travel, praise, and publicity to further encourage positive behaviour. Such rewards may recognize immediate good performance, however the appraisal system should be designed with the aim of optimizing staff performance in the long term.

Performance appraisal should be undertaken on a regular basis. Management should be accountable for the performance of their staff and actively manage performance issues.

CHECKLIST

- Does the administration have a performance appraisal system in place?
- If so, is the system 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 staff 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 included in the performance appraisal process?
- Do staff 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 staff?

Possible Good Practice Examples

- An 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 staff are vetted during the recruitment process.
- Ongoing periodic security vetting for existing staff.
- Recruitment processes are subject to internal audit.
- Requirement to report potential conflicts of interest and relevant changes in personal circumstances (for example, secondary employment, new sources of income).
- Acceptance of 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 program and should be encouraged to accept an appropriate level of responsibility for the integrity of their administration.

Before organizational change can occur it is firstly necessary to understand the culture and practices that currently exist within the administration and 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.

Staff and staff 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 staff have pride and loyalty in the service is vital in breaking this cycle.

CHECKLIST

- Does senior management lead by example and demonstrate their commitment to integrity and fairness through their behaviour?
- Is senior management decision-making open and transparent?
- Are staff encouraged, recognized, acknowledged or rewarded for identifying methods by which corruption can occur and for suggesting improved control mechanisms?
- Are special project teams used to develop integrity strategies for their work areas? Do all staff have the opportunity to contribute?
- Are activities undertaken to measure levels of morale, such as staff surveys to gather feedback and provide suggestions?
- Are mechanisms available in which staff can raise, discuss and resolve any cultural and/or moral issues which impact on the administration's anti-corruption efforts?
- Are meetings and staff journals used to communicate the standards of behaviour expected, instances of meritorious behaviour, and exposure of those found to be involved in corruption?
- Does the administration's systems and culture recognize and respect the rights of staff and the need for fairness in all human resource management matters?
- Are staff 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?
- Is prompt action taken against those who fail to meet integrity standards?
- Is effective legislation in place that protects staff that report breaches of integrity?
- To what extent are staff at all levels encouraged to identify and report breaches of integrity?
- Are staff that come forward to report corrupt practices rewarded or victimized?
- Are penalties for corrupt behaviour sufficient to deter inappropriate behaviour?

Possible Good Practice Examples

- Staff and client satisfaction surveys.
- Effective staff and management consultative practices.
- Special project teams tasked with integrity improvements.
- Performance Management/Discipline framework.
- Systems for monitoring and reviewing morale indicators such as staff attrition and absenteeism rates.
- Client awareness of integrity initiatives in Customs.
- 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.

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- Staff participation in integrity-related initiatives.
- Reputation of Customs 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 undergoing a major integrity program it may be useful to have feedback through client surveys on their perceptions of Customs 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 Customs administrations to clearly communicate the standards of behaviour expected of clients. It may be appropriate to establish a joint Customs/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 Customs via the media. These initiatives need to be well publicized and easily accessible.

CHECKLIST

- Have all relevant stakeholders and clients been identified and their support and co-operation obtained?
- Do client groups accept a share of responsibility for both the problem and the solution?
- Have appropriate consultative mechanisms been established to facilitate communication and co-operation between Customs and client groups?
- 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?
- Has the development of codes of conduct for the private sector, which clearly set out standards of professional behaviour, been established?
- 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 Customs officials 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 Customs 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 promote the achievements of Customs?

Possible Good Practice Examples

- 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 programs
- Sound screening process for licensed clients

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- Self regulating industry associations (Code of Conduct, sanctions, penalties for inappropriate behaviour)

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 opportunities 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 staff commitment
- Impact
- National/International obligations
- Ease of implementation
- Cost

3.2 DEVELOPING AN INTEGRITY VISION STATEMENT

Once this process has been completed it is necessary to develop an Integrity Vision Statement and Action Plan including key activities, responsible officials, timeframes and performance indicators.

The Integrity Vision Statement should be a short, focussed statement which describes, in end state terms, what the participants want their organization to be, and be seen to be.

Some examples of appropriate vision statements include:

“By the year 2004, Customs and Excise will be a proud organization with a reputation for fairness and transparency which is devoid of all corruptive activities and that will serve as a model to spearhead efficiency and effectiveness.”

“The Customs Department will have addressed all its major integrity problems and will be regarded by government as a model of honesty, fairness and ethics.”

“Customs will have made great progress in its integrity drive. Government, the business community and the public will acknowledge the progress that has been made and will regard the department as a model for other administrations to follow.”

“The reputation and public image of Customs will be vastly improved. Customs officers will be regarded as loyal and professional government officials.”

“The Customs Service will strive to attain the highest ethical standards in all its operations. It will be acknowledged as a regional leader in facing up to and addressing its integrity problems.”

“By 2004 all Customs officers will recognize and accept an appropriate degree of responsibility for developing and maintaining an honest and ethical service free of allegations of corruption and malpractice.”

3.3 DEVELOPING AN INTEGRITY ACTION PLAN

Once the Vision Statement is developed and refined it is necessary to develop a detailed implementation plan with realistic timeframes for implementation, responsible officials and verifiable performance indicators or measures.

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

Problem/Opportunities for Improvement	Solution/s	Responsible Official/s	Verifiable Performance Indicators	By when
Staff holding positions of trust for extended periods of time	Implement compulsory rotation system for officers holding the same position for 3 years or more	Human Resource Management Branch	Implementation of rotation system No of officials rotated	June 2004
No Code of Conduct	Develop and implement a Code of Conduct which sets out in clear and practical terms the behaviour expected of all Customs officials	Human Resource Management Branch - (input from all staff and operational areas)	Development and implementation of Code of Conduct	December 2004
Clients paying Customs officials bribes to speed up cargo inspections	Establish liaison committees with key client groups to explain problem and seek private sector involvement in the solution	Executive	Establishment of Liaison Committees Frequency of meetings Initiatives implemented Results achieved	March 2004
	Review penalty regime to provide a stronger disincentive for clients to engage in corrupt practices	Responsible Division	Development, implementation and conduct of penalty regime No. of penalties issued	Immediate

3.4 DEVELOPING A MARKETING STRATEGY

In order to ensure the results of the self-assessment and action planning process are well understood and accepted by the executive and embraced by the majority of the organization's staff, it is important to develop a practical information and marketing approach.

