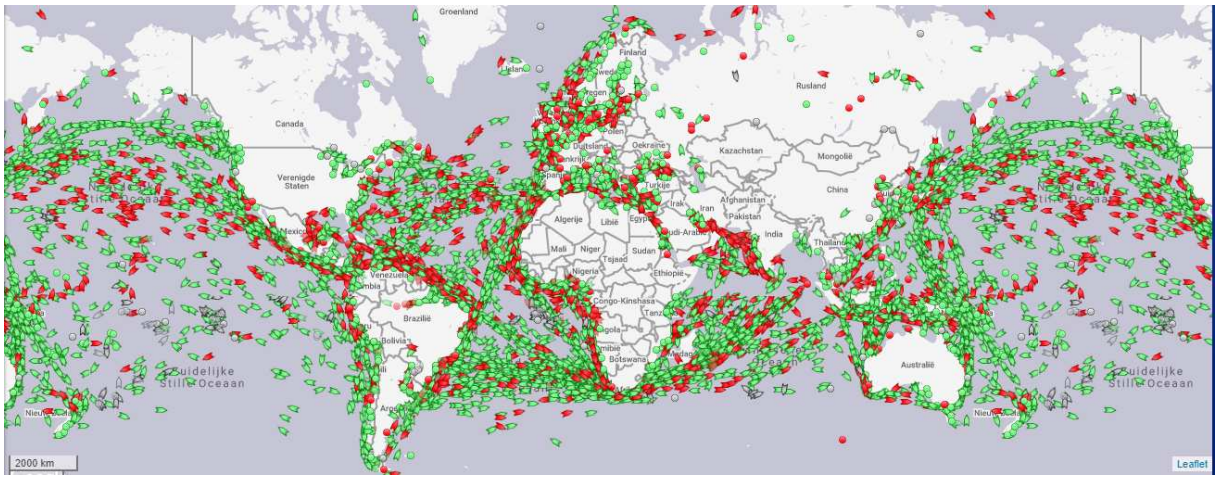
Necessity of physical supervision (inspection) on customs import declarations in the green lane



Yvette Ritzen-Pennings

Master Thesis, 3 September 2020

Executive Master in Customs and Supply Chain Compliance

RSM – Rotterdam School of Management

Supervisor

Dr. J. Hulstijn

Tilburg School of Economics and Management

2nd Supervisor

Prof. Dr. W. de Wit

Erasmus School of Law

Dutch Customs Authorities Supervisor

W. Visscher RE

Senior Advisor Supervision/National Coordinator AEO

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If someone would have told me ten years ago that I would start working on a Master Thesis in 2019 for the Executive Master in Customs and Supply Chain Compliance, I would have said he or she was gone bananas…..

Over the past three years I have been studying for the second time, but the experience was quite different from the first time. Combining the roles of being a wife, mom, daughter, co-worker and friend has been a rollercoaster sometimes and not just for me. What the control freak in me learned from that is that it is oké to let go sometimes.

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Well guys, I hope you do and I also hope that you choose to keep studying, even when you have become grandpa’s.

Thank you,

and goodbye to the little voice in my head that kept telling me that I still should study a bit today

Yvette

Waalre, September 2020

When someone would tell me tomorrow that I am going to start another study in the future, I will tell them they must have gone bananas…..

Executive Summary

Dutch Customs has announced impactful changes in supervising a specific part if the goods flow in The Netherlands. This flow is now called “automated monthly customs declaration” (in Dutch “Geautomatiseerde Periodieke Aangifte, GPA”). This goods flow comprises a vast majority of customs declarations in The Netherlands. A new declaration system is being developed to be able to handle the declarations and to perform this supervision (“Douaneaangiften Management Systeem, DMS”).

Nowadays, these GPA-declarations are filed monthly afterwards. The declaring company registers all movements of goods in their own system. These movements are declared for customs purposes by sending the GPA-file periodically (monthly). This means the goods flow is not interrupted by Customs to perform physical inspections. Supervision by Dutch Customs is performed administratively afterwards. The declarant has to be audited by Customs and licensed to be allowed to use this declaration procedure (Entry in the Declarants Records (EIDR) article 182 UCC)

The announced new declaration procedure originates from European Law and Policy. Member States are obliged to perform physical inspections on goods flows. It is possible to differ supervision within these goods flows based on a layered and risk-based approach regarding declarants. Dutch Customs has enclosed this layered approach in her Enforcement Vision; declaring companies are regarded “blue-lane declarants” (unknown traders), “green-lane declarants” (known traders) or “yellow-lane traders” (traders in smart and secure trade lanes). The traders that use the current GPA-procedure for filing customs declarations are considered green lane traders, as they are licensed EIDR and mostly are Authorized Economic Operators (AEO).

To be able to perform physical inspections, goods need to be stopped, the goods flow will be interrupted. This asks for real time declarations and real time selection of the declarations that need to be inspected physically. The announced change has caused a stir within the group of companies that use GPA procedure nowadays because the impact on their day to day logistical operation is expected to be huge. The announced change could also have major impact on Dutch Customs as the declarations need to be handled, selected and possibly inspected.

This research focuses on a specific part of the current GPA declarations: declarations for goods intended to be put on the Union market or intended for private use or consumption within the customs territory of the Union (Release for free circulation, article 201 Union Customs Code (UCC)).

The goal of this research is to be able to confirm or deny the necessity of physical inspections in the flow of these specific declarants, and, if confirmed, the number of inspections or minimal inspection rate required. To be able to reach that goal the following research question has been derived;

What is the minimal number of physical inspections, needed to ensure a set of regulatory objectives, after confirmation that the administrative organisation and internal control system of the supervised company is adequately in control?

Based on initial analysis of the problem the following three sub-questions were derived:

1. Which regulatory objectives should be met? What are the requirements that can be derived from legislation and policy of both The European Union and The Netherlands?
2. Which theories on supervision can be used to reflect upon the existing and the proposed declaration procedures?
3. How effective and efficient is the current supervision on EIDR declarants and how will this be affected by the announced changes?

To be able to answer the research question the framework for design science in information systems research of Hevner et al *(Hevner et al, 2004)* is used to design a supervision matrix for Authorities responsible for monitoring goods flow related supervision. In this supervision matrix several possibilities of performing supervision are related to evaluation topics derived from legislation, policy and daily

operational practise. Next to that the background of behavioural science is included in the matrix by using the Calibrating Public Accountability model for supervision *(Tillemans, 2018).*

From the completed supervision matrix, that has been filled in the light of Dutch Customs supervising the above mentioned flow of goods, the most suitable supervision methods have been derived. Not just one specific method of supervision is sufficient to meet all the conditions from legislation, policy and daily operation.

The method called “Supervision day” scores best as no evaluation topic is addressed negatively but it should be kept in mind that this method by itself is not suitable to decide upon approval of licensing or allowance in the green lane. Performing physical inspections in goods flow is required to meet the conditions of European Policy. Combining System Based Audit (currently performed method of Customs Cyclical Supervision) for authorizing and monitoring of licenses and for allowance in the green lane with either a “supervision day” or the recently announced “chain-procedure” is necessary. Because of the specific knowledge about the declaring companies (allowance in green lane) the physical inspections can be minimalized. Based on the minimal random sample check, that has been enclosed in the supervision matrix as well, physical inspections can be performed twice to four times yearly.

What has come forward while performing the research as well is that it is important for Supervisory Authorities to acknowledge the impact of their actions when changes in supervisory methods are announced; commitment of trustworthy declarants can diminish when their effort to control their customs related activities is not rewarded by the feeling of the appropriate level (lowered) of supervision (Supervision Paradox, *WRR 2013*).

Recommendations for further research relate to the experience that is has been difficult to reflect on formerly performed supervision by Dutch Customs. To be able to develop more automated, data driven supervision it is crucial to start pre-sorting now, starting with structured and clear recording of performed actions. Next to that, a lot of rumour amongst declarants was created by non-clarity of the initially (2018-2019) announced changes. By being able to clearly state upfront what consequences can be expected after the change in supervisory method (for example how many physical inspections are planned and what will be the consequences of finding irregularities in the goods flow) the pre-commitment of the declarant regarding the changes will be enlarged.

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List of Abbreviations

AEO	“Authorised Economic Operator” article 38 of the Union Customs Code, Regulation (EU) No 952/2013, status to benefit simplifications regarding customs legislation and/or to be entitled to facilitations regarding safety and security.
Awb	“General legislation for administrative law” in The Netherlands (Algemene Wet Bestuursrecht, 4 juni 1992)
CPA	“Calibrating Public Accountability” (Schillemans, 2016)
CRMF	The Common Risk Management Framework (CRMF) is the EU policy and legal vehicle for establishing *an equivalent level of customs control* throughout the EU. (https://ec.europa.eu/taxation_customs/general-information-customs/customs-risk-management_en)
CRMS	The Common Customs Risk Management System (EU)
DMS	“Douaneaangiften Management Systeem”, Dutch future system to lodge customs declarations
DTV	“Douane Tarief Voorziening” system that holds actual import tariff data and other data needed for import and export of goods
EDP	Electronic Data Processing
FRC	Financial Risk Criteria (EU)
fte	fulltime-equivalent, unit that indicates the workload to measure workforce.
GPA	“Geautomatiseerde Periodieke Aangifte”, the automated monthly customs declaration “EIDR”
HHP	“Handhavingsplan”, Enforcement Plan
EIDR	Entry in Declarants Records, (in Dutch GPA)
MUS	Monetary Unit Sampling
Prisma	System that manages the risk profiles used for AGS declarations
UCC	Union Customs Code, Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013

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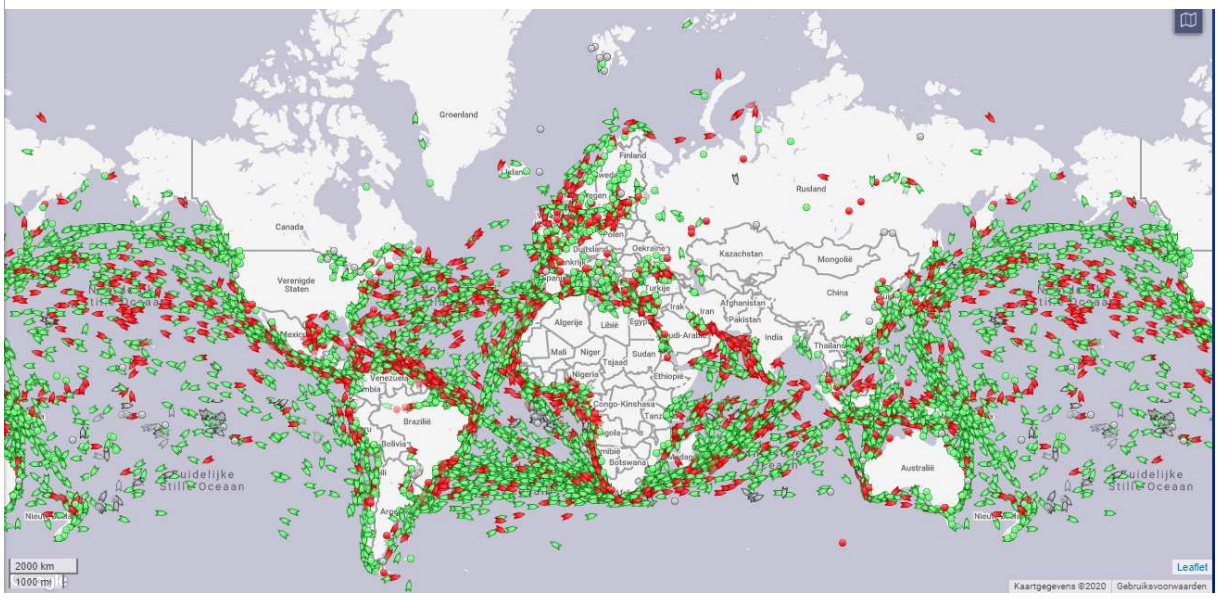
1. Introduction

Traditionally, Dutch Customs Authorities have been monitoring the cross border flows of goods, and have been collecting taxes related to those imports or exports of goods. In the old days the public servants covered each border and inspected each shipment. Nowadays supervision by Customs Authorities has developed to several ways of monitoring the goods flow continuously.

Global trade has evolved to enormous proportions in recent decades. Cross border flows of goods have evolved from the ancient silk routes and the first trading ships of the United East India Company to the current flow of almost 20 trillion dollar of world merchandise trade in 2018 according to the World Trade Organisation (*WTO 2019*). A huge number of ships, aircrafts, trains and trucks are moving across our globe.

FIGURE 1
DISPLAY OF CARGO VESSELS AND TANKERS AT MAY 31TH 2020, 14.05 HR



SOURCE; WWW.MARINETRAFFIC.COM, FILTERED CARGO VESSELS AND TANKERS (MARINETRAFFIC – GLOBAL SHIP TRACKING INTELLIGENCE

The modern world requires a suitable way for governments to supervise all those goods flows. In Europe, this supervision is based on collaboration between the Member States, laid down in the Union Customs Code (UCC).

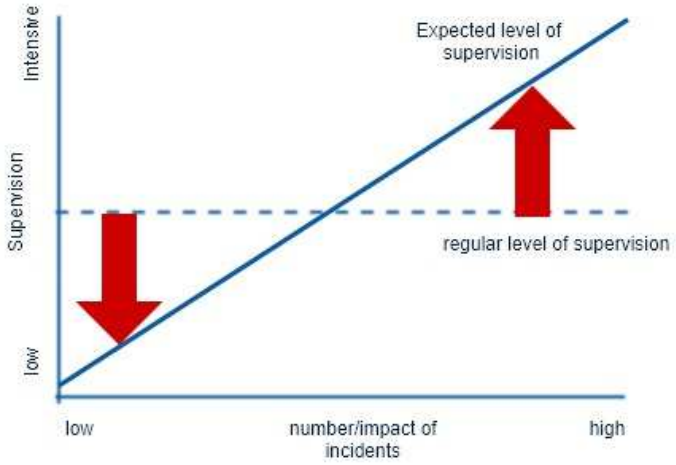
1.1 Governmental Supervision

Governmental supervision in general has arisen from the fact that governments have to safeguard public interests. These public interests relate to several domains like for example safety of public health and securing of financial interests. Depending on the domain, supervision has developed in several ways. Customs supervision is the odd one out in supervision in a sense that it relates to both the financial domain and the safety and security domain of The Netherlands.

On the one hand people expect governments to secure their interests by monitoring and controlling all kinds of events. On the other hand society expects governments not to intervene unnecessary. *(Mertens 2011, introduction)*

In The Netherlands the Dutch Scientific Council for Government Policy has published her findings on supervision in a broad perspective in a report in 2013 *(WRR 2013, page 112)*. In this report the Council refers to a supervision paradox: “These contrary demands – less supervision on the one hand and more on the other – give rise to an intriguing paradox: the struggle to limit supervision in a sector in incident-free periods (give the sector more responsibility, cut down on bureaucracy and expense) versus the tendency to increase it following incidents (expand and intensify supervision, make it stricter). This problematic relationship between society and supervision calls for a reconsideration, in the councils view. How can government handle the challenges facing governmental supervision in policy and in actual practice? How can it make such supervision more valuable for society?” *(WRR 2013)*.

FIGURE 2
SUPERVISION PARADOX (WRR 2013)



In Figure 2 the supervision paradox is depicted by the author of this Thesis, the red arrows reflect the gap between the regularly performed level of supervision and the “demanded supervision” by society, impactful incidents often result in society demanding intensified supervision. One would like to be able to vary the level of supervision depending on number and impact of incidents to reduce the contrast between regular and expected levels, but that would be operationally unfeasible.

In her report The Council recommended changes; to make it more valuable for society the governmental supervision perspective should be broadened (key is to put public interests and societal challenges first in both policymaking and practise). To be able to broaden the perspective several reflections on supervision from other scientific approaches have been made

1.2 Dutch Customs Administration

This supervision paradox mentioned above is almost one on one applicable to the work of Dutch Customs *(Tan et al, 2011)*; from the point of view of the public interest of The Netherlands as a highly acknowledged logistical country one would like to interfere in logistical flows as less as possible. On the other hand, protection of society (health, safety, findings of huge amounts of narcotics) demands intensive monitoring of those goods flows. Complicating factor is that Customs supervision entails two key topics: finance related supervision on the one hand and safety and security related supervision on the other hand, each of them links to different supervision strategies.

In her 2020 “Supervision plan” Dutch Customs mentions the fact that choices have to be made in supervision *(Handhavingsplan Douane 2020, non-public)*. Customs’ enforcement task is to make sure the community complies to applicable legislation, to interfere if not and to improve compliance *(article 9 The Netherlands State Budget, 2020)*. But for Customs Authorities it is simply economically not possible

to do all the tasks and checks one would prefer to do. Not only from public finances point of view but also from societies point of view; unnecessary delays would cost a lot of time and money.

The supervision on flows of goods nowadays is performed based on several grounds: European and Dutch legislation, risk-based and random controls, controls based on being member of a specific group (layered approach), physical inspections in reality, retrospective audits and initial audits (in advance) and all in cooperation with several other agencies. On top of all those supervision possibilities data analytics gets more and more important in monitoring the goods flow *(Maenen, 2020, Tan et al, 2011)*

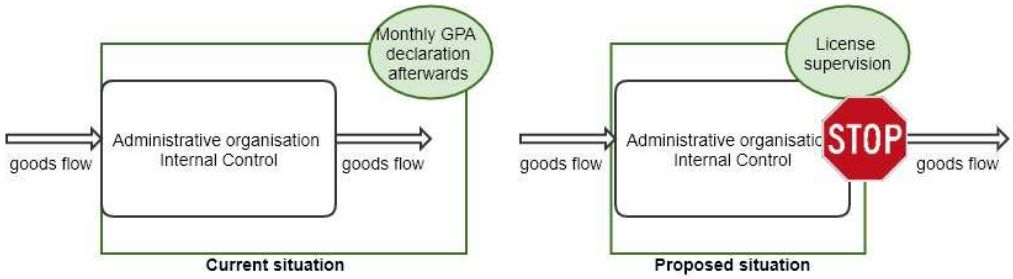
This research focuses on a specific part of the goods flow that Dutch Customs needs to control; goods brought into free circulation by EIDR licensed and AEO certified companies, nowadays named GPA-declarants in The Netherlands. Stated like this it seems just a small part of the goods flow, in reality it comprises the vast majority of the total amount of goods brought into free circulation in The Netherlands.

1.3 Research Problem

The Customs Administration of the Netherlands is developing a new customs-declaration system (DMS). This system will bring a fundamental change in the customs declarations procedure *(Article 5 (12) UCC)* for the majority of declarations filed. Nowadays two ways of filing declarations for free circulation are used: AGS (real time declaration) and “GPA” (,entry in the declarants records (EIDR), filed monthly afterwards). GPA declarants are allowed to bring goods into free circulation without presenting the goods to Customs. *(waiver of presentation of the goods, Article 183,3 UCC).* In the new system it is no longer possible to only file an import declaration monthly afterwards. Declarations must be filed real time or afterwards within a period of 10 days. It will be possible to grant a waiver for presentation of the goods only in specific cases . This fundamental change has a huge impact on both importing parties side and on customs side, this will be further elaborated upon below.

In the current GPA situation a company will process the goods receipt and import declaration without interference of customs. All steps will be registered in the company’s ERP system and at the end of the month all data are collected and sent to Customs, to be monitored In the new situation the customs (import) declaration (or message to present the goods to Customs) has to be filed real time, at the moment the goods are being brought into free circulation. This means that in principle customs can decide to perform a physical inspection right at that moment in time; possible interference in logistical flows is a large risk in supply chain management.

FIGURE 3
PROPOSED CHANGE OF SUPERVISION ON GPA DECLARANTS



As mentioned the impact of the new form of reporting on governmental side is also huge. Customs currently processes the data afterwards, the GPA files are sent in by the declaring company and those files are uploaded one at a time. At that moment in time only limited checks are performed. Based on the GPA file the taxes are levied. More intensive supervision on those data is done afterwards (retrospectively). Physical inspections are only performed if vast risks are detected in the retrospective supervision. The importer will then be obliged to present the goods to Customs at the actual moment of bringing goods into free circulation.

