

# Data Quality and Commercial Compliance Framework Proposal

Permanent Technical Committee  
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# Purpose

- To provide an overview of a compliance framework
- To propose that the compliance framework can be a tool to enhance data quality for all WCO members

# Why Does Data Quality Matter?

Increased Revenue

Decreased Costs

Decreased Risks

Increased Confidence

- Nations/Governments
  - Improves economic protection through fair and increased revenue collection and trade data accuracy
  - Improves social and economic protection through improved targeting abilities
- Customs
  - Increases efficiency and effectiveness by creating confidence in intelligence driven risk management
- Industry
  - Ensures a level playing field
  - Ensures minimal interventions of the movement of goods
  - Reduces clearance time

# Compliance Framework

# Considerations for an Effective Compliance Framework

- An effective compliance framework strives to continually monitor and assess how clients respond and comply with our requirements – whether legislative requirements or the proper submission of electronic data
- The compliance framework ensures a consistent and fulsome approach to developing effective compliance strategies
- The framework establishes principles and a model upon which strategies are built
- It also provides step-by-step instructions for developing a compliance strategy

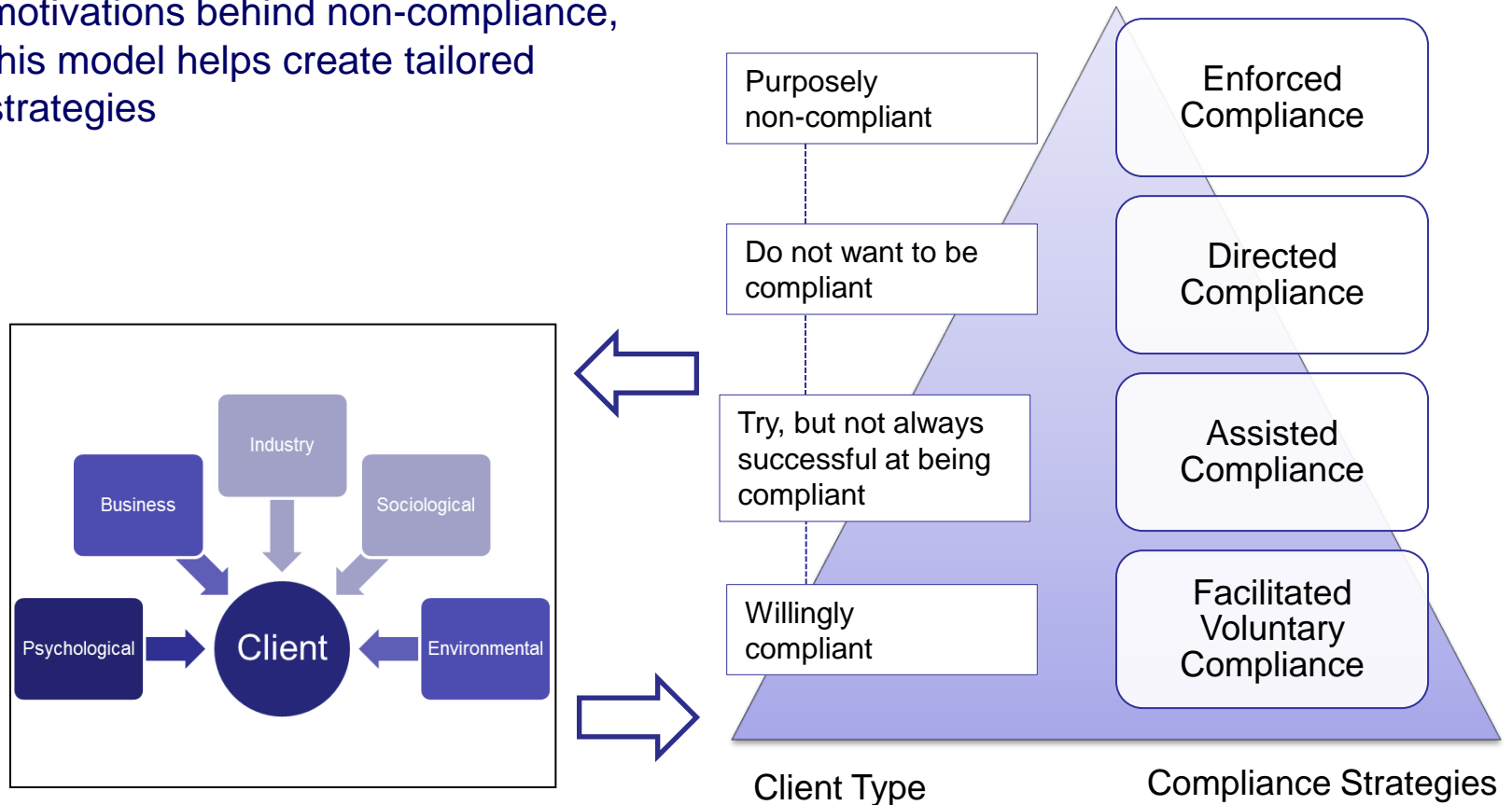
# Compliance Framework Principles

- Through the compliance framework we ensure our compliance strategies:
  - Are flexible in an ever changing environment
  - Create the conditions necessary to facilitate voluntary compliance as the most cost effective and efficient approach
  - Differentiate responses based on client types
  - Build confidence in the fairness of our system
  - Verify compliance using a risk based approach