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;
- Sell the real benefits of an improved integrity regime to all staff;
- Gain executive management commitment to the Plan;
- Ensure that those not present at the workshop are not overly suspicious of the workshop's outcomes and the rationale behind each of 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.

PART 4 – ACTION PLAN REVIEW, EVALUATION AND RE-DEVELOPMENT

The review, evaluation and re-development process should be undertaken at least 12 months after the Integrity Action Plan has been implemented. It will assist Member administrations to:

- Assess their individual integrity strategies to determine whether they have achieved the outcomes anticipated in the Integrity Action Plan that was 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 program.

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 personnel;
- Number of successful investigations and/or prosecutions for integrity breaches;
- Positive/negative media coverage of integrity in Customs;
- 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; and
- 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; and
- 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 and commitment to the revised Action Plan and the effective marketing of it to staff 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:

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.

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

Integrity Development Guide -

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).

Useful Integrity Program Resources

There are a number of resources Customs administrations can refer to assist them in preparing and implementing integrity programs and initiatives in terms of general advice, Customs expertise and World Customs Organization (WCO) resources, monitoring tools, academic support, best practice material, and Internet Web Sites. These are given as follows:

Customs-Related Resource Material

- WCO Model Code of Conduct
- WCO Integrity Resource Centre
- WCO Asia/Pacific Region Web Site - Integrity Information Sharing Forum
- WCO Peer Review and Information Sharing process

Useful Web Sites

- Asia/Pacific Economic Co-operation <http://www.apecsec.org.sg/>
- Centre for Public Integrity <http://www.publicintegrity.org/dtaweb/home.asp>
- Independent Commission Against Corruption - Hong Kong, China <http://www.icac.org.hk/>
- Independent Commission Against Corruption - New South Wales, Australia <http://www.icac.nsw.gov.au>
- International Business Ethics Institute <http://www.business-ethics.org/index.asp>
- Oceania Customs Organization <http://www.ocosec.org/>
- Organization for Economic Co-operation and Development <http://www1.oecd.org/daf/nocorruptionweb/index.htm>
- World Bank <http://www1.worldbank.org/publicsector/anticorrupt/>
- World Customs Organization <http://www.wcoomd.org/ie/index.html>
- Transparency International <http://www.transparency.org/>
- United States Office of Government Ethics <http://www.usoge.gov/>
- United Nations Office of Drug Control and Crime Prevention <http://www.unodc.org/odccp/index.html>

Self-Assessment
For
Revenue Authorities

1. LEADERSHIP AND COMMITMENT

The prime responsibility for corruption prevention must rest with the Chief executive of Tax and Customs administration 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. Executive 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 Revenue work. Executive 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.

There needs to be a firm commitment at the highest political level to maintaining a high standard of integrity throughout the civil service and particularly in Tax and Customs. This is particularly important in a society where corruption is a widespread 'systemic' problem, and does not just involve individual cases. This is necessary to provide the leadership and commitment to maintain an integrity program within the organization.

It is important that the government is aware of the steps that Tax and Customs is taking and receives regular updates on progress. This can be achieved through publications, briefings, verifiable performance indicators and also indirectly through the media.

Effective integrity programs 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. Staff at all levels must accept an appropriate degree of responsibility and accountability.

Senior management should lead by example. If their 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. Staff at all levels should be encouraged to identify and report breaches of integrity, including within their own work team.

CHECKLIST

1. Does the Government actively promote the maintenance of a high level of integrity within the civil service and/or Customs specifically?
2. Is there bipartisan support for the integrity program in Tax and Customs administration?
3. Are politicians aware of the organization's integrity efforts?
4. Is the public aware of the organization's integrity efforts?
5. Is the Minister responsible for Tax and Customs administration held accountable for the integrity performance of the organization?
6. Does the Tax and Customs administration receive adequate resources to allow it to fulfill its functions effectively and efficiently?
7. Are strategies in place to increase or maintain political support for integrity in Tax and Customs administration?
 - If so, are they effective?
 - Can they be improved?
8. Do the CEO and the Senior Management Team actively promote integrity with external stakeholders?
9. Do the CEO and the Senior Management Team provide visible and proactive leadership and demonstrate an active commitment to the integrity program?
10. Do the CEO and the Senior Management Team lead by example?
11. Do the CEO and the Senior Management Team deal firmly with allegations of corruption?
12. Is there a strategy in place to address the issue of integrity among the Senior Management Team?
13. Is there a system in place to assist managers to identify staff that, by virtue of temporary personal circumstances, may be vulnerable to corruption and malpractice?
14. Are managers held responsible and competent to undertake this task?
15. In selection for management positions, is appropriate consideration given to the personal integrity of the officer?
16. Does the selection process take account of their commitment to and ability to implement the administration's anti-corruption policies?
17. Do managers work with staff to identify any weaknesses and vulnerabilities in relation to processes and procedures?
18. Do internal management training programs adequately address management responsibilities for corruption prevention and detection?
19. Do supervisors take a strong leadership role for promoting integrity and leading by example?
 - Is this a requirement of their role and are they held accountable?
20. Are supervisors held accountable for corrupt practices and malpractice engaged in by staff under their supervision?
21. Are members of a work team held accountable for corrupt practices engaged in by other members of the work team?

– Self-Assessment for Revenue Authorities

22. Have all new and existing projects, policies and initiatives been examined to take into account integrity risks?

23. Are integrity issues dealt with fairly and promptly by managers?

Possible Good Practice Examples

- Demonstrated linkage between integrity standards and promotion to managerial positions.
- Responsibilities for maintaining and promoting integrity are included in senior management job/role descriptions.
- Performance management/appraisal system includes a focus on managers' commitment to the integrity program.
- Periodic surveys to assess staff and stakeholder perceptions of level of leadership and commitment by Senior Management.
- Tax and Customs leadership/participation in wider public sector anti corruption/integrity initiatives.
- Managerial decisions are consistent with the organizational values, communicated to officials and open to review and scrutiny.
- Safeguarding integrity is included in the administration's vision, mission and value statements.