After implementation of the new system, filing declarations real time will be the only possibility. This means all the declaration lines from the current GPA declarants will move to the new system, a huge increase of data (from only 7 million declaration lines in 2018 to over 150 million declaration lines per year). To be able to select the declarations that need to be checked (physical inspection or document checks) profiles are used nowadays, both risk-based and randomly. If this way of supervising (selecting declarations for inspection) are be used in the new DMS system, a impracticable amount of work would roll out of the system.

Related to the supervision paradox mentioned in paragraph 1.1 this change enhances an increase of supervision in general; by no longer generally granting a waiver for presentation of the goods to customs the burden of supervision experienced by the declarant will increase whilst the operational actions and internal control at the declaring organisation have not changed. Next to that the administrative organisation and internal controls have been audited by customs in recent years because of the new customs legislation (UCC, 2016). These audits have led to renewal of licenses for EIDR, for society this relates to approval and being in control of operations.

FIGURE 4
SUPERVISON PARADOX WITH INCREASED LEVEL OF SUPERVISION

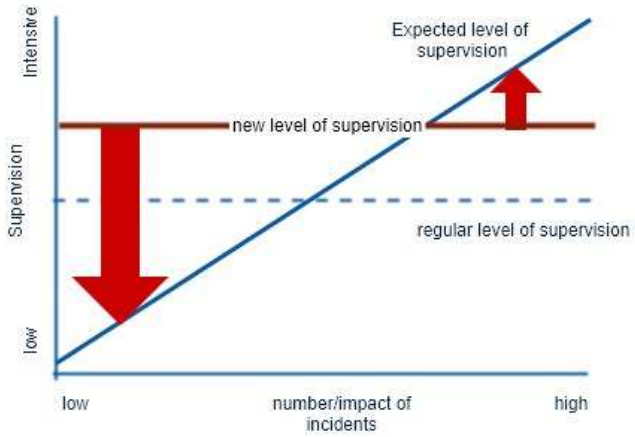


Figure 4 shows the supervision paradox related to the announced change in supervising EIDR declarants by Dutch customs; no incidents were registered, the organisations were approved to be adequately in control and still the regular level of supervision increases. This increase not only interferes administratively but also in day to day operation because of the announced inspections in physical reality/logistics.

The announced changes in supervision by Dutch Customs have given rise to much debate within the group of EIDR declarants and within the Dutch Customs operational organisation; part of them really believe in supervision without the necessity of interfering in logistics by performing system based audits. Others are of the opinion that physical inspections in the goods flow cannot be omitted. This contrast

lead to this research topic; is interference by performing physical inspections required, and if so, what would be the minimal number of inspections?

To be able to answer this question a supervision matrix is developed for authorities to be able to decide upon the preferred supervisory actions regarding a specific flow of goods or declarations. In this supervision matrix backgrounds of legal, operational and societal demands for supervision are related to several specific methods of supervision. Both existing and new ways of supervising are combined in one overview.

1.4 Stakeholders

The main stakeholder for this research is Dutch Customs as the research question *(paragraph 1.5)* relates directly to the supervision performed by them. Indirectly more stakeholders are involved;

European Parliament	As regulator and policy maker
Dutch Government	As regulator and policy maker
Dutch Customs	As policy maker and auditor/inspector
Other Dutch inspection agencies	With whom Dutch Customs has inspection agreements on imported goods, stopping dangerous goods (public health, economical, agricultural, etc.…)
Importing companies in NL	The companies that nowadays use EIDR and will face real time declarations (and the related inspections and delays) after implementation but also the companies that file real time declarations nowadays and will experience delays related to the increased workload of Customs.

1.5 Research question

As the impact of the announced changes in supervising EIDR declarants on both customs operational performance and on society is massive, it is important to explicitly consider the need of the announced changes. For declarants the future physical inspections in the logistical flow are highly undesired and for customs these examinations demand a major part of physical supervision capacity. As depicted in figure xxx the supervision paradox grows by increasing the level of supervision. With this in mind the following research question is derived;

What is the minimal number of physical inspections, needed to ensure a set of regulatory objectives, after confirmation that the administrative organisation and internal control system of the supervised company is adequately in control?

This question is not particular to customs supervision or EIDR declarants. In general, for any type of supervision that involves supervising physical goods flows, how much physical inspections are needed? Or would it be possible to rely on administrative audits if the companies internal control system has been approved?

Based on initial analysis of the problem the following sub questions were derived

1. Which regulatory objectives should be met? What are the requirements that can be derived from legislation and policy of both The European Union and The Netherlands?
2. Which theories on supervision can be used to reflect upon the existing and the proposed declaration procedures?
3. How effective and efficient is the current supervision on EIDR declarants and how will this be affected by the announced changes?

1.6 Research approach

The research focuses on a group of declarants that has been declaring their goods for free circulation via GPA in the past decades. This group consists of 214 declarants. These declarants have all been licensed EIDR in The Netherlands and are Authorized Economic Operators (AEO).

To be able to identify which supervision tasks currently are performed by Dutch Customs Authorities regarding this specific group of declarants, in comparison to the supervision tasks performed for "unknown traders", academic literature and policy reports from several backgrounds have been studied, co-workers have been questioned in daily work settings and in depth interviews with seven specialists involved have been held. Declarants themselves have been able to give their opinion during group sessions. To be able to place Customs Supervision in a broader perspective supervision by other authorities has been explored. Substance of audit files related to the specific declarants has been performed quantitatively. Finally validation of findings has been performed by interviewing and sending out a short questionnaire to declarants themselves. In the following paragraphs these steps will be outlined further.

Literature study
Literature study has been performed to explore existing theories regarding supervision in general, to be able to understand the background on inspections and supervision performed by authorities. As supervision relates to several areas of expertise, literature regarding supervision from several backgrounds like auditing, monitoring, risk based approach, legislation, governmental policies and statistics have been studied

A deep dive is made scientific writings regarding the following areas of science all more or less directly related to supervising the goods flow in the underlying group ;

- Supervision in general in the light of social and behavioural science to acknowledge the importance of taking into account the impact and effects of supervision on society in general.
- Risk based and responsive regulation in a broad sense. It is impossible and undesired for governments to perform inspections on all actions taken by society. Not only from a financial point of view (the effort outweighs the effect).
- Auditing, mainly focused on financial and organisational (AO/IC) auditing. Next to that IT auditing has been slightly taken along.
- Legislation and policy involved in Customs Supervision; supervision starts from the foundation of legal codes and acts and frameworks drafted by the European Commission obliging Member States to perform specific actions.
- The area of statistical science is explored to be able to form an opinion on currently performed physical inspections and to be able to give an substantiated estimate for future supervision in the logistical flow of the GPA declarants.
- Supply Chain management is touched upon with regard to being able to judge the impact of choices made in supervision on daily operational reality within the organisations of the declarants.

Qualitative Research

Starting point for the underlying research question is the experience of the researcher in her profession as an Account-Manager in the field of companies that fit in the outlined group. Being co- responsible for determining risks in supervising the EIDR licensed companies a strong desire of restraining superfluous inspections has arisen. This sense has been discussed with several colleagues working in the same operational profession and with colleagues involved in the operation of issuing licenses and auditing. Those small talks “at the coffee machine” strengthened the aim of restraining physical inspections in the EIDR flow of goods.

To be able to move from an operational level towards a more strategic level of assessing this desire or “gut feeling” several interviews have been held with experts within the field of supervising and enforcement of the Customs Administration of The Netherlands. Experts have been interviewed to be able to understand choices that have been made in policies for today’s supervision of Customs. Why are specific inspections and audits performed and what information can be drawn from this supervision? Also new operational possibilities were derived from those conversations.

TABLE 1
LIST OF INTERVIEWEES

Name	Date	Position
W. Visscher RE	08-15-2019	Senior Advisor Supervision, National AEO Coordination, Dutch Customs National Office
F.H.A. Heijmann MsC LLM	08-15-2019	Head of Trade Relations, Director National Committee on Trade Facilitation, Dutch Customs National Office
R. Doolhoff	12-13-2019	Senior Policy Advisor Enforcement, Dutch Customs National Office
Ruud Boessen PhD	12-12-2019	Senior Policy Advisor/Data Scientist, Dutch Customs National Office
E.J.A. Mutsaers RO CISA	10-24-2019	Account management, Licensing, Dutch Customs Eindhoven Office
M. Slegt PhD	08-01-2020	Senior Scientific Staff member Dutch Customs Laboratory

Business perspective

As the public interest related to supervision is directly influenced by actions taken by supervisory authorities, declarants that currently use GPA to declare their goods for free circulation, have been asked to provide their preferences regarding the new DMS system and the ensuing supervision
These stakeholders are 214 companies active in several branches.

In February 2020 business sessions with groups of GPA declarants were held by associations of entrepeneurs[1] in collaboration with The Customs Authority of The Netherlands. All declarants were invited to contribute to selecting the preferred options for new scenarios regarding declaring their goods for free circulation in the near future.

1 *EVO Fenedex, Fenex, VNO/NCW and VTTI*

Declarants were split in four groups of declarants with similar specifications:

1. Expeditors, Logistical Service Providers, 33 applicants
2. Declarants of Bulk and written declarations, 16 applicants
3. Retail and Trading companies, 19 applicants
4. Producing companies/EIDR Warehousing/Inward- and Outward Processing Companies, 53 applicants

The reason to divide the total group of declarants in four groups was on the one hand because of similarities within daily operational practise and also quite practical; it would be easier to actually discuss and hear more opinions and hosting smaller groups was easier to organise.

Some declarants attended the meeting with several people so the above mentioned four groups sum up to representing 83 different companies from the total of 214 declarants.

The UCC encloses several possibilities for filing customs declarations, national authorities have to decide which of those procedures fits best in their local legal and operational framework. The broad scale of possible alternatives to the current EIDR were discussed in these business sessions to determine which one would the best option from the point of view of the declaring companies.

TABLE 2
OVERVIEW OF DECLARATION PROCEDURES UCC

	Procedure
1	Regular real time declarations with presentation of goods
2	EIDR with presentation of goods and real-time supplementary declaration
3	EIDR with presentation of goods and general supplementary declaration
4	EIDR with waiver of presentation and general supplementary declaration
5	EIDR with presentation of goods and recapitulative supplementary declaration
6	EIDR with waiver of presentation and recapitulative supplementary declaration
7	EIDR with presentation of goods and periodic supplementary declaration
8	EIDR with waiver of presentation and periodic supplementary declaration
9	EIDR with presentation of goods and self-assessment
10	EIDR with waiver of presentation and self-assessment

Quantitative research

Data regarding historical physical checks and actual risk profiles for the declaration data were used to reflect on positions taken in the currently proposed DMS system To be able to reflect on the as-is situation of physical inspections of Dutch Customs in the regular flow of AGS declarations (non-EIDR) historical data of customs import declarations has been used.

Regular declarations
Data in the regular declaration flow consist of declarations from several kinds of declarants. Partly authorized AEO, partly declaring as representatives (directly or indirectly), partly also declaring via GPA next to their regular declarations. Some of those declarants are to be categorized “blue” flow and others should be categorized “green” (see 3.1).
Currently these declarations are lodged in the AGS-declaration system in which acceptance of the declaration, selection of declarations for further investigation and release for free circulation is organised.

Case Studies

Twenty two historical license reassessment audits (HBO) have been used to be able to form an opinion about the possible contribution of the recently performed relicensing audits to the new supervision design of Dutch Customs. The files have been reviewed to answer the following question about the as-is situation; Is it possible to determine, based on the results of those historical audit files, that the assumption that EIDR declarants are in control of their actions related to customs declarations is rightly made? Has Dutch Customs rightly taken the position that those declarants are "of low risk and in control"?

Questions that were formulated upfront are; Have these audits been performed in a uniform manner, has risk selection been done in a clear and uniform way, have these audits lead to conclusions that can be categorized in approval or non-approval for relicensing, was an assessment of existence of internal controls planned and executed? *(Appendix I)*

A selection of declarants/files has been made taking into account the following information;
In the Netherlands 214 companies are licensed to use EIDR, they submit 255 GPA files monthly.
In total those files encapsulate 155 million declarations for bringing goods under free circulation in 2018.
The size of each declaration files varies from three declaration lines yearly to 44 million lines yearly and the combined customs value varies in a similar way; the lowest combined value is € 31.000, the highest € 11.629.736.038;

To select a number of files to investigate the choice has been made to make a segregation based on the number of declaration lines; small declarants (< 50.000 lines, 124 declarants) and large declarants (>50.000 lines, 90 declarants). From each customs region in The Netherlands handling EIDR declarations one "small" declarant and one "large" declarant is randomly picked. Some regions appeared to have a prominent higher number of declarants, if so, also number 15 in line is selected. Some regions did not include a declarant from the larger group, then the largest declarant has been selected to select at least two of each region.

This way of selecting historical files resulted in 22 reassessment files from those 214 declarants (about 10% of the total of 214 EIDR declarants)

TABLE 3
OVERVIEW OF SELECTED REASSESSMENT FILES

	SMALL DECLARANTS	SELECTED	LARGE DECLARANTS	SELECTED
CUSTOMS SCHIPHOL	12	1	10	1
CUSTOMS RIJNMOND	19	2	6	1
CUSTOMS GRONINGEN	9	1		1
CUSTOMS EINDHOVEN	14	1	24	2
CUSTOMS ARNHEM	13	1	22	2
CUSTOMS BREDA	20	2	15	2
CUSTOMS AMSTERDAM	27	2	12	1
CUSTOMS OLGA TEAM	11	1		1
TOTAL	125	11	89	11

The selected files together represent a number of almost 29 million declarations of the 198 million declaration lines in total in the year 2019, almost 15%. In value the files represent 19 billion of the total of 152 billion of the reported customs value (12,5%).

Validation of findings

To be able to validate the findings in the supervision matrix three interviews have been held, two with specialists in the field of using sampling in performing tax audits and one to validate the operational possibilities of the findings. Also a short e-mail survey has been held within a group of declarants that currently file GPA declarations.

TABLE 4
OVERVIEW OF VALIDATION INTERVIEWS

Name	Date	Position
M. Slegt PhD	07-20-2020	Senior Scientific Staff member Dutch Customs Laboratory
C. Buitenhuis RA	07-16-2020	President of the technical commission Statistical Audit of Dutch Tax Authorities
W. Visscher RE	08-15-2019	Senior Advisor Supervision, National AEO Coordination, Dutch Customs National Office

E-mail survey

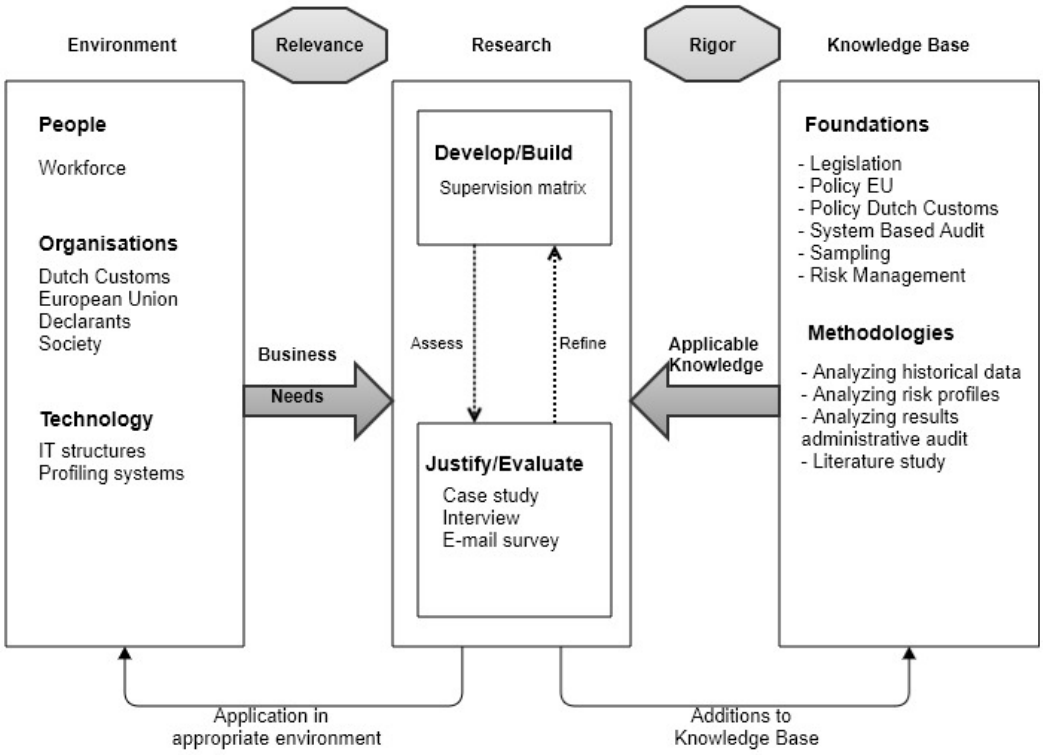
A short list of questions related to supervising EIDR and the choices declarants need to make has been sent out to 8 GPA declarants. 5 of them have responded.

The e-mail survey questions and results are enclosed in Appendix IV. As this survey has been held after communicating the new position regarding EIDR supervision by Dutch Customs the new option "chain-procedure" is taken into account as well.

1.7 Research design

The research aims at designing a supervision matrix from which the appropriate way of supervising by authorities can be derived, taking into account the existing "boundaries" of applicable legislation, European and National policy, operational feasibility and societal demands. The framework for design science in information systems research of Hevner et al is used. *(Hevner et al, 2004)*

FIGURE 5
RESEARCH SET-UP. DIAGRAM BASED ON HEVNER ET AL 2004



1.8 Scope and limitations of the research

For this research the scope will be narrowed to those companies that currently declare their imports using EIDR. (214 declarants in The Netherlands) Those companies face the biggest challenge in adapting to the new system. They all have licences for EIDR and the vast majority also has an AEO licence.

The assumption is made that they will meet the requirements for being part of the so called green lane if trusted traders in Dutch Customs Enforcement Vision *(Enforcement Vision, Tailor made Supervision)*. No further distinctions are made regarding representation in the light of the UCC (article 18 UCC).

The supervision method "Cyclical supervision" on itself is not further researched, the approach is taken as a given because it would broaden the scope of this research to another research question.

It is important to keep in mind that certain types of goods are excluded from being allowed in EIDR declarations because of the specific risks related to those goods.

Limitations
Using historical data of physical inspections performed for the EIDR declarants is not possible because this in flow of declarations this supervision has not been performed . To be able to form an opinion on supervision in the past, a data set of audit files of supervision on the related AEO and EIDR licenses has been used.

In the currently used EIDR monthly declaration for Customs Warehousing, data regarding the goods movement are enclosed in the declaration file submitted monthly. As this research focuses on declaring for free circulation this is left out of scope.

1.9 Structure of the Thesis

In chapter two the research focuses on several theoretical backgrounds that link to supervision in a broad sense and to specific legislation and policy regarding the customs declarations for release for free circulation. At the end of chapter two the conceptual model is presented; a 'supervision matrix' that relates the various supervision methods discussed with the evaluation topics: the desired properties of these methods.

In chapter three the case study is performed to be able to understand current supervision and to be able to value the current state and future form of supervision. Several methods of supervising are reflected upon separately.

Chapter four contains the seven evaluation topics and ten supervising methods. These are brought together in a supervision matrix with the purpose to be able to decide more objectively which (combination of) supervision method(s) is feasible in legal and practical sense. The preferred combination is held against "The Actualised CPA model on supervision" *(Schillemans, 2016)* and is elaborated upon in the light of the supervision paradox *(paragraph 2.1.1).*

In Chapter 5 sets out the contribution of this Thesis in the light of scientific research and chapter 6 sets out the contribution of the Thesis for practise. Finally, in chapter seven the conclusions of the Thesis and recommendations for further research are described.