# Compliance Model

- Appreciating that there are different motivations behind non-compliance, this model helps create tailored strategies



# Essential Components in Compliance Strategy Development

1. Understand the current compliance picture
2. Identify the compliance baseline
3. Select the appropriate strategy
4. Engage stakeholders
5. Build capacity
6. Monitor and report on compliance



# 1. Understand the Current Compliance Picture



- Key questions to address in this phase are:
  - Who are the clients?
  - What are you asking them to comply with?
  - What factors are happening in the environment that may influence clients' compliance behaviour?
  - What is currently in place to encourage/support compliance?

## 2. Identify Compliance Baseline

Steps	Activities
Conduct a risk assessment	<ul style="list-style-type: none"> <li>- Determine the risks of non-compliance to your objectives</li> <li>- Prioritize areas of focus based on results</li> </ul>
Develop appropriate metrics	<ul style="list-style-type: none"> <li>- Establish metrics that you are able to collect sound statistics for, report on in a way that enables action, and that you can track changes in over time</li> </ul>
Establish the baseline	<ul style="list-style-type: none"> <li>- Capture the current state of compliance</li> <li>- Identify compliance gaps and establish improvement targets</li> </ul>

### 3. Strategy Selection

- After gaining an understanding of our clients and the current gaps in compliance – the next step is to determine the appropriate strategy
- Strategies should work to achieve the highest level of voluntary compliance (cheapest and most effective response) while addressing non-compliance

Client Type	Compliance Strategy	Response Examples
Willingly compliant	Facilitated Voluntary Compliance	Identify opportunities to streamline to make it easier and more cost effective to comply
Try, but not always successful	Assisted Compliance	Provide reactive or proactive client awareness and education
Do not want to comply	Directed Compliance	Conduct compliance verifications, examinations, audits, etc. Identify areas of potential risk
Purposely non-compliant	Enforced Compliance	Monetary penalties, criminal investigations, seizures, prosecutions, etc.

## 4. Stakeholder Engagement

- Stakeholder engagement should occur throughout the entire compliance process
- By including clients in the process they can:
  - Validate our understanding of the compliance environment
  - Assist in identifying ways to make voluntary compliance easier
- Being open and collaborative can also help to build trust and awareness in the process

## 5. Capacity Building

### Internal

- Prioritize compliance strategies to effectively use limited resources to make the greatest possible impact on compliance
- Ensure staff have the right skills and knowledge
- Ensure policies, procedures, tools, and systems are in place to implement and monitor strategies

### External

- Ensure systems and tools are in place to support clients
- Ensure access to accurate and timely information on clients responsibilities

## 6. Monitor and Report

- In order to ensure compliance strategies are effective in ensuring clients fulfill requirements, monitoring is required over time
- Monitoring and reporting enables us to:
  - Determine the effectiveness of a compliance strategy by tracking changes against improvement targets
  - Better understand the impacts of non-compliance on our outcomes/objectives
  - Take proactive steps to improve compliance and address new gaps
  - Establish and communicate our level of confidence in data (for data quality compliance)
- In addition, the analysis of compliance data can feed into:
  - Intelligence/risk assessments
  - Policy development and improvement
  - Strategic planning

# Enhancing Data Quality

# Why is a Framework Needed?

- Data quality is one of the greatest challenges facing all Customs Administrations today
- Collectively, we have implemented important instruments that will help us strengthen and modernize our border management
- However, these instruments all hinge on the availability of accurate, complete, and timely information
- The WCO Harmonized System and Data Model are critical first steps in ensuring data quality by enabling standardized and coded data elements
- The challenge going forward is to ensure compliance with information requirements by trade chain partners to the greatest extent possible



## What can a Framework do?

- The objectives of a data quality compliance framework are to:
  - Enhance data quality compliance through effective monitoring of electronic information provided at various stages in the commercial process
  - Increase the risk assessment capabilities of customs to allow the seamless movement of goods while effectively detecting high-risk consignments
  - Enable greater accuracy in statistical reporting, planning, and revenue collection
  - Strengthen co-operation between Customs Administrations by increasing confidence in shared information
- The compliance framework presented above can be used to develop effective strategies to deal with non-compliance with data requirements – whether intentional non-compliance or not

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