2. REGULATORY FRAMEWORK

Tax and Customs laws, regulations, administrative guidelines and procedures should be harmonised and simplified to the greatest extent possible so that Tax and Customs administration formalities can proceed without undue burden. This process involves the adoption of internationally agreed conventions, standards and other instruments. Practices should be reviewed and redeveloped to eliminate red tape and reduce unnecessary duplication. Tax and duty rates should be moderated where possible and exemptions to standard rules be minimized. Systems and procedures should be in accordance with the internationally agreed Conventions and standards, and generally accepted accounting principles.

Complex regulations, procedures or administrative guidelines allow corrupt practices to develop and flourish. The elimination of 'red tape' includes cumbersome processes that may involve duplication in effort or unnecessary processing procedures.

Possible strategies to minimize regulation include the adoption of internationally agreed standards including the:

- e.g. Documents generated by Commonwealth Association of Tax Administrators (CATA);
- Generally Accepted Accounting Principles (GAAP);
- HS Tariff Convention;
- WTO Valuation Agreement;
- ATA Carnet Convention/Istanbul Convention;
- WTO Intellectual Property (TRIPS) Agreement; and
- WCO Revised Kyoto Convention on the Harmonization and Simplification of Customs procedures.

Barriers to the free flow of trade and tax compliance such as non-tariff regulations including quotas; tax rates, tax bands, licenses and permits should be reduced to the minimum extent possible. The rationalization of these barriers is a matter that often extends beyond the policy responsibility of the Tax and Customs administration. In this respect, Tax and Customs 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, travel and tax compliance risks are assessed to identify and investigate integrity risks within the organization.

CHECKLIST

1. Have national standards for tax compliance been established and published?
2. Are national record keeping standards established and published?
3. For Customs, have the principles that underpin the Revised WCO Kyoto Convention been implemented? If not, is its implementation and ratification of the Convention a high priority and scheduled for introduction in the near future?
4. For Customs, have other internationally agreed standards such as the HS Tariff Convention, the WTO Valuation Agreement, the ATA Carnet Convention/Istanbul Convention and the WTO Intellectual Property (TRIPS) Agreement been implemented or are they scheduled for implementation?
5. Are systems and procedures periodically reviewed and/or re-engineered to eliminate red tape and avoid duplication?
– If so are the staff that perform the functions or procedures involved in the review process?
6. Does the organization have a formal system to implement a 'continuous improvement' strategy?
7. When systems and procedures are being reviewed is attention paid to eliminating the corruption-inducing combination of monopoly power, official discretion and minimal accountability?
8. Are steps being taken to eliminate or reduce non-tariff barriers (such as quotas, tax rates, tax bands, licenses, permits etc)?
9. Is there regular Tax and Customs administration representation at Government Departmental consultative meetings on the review of tariff and non-tariff barriers to trade and tax compliance?
10. Are exemptions, concessions, regulations, procedures and legislation, transparent and communicated to stakeholders?
11. Are changes based on periodic review and introduced in a transparent manner?
12. Are stakeholders consulted on whether legislative provisions and procedures are workable and understandable?
13. Is the authority to approve exemptions limited and strictly controlled?
14. Are appropriate risk management policies and practices in place to identify high-risk traders and taxpayers and allow the speedy clearance and assessment of low risk ones?
15. Are risk management systems and procedures in place and reviewed periodically?
16. Is the application of any administrative penalty system simple and straightforward and is it applied in a consistent manner?
17. Is there an independent appeals system?
18. Is risk management supported by automated systems?
19. Is there 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?
20. Are systems and procedures reviewed in order to achieve efficiency and effective service delivery?

Possible Good Practice Examples

- Process for analyzing 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 staff surveys (covering issues such as degree of 'red tape', understanding of legislation).
- Publicly available documents which describe expected standards of performance.
- Use of 'one stop shops' for Tax and Customs 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 Time Release study methodology.
- Regular review of the Taxpayer Charter Standards
- Regular Audit of processes and systems.

3. TRANSPARENCY

The administrations' clients are entitled to expect a high degree of certainty and predictability in their dealings with the administrations. Tax and Customs laws, regulations, procedures and administrative guidelines should be made public, 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 decisions, rulings and other administrative actions. Client service charters or performance standards which set out the level of service to be expected by clients should be established by the administrations.

Transparency is a key issue for all Tax and Customs 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 their functions.

Any deviations from laws, regulations and discretionary power should be justified and documented for later review. There should be a capacity for administrative, independent (appellate bodies) and judicial reviews. 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.

Client service charters are a way of increasing accountability and demonstrating Tax and Customs administrations' commitment to providing quality service to clients. Service standards should be high, customer-focused, realistic and fully supported by the organization's systems, policies and procedures.

A high level of transparency is not an easy task but it is vital to the development of a comprehensive integrity programme.

CHECKLIST

1. Are clients provided with sufficient accurate, consistent, accessible and user-friendly information to allow them to meet their obligations?
2. Are mechanisms in place to report new initiatives, decisions, or changes in legislative requirements and procedures that may impact upon clients (Client Notices etc.)?
3. Are clients informed of their rights when dealing with Tax and Customs administrations?
4. Is this information easily accessible?
5. Are there Customer Help Desks/Call Centres, Hotlines and Complaint Desks, Industry Consultative Committees, displays and signage for information dissemination?
6. Is there use of electronic media for dissemination of Tax and Customs information to clients?
7. Are clients consulted to determine their information requirements and preferred media?
8. Are there mechanisms in place to interact with the media?
9. Are instances of non-compliance with Tax and Customs procedures analyzed to determine if the cause is a lack of adequate communication from the administrations?
10. Is there a system for monitoring consistency between different offices, provinces or regions concerning decisions, procedures and information provided?
11. Prior to declaration have simple processes or systems for Tax procedures been established in order to provide clients with a degree of certainty and predictability?
12. For Customs, have simple processes or systems for seeking tariff classification and valuation rulings prior to importation been established in order to provide clients with a degree of certainty and predictability?
13. Are these easily accessible (is there a library or database of previous decisions?)
14. Is the basis or criteria upon which Tax and Customs officials exercise discretionary power clearly defined and publicly available and, where appropriate, have the reasons for decisions been conveyed to those affected?
15. When a Tax or Customs official has exercised discretionary power, are the grounds upon which the decision was made, required to be documented clearly and retained for later review?
16. Have appropriate review and appeal mechanisms been implemented to allow clients the opportunity to seek review or challenge Tax and Customs decisions?
17. Is there independent adjudication, if required?
18. If so, are the procedures published and promoted?
19. Is there an independent external appeal mechanism in addition to internal mechanisms?
20. Have service charters been developed which clearly state the level of service clients should expect? If so, are service standards realistic and able to be supported by the organization's systems and resources?
21. Are service charters available to the public? Are they displayed in public areas such as Tax stations and offices, airports, cargo inspection areas and Customs Houses? Are they accessible through print and electronic media and web?
22. Are staff aware of the standards contained in service charters and are those holding service positions provided with training in client service?