2. Theoretical Framework

In this chapter the theoretical background of the research is presented in a review of related literature. A broad perspective of research area's is explored. Governmental supervision nowadays is no longer an act of government by itself; society seems to have become a part of performing governance as well. In this chapter the theoretical backgrounds of governmental supervision in general will be discussed first in paragraph 2.1, in the following paragraphs risk based and responsive regulation, layered approach in supervision, "impact-oriented" supervision and system based auditing are discussed.
An overview of legislation will be given in paragraph 2.4. and European and Dutch policy is reviewed in paragraph 2.5. Optimisation of the supply chain will be shortly discussed in part 2.6 and some background on statistics will be given in 2.7. Finally, the conceptual model, the supervision matrix, is presented in paragraph 2.8.

2.1 Governmental Supervision

Governmental supervision in general has arisen from the fact that governments have to safeguard public interests *(Mertens, 2011).* These public interests relate to several domains like for example safety of public health and securing of financial interests. Depending on the domain, supervision is performed in several ways by several inspection agencies and institutions making use of a broad supervisory palette; from performing physical inspections by governmental inspectors themselves to authorizing non-governmental companies to assess themselves.

Supervision itself has different perspectives. It is not easy to generalize the definition of supervision. From Dutch Governmental point of view supervision is defined as;

"Supervision is gathering information regarding the question whether an act or a case meets the required standards, forming an opinion on that and if needed intervene based on this opinion" *(Velders & Brunia 2013)*

The purpose of supervision also differs, from fostering compliance to rules on the one hand to managing quality of organisations with public functions or monitoring free market principles on the other hand.

As this research focuses on customs supervision the first purpose "fostering compliance to rules" fits best because complying to UCC and other legislation needs to be checked when goods are brought into or outside the territory of the European Union. Still, the other purposes mentioned here also touches supervision by Customs: managing quality of organisations when companies are licensed Authorized Economic Operator (AEO). Both forms of supervision demand different approaches.

Supervision can also be approached from another angle; What is the general function of supervision? Mertens has defined supervision as:

"Legitimated influencing of some aspects of the behaviour of a legal entity to achieve the more socially desirable behaviour" *(Mertens, 2011)*

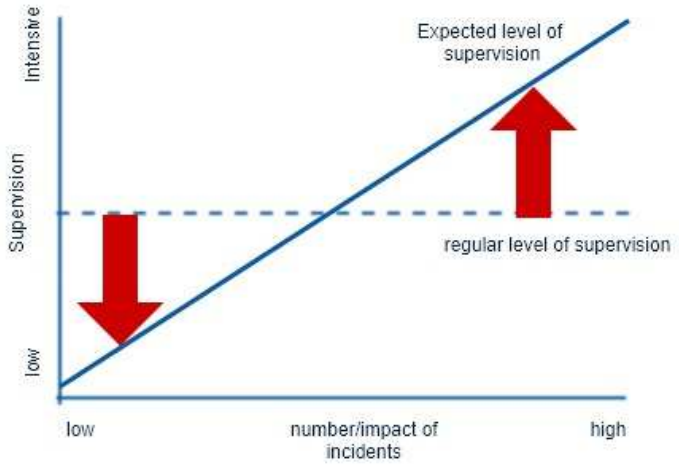
The definition of supervision of Dutch government seems more repressive and strict from a top-down enforcement point of view. Mertens seems to enclose more influencing possibilities than "just" intervening after gathering information.

2.1.1 Supervision Paradox

Society does not always recognize the fact that supervision is basically performed to safeguard the peoples interest, most of the time people judge supervision as time consuming and costly. Sometimes, mainly after incidents with impact for society, people are of the opinion government must stand stronger and act stricter.

This reveals clearly in the 2013 report of The Dutch Scientific Council for Government Policy *(WRR 2013)*;

FIGURE 6
SUPERVISION PARADOX (WRR 2013)



"These contrary demands – less supervision on the one hand and more on the other – give rise to an intriguing paradox: the struggle to limit supervision in a sector in incident-free periods (give the sector more responsibility, cut down on bureaucracy and expense) versus the tendency to increase it following incidents (expand and intensify supervision, make it stricter)"

The Council also asks for reconsideration; This problematic relationship between society and supervision calls for a reconsideration, in the WRR's view. How can government handle the challenges facing government supervision in policy and in actual practice? How can it make such supervision more valuable for society?" *(WRR, 2013, p.7)* The Council recommended changes; to make it more valuable for society the governmental supervision perspective should be broadened. Key is to put public interests and societal challenges first in both policymaking and practise. Belgian Customs for example has broadened her perspective on supervising the goods flow by introducing their strategic vision note on System Based Approach (see paragraph 2.3.1). and the Dutch Human Environment and Transport Inspectorate has introduced the inspection programme "Vlaggenstaattoezicht" in which one of the goals is "less burden for compliant shippers and more burden for non-compliant shippers *(ILT 2014)*.

Supervision by Customs Authorities is built on a history of physical interventions. Not even that long ago inspection of goods that crossed a border was only possible by a physical check, comparing the goods to the accompanying (stamped) documents and the paper based declaration. Over the last decades the growing digitalisation and standardization of logistics processes has created possibilities for changing governmental supervision. Customs Authorities have changed their ways of inspecting goods flows as well. Next to that, the growing volume of goods flowing across the globe, accelerating more and more, has required governmental supervision to adapt to manage this.

This Supervision Paradox also is applicable to the work of Dutch Customs; from the point of view of the public interest of The Netherlands as a highly acknowledged logistical country you would like to interfere logistical flows as less as possible. On the other hand, findings of huge amounts of narcotics in the logistical flows demand for intensive supervision in innovative ways.

In addition to the Scientific Council for Government Policy In The Netherlands the inspection agencies of several Ministries have developed a collaboration platform “The Inspection Council” to ensure governance is performed in an independent, professional, transparent, selective, effective and collaborative set-up. *(https://www.rijksinspecties.nl/over-de-inspectieraad/inspectieraad (26-2-2020))*

Dutch Customs is not a specifically named member of this Inspection Council but participates in a sense that they are part of the “Tax Authority of The Netherlands”. The operational execution of the Customs Physical Inspection Teams directly relates to the work done by agencies like Health and Youth and Dutch Food and Commodities Authority that also participate in this council. As the findings of this Inspection Council are generalised so can be used for Customs Supervision as well.

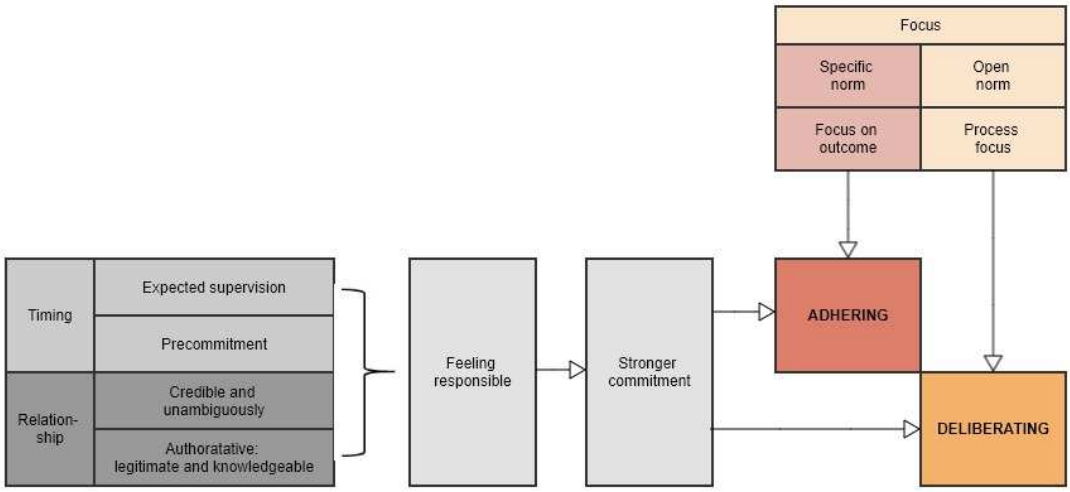
In 2019 The Inspection Council has published “Reflections on the state of supervision” *(Bureau Inspectieraad 2019)*. In this publication inspection authorities and scientists have been asked to reflect on supervision of the past years in the light of the recommendations of 2013. Two of the essays in this publication are mentioned here because of the clear links to Dutch Customs and this research.

2.1.2 From “adhere to” towards “deliberating”

This publication (*Schillemans 2018*) reflects on supervision from a background in behavioural science and points out the antithesis between “political lists in terms of quantity of checks” and the “intended effects in society”. Governments act in logical terms like “comply with standards” and measure that in terms of “number of checks” or “indications of compliance” (correction-rate). On the other hand supervision is about making sure society herself thinks about her actions in the light of general values of this society. You do not want to stimulate people to just adhere to norms but you would want to stimulate them to ponder/deliberate about the effects of their actions.

FIGURE 7

ACTUALIZED CPA MODEL FOR SUPERVISION



SOURCE: SCHILLEMANS 2018 (TRANSLATED, ORIGINAL VERSION IN APPENDIX III)

At the left side of the model core conditions of supervision in the light of effective influencing of behaviour are named. At the right side of the model core conditions of adhering to and deliberating are named. This CPA model for supervision points out that the regulatory body that stimulates both “adhere to” and “ponder” encounters a dilemma; what is needed for “adhering to norms” differs from what is needed for “deliberating about norms”.

2.1.3 Revenue is Outcome

“More capacity for supervision results in more of the same” is the bold position that is taken by Veld in the first sentence of his essay (Veld, 2018). Governments should focus more on the outcome of their supervision instead of concentrating on input (how much money and fte are involved) and output (how many checks have been performed). To be able to measure outcome this should be defined upfront by defining “safety for society” or “good education” in general.

Based on his experience Veld provides a list of actions to achieve to more outcome-focused supervision, four of the listed actions mentioned here:

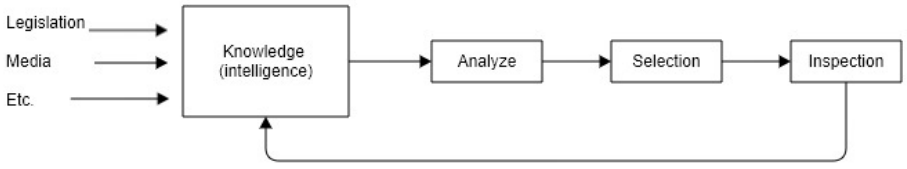
- Develop a Supervision Control Framework.
- Profile based on facts and invite an extra pair of eyes.
- Do not intensify supervision if the policy fails.
- Let society participate and use her resolving power.

Combining the essay of Veld and the CPA model of Schillemans endorses the need for reflecting on future Customs supervision on EIDR and AEO licensed declarants. Has a Supervision Control Framework been designed? Does it focus on “adhering” or “deliberating”? Are the Customs selection profiles based on facts? What is the background of the announced intensified supervisory actions and has society been invited to participate in the design of the new supervision? What would be the desired outcome of supervision?

2.2 Collaborative risk based and responsive regulation, layered approach

“*Regulators are always short of resources and unable to enforce all their mandates*” *(Sparrow, 2000)*
For decades inspection agencies have been altering their supervision from inspecting each and every individual at the same level and with the same audits to a different approach for different individuals or groups. This differentiation starts with being “streetwise” *(Mertens, 2011, p.153)*: gathering enough information about the activities of a certain individual or group and building intelligence upon the supervised group. This circle has been depicted in the following model

FIGURE 8
INTELLIGENCE ABOUT SUPERVISED SUBJECTS

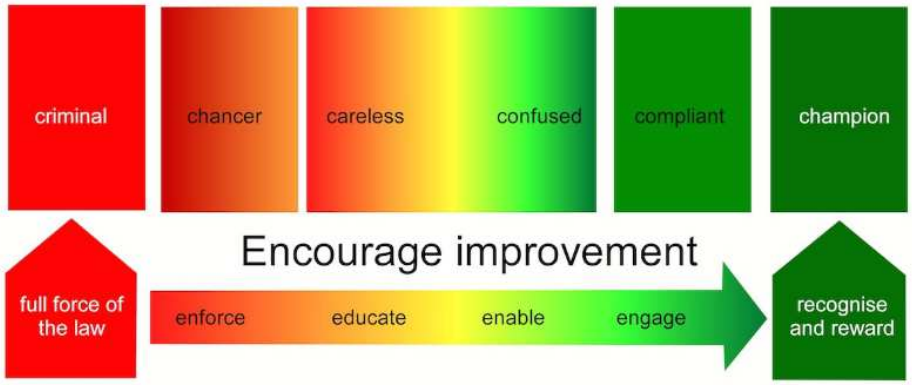


SOURCE: MERTENS, 2011, P.153

The gathered information can be used to rank risks and to rank individuals or groups. Risks with highest impact are meant to be handled first, also if this implicates that low impact risks are not handled because there are no resources left. *(Black,2002)* This risk based approach is often combined with responsive regulation *(Ayres and Braithwaite 1992)*; the corrective action taken after a risk is detected can vary. Black and Baldwin describe acting really responsive as;

"a strategy of applying a variety of regulatory instruments in a manner that is flexible and sensitive to a series of key factors. These include, not merely, the behaviour, attitude and culture of the regulated firm or individual but also the institutional environments in which regulation takes place; the ways in which different control instruments interact; the performance of the control regime itself; and the changes that occur in regulatory priorities, challenges and objectives (Baldwin and Black 2008)"

FIGURE 9
REGULATORY STRATEGY OF SOUTH AUSTRALIAN ENVIRONMENTAL PROTECTION AGENCY



SOURCE: (HTTP://JOHNBRAITHWAITE.COM/RESPONSIVE-REGULATION/ 11 JUNI 10.10 UUR)

In figure 9 the responsive strategy of a specific agency is depicted, depending on the actions or behaviour of the supervised individual or company; extremely compliant individuals (called champions here) should be rewarded and chancers or even criminals should be handled with full force of the possible punishments the law enables. Behaviour of the careless and confused can be influenced by education and enablement.

Dutch Customs uses the layered approach and responsive regulation in her Enforcement Vision and the currently performed supervision on the goods flow. This is further discussed in paragraph 3.1.

2.3 System Based Auditing

System based auditing is also a broad concept and difficult to describe in one clear definition. Helderman and Honingh *(Helderman, 2009, p.7)* describe the system based approach in supervision as

"*all the supervision in which design, extent and operation of the (quality-)systems and processes in organisations is monitored by performing audit-like investigations and reality checks".*

In general the entire system of control measures within an organisation are taken into account. Basically the inspector assesses the internal control system built by the inspected organisation to ensure compliance and reliability of reporting. Next to that the mentioned reality checks are used to confirm the findings from the assessments.

In context of this research, system based auditing for customs compliance can be considered at different levels within the inspected organisation; the declarants broad internal control system, the declarants supply chain in a broad sense or solely related to the system of customs procedures.

The declarants broad internal control system refers to accounting information systems. To be able to manage all kinds of processes within an organisation, information systems are embedded in organisations. Not only to be able to ensure compliance to all kinds of legal rules but also to ensure that reliable internal information is available when needed: all kind of business processes need information to be able to make key decisions (*Romney & Steinbart 2018*).

Customs procedures from European legislation can also be regarded as a system to be audited; once placed under customs supervision several procedures can succeed one another, customs supervision does not end in between *(see paragraph 2.4)*

In the Netherlands Tax and Customs Administration Audit Approach (*Belastingdienst, 2014, CAB ENG 20141112 V1-oo*) is documented how Tax Authorities (including Dutch Customs) audit the system of control measures at the audited organisation. In Dutch Customs Cyclical Supervision *(paragraph 3.3)* this system based approach is used for governance on licensed declarants (including AEO licenses).

2.3.1 Belgian approach

The Belgian Customs Authorities present their strategic vision note on System Based Approach on their website *(SBA Douane en Accijnzen)*. Compliance, internal control and risk management are the core concepts of this approach. Measuring compliance is performed with an initial audit to examine the economic operator; is the level of knowledge in the field of legislation and responsibilities regarding customs licenses sufficient, are these rules applied correctly?

Internal control links to the responsibility of the Authorized Economic Operator *(Article 38 UCC);* the economic operator is expected to have described the operational procedures and to monitor effective appliance of these procedures. For risk-management this System Based Approach means a holistic view to risks, focussing on the economic operator and his supply chain. The operator is aware of these risks and takes measures to mitigate them. Monitoring of these activities is actively communicated with Customs as mutual trust is crucial in the system based approach.

Next to the system based approach the vision note also mentions the fact that random checks remain part of the supervision by Belgian Customs, stated is these will be performed in an alternative way, not linked to a customs declaration.

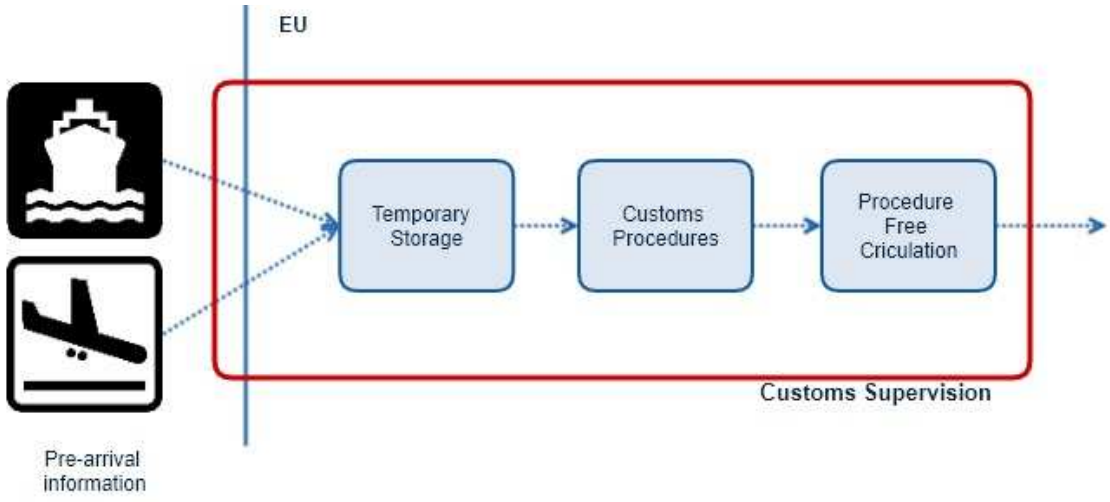
2.4 Legislation

Traditionally, Dutch Customs Authorities have been monitoring the cross border flows of goods and collecting taxes related to those imports or exports. In the old days the public servants covered each border and inspected each shipment based on national legislation. Nowadays supervision by customs authorities has developed to several ways of monitoring the goods flow continuously based on European legislation. Not just collecting taxes is part of Customs supervision nowadays but protection of society (health, safety, findings of huge amounts of narcotics) is an important part of Customs' tasks.

The legal foundation of supervision by Customs Authorities is documented in the Union Customs Code *(UCC, Regulation (EU) No 952/2013 of 9 October 2013)*. A short summary of applicable legislation for importers of goods and for supervising authorities will be given here.

When goods are brought into the customs territory of the European Union they are subject to customs supervision and may be subject to customs controls *(Article 134 UCC)* until customs supervision ends. Customs supervision ends when goods are brought into free circulation or the goods leave the EU again *(Article 134 UCC)*. Customs supervision "moves" from one procedure to another by declaring the goods for each next procedure. All kinds of simplifications and waivers are possible in the process of bringing goods into the EU, to start the straightforward rules are being explained in a simplified schedule;

FIGURE 10
SIMPLIFIED OVERSIGHT CUSTOMS SUPERVISION



Entrance of the goods in the European Union starts with an Entry Summary Declaration *(Article 5.9 jo.127 UCC)*.The goods must be presented to customs at a designated place *(Article 139 UCC)* by lodging a declaration for presentation *(Article 139.5 UCC)*. Goods may not be removed from this designated place without approval from Customs Authorities.

Customs supervision proceeds when goods are declared for subsequent customs procedures, which are not all in scope of this research. The procedure to declare the goods for free circulation is specified in the next part with regard to the underlying research question.