– Self-Assessment for Revenue Authorities

23. Have mechanisms been developed and implemented which monitor and evaluate the organization's performance against established standards?
24. Are the results of Tax and Customs administrations' performance made publicly available (i.e. Internet, annual report)?
25. Are all fees and charges levied published in order to allow taxpayers and traders to calculate more accurately the costs involved in complying with Tax and Customs requirements?
26. Are there appropriate controls over procurement process and procedures for the administrations?

Possible Good Practice Examples

- Client and staff surveys.
- Service charters.
- Innovative approaches to information dissemination, such as use of media and Internet.
- Training in client service for relevant staff.
- Formal and informal consultative mechanisms.
- Publication of the grounds upon which Tax or Customs decisions are made.
- Existence of effective and accessible internal/external appeal and review mechanisms.
- Formal procedures for seeking advanced rulings on tax, tariff and valuation, etc.
- 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 official's exercise of discretion.

4. AUTOMATION

Automation or computerization of Tax and 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 official's exercise of discretion. Where possible, automated systems should be configured in such a way as to minimize the opportunity for the official's inappropriate exercise of discretion, face to face contact between Tax and Customs personnel and clients and the physical handling and transfer of funds. Where applicable, the configuration should also allow for generation of security alert messages for exceptional operations in the system.

Tax and Customs administrations must respond to changing trade and business practices that are increasingly involving the use of electronic commerce. The automated service delivery of Tax and Customs functions improves efficiencies within the organization and the trading and business community and provides a mechanism to reduce the opportunity for corrupt behaviour.

Tax and Customs 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 automated such as the physical examination of cargo, financial statements and records. 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 for Customs, 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

1. Have your automated systems been designed with elimination of corruption in mind? For example, have all opportunities to reduce the risk of corruption been considered?
2. Is there adequate separation of tasks between those officials associated with identifying risk and those officials involved in subsequent Tax and Customs procedures such as cargo inspection and revenue collection?
3. Has a comprehensive risk assessment or review been conducted to assess the corruption risk posed by your automated systems?
4. Has the opportunity for unnecessary day-to-day or face-to-face contact between officials and clients been reduced?
5. Has the system been designed to minimize the input of data by Tax or Customs officials and to limit the routine requirement for physical presentation of documents to Tax or Customs administration?
6. Are appropriate security and firewall provisions in place to protect the systems from external misuse?
7. Are there mechanisms and processes in place to ensure that the system is not vulnerable to staff with relevant system knowledge?
8. Is the number of officials with access to the system's programming limited and controlled?
9. Is access to secure information strictly controlled, monitored, and regularly audited to ensure that information is not being viewed, manipulated or downloaded for inappropriate or private purposes?
10. Are staff aware of the need to maintain privacy when dealing with confidential information?
11. 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 (for example, cargo examination)?
12. Have automated payment systems been established which eliminate or limit the physical handling and transfer of funds between Tax/Customs officials and clients?
13. 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 the system's performance?
14. Does the administration have an on-line action plan supported by an IT security strategy addressing the risks associated with on-line electronic trading?
15. For Customs are standardized data requirements as defined in the WCO Customs data model applied?
16. Are there appropriate operating procedures to support the use of electronic trading?
17. Is the use of on-line trading supported by self-assessment and audit-based controls?
18. Is there a programme of developing partnerships with stakeholders with the aim of increasing voluntary compliance with electronic commerce requirements?
19. Is there a mechanism to promote and adopt the use of advanced technology for increasing effectiveness and efficiency of the administrations?
20. Is there a policy statement on information security?
21. Does it adequately cover:

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- critical information security assets?
- the importance placed on the information security by Management & the Board?
- identified and specific information security risk for users , managers, CEO and the Board?
- control mechanisms established to address the risks?
- monitoring & feedback procedures?

Possible Good Practice Examples

- Automated payment or funds transfer system.
- Automated systems that minimize opportunities for inappropriate officer discretion.
- Minimal day-to-day or face-to-face contact between administrations' officials and clients.
- Good housekeeping – including, appropriate security protocols and periodic reviews of system vulnerability.
- Sound in-built audit capability, including aspects such as user access monitoring.
- Automated system in line with accepted standards.
- Internal and external audit includes automated systems.

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. Tax and Customs administrations should reform and modernize their systems and procedures to eliminate any perceived advantages that might be obtained through circumventing official requirements. Such reform and modernization initiatives should be comprehensive in nature and focus on all aspects of Tax and Customs operations, performance and Human Resource Management.

Reform and modernization of Tax and Customs 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 program should:

- focus on simplifying and harmonizing systems and procedures;
- be comprehensive in nature and address all Customs roles and responsibilities;
- involve all key stakeholders;
- focus on developing local ownership;
- be sustainable in the longer term;
- be sufficiently resourced to ensure effective implementation;
- include a HR Strategy; and
- include an Integrity development programme.

The key theme is that Tax and Customs administrations should be regarded by governments as an important national asset and a tool for economic development, 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 Customs administrations. As a result, the incentive to circumvent correct procedures is minimized. Implementation of the revised Kyoto Convention is a key instrument for achieving improvements and ensuring that the reform program delivers the desired results.