Complexity of filing customs declarations for free circulation

Several options to file declarations for free circulation are used. First mentioned here is the "regular" declaration for placing goods under free circulation *(Article 162 UCC)*. This declaration entails two actions regarding customs requirements; presentation of the goods (the goods have arrived at the designated place) and declaring the goods for free circulation (information about the goods is shared in the required manner). These two actions make it possible for Customs to verify whether the shipped goods in reality correspond to the lodged declaration.

After technical acceptance by customs the declaration is also legally accepted, this moment is important with regard to for example determining the customs debt. Customs performs verification of the declaration after legal acceptance *(Article 188 UCC*). This verification also entails non-fiscal formalities regarding specific goods.

Second option is to lodge a declaration prior to the presentation of the goods *(Article 171 UCC)*. Technical acceptance of this declaration is possible immediately but legal acceptance only after the goods are presented to customs (within 30 days after the declaration). Even if the declaration is not legally accepted by customs the risk selection and verification can already be performed (partly). This

options also entails the possibility of stopping the goods and verifying the actually shipped goods with the lodged customs declaration.

The third option to file declarations for free circulation is using simplified customs declaration procedures *(Article 166 UCC).* These simplified procedures can be subdivided in four procedures; simplified declaration, centralised clearance, entry in the declarants records and self-assessment.
Centralised clearance refers to lodging a declaration at another Customs Office than the regular office *(Article 179 UCC)* and self-assessment refers to carrying out certain customs formalities by the declarant instead of by the customs authorities *(Article 185 UCC).* These procedures are not in use in The Netherlands at the moment of performing this research and are not further described here.

The simplified declaration omits certain particulars or supporting documents when the declaration is first filed in the regular declaration system, this makes it an incomplete declaration that needs to be completed. A complementary declaration must to be filed to completely fulfil all the requirements regarding customs declarations and still Customs is able to decide upon stopping and inspecting the goods.

Entry in the declarants records *(EIDR, Article 182 UCC)* means the simplified declaration is lodged by entering it in the companies' own records (declarants customs management system). Still, data have to be sent to Customs at the moment of entering it in the records and a supplementary declaration has to be filed. The data that need to be sent at the moment of registering the goods in the own records is because Customs has to be able to stop the shipment and verify the actual goods.

How and when these declarations need to be complemented again depends on the kind of procedure used; supplementary declarations are possible making use of general, periodic or recapitulative declarations *(Article 167 UCC).* Customs supervision ends when the collection of import duties has taken place and the goods are released for free circulation *(Article 201 UCC).*

As mentioned before, this complex web of declaration procedures from the UCC always allows Customs Authorities to verify physically if needed, it has to be possible to stop a shipment for the purpose of verification tasks (examine the declaration and the supporting documents and if needed examine the goods (and/or take samples)). The presentation of the goods can be waived, this is only possible when specific conditions are met, this is further explained in the following part.

Waiver of presentation of the goods
When the EIDR *(Article 182 UCC)* procedure is used, Customs Authorities are allowed to waive the obligation for the goods to be presented to Customs *(Article 182.3 UCC)* . Release of the goods shall be deemed to happen at the moment of entering the declaration in the records of the company (end of Customs Supervision). The waiver of presentation of the goods can legally only be granted if:

- The declarant is licensed AEO for customs simplifications.
- The nature and flow of the goods are known by the customs authority.
- The supervising customs office has access to all of the information necessary to still be enable to examine the goods if the need arises.
- The goods are not subject to prohibitions or restrictions.
- Still, in specific situations, the customs office is allowed to request the goods to be presented.

This waiver of presentation of goods has been granted generously by Dutch Customs in the currently existing GPA declaration procedure. In the new Dutch EIDR procedure boundaries for waiving presentation of the goods have been set more strictly *(2020 Declaration Services Information Document EIDR).*

2.5 Review of European and Dutch policy

Based on applicable legislation Member States are allowed to perform customs supervision within a common risk management framework that establishes common risk criteria and standards, control measures and priority control areas *(Article 46 (3) UCC)*. Implementing Acts of The Commission will ensure uniform application of the customs controls *(Article 50 (1) UCC)*. Within this framework Member States can develop their operational actions related to goods under customs supervision.

European and policy regarding risk management

The European Commission has been adopting risk management in their policy since 2005 and has been developing an "EU Strategy and Action Plan for customs risk management: Tackling risks, strengthening supply chain security and facilitating trade" *(COM (2014) 527 final).* In this Action Plan several key objectives for development have been set out. All the objectives link in one way or another to declaring goods for import as set out in the above chapter. Objectives 3, 4 and 6 especially open possibilities to change Customs supervision on this logistical flow of goods destined to be brought in free circulation in the EU *(Commission Staff Working document COM(2018) 549 final).*

Objective #3 is called "Implementing control and risk mitigation measures where required" and this objective is divided in separate actions;

> *Action 3.1 Develop methodologies to implement the concept of 'Assess in advance — control where required' (Propose a methodology to determine the most appropriate place and time for the application of customs controls and risk mitigation measures based on the type/level of risk, control and supply chain constraints (availability of information, documentation, and control possibilities).*

This action is about determining the most appropriate place and time for the application of customs controls and risk mitigation measured based on several pillars like availability of information, documentation and control possibilities. Credibility checks are mentioned and Systems Based approach is indicated as an appropriate control methodology for supervising trustworthy economic operators (AEO).

> *Action 3.2 Perform 'proof of concept' within the main policy areas and propose appropriate solutions. (Identify the main policy areas and undertake operational actions to test solutions e.g. through priority control area (PCA) actions in cooperation with relevant stakeholders).*

The main policy areas that have been identified are health safety, financial risks, intellectual property rights and product safety. The priority control areas (PCA) are mentioned as the key mechanism in the CMRF. These PCA-controls are carried out in a coordinated manner. Financial Risk Criteria are designed "to enable EU Member States to address financial risks at the border without placing an undue burden on legitimate trade".

In the Second progress report on the implementation of this EU Strategy and action Plan *(COM(2018) 549 final)* System-Based Approach is explicitly mentioned as a control methodology for trustworthy economic operators, focusing on their internal control systems. The system-based approach has been assessed as an effective, efficient and solid control mechanism. It is recommended to be used to a larger extent in the future.

Objective #4 is called "Strengthen capacities to secure equivalence in effective implementation of the Common Risk Management Framework (CRMF) and to increase responsiveness to newly identified risks". This objective focuses on setting control priorities effectively and reallocate resources efficiently with the aim of "maintaining a proper balance between customs controls and the facilitation of legitimate trade". It is about IT solutions and enhancing cooperation between customs authorities regarding risk

management. The main reason this objective is represented here is the development of the common risk criteria for eleven different policy areas. These risk criteria need to be implemented by the member states and need to take account of the proportionality of the risk, the urgency of the necessary application of the controls and the probable impact on trade flow, on individual Member States and on control resources. These Common Risk Criteria for security and safety are meant to be used at the first point of entry in the EU, so at the moment the Entry Summary Declaration is lodged. Here stopping of the goods is required, health and safety of the European citizens might be at stake.

Financial Risk Criteria (next to those common risk criteria) have been adopted in a commission implementing decision. Potential financial risks in declarations for release for free circulation are flagged with the use of this set of risks (this applies to declarations in a regular, simplified or "entry in the declarants records" way). These flagged declarations might need further investigation and control action, in regular circumstances it seems those risks can also be addressed after release or the goods, financial audits can be performed after release of the goods. Still, in certain circumstances (like the risk of not being able to collect duties afterwards or a specific sample needs to be taken) control prior to release for free circulation is required. The decision in which those FRC's are recorded is not publically available.

What is publically available though is Article 46 (6) UCC:

"For the establishment of the common risk criteria and standards, the control measures and the priority control areas referred to in paragraph 3, account shall be taken of all of the following:

(a) the proportionality to the risk;
(b) the urgency of the necessary application of the controls;
(c) the probable impact on trade flow, on individual Member States and on control resources.

Objective #6 of the EU Strategy and Action Plan for customs risk management is called "Develop co-operation with trade to secure and facilitate legitimate trade". This objective encompasses strengthening the AEO programme, identifying and developing enhanced benefits for AEO's, improving knowledge of supply chains, using valuable additional data and getting access to economic operators' knowledge and information. One of the completed actions in this objective is about identifying best practises in the implementation of compliance management by comparing national programmes and raising awareness among economic operators. Client segmentation is mentioned as an evolving working practice which enables customs to improve targeted controls and services, enhancing efficiency and effectiveness. One of the main challenges identified here is the lack of good data for automated use.

Dutch Policy regarding risk management

The Dutch Customs supervision strategy is set out in the 2020 Enforcement Plan *(HHP 2020, not publically available)* and is to be aimed at improving compliance, is information driven, risk based and layered

Customs is aiming to improve compliance by combining services, supervision and intelligence. Non-compliant companies will get a different approach of supervision than compliant companies. Attention is paid to the various causes of non-compliance; companies that unconsciously make mistakes will be approached differently from companies that knowingly break the rules. Here the responsiveness of Dutch Customs supervision comes clearly forward; the corrective action depends on who has committed the non-compliant action. *(Responsive regulation, paragraph 2.2)*

Information driven: "Customs aims at using the growing possibility of data-analytics, the aim is to get to an actual and optimal information position on the flow of goods, the locations, the declarations and the companies and citizens" This information will be the basis of the Customs Risk management. High quality of the data is very important, not only the data in declarations but also results of performed interventions and using them to analyse future flows of goods.

This links back to Figure 8 in which Mertens emphasizes the importance of using available information when deciding on the best possible way of supervising a certain event. This also relates to the learning circle, using available information to decide upon future supervision *(PDCA, feedback loop Orr)*

Risk based; The volume of the flow of goods makes it impossible to supervise it completely in "old fashioned ways". That is why risk management is used. Estimation of the largest risks (chance x impact) is used to determine where interventions are needed. Within this supervision strategy Customs aims at the optimal balance between facilitating trade and intervening for supervision. In daily operation nowadays risk management is used in selecting declarations to be physically inspected *(Prisma system, paragraph 3.2)* and in supervising customs licenses *(Cyclical Supervision, paragraph 3.1).*

Operational impact
All the choices that are made in the supervision policy of Dutch Customs have impact on the operational activities of the workforce; administrative audits to assess licenses demand a specific knowledge, assessing risks and data analytics demand specific knowledge and physically inspecting the goods also demands specific knowledge. Inspectors of the Dutch Customs Authority are educated to perform one (and sometimes two) of those tasks. Off course they are aware of the other tasks but it is not possible to change their profession immediately when supervision needs to change in the supervised group of declarants. At the moment the performed supervision on a specific (group of) trader(s) changes this could have a huge impact on the to be performed physical interventions (see paragraph 3.2).

2.6 Supply Chain Management

"*Supply chain management (SCM) is the management, across and within a network of upstream and downstream organisations, of both relationships and flows of material, information and resources. The purposes of SCM are to create value, enhance efficiency and satisfy customers."* *(Mangan & Lalwani, 2016, page 11).* Supply chains are designed to be strategic fit, optimized for the specific requirements of the supply chain the company operates in. In designing these supply chains vulnerabilities (unwanted impact) of the supply chain are assessed. Customs is one of the impacts on this supply chain as it interrupts the flow of goods through supply chains. Off course it is possible for organisations to take into account these interruptions but to what extend? Related to the supervision paradox in paragraph 2.1.1 a certain expected level of supervision and related uncertainty is taken into account.

When supply chains are designed and built with expectation of no interference by Customs Authorities at the moment of dispatch of consignments (which is in fact the case in the current Dutch GPA situation), the impact of a change at Customs side to start performing physical inspections can be massive. This increases the gap between expected and performed supervision without a serious, recognizable cause for the declaring company.

2.7 Statistics

Nowadays it is almost impossible to imagine supervision by authorities without any use of statistical sampling. The Dutch Tax Authority (Dutch Customs is part of this Authority, formally part of the Dutch Ministry of Finance) explicitly uses sampling in her tax-audit approach *(NTCA 2014)* to be able to state the "tax return is acceptable"[2]. This audit approach focuses on ex-post supervision with the mind-set of approving the belief the statements are correct.

2 "*'Acceptable Tax Return" is not generally defined, though for Dutch Tax Authorities it is defined as; The Tax and Customs Administration's Supervision entails the review of the formalisation of the material tax that is due (arising from legislation). The formalisation of the tax debt is, when viewed from the perspective of ex-post supervision, acceptable when no further material misstatements (or shortcomings) are attached at the time the formalisation is audited"*

The starting point for data oriented audit is not influenced by any information about the auditee; a sample is taken using the classical sample technique that is enough to be able to derive sufficient audit evidence to approve the population. Monetary unit sampling is the applied methodology; the auditor perceives the auditee as a “pile of money” (the population) and needs to decide which Euro’s in that population need to be examined. This method of sampling is further researched in paragraph 3.4 and used to derive an acceptable inspection rate for physical inspections performed by Dutch Customs.

Bayes-statistics

Next to the classical sampling in statistics another methodology is appropriate to use in determining the amount of work that needs to be done in auditing; using the knowledge from previous investigation or stated differently “updating your believes, use a known outcome to predict the sequence of events leading to that outcome. This methodology is called Bayes’ Theorem; “using the data you collect to update your beliefs about a model parameter or a hypothesis” *(Field 2018).* Where classical statistics presume the characteristics of a population stable and equal, Bayes uses validated believes to decide upon the characteristics of a certain population.

Tax authorities in The Netherlands use an argument based on this Bayesian approach to decide upon reducing the number of checks that need to be done when positive information about the auditee is gathered by understanding the business in a structured and organised approach. The size of the sample when testing the population taken by using the monetary unit sampling approach is reduced based on prior assurance. This prior assurance is determined by the auditor; when procedures for internal control are in place in the organisation of the auditee, the sample can be reduced by 75% but the minimal amount of work will be 25 dual purpose tests. If other professionals have also performed work to audit the organisation of the auditee, the sample can be reduced by 87,5% (but still the minimal amount of work to be done is 25 dual purpose tests). Next to that it is required that management of the auditee monitors the internal controls. The sample will be reduced by 100% (no tests by Tax Authority at all based on the MUS) if third parties, or the organisation itself, have conducted audits of the same scope and with the same materiality as Dutch Tax Authorities would do.

This reduction of sample size is further evaluated in paragraph 3.4 of this research.

2.8 Conceptual model

From the exploratory phase of the research, the qualitative research and the literature study on supervision the following conceptual model has been derived:

This table models the structure of a 'supervision matrix' that relates he various supervision methods discussed above (rows), with the evaluation topics: the desired properties of these methods.

TABLE 5
DESIGNING A SUPERVISION MATRIX RELATING POSSIBLE SUPERVISION METHODS FOR THE CUSTOMS DOMAIN, AND RELEVANT EVALUATION TOPICS

			Evaluation topics						
			I	II	III	IV	V	VI	VII
Supervising methods			Legislation	Policy EU	Policy NL	Standardized	Operational	Supply Chain	CPA model
A.	Supervise in goods flow, randomly selected and/or based on risk selection.								
B.	Supervise in goods flow, randomly selected and/or based on risk selection with incentives for behaviour.								
C.	Administrative supervision/System Based Audit.								
D.	Combination of both administrative audit and in supervision in goods flow								

The supervising methods A-D have been derived from operational experience of the researcher, from interviews held with specialists and from interviewing current GPA-declarants. In paragraph 4.2 these methods are further specified for the underlying specific research problem regarding the changing declaration procedures for GPA declarants in The Netherlands.

Method A, Supervise in goods flow, randomly selected and/or based on risk selection means that authorities inspect in daily operation of the company. Knowledge about the behaviour or internal controls of the related companies is not taken into account.
Method B, Supervise in goods flow, randomly selected and/or based on risk selection with incentives for behaviour means a little knowledge about the company is taken into account; positive or negative results of prior performed inspections in the goods flow are taken along in following selection procedures and criteria.
Method C, Administrative supervision/System Based Audit means the supervisory authority focuses on the administrative organisation and internal control system of the company, no inspections in physical reality will occur. The company monitors itself, reflects on it's own behaviour and actions taken.
Method D, Combination of both administrative audit and in supervision in goods flow relates to using different ways of performing supervisory tasks, both on the goods flow and on the administrative organisation and internal control system of the company.

These various supervising methods will be evaluated upon in relation to the seven topics below. Topic I-VI basically are a framework to which supervisory actions of authorities need to comply to in relation to legislation, policy and operational capacity. Topic VII relates to supervising in the light of behavioural science, the model of Schillemans is used here *(paragraph 2.1.2).*

TABLE 6
EVALUATION TOPICS IN THE SUPERVISION MATRIX

I	Legislation	Is this specific form of supervision in line with legislation (UCC)?
II	European Policy	Is this specific form of supervision in line with EU Policy?
III	Dutch Policy	Is this specific form of supervision in line with EU Policy?
IV	Standardized	Is it possible to register the result of this form of supervision uniformly, does it lead to an unambiguous interpretation of an inspection result in the light of using the findings of this performed supervision for future risk assessment.
V	Operational	Is it possible in the light of available operational capacity of the supervising authority to perform this supervisory method?
VI	Supply Chain	What would be the impact on the regular operation of the involved company. Would this supervision interrupt the supply chain in a disproportionate way?
VII	Calibrating Public Accountability (responsive)	To which condition (adhering or deliberating) of the CPA model *(Schillemans 2018)* does this method of supervision relate and how?

To start with each supervisory action is examined separately, after completing the matrix combinations of supervising methods will be evaluated upon to examine where these methods would complement each other. The most suitable option for supervising can be chosen from this evaluation, not only focused on output of the performed supervision but also in the light of outcome of supervision *(Veld, paragraph 2.1.3).*

3. Case Description

As set out in chapter 1 customs declarations to release goods for free circulation in the European Union faces an impactful change in the near future, the declaration procedure for entry in the declarants records will completely change. The new way of declaring goods for free circulation by licensed companies is still being developed, though, what already has become quite clear is that the possibility of customs interfering in the logistical flow will increase.

In the following chapter several topics related to the supervision of customs are described. Dutch customs layered approach in supervision is described. After that in paragraph 3.2 the as-is situation of risk based supervision on declarations for free circulation is set out. In paragraph 3.3 the as-is situation of supervising GPA declarants is described and the research for a baseline measurement of performed reassessment is described. In 3.4 possibilities for using regular sampling in supervising green light declarants are reflected upon. In 3.5 possible scenarios for the to-be situation for declaring goods for free circulation are described and the opinion of current GPA declarants on these scenarios has been recorded. This paragraph ends with the recent decision of Dutch Customs about which three scenarios are really the to-be situation in The Netherlands.

3.1 Dutch Customs layered approach

In paragraph 2.5 of this research the “Dutch Customs 2020 Enforcement Plan” (HHP 2020) is already shortly discussed. The Dutch Customs supervision strategy is set out this enforcement plan is to be aimed at improving compliance, is information driven, is risk based and layered.

FIGUUR 11
PUSHING BOUNDARIES

SOURCE: DUTCH CUSTOMS ENFORCEMENT VISION

This layered approach is recorded in the long term Customs Enforcement Vision “Pushing Boundaries”, this vision originated already in 2014. The essence of this vision is the layered approach, distinguishing the traders involved in the flow of goods in three different layers; yellow, green and blue.

The goods flows in the blue lane are goods of unknown traders. Inspections on those goods are performed mostly at the border of the EU and in the logistical flow. Those inspections are based on risk selection and risk analyses of the total flow of goods. In the yellow lane “smart and secure trade lanes” are used to supervise the goods. Entire chains are made secure using automated exchange of data related to the goods and the parties involved.

The green flow of goods is designed for trusted traders; companies known by Dutch Customs. Inspections are to be performed outside the logistical flow of goods as much as possible. This research focuses on the parties involved in this green lane; on the one hand Dutch Customs develops possibilities to intervene only where really needed (risk-selection based on the knowledge about the trader) on the other hand legislation and automation-limitations seem to make it impossible to really press ahead.

Knowledge of traders in the green lane
First question to be answered here is; What does it involve to be accepted as a trusted trader in in the green lane in The Netherlands? Subsequent the question to be answered is; What do Customs Authorities know about those traders and which supervision is currently performed on those traders?

To be able to be allowed as a Green Lane participant in The Netherlands, the trader must be authorized AEO and must be acting as a declarant in a legal sense *(article 15 (5) UCC).* In case of customs representation; direct representation requires declarant and represented party to be AEO authorized, indirect representation requires the declarant to be AEO authorized.

First of all the trader needs to be an Authorised Economic Operator *(article 38 UCC).* The AEO status shall be subject to monitoring by the authorities *(article 38(1) UCC).*

Criteria to be granted the AEO status are explicitly enclosed in article 39 of the UCC, these criteria relate to absence of serious infringements of rules, a high level of control of operations, financial solvency, competency of personnel involved and to security and safety of the supply chain.

Once a trader has been allowed to operate in the green lane Customs still has to supervise the activities of the trader. When operational activities of the trader change or infringements of rules are detected by Customs (or the operator itself) this can lead to excluding the operator from the green lane. The operator will be marked as a blue lane operator again and Customs will start supervising based on the regular risk-based strategy *(paragraph 3.2).* Customs then acts responsive by changing the supervision from system based supervision and low physical interference to the more traditional level of physical inspections *(Ayres and Braithwaite 1992).* From the interview with W. Visscher is derived that this action of Dutch Customs is not yet completely operational, the development is part of the “GPA to DMS”-project.

AEO supervision
The traders that want to be part of the green lane need to be AEO authorized. The as-is situation of Customs supervision on these authorizations is split into different steps; first the process of granting the authorization, second closely monitoring the activities of the trader in the first year after granting the authorisation and third the regular monitoring of the AEO authorized trader.

Once a trader applies for an AEO authorisation Dutch Customs will start an “initial audit”. This initial audit implies determination of the compliance to customs formalities and appraising the administrative organisation and internal controls to qualify for AEO standards (design and existence of procedures is audited (NTCA Audit Approach of paragraph 2.7 is applicable). Because the operator is expected to have just started the internal control system it is not always possible to audit the operation of the internal controls at that moment in time That is why the second step, closely monitoring the operational activities of the trader, has been designed. An audit to test the operation of the internal control system must be performed by Customs within a year after granting the AEO status (derived from the interview with W. Visscher as the policy has not been formally embedded in operational practise of Dutch Customs).

Once the AEO licence request is approved and the operation of controls has been tested, the Authorised Economic Operators are supervised by regional Customs Authorities performing “Cyclical Supervision”. This Cyclical Supervision entails three phases of investigation that needs to be performed periodically: desk research based on available information regarding the operator, investigate requested monitoring info of the operator and auditing the operators organisation based on the specific audit assignment. The first phase of cyclical supervision must be performed at least once every three years.

Phase one of cyclical supervision, the desk research, is about detecting risks and evaluation of those risks based on the applicable internal information for the specific trader. Customs uses actual information regarding the operators customs declarations in a broad sense (all customs related declarations are involved), attitude and behaviour of the operator is taken into account ("tone at the top" also regarding payments and other taxes in The Netherlands), and if available specific internal and external risk signals are judged. This first step might lead to following actions or to the decision to end the investigation at this moment in time based on the assessed risk signals. The operator is not aware of this executed supervision.

Phase two means Customs will get in contact with the operator to retrieve the operators own monitoring information regarding control of customs processes. This information is judged subsequent to phase one, the available information on risks regarding this operator is combined and leads to either a specific (audit) assignment or to the decision to end cyclical supervision here. The operator is informed about the executed supervision.

Phase three of cyclical supervision is the actual assessment of the detected risk that has been flagged and needs extra attention. This supervision might consist of interference of an account manager, of asking the operator to judge specific signals by himself and/or an audit performed by the Customs auditing teams. In the light of this research the actual audit is important; based on this audit the operator is allowed to be a part of the green lane declarants. This audit is performed within the framework of the "NTCA Audit Approach" next to design and existence, operation of procedures is audited (System Based Audit).

Dutch Customs aims at using data analytics more intensively, especially for phase one and phase two of cyclical supervision. Pilots to explore the possibilities have started. Complicating factor is the variety of systems in use by Customs Authority and the unstructured way of capturing data related to reviews, assessments and inspections (this was confirmed in the interview with R. Boessen, Data Scientist at the National Customs Office).

3.2 AGS Declaration System

Nowadays a regular declaration for bringing goods into free circulation in The Netherlands is filed in the AGS system. Approximately eight million declarations (2018) flow through the system of both known and unknown traders (traders from blue, green and yellow lanes, paragraph 3.1). In the near future the amount of declarations that will flow through the regular declaration system will increase tremendously because of growth of the logistical flows in the European Union and because of legal and IT-changes in the way of filing customs declarations in The Netherlands.

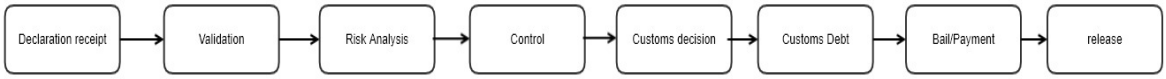
The only requirement for companies to use the AGS declaration system is to be registered for digital communication with Dutch Customs, no further check or audit regarding the monitoring of customs processes by the declarant itself is performed at that moment in time. This means the system is basically designed for traders that are unknown to Dutch Customs, traders in the blue flow (paragraph 3.1)

The AGS declaration for bringing goods into free circulation in The Netherlands is in fact two declarations at once; the declaration for presentation of the goods to Customs and declaration for release for free circulation *(paragraph 2.4 legislation)*.

AGS Process

An EU declaration to place goods under customs procedure release for free circulation encloses the data elements that are specified in the UCC, article 162. Once the declaration is filled it will be dispatched electronically to Customs. The AGS system performs the following steps *(high level, AGS user manual, confidential, V3.1 12 July 2016)*

FIGURE 12
AGS IMPORT PROCESS



1. Declaration receipt
2. Validation
3. Risk analysis
4. Control
5. Customs “decision”
6. Customs debt
7. Bail or payment
8. Release for free circulation

Ad 1. Declaration receipt is an important part of the declaration process because the date of receipt influences outcomes at the end of the process *(art 172 UCC)*[3]. The system checks the data automatically (e.g. completeness, consistency, timeliness) and confirms receipt to the declarant (denial of the declaration by the system is also possible).

Ad.2. Validation means the system verifies the data in the declaration with the DTV system, a European web-based tariff system in which all actual information regarding Customs tariff is enclosed.

Ad 3. Risk Analysis; The declaration is automatically sent to the Prisma-system, the system that connects the currently applicable risk profiles to the content of the declaration. When the system detects a risk, the signal will be sent to “declaration-handling”. If no risk is detected from the risk profiles the system will also perform a random sampling check for validation purposes. If no profile is hit and the validation sample is also not applicable the declaration is send automatically to 5 (passing step 4 Control).

Ad 4. Control; this is the step where human intelligence is being used for the first time in the declaration process. The “declaration handling” team gets a signal from the AGS system that an extra check is needed. The team judges the signal and decides to perform a document inspection or a physical inspection. Document inspection means gathering extra information by e-mail. Physical inspection means creating an inspection assignment in the Plato system that is used to manage this part of the process. Results of the physical inspection are send back to the declaration handling team for a review and further steps. Here Customs is required to perform the inspection within agreed time limits *(Captured in the Dutch brochure “Reactietijden Fysieke Controles Douane, 2020”)*

Ad 5. Customs decision; The system checks whether the goods can be released for free circulation or need another (manual) interference.

3 *The date of acceptance of the customs declaration by the Customs Authorities shall, except where otherwise provided, be the date to be used for the application of the provisions governing the customs procedure for which the goods are declared and for all other import or export formalities*

Ad 6. Customs Debt; The system collects the data from “Douane Tarief Voorziening” (DTV) to calculate the customs debt, sometimes manual interference is needed.

Ad 7. Bail or payment; AGS system checks whether financial warranty is applicable in the system or actual payment of the customs debt has occurred.

Ad 8. Release for free circulation; If all the steps are completed the system releases the declaration and the goods.

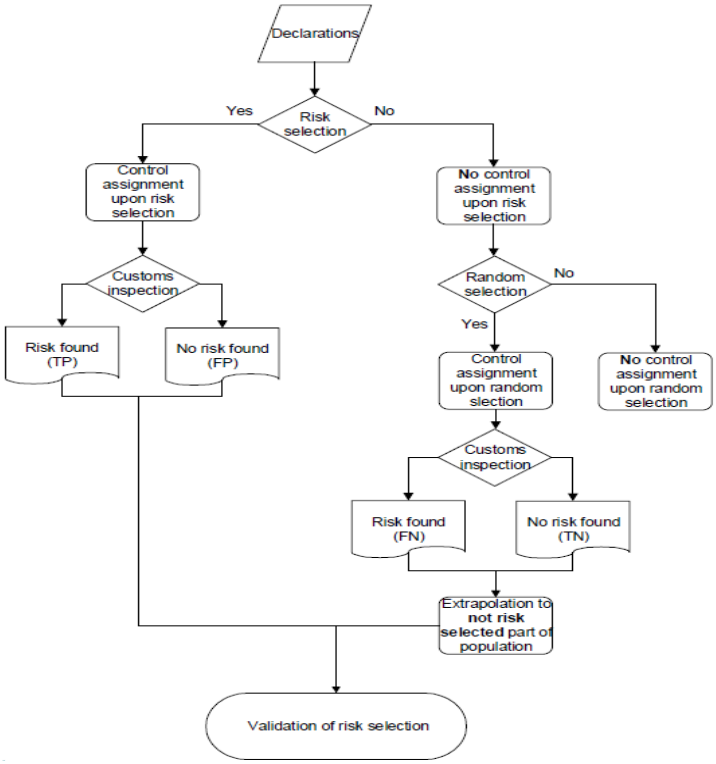
Human interference in the AGS declaration process

Focusing on the AGS import declaration process, human interference is required in step 3, Risk Analyses and step 4, Control. The interference in step 3 is not directly but the Prisma automated risk-selection system is fed by risks that are managed manually. Not only the setup of those risks takes operational time but also the maintenance of the risks; declaring companies can request refinements for certain profiles, Customs offices can propose refinements and the performance of the risk profile needs to be managed.

In step 4 the human interference is more directly required, all the signals from the risk detection system need to be reviewed, document inspections need to be performed, assignments for physical inspection need to be drawn up, physical inspections need to be performed and results from the inspections need to be processed. (*This is where time and workforce saving solutions could be implemented; reduce the amount of risk signals by mitigating them before the import declaration process even starts and handling the controls in an efficient and effective way. Not the key topic of this research though* worth bringing forward).

In figure 13 below Customs’ risk management in the AGS declaration process is depicted.

FIGURE 13
MODEL OF CURRENT RISK DETECTION SYSTEM IN AGS DECLARATION FLOW



SOURCE: CONFIDENTIAL CUSTOMS POLICY DOCUMENT

Prisma system

In step 3 (Risk Analyses) in of the previously sketched AGS declaration process the Prisma system is introduced for the selection of risks in the submitted declarations for free circulation. The steps taken by the system and the processes related to the risk selection are further described in this section.

Prisma is the profiling system that connects the declaration data to the specific selection profiles. In 2019, 713 selection profiles were active only for the flow of declaring goods for free circulation. All the declarations accepted in step 1 and 2 of the AGS declaration process flow through the system.

Prisma selects declarations that need to be processed by customs declaration handling office, the first selection by human intelligence is performed then; is the risk detected by the system a risk that is acknowledged by the declaration handing team? If yes, decisions are is made about how to handle the detected risk; perform an administrative check (gathering more information (related documents)) by e-mail, draw a physical inspection assignment or both.

If Prisma does not signal a risk based on the risk-profiles a random selection will decide whether this declaration needs a physical inspection for validation purposes.

Risks that are signalized by Prisma can be divided in different chapters of enforcement areas and in different type of profiles with defined priorities. Profiles all are maintained by a risk/profile owner of the Customs National Targeting Centre.

Type of Profiles and priorities
Several types of profiles are used in the Prisma system ;

TABLE 7
TYPES OF PROFILES USED IN PRISMA SELECTION SYSTEM

Mandatory profile	Inspections related to specific compulsory (EU) risks
Conformity profile	Related to specific goods
Risk profile	Related to specific risks regarding those goods
Risk finding profile	Checks to improve the risk profiles
Validation sampling profile	Random checks

Priority
Priority is brought in these profiles because of the necessity to be able to derogate in case of overload of risk supply for declaration handling or physical inspection teams. In general the risks regarding bringing goods in free circulation are divided in three groups; controlling known risks, finding new risks and checking randomly to validate. Controlling known risks and random checks are prioritized above finding new risks. Within the level of controlling known risks, EU related mandatory risks have higher priority than national risks. These mandatory profiles are (among others) related to the Financial Risk Criteria in paragraph 2.5.

Validation sampling
Validation sampling profile is to verify; is Dutch Customs indeed selecting the right consignments to check or do we miss out on certain risks. If these inspections lead to a finding of non-conformity these findings must to be put in the Risk database for further evaluation by the targeting centre. This might result in designing new risk profiles or sending a risk signal to Customs regional offices to act (start of or part of cyclical supervision, paragraph 3.1).

The selection of these inspections with validation purpose is based on a random selection profile. The norm is usually set at 0,75‰ of the total of the population of “AGS import declarations minus the profile based selected declarations”.

These validation inspections request intensive checking by the inspector, not just one risk-selected part of the declaration needs to be checked but a large part of the declaration. In the standard inspection assignment of the validation sampling check the following relevant information in the declaration needs to be validated; nature of transaction, package and description of goods, commodity code, country of origin, preferential origin, customs value and delivery terms, total amount invoiced, valuation indicators, and all other information needed like certificates and licenses.

The results of these validation inspections have been evaluated by the Customs Tactical Centre regarding the period October 2018 – July 2019. Results of this evaluation are classified but a short overview can be given here; 3605 declarations were hit by the profile, 3090 inspections were completed. Number of declarants related to those hits was 321. These declarants link to the blue and green lane of the enforcement vision, no distinction regarding this split has been made in the results of inspection-findings. The findings in this evaluation were highly influenced by a few specific very large declarants acting in high speed logistical services and not licensed AEO or EIDR. Therefore the overall result of this evaluation is not appropriate to be used to make estimations about expected results of performing physical checks in the green lane. This lead to the step of reassessing the licensing audits in this research to be able to reflect upon the as-is situation for supervision on the green lane/EIDR declarants.

Post Clearance Audit
When physical inspections have led to findings, these results are signalled and if needed sent to regional offices to investigate administratively. These assignments can be declarant related as well as risk-related. Depending on the status of the declarant or importer involved, the regional offices weigh the possibilities; should a post clearance audit regarding this specific risk be performed (often the case when the declarant is “unknown”) or should this risk be weighed in perspective to this declarant and be taken along in cyclical supervision on customs license. *(Responsive regulation, paragraph 2.2)*

Operational impact
As mentioned before, risk management and performing physical inspections related to the detected risks leads to deployment of workforce. When an overload of risk signals is created Dutch Customs has to make choices on which supervision has priority above another.

3.3 Entry In Declarants Records

Next to the regular declaration flow as described above, a huge declaration flow exists, named “GPA-declarations” (EIDR). Where in the AGS-flow in 2018 8 million import declarations were handled, this flow concerns over 155 million declaration lines, submitted monthly afterwards.

In The Netherlands 214 (2018) companies are licensed to declare their goods brought into free circulation by entering them in their own records. Some of these companies submit several declaration files to declare goods for free circulation. Together they submit 250 monthly GPA files for declaring goods for free circulation. (GPA files for customs warehousing are not in scope here). Each monthly file entails a set of declarations, varying in the range of three lines to two million declaration lines a month.

A license is needed to be able to declare using EIDR/GPA. If the license is requested by the declarant Dutch Customs starts an initial audit. This initial audit is meant to assess the setup and existence of the administrative organisation and monitoring. Customs concludes this audit by a report that states that the declarants administrative organisation provides sufficient guarantees to comply with the rules set by the UCC.

Waiver of presentation of goods
Where in the regular AGS goods-flow the declaration for presentation of the goods is enclosed in the declaration for free circulation, in the current EIDR/GPA flow a waiver is provided for presentation of the goods to customs. Within the license is agreed that customs can demand presentation of the goods if necessary, in practise this has not often lead to actually requiring this presentation of goods to customs.

Regular supervision Entry In Declarants Records
The “GPA-files” are sent in to customs monthly. Customs assesses each file for automation technology compliance first. If the file does not comply to this first check the declaration will not be legally accepted. If the file is approved the declaration is accepted and after acceptation a “request for payment” is issued, based on the information supplied by the declarant itself.

Further administrative supervision is performed after acceptance of the monthly declaration and request for payment. This administrative supervision consists of several activities;
Inconsistencies within declaration lines are signalised.
Inconsistencies within the monthly file are signalised.
Inconsistencies regarding more files are signalised (e.g. quarterly or yearly).

Those signals are made available to the declarant for further research and improvements or corrective actions by the declarant itself are expected. If these improvements and corrective actions do not result in satisfying declarations in the successive periods, further action will be taken by the regional customs office (signal to start additional supervision).

The declarant is expected to closely monitor the content of the GPA files. When mistakes are detected corrective actions need to be communicated to Customs. For example, changes in classification of goods can affect future declarations but also previously submitted declarations. The declarant is expected to request for adjustment of previous declarations (positive or negative) actively. If these corrective actions seem to relate to not being in control of the processes further action will be taken to investigate by regional customs offices.

Baseline measurement files reassessment of licenses

In recent years Dutch Customs has re-assessed most licences in the light of the new 2016 UCC legislation. All licensees have been audited to review whether their administrative organisation and internal control is in line with current legislation for their specific licenses. These audits have been performed in line with national guidance of the Supervision Coordination Group of Dutch Customs.

In this research these audits have been used to be able to reflect on the as-is situation for supervision on the green lane/EIDR declarants; no real time physical checks have been performed in this declaration flow, supervision is performed retrospectively as described in the previous chapter by assessing the declaration files monthly and by auditing the administrative organisation periodically.

This specific group of EIDR declarants is believed to be “of low risk and in control of their own activities” as they have been allowed to be AEO authorized and EIDR licensed. To be able to weigh this position an empirical analysis of available findings from those re-assessment files has been performed *(paragraph 1.6 case study).*

Complicating factors in assessing the files have been the facts that some “early” files do not completely fit the guidelines (as the audit guideline was not completely finalised at the first time period of the re-assessment project), sometimes the decision was made to combine the audit with an already planned “post clearance audit” and some files appeared to be not finished yet. To be able to still use the data incomplete files have been assessed as much as possible and linked audits have been assessed as well. Three files relate to declarants that are part of the special Oil and Gas team, these files have not been allowed to assess. One audit had been postponed because of a reorganisation at the audited company.

Approach of the re-assessment audits
The audits to re-asses the licences in the light of the UCC have been performed based on the national guideline “manual for reassessment of licenses”. These audits start with an exploration of the business and risk analysis, performed by the people involved in account-management at the regional Customs Offices, declaration handling and licensing of those accounts. This exploration of the business results in an audit assignment for the auditor. The auditor needs to assess the design, existence and operation of the administrative organisation and internal control measures making use of the guidelines in de NCTA audit approach. This often resulted in using statistical sampling and reducing the sample based on this NCTA audit approach. The performed audit than lead to the conclusion to provide the licenses again in the light of the new legislation or not.

The exploration of the business and the risk assessment are supposed to lead to risk-estimation of the underlying licensed company summarized in a “questionnaire and risk analysis-file”. Once the audit has been performed findings are enclosed in an audit-report. (from the interview with Ruud Boesen was taken that this kind of registering findings are not suitable for the future use of data analytics in assessing risks related to these declarants).