CHECKLIST

1. Is the administration's reform and modernization process based on a comprehensive diagnosis of the administration's capacity needs?
2. Is the reform and modernization program comprehensive in nature and does it address all the key functional areas of Tax and Customs?
3. Have sufficient human and financial resources been allocated to the reform and modernization program?
4. Do staff within the administration have access to expert advice and assistance necessary to ensure effective implementation of reform and modernization initiatives?
5. Has attention been paid to ensuring the active involvement of key stakeholders, including the private sector and other government agencies?
6. Has relevant industry and public been consulted well in advance of reform?
7. Do staff have a strong sense of ownership and are they committed to the reform and modernization program?
8. Has the reform and modernization program focused specifically on improving integrity?
9. Are your administrative controls designed to deter corruption and foster integrity?
10. Has job design and redesign focused on eliminating the corruption-inducing factors of monopoly power, officer discretion and low levels of control or accountability?
11. Have other government agencies been consulted and areas of common activity simplified?
12. Has the reform and modernization process included an external review of the changes?
13. Has reform and modernization included an internal and external audit to ensure that the reform is cost-effective and efficient?
14. Are performance indicators being set for all Tax and Customs processes?
15. Have you developed a process review mechanism that will ensure cyclical improvement?
16. Do Tax and Customs staff participate in the reform and modernization of their processes?
17. Have Tax and Customs processes been benchmarked with other administrations?
18. Does the reform and modernization program focus on the adoption of agreed national and international standards and instruments?
19. Have you increased possibilities for electronic data submission?
20. Have you identified compliant traders and taxpayers so you can fast track their documents and declarations to enable targeting of risk traders and taxpayers?
21. Have you considered the post-release collection of duties or collection of taxes additional assessment?

Possible Good Practice Examples

- Reform and modernization is well supported by key stakeholders and the administration's senior management.
- Management and implementation of the program is co-ordinated effectively.
- The reform and modernization development and implementation process is sufficiently resourced, with roles and responsibilities clearly defined.

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- Appropriate result-focussed performance standards and indicators have been established and regularly monitored.

6. AUDIT AND INVESTIGATION

The prevention and control of corruption in Tax and Customs administrations can be assisted by the implementation of a range of appropriate monitoring and control mechanisms such as internal check programs, 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. Tax and 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 focussing on areas that have a high risk associated with their function. Audits also provide an independent opinion regarding the efficiency and effectiveness of Tax and Customs procedures and controls. The audit process should include check programs, random sampling and on-the-spot checks.

To prevent collusion between Tax/Customs officials and clients and to avoid clients anticipating Tax and Customs administrations' actions, a task force comprising staff from different work areas may be set up to conduct unannounced special inspections or checks at various high risk posts, sections, functions and operations at irregular intervals. In order for this to be successful, staff must be made aware of the positive nature of the program and understand the role performed by members of the special task force. On-the-spot inspections should be conducted frequently enough to provide a real deterrent to corrupt behaviour.

The organization must have the necessary resources to follow up any information provided. This may require an internal audit and/or or investigation capability with sufficient independence and autonomy to allow it to undertake its investigations. People selected for such work must be given appropriate training and management support and be free of any integrity-related suspicions.

There should be mechanisms in place to encourage staff and stakeholders to report corrupt practices, including confidentiality provisions. For example, there should be a channel for staff to report corrupt practices directly to the most senior level that bypasses their immediate supervisors. Alternatively, staff may report directly to an independent anti-corruption authority.

CHECKLIST

1. Have effective and efficient internal audit and internal investigation units and programs been established and appropriately resourced?
2. Are the role and functions of such units promoted and supported within the organization, including procedures for reporting instances of alleged corruption?
3. Are the people selected to perform such functions at arms length from the officials they are investigating?
4. Are they sufficiently trained and have appropriate powers of investigation?
5. Is the audit program sufficient to ensure regular review of high-risk work areas and functions?
6. Is data obtained from audits and investigations analyzed to identify trends, vulnerabilities, and opportunities for improvement?
7. Is the general control environment conducive to maintaining high levels of integrity (internal controls, audit trails, reporting relationships, level of staff competence, delegations etc.)?
8. To what extent do major activities carry an inherent risk of corruption (dealing in cash, approving applications, licenses, permits etc.)?
9. What systems have been put in place to identify and manage these risks?
10. Are the systems effective?
11. Does the audit function ensure that effective and comprehensive internal controls are in place to prevent corruption?
12. Are inspections and examinations subject to regular internal audit, peer review, and/or independent review?
13. Are the results of audits reported and regularly followed up for review?
14. Have special task forces been established to conduct unannounced inspections at high-risk posts, sections, functions and operations?
15. Are staff aware of the positive role of the special task forces?
16. Are records kept of all high-risk decisions made by officials for later review and audit?
17. Where large-scale corruption is suspected or alleged, is there access to an independent anti-corruption investigation authority?
18. Are clients, the general public and third parties such as banking institutions actively encouraged to report instances of corruption or attempted corruption?
19. Are staff aware of the channels they should follow to report instances of corruption?
20. Can staff report instances of corrupt activities in a way that bypasses their immediate supervisor or work area, for example directly to an internal audit or investigation unit?
21. Are guarantees/commitments granted to clients, third parties and staff that any information provided will be treated confidentially?
22. Are these guarantees/commitments kept?
23. Are allegations of corruption followed up?
24. Does the audit and investigation function include education and other preventative strategies?

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25. Are actions taken as a result of audit and investigation?

26. Are these actions communicated to staff?

27. Are sufficient resources available to ensure allegations are fully investigated?

Possible Good Practice Examples

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

7. CODE OF CONDUCT

A key element of any effective integrity program 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 Tax and 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. Cases of corruption which have been detected and dealt with should be well publicised to ensure staff are aware of the commitment of the organisation to deal with integrity issues.

A Code of Conduct describes the standards of behaviour and conduct required of employees to ensure that the integrity and good reputation of The Revenue 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 Tax and Customs officials; and
- Provide a guide to solving ethical issues for those working in Customs and those who have dealings with administration officials.
- Include an independent appeals system

The Code should be regularly reinforced to staff. Management must lead by example and take appropriate action when staff fall short of the required standards.

The penalty system associated with breaches of the Code must be sufficient to provide a real disincentive to engaging in corrupt behaviour. Penalties should be calibrated to correspond to the seriousness of the violation and can include restitutions, fines, demotion, suspension and dismissal for serious offences, and less obvious penalties such as peer pressure, restrictions, transfers, reduction in autonomy or discretionary power, loss in professional status and negative publicity.

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 exists, care should be taken to ensure the Tax and Customs code is complementary but does not replace the general code.