The findings of the reflections on reassessment audits have been recorded in an overview in Appendix I. In short the reassessment audits have led to the following findings about the performed assessments on EIDR licensed companies;

- In 12 audits the risk analysis has not been performed or has not been well documented
- 1 audit lead to revocation of the license (confirmation of high risk judgement)
- 4 companies were judged high risk but appeared in control and re-licensed
- 4 companies were judged and found low risk and re-licensed

It appears to be impossible based on these findings to confirm the presumption that these declarants are audited in standardised manner and that these declarants are tested to be in control of their organisation in general. This observation is taken as a recommendation for Customs when designing the new supervisory approach.

3.4 Regular Sampling

The actual research question of this thesis is related to the minimal number of checks to be performed in physical reality after confirmation of the supervised company being adequately in control.
If this question is answered from a statistical regular sampling point of view what would then be the number of checks?

To start general steps for determining the right parameters for the an applicable sample from the population are taken. In reality the population of declarations is to be built upon future events (declarations in the new system) so assumptions need to be made.

With an estimated population of 150 million declarations the population is large enough to assume the normal distribution. The population is regarded as being quite homogeneously. The declarations in the population are submitted by declarants allowed to operate in the green lane after administrative supervision regarding design, existence and operation has been performed by Customs authorities.

The hypothesis to be tested would be “In the declarations for placing goods under free circulation procedure submitted by declarants that have been approved to be allowed in the green lane less than X% of the declarations are not conform expectations” (this is the alternative hypothesis as the null-hypothesis would be ….100-X% are conform expectations). Here X refers to the materiality (relevance) of an error, associated with this type of task.

The X% in this alternative hypothesis is not a given so this X needs to be assumed based on other available information. The information basically used with regard to monetary unit sampling performed when auditing post clearance is the materiality table of the Dutch Tax Authorities. The critical fractions derived from this table vary from 1,07% to 6%;

TABLE 8
ACCEPTED MATERIALITY NTCA AUDIT APPROACH

Dutch Turnover (€)			Materiality (€)		Materiality in %	
-	300.000		(turnover x 5%)		5,00%	5,00%
300.000	500.000		15.000		5,00%	3,00%
500.000	1.000.000		30.000		6,00%	3,00%
1.000.000	2.200.000		60.000		6,00%	2,73%
2.200.000	4.400.000		120.000		5,45%	2,73%
4.400.000	8.800.000		180.000		4,09%	2,05%
8.800.000	17.500.000		300.000		3,41%	1,71%
17.500.000	35.000.000		600.000		3,43%	1,71%
35.000.000	70.000.000		900.000		2,57%	1,29%
70.000.000	140.000.000		1.500.000		2,14%	1,07%
140.000.000	-		3.000.000		2,14%	X,XX%

The materiality percentage in the last 2 columns is computed from the materiality amounts against the turnover listed, so 6% is € 30.000 against € 500.000 and 3% is € 30.000 against € 1.000.000

Proportion
Based on this available information using 1% as a limit would be acceptable from a financial point of view and in line with tax practise. Complicating factor for customs supervision is that not only tax revenues are involved when considering acceptable non-conformity but also safety is involved. Yet, it is impossible to inspect all declarations. Because of the regular administrative supervision on examined population and the fact that those companies are known to customs (AEO and EIDR licenses) the 1% is acceptable as the used proportion.

Confidence level
Dutch Tax Authorities generally use the standard level of 95% in the administrative audits. This interval is used here as well. The p-value is set at 0.01.

When the sample is calculated with the above parameters, a sample size of 381 is derived. That means that performing at least 381 physical inspections on the 150 million declarations would underline the estimation that the number of mistakes in the declarations of the green lane declarants is acceptable. When the confidence level is adapted from 95% to 99% the sample size would be 657.

If these sample sizes are held against the number of declarants (214) that means each declarant has to be inspected 1.8 – 3.1 times yearly.

Effect of just randomly sampling could be that declarants with a large number of declarations are more likely to be hit than declarants with a smaller number of declarations. This could mean visiting one declarant over 10 times yearly and not visiting another one. For this it is important to count the inspections performed periodically and use that as an influencing parameter in the selection criteria.

Proposed, in the light of the above derived sample sizes, is that declarations of each declarant must to be physically inspected 2 - 4 times yearly. That would mean an extra operational impact of maximum 856 inspections with regard to those 214 declarants. From customs operational point of view that would be a manageable assignment. From the point of view of impact on the logistical flows of the green lane declarants is considered as an acceptable impact on logistical flow as well. The e-mail survey that has been performed lead to the conclusion that this would be acceptable when the announced “chain-procedure” is applicable.

3.5 Exploration scenario’s GPA alternatives

In February 2020 all EIDR declarants have been invited by Dutch Customs for an exploration of possible scenario’s to succeed the GPA declaration. Customs has explained why the change needs to take place and why it is so difficult to organise. Ten possible variations of declaring for free circulation have been proposed to the actual users of the current GPA declaration *(Table 2 overview of declaration procedures UCC).*

The attending GPA declarants were asked to choose the preferred option. In summary the only possible choice regarding those GPA users was “It does not matter which variation of the ten presented options will be chosen by Dutch Customs, data- and declaration wise they are all quite easily possible. Our only concern is the fact that physical inspections will interfere our day to day practise, the option with lowest possible logistical interference when goods are brought in free circulation will be the best possible option”.

The opinion of the GPA declarants concluded from the explorative meetings aligns with the conclusion of former research *(Smid, 2017)*; predictability and speed of the supply chain and the design of customs supervision is really important to declarants.

TABLE 9
RANKED SHORTLIST OF VARIABLES, REASON TO CHOOSE GPA DECLARATION PROCESS

Rank number	Variable
1	Waiver for presentation notification (predictability and speed)
2	Prior declaration and prior notification (predictability and speed)
3	Moment physical examination (predictability and speed)
4	Number of physical examinations (Customs supervision)
5	System-based approach (Customs supervision)
6	Dataset presentation notification (administrative flexibility)
7	Dataset supplementary declaration (administrative flexibility)

SOURCE: (*SMID 2017*)

Recent developments

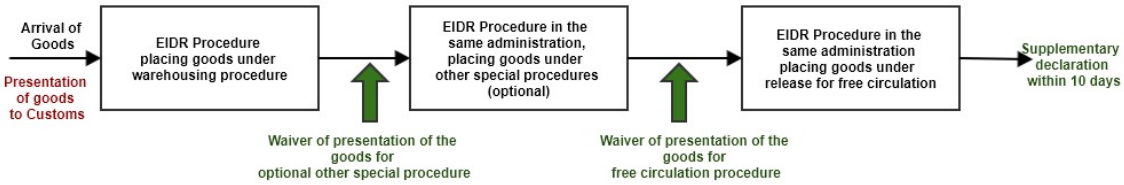
Dutch Customs has taken along the opinions of the attending GPA declarants in February 2020 and has announced some changes in the developments regarding the implementation of the new DMS system (in July 2020). The new design incorporates three ways of filing import declarations in which waiver of presentation of the goods at the moment of declaring the goods for free circulation is optional if a new "chain-arrangement" can be allowed. These new developments will have positive impact on the expected increase of data that needs to be processed real time. Still an important part of green lane declarants will choose or are obliged to have to use the regular declaration procedure *(Article 162 UCC)*.

In the new information sheet of Dutch Customs (appendix VI) three future options of filing customs declarations are listed:

1. The normal procedure. This also includes the prior declaration and the simplified declaration.
2. Entry in the records of the declarant with presentation and periodical supplementary declaration 10 days after lapse of the period in which the goods are entered in the records.
3. Entry in the records of the declarant with waiver of presentation and periodical supplementary declaration 10 days after lapse of the period in which the goods are entered in the records.

In the information sheet Customs explicitly announces the methods that Customs will use when supervising the declarations in each of the three possible options. The information sheet also mentions the Chain-Procedure for the first time; Often declarants file declarations for consecutive customs procedures, kind of a chain of subsequent steps within the operation of one company. An overview of the steps in this chain procedure is depicted in figure 14 below. This new chain procedure is further discussed in paragraph 4.2 as it is part of the examined supervising methods.

FIGURE 14
CHAIN PROCEDURE FOR DECLARING GOODS



4. Supervision Matrix

In the exploratory phase of this research several theoretical backgrounds on supervision have been studied and specialists on supervision and enforcement have been interviewed. Those specialists each have their own opinion and preferences about possible supervision by Dutch Customs. The exploration of alternative GPA scenarios with declarants also lead to new ideas about performing supervision and eventually to the new information sheet *(Appendix VI)*. Several possible supervision methods regarding the current GPA declarants are discussed in this part of the research, taking into account the evaluation topics mentioned in paragraph 2.8. First these evaluation topics are listed again, after that each supervisory method is discussed separately in relation to those contexts. Finally an overview of these findings will be given in a supervision matrix from which a preferred combination of supervisory methods can be derived, based on coherence of the discussed evaluation topics.

4.1 Evaluation Topics

The various methods of supervision will be discussed in relation to these seven evaluation topics.

TABLE 10
EVALUATION TOPICS IN THE SUPERVISION MATRIX

	Evaluation Topic	Explanation
I	Legislation	Is this specific form of supervision in line with legislation (UCC)?
II	European Policy	Is this specific form of supervision in line with EU Policy?
III	Dutch Policy	Is this specific form of supervision in line with EU Policy?
IV	Standardized	Is it possible to register the result of this form of supervision uniformly, does it lead to an unambiguous interpretation of an inspection result in the light of using the findings of this performed supervision for future risk assessment.
V	Operational	Is it possible in the light of available operational capacity of the supervising authority to perform this supervisory method?
VI	Supply Chain	What would be the impact on the regular operation of the involved company. Would this supervision interrupt the supply chain in a disproportionate way?
VII	Calibrating Public Accountability (responsive)	To which condition (adhering or deliberating) of the CPA model *(Schillemans 2018)* does this method of supervision relate and how?

4.2 Supervising Methods

Ten different operational methods of performing supervision derived from interviews and operational experiences. These methods are reviewed in the light of the above outlined contexts. Each method is evaluated as if it would be performed separately, consistency between several methods will be discussed in the next paragraph of this chapter.

A. Currently applicable validation sample check

In paragraph 3.2 the currently applicable validation sample check is described. The selection of these inspections with validation purpose is based on random selection. The norm is usually set at 0,75‰ of the total of the population of "AGS import declarations minus the profile-based selected declarations".

From the evaluation study of the validation sample check is taken that in a period of 10 months almost 3100 inspections regarding validation have been performed in a population of approximately 6,6 million declarations (8 million AGS import declarations in 2018 converted to 10 months). Converted to inspections performed yearly this means 3700 checks. If the future design of declaring goods for free circulation for companies acting in the green lane would be based on filing real time declarations, the estimated (based on the GPA declarations of 2018) number of declarations would be 150 million. Selecting 0,75‰ of those declarations results in 112.500 intensive physical inspections yearly. This is over 30 times the currently performed number of inspections.

In the light of applicable legislation it is possible to perform these inspections (article 188 UCC). Customs is allowed to examine the declaration, the documents and the goods once the customs declaration has been accepted. European policy even demands Member States to perform (physical) inspections related to the FRC criteria prior or posterior to release of the goods for free circulation. A set of risks is drafted by the EU, and Member States are obliged to perform inspections related to those risks, before or after release of the goods. As this validation sampling profile is not related to any data enclosed in declarations this method would not be a one-to-one fit in the EU drawn set of risks. However, if these specific risk criteria would be made part of the inspection assignment for these physical inspections it would meet the EU requirements.

The Dutch Customs supervision strategy set out in the 2020 Enforcement Plan and is to be aimed at improving compliance, is information driven, risk based and layered (HHP 2020). By just performing physical inspections based at a set of declarations without any further use of information regarding the declarant or without using risk based selection of declarations this method does not meet the Dutch strategy regarding Customs Supervision.

As there is no further future risk development regarding this supervisory method it is of little importance whether findings from the performed inspections are usable in a uniform sense, standardisation is not of much importance here. From an operational point of view this answer is quite clear, this method requires over 30 times the related workforce. If one inspection assignment (including preparation, travelling, performing the inspection and completion) is estimated at 4 hours the totally related workforce would increase by 450.000 inspection hours (in full time equivalent, when fte is 1836 hours yearly, these persons are just effectively performing these inspections and have not a single indirect task, this would mean 245 customs inspectors).

Regarded in the light of the supply chain of the declarants this option is also not desired. First of all the uncertainty in the supply chain increases where in the current situation it is certain that physical inspections will not be performed. Second, each inspection would stop the logistical flow, goods are to be separated, waiting periods are involved and workforce has to be available to accompany the inspector.

Finally, in the light of CPA, this method leaves no room for declarants to consider the effect of the actions taken with regard to being in control. Regardless their effort these inspections will be performed, a clear situation of “measuring number of checks related to the number of declarations” will be created.

B. Bayes statistics (use prior beliefs about internal controls)

Bayes’ theorem regarding statistical sampling is discussed in paragraph 3.8 of this research. This theory uses beliefs based on prior investigation in determining the size of a sample needed. If, besides the performed physical validation inspections, information regarding the administrative organisations of the declarants is taken into account (retrieved from administrative checks to be allowed into the green lane) these prior beliefs about the trustworthiness of the companies in the population could be used. If we would use for example the NCTA reduction table that has been developed for administrative audit purposes, and apply the reduction to the estimated 112,500 inspections of method A, this would result in a reduction of 75% or 87,5%, depending of the strength of the prior assurance regarding the internal control system of the declarant. In that case, either approximately 28,000 or 14,000 physical validation inspections would be the result. That is still too much, but it is a possible step in the right direction.

In the light of applicable legislation and European policy this method is more or less comparable to method A. Regarding Dutch policy it fits slightly better in a sense that the relative risk regarding the declarant is taken into account.

Findings from these inspections can be standardised (outcome will be conforming of non-conforming) but will not be used for possible adaptation of the inspection rate. From an operational point of view this this method requires 3 - 8 times the related workforce. Using the same estimate (method A) this relates to 30 – 60 inspectors in the most effective but not realistic way.

Regarded in the light of the supply chain this method is far less intrusive compared to method A but still very intrusive in comparison to the current GPA situation of no physical inspections. In the light of CPA, this method is similar to method A and leaves no room for declarants to deliberate about the effect of their actions taken with regard to being in control of their own situation, as their administrative organisation has already been approved by allowing them in the green lane.

C. Applying a risk profiling system (analogous to Prisma)

In paragraph 3.2 the Dutch Customs risk profiling system regarding AGS declarations is explained. Several types of profiles related to compulsory EU risks, to specific goods and related to improving the risk selection system are used to monitor the flow of import declarations. If a risk is signalized by the system Customs reacts to this risk by performing paper-based and/or physical inspections. Each profile is maintained by a risk owner of the national tactical centre.

Legislation-wise this method of supervision would be suitable as verification is possible based on the UCC *(Art 188 UCC).* Regarding European Policy it would also be suitable as it is possible (and probably already done) to design risk profiles in line with the mandatory Financial Risk Criteria. For the concern of supervisory policy of The Netherlands this method of supervision would be information driven, risk based but not layered, as the Prisma profiles are used for both blue and green lane declarants. Each profile could be adapted separately regarding the group of green lane declarants, this would imply extra workload regarding maintenance of the profiles.

The result of the performed inspections is registered as conform of non-conform but no further information regarding findings during the inspection is captured in AGS, in the current situation it is an impractical amount of work to get an overview of findings (that need to be collected from another system called Plato, and is unstructured). This could be performed in a more complete and standardised way. In the light of operational impact, regarding the increase of declaration lines by almost 1900% (150

million instead of 8 million), this answer is clear: impracticable. Like method A, this option would interfere in the supply chain in a highly undesired manner.

In the light of CPA, this method is similar to method A and B and leaves no room for declarants to ponder about the effect of their actions taken with regard to being in control of their own situation, declarations need to comply and Customs counts the number of physical checks performed.

D. Adaptive bonus-malus system.

This method has been explored by the innovation and enforcement policy teams of Dutch Customs. It would be an adaptive system based on findings in physical inspections (and eventually administrative audits). Starting point would be a base rate of physical inspections and this rate would be influenced by either non-conformity or conformity of findings at physical inspections.

This method of inspection would fit in legislation and in EU policy regarding FRC criteria as it is basically the same as methods A-C. For Dutch policy it would meet the demands information driven, risk-based, and layered as the adaptation of the rate is possible when allowed to the green lane declarants. This method can be related to responsive regulation (*Black & Baldwin*), as supervision is one on one adapted based on performance of the declarant.

Standardisation is clear on the one hand; when non-conformity is detected this will lead to xx impact on the inspections for this declarant. On the other hand non-conformity needs to be very well defined for both officers and declarants as immediate impact on the inspection rate will be the consequence. This leads to operational difficulties in the current supervision of Customs because uncertainty will always exist about the number of inspections to be performed. The definition of “findings” or “non-conformity” related to physical inspections is currently not always clear to customs inspectors and neither to declarants (Would a typo have impact on the rate and who decides a finding relates to a typo?).

Operation wise this bonus-malus system leads to uncertainty about the (huge) workload for customs and the current organisational set up of the customs organisation would need impactful adaptations regarding uniformity of performing tasks in the field and recording of findings in a uniform way manner.

Supply Chains will face increase of inspections at first. Once the rate has been lowered because of confirmative inspections, the uncertainty of increase of inspections rate persists. For the context of CPA the declarant is focused on the content of the declaration and customs would still be counting inspections and correction rates.

E. Cyclical supervision (System Based Audit)

This approach has been described in paragraph 2.3 of this research and entails several steps regarding risk assessment and supervision of a specific declarant. This declarant is licenced and known to regional customs offices. As said before, supervision methods described in this part of the research are regarded as being the only supervision performed. Here this would mean administrative supervision is the sole method, no physical supervision in any way would be performed.

Based on legislation this would be possible as a waiver from the obligation for goods to be presented to Customs is allowed in specific cases of article 182 (3) of the UCC. In Objective #6 of the EU Strategy and Action Plan *(COM (2014) 527 final)* EU aims at developing cooperation with trade to secure and facilitate legitimate trade, strengthening the AEO programme, develop enhanced benefits. In the light of this EU policy this risk based and layered approach could be accepted. Nevertheless, in the EU FRC policy absence of physical inspections seems unacceptable.

In the light of Dutch policy, as described before, improving compliance, information driven, risk based and layered supervision have been included in strategy. The information driven part might be the bottle

neck here, if no inspections are performed in the logistical flow no information is available to use as risk-indicator once the cyclical supervision starts with phase one.

Regarding standardisation; performing cyclical supervision (and reassessment of licences in 2016 – 2019) is based on national guidelines that prescribe the steps to be taken by regional offices in each audit. Off course customs auditors do have some professional freedom to do their job, that is why the proposed approach in an audit and the result of the audit are assessed by another pair of eyes. In the end, conclusions and recommendations taken from the knowledge of the auditor are recorded in a report. This report is of standardised set-up as well but is not easy accessible to be used as standardised data useful for intelligence purposes.

Both the operational context and the SCM context are touched upon shortly here, as this supervision is already performed by the account-management and audit teams of the regional offices of Dutch Customs and no direct interference of the supply chain will occur by performing these audits.
Within the CPA model performing this method of supervision is at the other side of the model, deliberating. Declarants themselves are made responsible for their internal controls and administrative organisation. General boundaries have been set in applicable AEO legislative rules and requirements related to other licenses. Some outcomes of the system are audited in the light of being able to judge operation of the system.

F. Supervision-day

This method of supervision has been performed in the past by (among others) Eindhoven regional office and has been discussed in the interview with R. Doolhoff and B. Mutsaers. Instead of selecting a certain declaration for physical inspection all declarations within a certain time slot lead to a physical inspection assignment. This resulted in a clustered approach of performing inspections. Several inspectors with different backgrounds were involved (Physical inspectors, auditors, account-managers). Declarations were inspected for correctness of the data and after this, processes related to this declaration were checked (test of controls).

Legislation wise this method of supervision would be suitable as verification is possible based on the UCC (Art 188 UCC). Regarding European Policy it would be suitable as physical inspections are performed randomly. For the concern of supervisory policy of The Netherlands this method of supervision would be risk based and layered, as this method is only used regarding green lane declarants. It would be information driven as data of previous periods can be used to decide upon the desired timing (what would be the most useful time in a week or month to perform this supervision day) and in the light of improving compliance it would be less interruptive in supply chains as inspections are clustered and no waiting times are involved.

Regarding standardised needs to be clarified which inspections would be performed in this method and how often this method is applied regarding each declarant. Because professional judgment of several backgrounds is involved and inspections are dual purpose (content of the declaration and the process regarding the declaration is inspected) the outcome would be more useful than just one physical inspection. Based on several inspections and also reviewing the processes related the outcome is useful to standardise. The operational consequences for customs seem acceptable as this method is planned based on number of declarants (214) times the number of supervision days that is wanted times the FTE involved. Experience learned that the complicating factor was that national declaration handling needed to be involved for preparing the inspections assignments and the finalisation and recording of each separate declaration involved in a short time period.

Supply chain wise this method is unexpected and intrusive but given the fact that the waiting times are lowered (or even absent) and the fact that inspections are clustered it seems acceptable in this context. In the light of the CPA model it is both outcome (data in declarations) and process (test of controls) related.

G. Flexible moment of physical supervision in chain of declarations (System Based, Chain Procedure)

In July 2020 Customs has published a new approach regarding the changes in the declaration systems which includes an extra option for EIDR declarants to choose from. This third option is to perform physical inspections at another moment in the chain of subsequent customs declarations. The obligation to present the goods to Customs is waived for free circulation procedure *(paragraph 3.5)* Often EIDR declarants are also licensed for other customs procedures like warehousing or processing of goods. When general administrative audits are performed these subsequent procedures are assessed in the light of internal control requirements and completeness of goods flows (System Based). Supply chain wise, in general, the interruption of the logistical flow of goods at moment of dispatch of goods (procedure for free circulation) is more invasive than an interruption at the moment of placing the goods under warehousing procedure, as the goods are usually meant to be placed in the warehouse until needed for further use. This option was already been mentioned in the interview with B. Mutsaers in 2019.

Based on legislation this would be possible as a waiver from the obligation for goods to be presented to Customs when placing them under the procedure for free circulation is allowed in specific cases of article 182 (3) of the UCC. In Objective #6 of the EU Strategy and Action Plan *(COM (2014) 527 final)* EU aims at developing cooperation with trade to secure and facilitate legitimate trade, strengthening the AEO programme and develop enhanced benefits. In the light of this EU policy this risk based and layered approach could be accepted. In the EU FRC policy absence of physical inspections seems unacceptable but when this method is used the physical inspection is in fact performed in the supply chain of the declarant but at another moment in time. The fact that Customs has decided upon allowing declarants to use this procedure implies that this complies to Dutch Customs supervision policy.

Standardisation of performing these inspections is subject to further development of the method and depending on how these inspections are to be performed and how the results are collected. This could become a quite standardised way of recording and being able to use these checks for subsequent supervision. Whether is it operationally acceptable depends on the number of declarations that need to be supervised and the used specifics for determining the amount of inspections to be performed.

As this method relates to processes in place in the declarants organisational environment and inspections related to the outcome of these processes this method relates to both adhering and deliberating in the CPA model.

H. Prisma risk profiles used retrospectively

This method uses the applicable risk profiles, designed for the regular declaration flow (blue-lane) to audit historical declaration data of the EIDR declarant (also derived from the interview with B. Mutsaers). Hits are flagged in the data and need to be judged by Customs. The knowledge about the internal control of the declarant (as he is allowed in the green lane) can be used to determine whether this flag-signal is indeed a risk to be assessed. If this would be the only method applied, no physical inspections would be performed, this makes this method solely unacceptable for EU-policy. Nevertheless in the light of operational consequences at customs and in the light of the supply chain this could be a preferable option as no interference of the logistical flow takes place and the assessment can be performed as a customs desk audit. When this method leads to flagging and verification of a single declaration it is not possible to actually examine the goods in reality though.

In the light of the CPA model it relates to both adhering and deliberating; Customs prefers a check on the output of the system and knowledge about the internal control measures of the declarant is taken along.

I. Minimal random sample check

This method relates to paragraph 3.4 of this research. This minimised sample in the population of 150 million declarations leads to physically intervening just a few times yearly for each declarant. If this method is used separately (without any other administrative supervision) it will not be regarded sufficient for legislation and policies given the fact that no additive information about the trader is used to determine whether declaring in the green lane is justified.

Standardisation; from the point of view of “each declaration can be subject to an inspection” it is really objective and standardised. Depending on the inspection assignment and registered outcome of the inspection it could evolve to a certain level of standardisation. Depending on the consequences of this registered outcome this could be quite useable or not. Supply chain interference is minimalized so regarded from that context it seems to be acceptable. From an operational point of view this leads to an extra number of inspections yearly that is quite manageable. Regarding this method in the light of the CPA model it is just focused on the outcome of an inspection and not focused on related processes at the declaring company at all.

J. Towards Data intelligence

The last supervisory method mentioned here is listed as a placeholder for future developments. As a dot on the horizon; just using available data to perform supervision on declarants in the green lane. Interviewing the expert in the data research field lead to the conclusion that currently available data in customs systems is inapplicable because of the unorganised way of recording results from administrative audits and physical inspections (seen from a data perspective, *Maenen 2020*) and because of the lack of possibilities to link Customs systems to systems of declaring organisations continuously.

Nevertheless the UCC allows Member States to test IT related simplifications related to application of the customs legislation *(Art. 282 UCC)* Next to that the EU policy as well aims at using valuable additional data and getting access to the information available in the operators systems *(Objective #6 of the EU Strategy and Action plan (COM (2014) 527 final)*. Policy of Dutch customs also refers to developing towards information driven supervision, making use of data intelligence. As this method would not interfere in logistical flows unless a real risk is detected it seems acceptable from a supply chain point of view.

Customs organisational effort would imply an investment in intelligence systems that are able to link to the declarants systems. Next to that an investment in uniform and standardised recording of findings and risks related to the specific declarant needs to be made. In the light of the CPA model the focus of this method of supervising relates to both deliberating and adhering as the outcome of and the processes in declarants information systems are used to assess risks regarding their declaration data.

4.3 Supervision Matrix

Summarising the findings in paragraph 4.2 of the various supervising methods related to evaluation topics of paragraph 4.1 the following matrix can be derived;

TABLE 11
SUPERVISION MATRIX RELATING SUPERVISING METHODS TO EVALUATION TOPICS

			Evaluation Topics						
			I	II	III	IV	V	VI	VII
Supervising methods			Legislation	Policy EU	Policy NL	Standardized	Operational	Supply Chain	CPA model
A.	Validation sample check		+	-	-	-	-	-	A
B.	Bayes Statistics		+	-	+/-	-	-	-	A
C.	Applying Prisma risk profiling system		+	+	+/-	-	-	-	A
D.	Bonus malus system		+	+	+/-	+	-	-	A
E.	Cyclical supervision		+	-	+/-	+	+	+	D
F.	Supervision-day		+	+	+	+	+/-	+	D/A
G.	Flexible moment of physical supervision		+	+	+	+/-	+/-	+/-	D/A
H.	Use Prisma profiles retrospectively (data)		-	-	+/-	+	+	+	D/A
I.	Minimal random sample check		-	-	-	+/-	+	+	A
J.	Towards data intelligence		+	+	+	+/-	-	+	D/A

The scores in the matrix can be interpreted in the following manner;

TABLE 12
INTERPRETATION OF SCORES IN THE SUPERVISION MATRIX

+	Performing this operational method of supervision complies to the expectations and requirements of the evaluation topic
-	Performing this operational method of supervision does not comply to the expectations and requirements of the evaluation topic
+/-	Performing this operational method of supervision partly complies to the expectations and requirements of the evaluation topic
A	Performing this operational method of supervision is in line with the "Adhering" outcome of the CPA model (*Schillemans, 2018)*
D	Performing this operational method of supervision is in line with the "Deliberating" outcome of the CPA model *(Schillemans 2018)*
D/A	Performing this operational method of supervision implies the supervision is focused both on "Adhering" and "Deliberating" of the CPA model

4.3.1. First conclusion derived from the supervision matrix

What seems to become quite clear from this overview based on the review of the ten operational methods of performing supervision is that method both methods E and F seem to be the most appropriate in the light of the chosen contexts.

Method E, cyclical supervision, is already performed by customs authorities. From the research in paragraph 3.3 can be concluded that is has not been performed in a standardised and clear way in the recent past. For these audits to be used in determining whether a declarant is allowed in green lane rightfully, the performance and recordings of the audits needs to be structured. Lack of using just this method is the fact that no random physical inspections are performed.

Method F, the supervision day, has been performed by customs in past times but not on a regular basis. This method seems quite acceptable though regarding all the plusses in the matrix. But, it must be kept in mind that this method has been assessed on itself. When this method is used, another way of determining allowance in the green lane must be performed as well, as design and existence of the internal control system is not assessed during the supervision day.

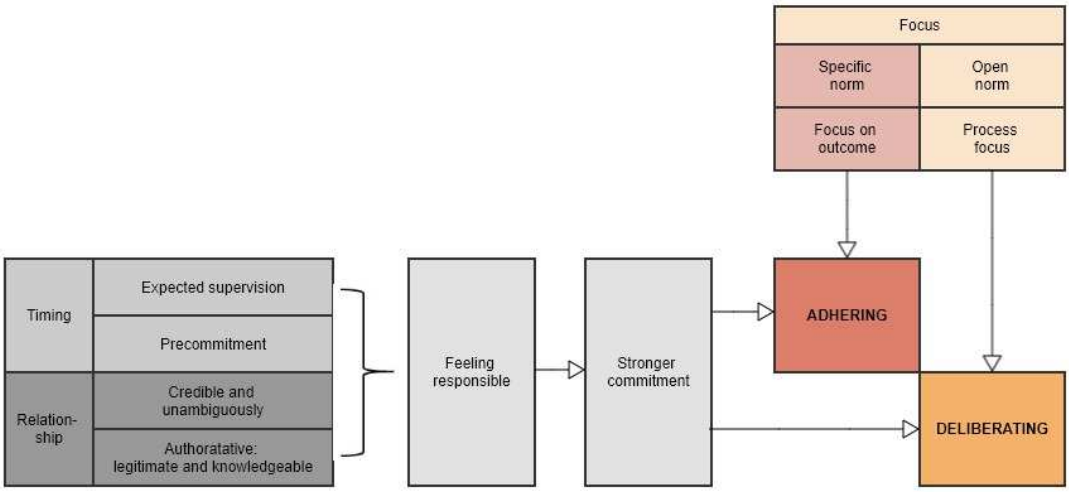
A combination of performing supervision by using method E, Cyclical Supervision, with another method of supervision would be the proposed solution from this supervision matrix. This could either be method F (supervision day), G (flexible moment of physical supervision, chain procedure) as they are operationally manageable for both Customs and operating companies. Findings in paragraph 3.4 (method I, minimal random sampling check) regarding sampling seem to be an acceptable approach keep in mind when designing F or G, the physical inspection related part of supervision.

The short e-mail survey held amongst current GPA declarants has confirmed the expectation that the Chain Procedure is an acceptable solution.

4.4 Calibrating Public Accountability for supervision

In this paragraph the CPA model mentioned already in chapter 2 is reflected upon in the light of supervising declarants in the green lane. In paragraph 4.3 each method has been judged in the light of the model.

FIGURE 15
ACTUALIZED CPA MODEL FOR SUPERVISION



SOURCE: (SCHILLEMANS 2018, TRANSLATED, ORIGINAL VERSION IN ANNEX III

Only one out of ten methods reflected upon is clearly process focused and leads to a declarant that is deliberating. 5 out of 10 relate to outcome focus and adhering and 4 out of 10 relate to both deliberating and adhering.

To be able to derive a conclusion from this split in focus, the CPA *(Schillemans 2018)* model is reflected upon with supervising the green lane declarants in mind.

First in general, related to the effects of supervision. The left, grey side describes the psychological side of organisations and their reaction on supervision (influencing behaviour). Timing wise two key subjects are mentioned, expected supervision and pre-commitment. Expected supervision means the declarant will not be surprised by the actions authorities take to supervise, it is made clear upfront that supervision will be performed and how (no surprises). Declarants are prepared for supervision and this affects behaviour in a sense that declarants reflect on their actions themselves before authorities do. In supervising in the green lane it has been made clear that audits will be performed by customs, called cyclical supervision. Today this supervision is still under construction so it is not possible to use this in communication towards declarants. When communicating the new DMS model in 2019 to current GPA users nobody could exactly clarify which physical supervision would be the norm. Reflected upon this in the light of this model it is not surprising that declarants were reluctant to accept the propositions made in 2019. Nowadays the performed supervision regarding the GPA declarations is quite clear, monthly the GPA file will be assessed and signals will be shared. When no actions are taken upon these signals the Account-Manager is informed and further research will be performed.

Secondly, pre-commitment, that means being able to influence your own behaviour after supervision has been performed (what is the direct consequence of the supervision). When authorities leave room for improving at own stake instead of acting repressive immediately the declarant will more likely accept the supervision and learn from findings from that supervision. In current supervision on GPA this is clearly the case. Findings are signalised and communicated and the declarant acts upon those signals

itself. Regarding cyclical supervision this is also applicable, when in audits risks are acknowledged and faults are detected the auditor will allow improving internal control measures instead of revoking a license immediately. In the new DMS approach in 2019 was no clarification given about the consequences of the to be performed physical inspections, would a finding there have immediate consequences?

Relationship-wise also two topics are appointed; credible and unambiguously, and authoritative (legitimate and knowledgeable). Credible and unambiguously is described by the author as the norms are clear, not being explained and used in different ways and credible in the way that an inspector believes in the usefulness of the supervision he or she performs. Related to supervision in the green lane this refers to norms being unclear in cyclical supervision and licenses being assessed differently depending on which regional customs office performs the audit. About believing in the usefulness of the performed supervision, it is not a secret that not all physical inspection assignments are regarded useful, not even by the inspector of Customs. For the current GPA actually this seems different, GPA declarations are assessed in more or less the same way nationally using automated assessment programmes.

Authoritative is explained as “Does the inspector have the expertise to really be able to assess the organisation and to form an opinion based upon that?” In the modern world authority is not solely accepted based on being an inspector, authority needs to be deserved and acquired. This depends on which customs inspector is involved in supervision; is he well educated in supervising both blue lane declarants and green lane declarants? What is not meant here that green lane inspectors need to be of a special kind but what is meant is that it is important to give an inspector the knowledge he needs to be an expert.

Timing and relationship discussed above influence the responsiveness felt by the declarant in general. When companies feel responsible they automatically will have stronger commitment towards being in control.

The orange part on the right is about the focus of the authority; are norms open or specific? And when testing to these norms will focus lay upon the process or the outcome. In the supervision matrix only cyclical supervision is classified process focused; when performing this supervision the internal control system of the declarant is assessed. When performing physical inspections customs acts solely outcome focused, and faults will be detected and highlighted or not.

The complete model shows that for supervision being effective components like timing of and relationship with the Authority are important to acknowledge. Focus of Authorities can be on outcome or process and focusing on one of these more explicitly will influence behaviour of the declarant. Green lane declarants are being audited for their processes and internal control systems when licenses are being allowed and it seems quite strange to later assess them solely on outcome by performing physical inspections.

4.5 Supervision Paradox

The supervision paradox has been discussed in paragraph 1.3 and 2.1.1 of this research. As stated the supervision paradox grew (Figure 4) related to the announced change in supervising EIDR declarants by Dutch customs; no incidents were registered, the organisations were approved to be adequately in control and still the regular level of supervision would increase, even in day to day logistical operation because of the announced inspections in physical reality/logistics.

The exploration of the scenario's with current GPA declarants and the research of Smid *(Smid 2017)* in 2017 underlined that the announced uncertainty of possible inspections in the flow of goods were undesired. Declarants understand the necessity of supervision by Customs, though they do not understand why this supervision should be performed at the critical moment of dispatch of the goods. They mention the fact that the administrative organisation and internal controls they perform themselves (that is supervised by Customs with administrative audits) and the open and active communication with Customs when irregularities are detected are a proper level of supervision.

When choices on how to perform supervision are made by Dutch Customs, with the results in the supervision matrix in paragraph 4.3 in mind, the growth of the supervision paradox will be taken into account as well. Evaluation topic VII, Supply Chain, considers the impact of the supervision on logistical performance ("predictability and speed" has been concluded by Smid *(Smid 2017)* as the main trigger for choosing GPA declaration procedure). Major impact on logistical flow will increase the paradox between actual performed supervision and the expected level of supervision.

4.6 Validation

To validate the results of the supervision matrix in paragraph 4.3 several specialists have been asked to reflect on it. Next to those reflections current GPA declarants have been asked to reply to a short survey by e-mail.

W. Visscher, (Senior Advisor Supervision, National AEO Coordination, Dutch Customs National Office) has been taken along in the steps of the research to reflect on the practical implementation possibilities of the proposed results; would proposed supervisory methods fit in the reality of performing supervision by Dutch Customs.

M. Slegt PhD (Senior Scientific Staff member Dutch Customs Laboratory) was asked to reflect on the results of supervising method I, minimal random sample check.

C. Buitenhuis RA (President of the technical commission Statistical Audit of Dutch Tax Authorities) has been asked to discuss the results of supervising method B, applying Bayes Statistics. This digital conversation lead to the conclusion that applying Bayes statistics in a technical sense is not possible. Bayes Theorem is applied in a more practical sense in the NCTA approach, a "Bayesian way" of using prior knowledge about the inspected company when deciding upon the supervising method.

The short e-mail survey held amongst GPA declarants was held to verify whether the proposed solution derived from the supervision matrix would be acceptable in the light of business needs.

5. Contribution for Research

This research focuses on designing a supervision matrix for authorities that are given the task to supervise activities related to goods flows. Possible supervision methods are reflected upon in the light of several relevant evaluation topics. In this research the matrix is used to reflect upon ten possible supervision methods applicable in customs supervision but this model can also be used to perform research upon supervision performed by other supervisory organizations (Human Environment and Transport Inspectorate, Food and Consumer Product Safety Authority)

One of the evaluation topics in the supervision matrix is the Actualized Calibrating Public Accountability (CPA) for supervision of Tillemans *(Tillemans, 2018).* This CPA model for supervision points out that the regulatory body that stimulates both “adhering to norms” and “deliberating about processes” encounters a dilemma; what is needed for “adhering to norms” differs from what is needed for “deliberating about processed”. By using this evaluation topic in the supervision matrix in paragraph 4.2 a reflection on the scientific model is made; is the Actualized CPA model recognizable in daily practise of Dutch Customs supervision? Would it be possible to link specific supervisory methods to either “adhering to” or to “deliberating” and would it be possible for Dutch Customs to focus on one of those more explicitly *(paragraph 4.4)*.

Next to the CPA model, the supervision paradox taken from the report of The Dutch Scientific Council for Government Policy *(WRR 2013)* is reflected upon in the light of Customs Supervision in the green lane *(paragraph 3.1 and 4.5); “the struggle to limit supervision in a sector in incident-free periods (give the sector more responsibility, cut down on bureaucracy and expense) versus the tendency to increase it following incidents (expand and intensify supervision, make it stricter)”.* This struggle has been recognized in the current changes in supervision methods performed by Dutch Customs, on the one hand supervisory actions need to be in line with legislation and policy, on the other hand it is important to take into account the effects on society, would the proposed new way of supervising green lane declarants still be as valuable to society as the old highly appreciated GPA method?

6. Contribution for Practise

The research focuses on supervision performed by Dutch Customs in the so called green lane (paragraph 3.1). Ten operational methods of supervision in the light of seven evaluation topics from different backgrounds make it possible to derive an acceptable combination of supervisory methods in this green lane. Next to legislative and administrative norms, the impact on declarants (and the effect on society) is explicitly taken into account.