CHECKLIST

1. Does your organization have a formal Code of Conduct?
2. Was your organization's Code developed in consultation with clients, other government agencies and staff at all levels?
3. Does the Code provide a range of practical examples and guidance for dealing with ethical issues that is relevant to the different types of work carried out by staff in Tax and Customs?
4. Are staff required to sign a provision indicating that they have read and understood the Code, and accept its provisions, obligations and responsibilities?
5. Are new and existing staff given training in the application of the Code?
6. Is the Code readily accessible to all staff and periodically promoted within the organization?
7. Does senior management promote the Code with their staff and lead by example?
8. Do supervisors and managers take appropriate action when staff fall short of required standards?
9. Is the Code promoted to clients, especially in relation to acceptance of gifts and tokens, and appropriate relations with stakeholders?
10. Are there appropriate sanctions for non-compliance with the Code?
11. Does the Code describe management and staff responsibilities in respect to the collection, storage, maintenance and dissemination of information obtained in the course of duty?
12. Does the Code include provisions related to the acceptance of gifts, rewards, hospitality and discounts?
13. Are staff required to declare their investments, assets, indebtedness and possible conflicts of interest?
14. Are staff required to declare any financial problems or hardships they might be facing?
15. Are appropriate mechanisms in place to provide financial support to officials facing temporary hardship in order to ensure that they are not tempted to engage in corrupt practices to overcome financial problems?
16. Do effective disciplinary measures exist in Revenue administration or public sector legislation?
17. Are there appropriate mechanisms for staff to report suspected breaches of the Code?
18. Are there documented procedures in place to investigate alleged or suspected breaches of the Code?
19. Are breaches of the Code fully investigated and the results made available?
20. Has the introduction of a limited amnesty been considered as an element of the integrity strategy?
21. Do members of the senior management team lead by example and model behaviour that is consistent with the spirit of the Code of Conduct?
22. Does the Code describe the values of the administration in a practical way?
23. Is there an independent appeals system for staff accused of breaches of the Code of Conduct and is it publicized?
24. Is the Code of Conduct subject to regular review?

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25. Does the Code of Conduct provide for a reward system?

26. Does the Code of Conduct apply to all staff including Chief Executive Officer?

Possible Good Practice Examples

- Effective communication strategy and internal/external promotion of the Code.
- Staff consultation and participation in the development of the Code.
- Code is periodically reviewed and updated.
- Staff are required to read, understand and endorse the Code.
- Induction training includes coverage of the values of the organization and the content of the Code.
- Prompt action taken to redress any breaches of the Code.

8. HUMAN RESOURCE MANAGEMENT

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

- Providing sufficient salary, other remuneration and conditions to ensure officials 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 provide equality of opportunity, are free of bias or favouritism 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 officials to hold vulnerable positions for long periods of time
- Providing adequate training and professional development to Tax and Customs personnel upon recruitment and throughout their careers to continually promote and reinforce the importance of maintaining high ethical and professional standards
- 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 staff. 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 improve staff skills, and provide a quality work environment which recognizes and supports the work efforts of staff. Just as a high standard of work performance and integrity is expected from staff, staff expects a high level of integrity in the administration and implementation of associated HR policies and procedures which underpin the work environment.

8.6. REMUNERATION AND CONDITIONS

Appropriate conditions of employment and in particular remuneration that can sustain a reasonable standard of living is extremely important. Indeed, severe penalties applied to breaches of a Code of Conduct are more likely to be accepted in circumstances where the difficult working environment and required levels of integrity are recognized in the base level of remuneration.

The issue of appropriate pay or remuneration is, however, an extremely difficult one for Tax and Customs administrations. Official remuneration can never be at a level that will prevent all corrupt behaviour. However, pay levels need to be sufficient to ensure officials 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 and behaviours that reduce or control corruption. For example, performance evaluation/appraisal schemes can be employed which provide incentives for model behaviour. Staff can be rewarded for identifying methods by which corruption can occur and for suggesting improved control mechanisms. Non-monetary rewards such as transfer, training, travel, praise, and publicity can also be used to encourage positive behaviour.

Staff who receive sufficient remuneration to afford them a reasonable standard of living still need to be monitored to ensure they do not get into serious indebtedness. Staff facing serious debt problems may be more vulnerable to corruption. When staff are identified as facing severe financial difficulties they should receive counselling and close supervision, and where appropriate, transferred away from high-risk areas.

CHECKLIST

1. Do staff receive sufficient remuneration to maintain a reasonable standard of living?
2. Are remuneration levels for Tax and Customs officials comparable to similar public/private sector positions?
3. Is the government aware of the important role that conditions of service, and in particular, adequate remuneration, plays in maintaining high standards of integrity?
4. Do remuneration levels for Tax and Customs officials take into account the opportunity presented by Tax and Customs work to supplement income through illegal commissions?
5. Are mechanisms available to identify signs of serious indebtedness of staff?
6. Is there a reward system and is it fairly administered? If so,
7. Does the reward system share the benefits widely amongst all staff that demonstrate appropriate ethical standards?
8. 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?

8.7. RECRUITMENT, SELECTION AND PROMOTION

Recruitment and staff selection procedures should focus on selecting staff on the basis of integrity 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.

Staff selection and promotion should be based on merit. The process should be objective and immune from interference. Each recruitment or promotion committee should be composed of independent members selected from different work areas of the organization. This 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 staff. 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.

CHECKLIST

1. Are selection criteria published and strictly adhered to for all Tax and Customs vacancies?
2. Do the selection criteria focus on high ethical standards as well as job specific knowledge and technical competence?
3. Is the appointment and selection process based on merit or does it help to know someone in the administration?
4. Are all staff fully aware of the selection process and are results communicated promptly?
5. Are selection committees selected to ensure they are impartial?
6. Are members of selection committees chosen on the basis that they come from different work areas?
7. What external checks are performed on new recruits (for example background and police checks, previous employment records, references)?
8. Are references and qualifications always checked?
9. To what extent are conflicts of interest tolerated?
10. Are officials allowed to engage in secondary employment, and if so, do they have to obtain approval to do so?
11. Are officials nominating for promotion assessed on merit and their willingness to accept an appropriate level of responsibility for corruption prevention and promotion of integrity?
12. Is acceptance of the Code of Conduct a prerequisite for employment?
13. Are staff required to declare secondary employment?

8.8. DEPLOYMENT, ROTATION AND RELOCATION

Removing opportunities for staff to hold vulnerable positions for long periods of time is an important integrity measure. To ensure staff do not develop close and inappropriate relationships with clients, staff rotation or mobility schemes can be introduced which force staff to move position at regular intervals.

Decisions on posting of officials should be based on established objective criteria and the basis for posting decisions recorded. Staff that have remained in posts for a long period of time or have held positions that are more vulnerable to corruption should be rotated.

Job segregation can be limited 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, who by virtue of their discretionary power, can charge an illicit fee for the discharge of their official functions.

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 audits, examinations or inspections need to be undertaken, allocation to individual officials may be made on a random rather than on a commodity, industry or geographical basis. The conduct of audits, examinations or inspections can also be subject to regular peer and independent review.

CHECKLIST

1. Are staff prevented from holding vulnerable positions for long periods of time?
2. Are staff expected to transfer or rotate at regular intervals?
3. Are rotation guidelines clear and is rotation/mobility a clearly understood condition of service?
4. Has consideration been given to a separate rotation scheme for technical positions?
5. Is the rotation policy enforced and subject to independent review?
6. Are there established mechanisms in place to oversee the rotation of staff at regular intervals? Is this process free of bias or favouritism?
7. Does the working environment foster the development of an inappropriate relationship between staff and clients?
 - If so, what mechanisms are in place to ensure suitable control, accountability and supervision of staff working in such environments?
8. At point of interaction with the public such as audit visits, service points, passenger and cargo control points, are there mechanisms in place to prevent prior knowledge that particular officials will perform particular functions at certain times?
9. 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?
10. Are audit visits, cases, examinations and inspections allocated on a random basis, rather than on a commodity, industry or geographical basis?
11. If so, are they subject to regular independent review?

8.9. TRAINING AND PROFESSIONAL DEVELOPMENT

Education and training, both informal and formal, play a major role in the fight against corruption in two ways. Firstly, they provide staff with appropriate professional development, thus increasing their technical competence and reducing their reliance on informal on-the-job training.

Secondly, they provide regular opportunities for the organization to reinforce the integrity/anti-corruption message. This is particularly appropriate when an organization has in place a formal Code of Conduct. Training should focus on the standards of behaviour expected of all staff and the mechanisms available to report breaches of the Code. A sense of group or shared responsibility should be fostered wherever possible.

While on-the-job training is very important, care needs to be taken to ensure it is both positive and structured and does not inadvertently reinforce certain inappropriate practices that have developed over time.

To maintain the credibility of the informal and formal training that is provided, it is essential that the content of the training accurately reflect what is happening on the job.

CHECKLIST

1. Does the administration conduct regular Training Needs Assessments?

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2. Does the administration provide formal vocational training and structured on-the-job training for staff covering both general and specialist skills?
3. Does all formal training cover and reinforce the integrity/anti-corruption message and focus on the standards of behaviour expected of all officials? Are new recruits specifically given introductory training regarding integrity principles/Code of Conduct in the organization?
4. Are new recruits specifically given introductory training regarding integrity principles/Code of Conduct in the organization?
5. Is the on-the-job training structured and positive and does it reinforce the integrity policies of the administration?
6. Is there a program of succession planning to ensure that the administration does not become over-reliant on a few key individuals?
7. Is the effectiveness of training periodically evaluated?
8. Are responsibilities and accountabilities for corruption prevention and detection clearly identified and understood by all staff?
9. Do these responsibilities include identifying and correcting any behaviour that falls below expected standards?
10. Does the performance management/appraisal system identify development needs and reinforce integrity principles?
11. Are local operating practices consistent with the content of formal training programs?

8.10. PERFORMANCE MANAGEMENT/APPRAISAL

A performance appraisal and management system concerns the day-to-day management of people and their performance. Performance appraisal is a process where managers can assess the performance of staff, identify developmental opportunities, recognise and reward staff 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 staff to take responsibility for maintaining high levels of personal and professional integrity.

For example, an item that requires staff to demonstrate high standards of integrity can form part of the performance process. This may encourage staff 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 system. This may include salary advancement, as well as non-monetary rewards such as transfer, training, travel, praise, and publicity to further encourage positive behaviour. Such rewards may recognize immediate good performance, however the appraisal system should be designed with the aim of optimizing staff performance in the long term.

Performance appraisal should be undertaken on a regular basis. Management should be accountable for the performance of their staff and actively manage performance issues.

CHECKLIST

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1. Does the administration have specific written job descriptions?
2. Does the administration set individual performance targets?
3. Does the administration have a performance appraisal system in place?
4. If so, is the system fairly administered and regularly monitored and reviewed?
5. Are performance appraisals undertaken on a regular basis?
6. Is there a reward system linked to the performance appraisal system? If so:
7. Does the reward system share the benefits widely amongst all staff that demonstrate appropriate ethical standards?
8. 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 areas?
9. Does the performance appraisal system link performance to the administration's Code of Conduct?
10. Is demonstrating a high level of personal and professional integrity specifically included in the performance appraisal process?
11. Do staff have the opportunity to challenge their performance assessment if they disagree with any aspect of their appraisal?
12. Are managers required to take an active role in managing the performance of staff?

8.11. DISCIPLINE AND GRIEVANCE HANDLING

A comprehensive, fair and open disciplinary system is an essential element of any Human Resource Management strategy to deal with integrity issues.

The system should provide the basis on which all internal enquiries into breaches of the code of conduct should be conducted. It should, therefore, include the procedures to be followed, the roles of the various department involved, and the rights of the individuals under investigation.

Where a Governmental system exists this should be fully reflected in the internal system. In drawing up the procedures it should be ensured that the appropriate elements of the national legalisation on investigation and prosecution are included.

A core element of any effective system is the inclusion of a procedure which enables an individual to appeal the initial decision of any disciplinary inquiry. The inclusion of such a system not only provides safeguards for both the individual and the administration but also indicates the confidence of the organisation that the procedures are legally correct, fair and equitable. Normally an appeal should be initially heard within the organisation by a group of individuals with no interest in the case, but the system must allow for independent external review.

The system and the outcomes of completed cases should be widely publicised to ensure that staff are aware of the procedures and to reinforce the importance of the code of conduct.

In addition to a disciplinary system the administration should consider the introduction of a grievance system to allow staff to bring to the attention of management any issues of unfairness within the administration, such as favouritism, abuse of position, or inequality of treatment.

Grievance systems should be simple and ensure that follow up enquiries are speedily completed and published. Like the discipline system the procedures need to be publicised and there needs to be an independent review process. It is, however, necessary to ensure that there are penalties for those who make unsubstantiated or malicious claims if the system is not to fall into disrepute through abuse.

CHECKLIST

1. Is there a governmental system for handling discipline matters?
2. Does your administration conform to the governmental system?
3. Does your administration have a formal disciplinary system?
4. Is it widely publicized?
5. Does the system allow for staff to be represented at disciplinary hearings?
6. Are staff suspended when under investigation for serious disciplinary matters?
7. Have staff under investigation access to legal support?
8. Is there an internal appeals system for staff dissatisfied with the outcomes of disciplinary hearings?
9. Is there an independent external appeals system for staff dissatisfied with the outcomes of disciplinary hearings?
10. Does your administration have a system for dealing with staff grievances?
11. Is the system widely publicized?
12. Is the system used?
13. Are the results of complaints widely circulated?
14. Is the grievance system independently monitored or verified?

Possible Good Practice Examples

- An 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 staff are vetted during the recruitment process.
- Ongoing periodic security vetting for existing staff.

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- Recruitment processes are subject to internal audit.
- Requirement to report potential conflicts of interest and relevant changes in personal circumstances (for example, secondary employment, new sources of income).
- Acceptance of Code of Conduct is a prerequisite for employment.
- A formal, centralized training system is in place.

9. MORALE AND ORGANIZATIONAL CULTURE

Corruption is most likely to occur in Tax and Customs administrations where morale or 'esprit de corps' is low and the personnel do not have pride in the reputation of their respective administrations. The personnel 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. The personnel should be actively involved in the anti-corruption program and be encouraged to accept an appropriate level of responsibility for the integrity of their administrations.

Before organizational change can occur it is firstly necessary to understand the culture and practices that currently exist within the administration and 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 culture change.

Staff and staff 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. Changing and improving organizational culture is vital in breaking this vicious cycle so that staff have pride and loyalty in their administrations.

CHECKLIST

1. Does senior management lead by example and demonstrate their commitment to integrity and fairness through their behaviour?
2. Is senior management decision-making open and transparent?
3. Are staff encouraged, recognized, acknowledged or rewarded for identifying methods by which corruption can occur and for suggesting improved control mechanisms?
4. Are special project teams used to develop integrity strategies for their work areas?
5. Do all staff have the opportunity to contribute?
6. Are activities undertaken to measure levels of morale, such as staff surveys to gather feedback and provide suggestions?
7. Are the survey results communicated openly and acted on?
8. Are mechanisms available in which staff can raise, discuss and resolve any cultural and/or moral issues which impact on the administration's anti-corruption efforts?
9. Are meetings and staff journals used to communicate
 - the expected standards of behaviour?
 - instances of meritorious behaviour?
 - exposure of those found to be involved in corruption?
10. Does the administration's systems and culture recognize and respect the rights of staff and the need for fairness in all human resource management matters?
11. Are staff recognized or rewarded for performance that demonstrates the highest levels of integrity?
12. Are internal communication mechanisms used to discuss integrity and ethical issues?
13. Are cases of corruption discussed openly?
14. Is prompt action taken against those who fail to meet integrity standards?
15. Is effective legislation in place that protects staff that report breaches of integrity?
16. To what extent are staff at all levels encouraged to identify and report breaches of integrity?
17. Are staff that come forward to report corrupt practices rewarded or victimized?
18. Are there sufficient penalties to deter corrupt and any other inappropriate behaviour?
19. Does the Administration encourage adequate social programmes?

Possible Good Practice Examples

- Staff and client satisfaction surveys.
- Effective staff and management consultative practices.
- Special project teams tasked with integrity improvements.
- Performance Management and Discipline framework.

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- Systems for monitoring and reviewing morale indicators such as staff attrition and absenteeism rates.
- Client awareness of integrity initiatives in Tax and Customs administrations.
- 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.
- Staff participation in integrity-related initiatives.
- Reputation of Tax and Customs administrations as a good employer.
- Effective ‘whistle blower’ procedures in place.

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 integrity problems and the identification and implementation of practical solutions. The establishment of Memoranda of Understanding between Tax and Customs administrations, industry and public bodies can be useful in this regard. Likewise, the development of codes of conduct for the private sector and general public, which clearly set out standards of professional behaviour, can be useful. Penalties for 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 UN Convention against Corruption, 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 undergoing a major integrity program it may be useful to have feedback through client surveys on their perceptions of the administrations 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 Customs 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 Tax and Customs administrations via the media. These initiatives need to be well publicized and easily accessible.

CHECKLIST

1. Have all relevant stakeholders and clients been identified and their support and co-operation obtained?
2. Do client groups accept a share of responsibility for both the problem and the solution?
3. Have appropriate consultative mechanisms been established to facilitate communication and co-operation between Tax and Customs administrations and client groups?
4. Have major client groups been involved in the development of your administration's anti-corruption strategies?
5. Have formal co-operative arrangements been established with industry bodies incorporating aspects such as the knowledge of Tax and Customs procedures, information exchange and two-way training?
6. Has the development of codes of conduct for the private sector, which clearly set out standards of professional behaviour, been established?
7. 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?
8. Do legal provisions appropriately recognize all parties involved in corrupt practices or do they only cover the Tax and Customs officials involved?
9. Are clients, the general public and third parties such as banking institutions actively encouraged to report instances of corruption or attempted corruption?
10. 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?
11. What guarantees/commitments are provided to clients and third parties that any information provided will be treated confidentially?
 - Are these commitments kept?
12. Are mechanisms in place to investigate information provided to Tax and Customs administrations from third parties?
13. Do clients accept their share of responsibility for maintaining a corruption free environment?
14. Is there a client communication strategy to not only provide information to clients, but also promote the achievements of Tax and Customs administrations?
15. Is there a Code of Conduct for the administration and are the stakeholders aware of it?

Possible Good Practice Examples

- Conduct of client surveys, and publication of outcomes
- Formal co-operative agreements in place
- Practical consultative mechanisms in place
- Joint Tax and Customs – Business or Public task forces to address integrity issues
- Development and promotion of a system for reporting allegations of corruption

– Self-Assessment for Revenue Authorities

- Business partnership and outreach arrangements and programs
 - Sound screening process for licensed clients
 - Self regulating industry associations (Code of Conduct, sanctions, penalties for inappropriate behaviour)
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