During research the recording performed supervision in a uniform and easy accessible way to make it useful to decide upon following steps in supervising has proven to be important. It was very difficult (or even impossible) to reflect upon former performed supervision by Dutch Customs because of the unstructured and inaccessible recording of this performed supervision. To be able to show stakeholders (EU and Dutch Government) that supervision complies to the norms set, and to learn from the performed supervision by Dutch Customs itself, this is taken as a recommendation for Dutch Customs.

The model for Actualized Calibrating Public Accountability (CPA) for supervision of Tillemans *(Tillemans, 2018)* and the supervision paradox taken from the report of The Dutch Scientific Council for Government Policy *(WRR 2013)* has been used to reflect upon supervision of Dutch Customs. This results in the opinion and advise that it is important to realise that consequences of supervisory actions also have impact on society, the commitment of the declarant. This could be taken as an additional evaluation topic in the supervision matrix.

7. Conclusions and Recommendations

The impact of the announced changes in supervising the group of EIDR declarants by Dutch Customs has led to commotion in both society and Customs organisation; the operational performance of companies is felt to be at stake, the necessity of the extra physical inspections is doubted. Nowadays the declarations of the concerned declarants are supervised administratively, in the new situation physical inspections are added to the supervision performed by Customs in this specific group of declarants. This commotion has triggered the urge to research the announced changes and this lead to the following research question and related sub-questions;

What is the minimal number of physical inspections, needed to ensure a set of regulatory objectives, after confirmation that the administrative organisation and internal control system of the supervised company is adequately in control?

1. Which regulatory objectives should be met? What are the requirements that can be derived from legislation and policy of both The European Union and The Netherlands?
2. Which theories on supervision can be used to reflect upon the existing and the proposed declaration procedures?
3. How effective and efficient is the current supervision on EIDR declarants and how will this be affected by the announced changes?

To be able to answer the research question, first the derived sub-questions are answered separately.

1. *Which regulatory objectives should be met? What are the requirements that can be derived from legislation and policy of both The European Union and The Netherlands?*

First of all and quite obviously the customs declarations have to be made in compliance with the applicable customs legislation UCC, more specifically article 162 UCC. This declaration can be done in a regular or simplified manner and must be submitted electronically at the moment of presentation of the goods or prior to presentation of the goods *(paragraph 2.4)*. A waiver of presentation of the goods to customs may be granted for AEO licensed declarants if extra conditions are fulfilled *(article 182 UCC)*.

Recently (July 2020) Dutch Customs has communicated the new policy regarding declaring goods for importation using EIDR procedure, three options remain possible in the Netherlands as successor to the currently applicable GPA declaration method;
1. The normal procedure. This also includes the prior declaration and the simplified declaration.
2. Entry in the records of the declarant with presentation and periodical supplementary declaration 10 days after lapse of the period in which the goods are entered in the records.
3. Entry in the records of the declarant with exemption from presentation and periodical supplementary declaration 10 days after lapse of the period in which the goods are entered in the records.

These options all enclose the possibility of physical inspections in the goods flow. Exemption (waiver) of presentation will only be granted cases with a so-called chain procedure (paragraph 4.2 supervising method G).

European Union communicates her policies on supervision both open for public use and classified. From the public part of these policies can be derived that physical inspection prior to release for free circulation of goods is required. The decision in which specific cases that is required (EU Financial Risk Criteria) is not publically available, Dutch Customs has to comply to this policy.

2. *Which theories on supervision can be used to reflect upon the existing and the proposed declaration procedures?*

Several interrelated principles of performing supervision are determined to be already in use when reflecting on current supervision performed by Customs. Supervision is both risk based and layered. The layered approach is recognized in the enforcement vision from which customs divides declaring parties in three groups. Each group faces a different approach of determining supervisory actions. Risk based approach is used in both green and blue declarants but not in a similar manner.
System based auditing is used when administrative supervision is performed by Customs. Next to the already used theories in current supervision, the general function of supervision (*Mertens, 2011*) and the behavioural background of supervision *(Schillemans, 2018)* is taken into account..

3. *How effective and efficient is the current supervision on EIDR declarants and how will this be affected by the announced changes?*

To be able to answer this subquestion it is split in several practical questions, each of these will be answered separately.

a) *Which supervision is performed by customs in general related to declarations for bringing* goods into free circulation in The Netherlands?

Supervision in the regular flow of AGS declarations (broad spectrum of declarants, both known (green lane) and unknown (blue lane) is performed by performing document or physical inspections. Risk detection by the automated Prisma system leads to signalized declarations that need to be handled further by human interference.

Currently GPA declarants are supervised from a system based perspective when administrative supervision is performed (on the licenses EIDR and AEO). The monthly submitted GPA files are assessed electronically. Signals from these assessments are sent to the declarant and he is expected to act and if needed improve performance upon those signals. If the expected corrective actions are not performed by the declarant more intense (administrative) supervision will be performed. As a waiver for presentation of the goods to customs is granted no further physical inspections regarding the declaration for free circulation of the goods is performed by customs currently unless major risks are detected.

b) *Based on which profiling and sampling techniques is the current physical supervision organised? Would this way of random sampling fit in the new design of declaring goods for free circulation?*

As no physical supervision is performed regarding the green lane declarants, processes on supervising import declarations of unknown traders (blue lane) have been researched. Risk based profiles (over 700) are used to select risks. These risks are related to both known and unknown risks, related to specific traders or goods or related to finding risks and validation of the system.
The hit rate of some profiles is adjusted when a declarant is AEO licensed. The determination of the rate of the current (validation) sampling profiles is mainly influenced by operational limitations of the customs workforce.

c) *Would this currently applicable way of random sampling fit in the new design of declaring goods for free circulation?*

To answer this specific question a part of the supervision matrix of paragraph 4.3 is displayed here;

TABLE 13
CUT-OUT OF SUPERVISION MATRIX (TABLE 11)

			Evaluation Topics						
			I	II	III	IV	V	VI	VII
Supervising methods			Legislation	Policy EU	Policy NL	Standardised	Operational	Supply Chain	CPA model
A.	Validation sample check		+	-	-	-	-	-	A
C.	Applying Prisma risk profiling system		+	+	+/-	-	-	-	A

This way of random sampling would not fit in the new DMS system as both the validation sampling check and the currently used Prisma profiling system would lead to an operationally unworkable amount of inspection assignments for both customs and supply chain. Next to that, the validation sampling check (by itself) does not comply to European and Dutch Policy.

d) *What conclusions can be drawn about the current supervision based on historical data and historical physical checks?*

Regarding historical physical checks the performed evaluation study of Customs on validation sampling has been studied. The results were highly influenced by a few very large declarants (not EIDR licensed) and the results have not been split in the light of blue and green lane declarants.
Therefore the overall result of this evaluation is not appropriate to be used in this research to make estimations about expected results of performing physical checks in the green lane. This lead to the decision to assess audit files related to administrative supervision on the green lane declarants.

It has appeared to be a cumbersome task to assess audit files from recently performed reassessment of the customs licenses in the light of the new legislation UCC. This resulted in difficulties gathering standardised information from these files. In this research it has not been possible to confirm the sense or gut feeling of the researcher in an objective way (believe that the currently applied supervisory method, administrative supervision is proven sufficient). This results in the urgent recommendation to improve registration of performed (system based, administrative) supervision in a uniform, clear and easy accessible manner.

After answering these sub-questions and sub-sub questions the research question is brought back forward:

Which model could be used to select the minimal number of checks to be performed in physical reality by a supervisory authority, after confirmation that the administrative organisation and internal control system of the supervised company is adequately in control, given the required context and applicable legislation.

First in short, the method "minimal random sample check" (method I in the supervision matrix, findings in paragraph 3.4 and 4.3) is suitable to use to decide upon the number of checks to be performed in physical reality, and would lead to 1.8 – 3.1 inspections per declarant yearly. It is important to keep in mind that this applies only after supervision on allowance of declarants in the green lane (design, existence and operation of internal organisation at the declarant have been assessed in a standardised, uniform and clearly recorded way) has been performed. *(recommendation; draw a clear framework of supervisory actions related to allowance in the green lane).*

After reflecting upon the supervision matrix and the scores in the matrix a combination of supervision methods must be made to completely fulfil all the requirements. For allowance in the green lane, system based audit (method E, cyclical supervision) is suitable and currently performed. To fill in the gap of EU policy required physical inspections, another method of supervision must be added. This could either be method F (supervision day), G (flexible moment of physical supervision, chain procedure) as they are operationally manageable for both Customs and operating companies. As mentioned before, the number of inspections to be performed an be decided upon using method I, minimal random sample check.

To finish, it is important for supervisory authorities to acknowledge the impact of their actions when changes in supervisory methods are announced; commitment of trustworthy declarants can shift from "deliberating" to "just adhering" when their effort to control their own activities is not rewarded by the feeling of the appropriate level of supervision.

Recommendations for further research

Consequences related to findings

It has not been possible to clearly take into account the consequences and impact of irregularities found during supervision as this is still part of the to be developed supervision strategy of Dutch Customs. Questions like; What happens if non-conformity is the output of a physical inspection? Does each detected non-conformity in the import declaration result in the same response of Customs? Would this mean the declarant will be added to the blue lane again? What will be the operational consequences of such a decision (taking into account the number of declarations filed by some of the current GPA declarants)? And how would these findings affect the AEO authorisation of the declarant? This can also be researched with the use of the background of behavioural science, the CPA model also describes the psychological side of organisations and their reaction on supervision. Timing wise two key subjects are mentioned, expected supervision and pre-commitment. Expected supervision means the declarant will not be surprised by the actions authorities take to supervise, it should be made clear upfront that supervision will be performed and how. By clearly stating upfront what consequences can be expected when a physical inspection leads to finding irregularities the pre commitment of the declarant will be enlarged.

Learning circle

From information gathered from the interviews performed with specialists at Customs and from the researchers own experience during this research it turned out to be very complicated to reflect upon previously performed supervision of Customs. Findings and conclusions of both administrative supervision and physical inspections are registered in several systems. These systems are sometimes

inaccessible because of confidence related rules. Next to that findings and conclusions are registered in non-standardized texts that need to be read thoroughly to be able to say something about the outcome of the performed supervision. To be able to develop supervision of Dutch Customs more automated (supervising method J “Towards Data Intelligence”) it is crucial to be able to reflect on what has been done. A learning circle needs to be embedded in the activities of Customs regarding licensed declarants to be able to monitor the allowance green lane, the licenses and the declarations on an ongoing basis. For the intensive use of data analytics in the near future it is important to start pre-sorting now.

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Appendix I Overview historical files reassessment licenses UCC

	Beoordeling HBO dossiers huidige GPA aangevers op deze punten	Mogelijk	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
1.	Zijn risico's vooraf beoordeeld (vragenlijst bedrijfsverkenning icm risicoanalyse gevu	J/N	J	XX	J	J	XX	XX	N	N	J	J	J	J	J	XX	J	XX	J	J	XX	XX	XX	J
2.	Wat was de risico inschatting AGS invoer?	H/M/L/NVT	NVT		L	L			-	?	NVT	H	NVT	NVT	NVT		L		H	NVT				NVT
3.	Signalen behandelaar GPA meegenomen?	J/N	J		J	J			J	?	J	J	J	J	N		J		J	J				J
4.	Wat was de risico inschatting GPA	H/M/L	M		L	H			-	?	H	H	L	M	H		L		H	L				L
5.	Specifiek controlerisico bepaald in controleopdracht obv risicoanalyse	J/N	J		J	J			N	N	J	J	N	N	J		N		J	N				J
6.	Voorkennis beheersing voldoende om werkzaamheden te beperken	J/N	?		?	?			?	?	?	?	?	?	?		?		J	J				J
7.	Toets op werking AO/IB gepland?	J/N	J		J	J			?	?	J	J	J	J	J		?		J	J				J
8.	Toets op werking AO/IB uitgevoerd?	J/N	-		-	-			J	J	J	J	J	J	J	-	N		J	J				J
9.	Toets op juistheid (gegevensgericht) gepland?	J/N	J		J	J			?	?	J	J	J	N	J	?	?		J	J				N
10.	Toets op juistheid uitgevoerd?	J/N	-		-	-			-	J	J	J	J	N	?	-	N	J	J	J				N
11.	Inhoud van de aangiften **ten invoer** getoetst op juistheid?	J/N	-		-	-			-	J	J	J	J	N	N	-	N		J	J				N
12.	Heeft onderzoek geleid tot afgifte vergunningen?	J/N	-		-	-			J	J	N	J	J	J	J	-	J		J	J				J
13.	Heeft onderzoek geleid tot verbetertraject?	J/N	-		-	-			J	J	J	J	N	N	N	-	N		N	N				N
14.	Heeft onderzoek geleid tot schorsen/intrekken?	J/N	-		-	-			N	N	J	N	N	N	N	-	N		N	N				N
15.	Was initiële risico inschatting juist?	J/N	-		-	-			?	-	N	N	J	N	N	-	J		N	J				J
	Risico te hoog ingeschat	J/N										x		x	x				x					
	Risico te laag ingeschat	J/N																						
	Herbeoordeling vergunningen nog in uitvoering																							
	2, 19 en 21 Controle Na Invoer en geen HBO																							
	5/6 OLGA team																							
	16= Confidential because GO post																							
	20 = HBO na reorganisatie moet nog plaatsvinen																							

Files 1, 3, 4, 14; audit is not finished yet

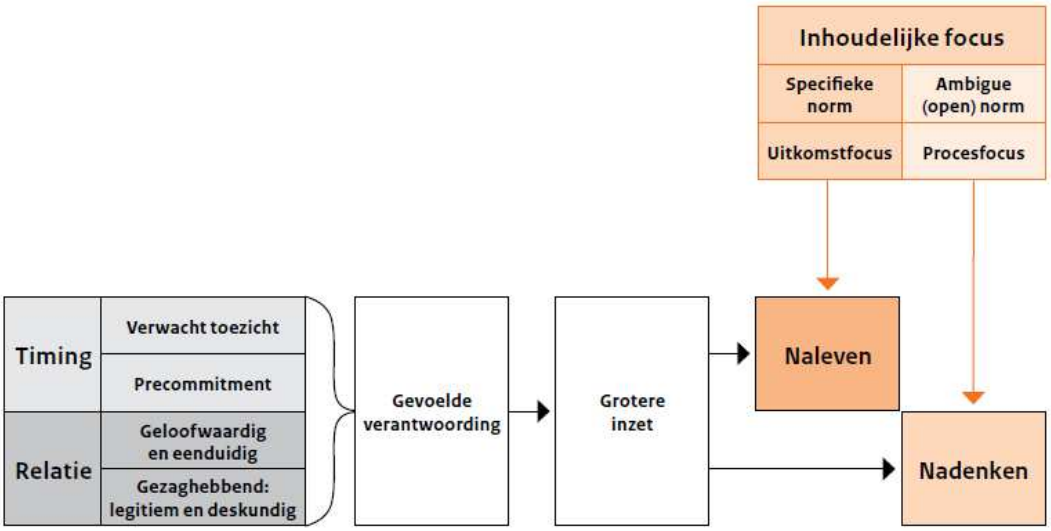
File 2, 19, 21; audit appears not to be a reassessment but an audit after importation

File 5 & 6, 16; Specific team, info not directly available

File 20; audit postponed because of reorganisation at company

Appendix II Original CPA model Schillemans

Original Dutch version of the actualised model of calibrating public accountability for supervision



Figuur 1. Geactualiseerd CPA-model voor toezicht
Bron: Schillemans (2016)

Appendix III Interviews

Wim Visscher, Frank Heijmann, Bespreking 15 augustus 2019,

Basis; simplistische wijze van het uitvoeren van toezicht, kaders hiervoor staan opgenomen in het memo….

Doordat de GPA aangevers naar het nieuwe DMS systeem gaan is de verwachting dat zij in de groene stroom zullen gaan aangeven (vergunninghouders vaak in combinatie met AEO).

BELANG; aantallen aangifteregels in DMS groeit exponentieel (> 10-voudige op invoer) dus het huidige systeem van profileren en vervolgens controleren zal gaan vastlopen door het enorme aanbod van te onderzoeken zendingen (alleen al de steekproef met een minimaal percentage van …. zal leiden tot….)

Ongeveer 75 mio regels nu in de diverse systemen (AGS, DMF, ECS, NCTS) zal gaan groeien naar een geschatte 440 miljoen regels, dit heeft een toezichtsconsequentie.

Hoeveel fouten is aanvaardbaar? ➔ niet haalbaar…??

Moet Douane gaan denken in branches?

DKB zal het eerste instrument zijn om te gaan monitoren maar er is nu geen normatiek over wat aanvaardbaar is (discussies met klantmanagement over aanvaardbaarheid). Dit dashboard is in ontwikkeling.

Daarnaast is er KRIS; wanneer wil, moet je ingrijpen?

In de groene stroom is het de bedoeling alleen de compliance te monitoren. AO/IB van een bedrijf is vooraf getoetst, nu zijn alleen losse waarnemingen nodig om te toetsen (geen steekproef want niet haalbaar, uitspraak over volledige populatie niet nodig) ➔ zolang er geen aanwijzing is dat het mis is.

Er moet een standaard komen voor deze waarnemingen en vervolgens moet beoordeeld worden hoe deze (FT) waarneming is verwerkt binnen het bedrijf.

Model zal moeten worden ontwikkeld per proces, waarbij objectief wordt aangegeven/vastgesteld wat je moet doen en hoe vaak.

Proces invoer is allereerst belangrijk vanwege enorme aantallen te verwachten vanuit GPA stroom.

Wat zijn verplichte risico's in het proces invoer (Brussel, convenantpartners?)

Wat is de minimale verplichting?

Ieder land in de EU heeft haar eigen toezichtsmodel, het betreft dus een NL invulling van de EU regelgeving. Landen mogen deze invullen op basis van een risico-gebaseerd toezichtsmodel en de groene stroom is een stroom die niet risicovol is (vergunningen, initieel onderzoeken, beoordeling AO/IB).

Vastgesteld moet worden wanneer het dan wel "brandt" Wanneer is het tijd om wél in te grijpen, wanneer zal het systeem gaan piepen en eventueel blokkeren.

De blauwe stroom verdient meer aandacht, dat is de stroom waarin de risico's zitten (onbekende bedrijven en onbekende goederen). Meer effort in blauw beteken minder tijd voor beheersing groene stroom)

De technische (data) omgeving binnen Douane is nog niet gereed voor het daadwerkelijk monitoren en beoordelen in het aangiftensysteem maar de huidige vraag ligt voor de ontwikkeling van het systeem;

Hoe kunnen we in de groene stroom minimaliseren in FT op een simpele, generieke en objectieve manier?

Momenteel worden de AEO bedrijven onevenredig zwaar belast, fyco's zijn niet op een juiste manier verdeeld. Is hierop voldoende zicht? Enquête bedrijfsleven (AEO) over ervaring bezoeken FT?

Aansturing is cruciaal; buiten de toetsing door dit dashboard gaat niemand meer naar het bedrijf.

Wat wil ik wanneer zien; sector/branche zal van invloed zijn, hoeveel groepen en branches zouden er dan moeten zijn?

Zijn de huidige gebruikte profielen op basis van risico's nog reëel? Zijn er andere manieren om dit in te richten?

Huidige cijfers; 85000 scans per jaar, 120.000 Fyco's door FT per jaar totaal (= 1,2% gerelateerd aan SAL, binnenbrengen).

Als je dat relateert aan straks alle real time aangiften; 1,3% van de nieuwe massa; 20.000 FT bezoeken per dag, dat betekent élke Douanemedewerker 6 FT onderzoeken per dag.

Groene stroom is een deel van het antwoord op deze uitdaging; capaciteit kun je vooraf alloceren aan de bedrijven doordat je precies weet hoe vaak je bij een bedrijf zal zijn.

In eerste instantie model ontwikkelen voor invoer stroom (met mogelijke scope naar het totaal)

Praktisch model met een wetenschappelijke basis.

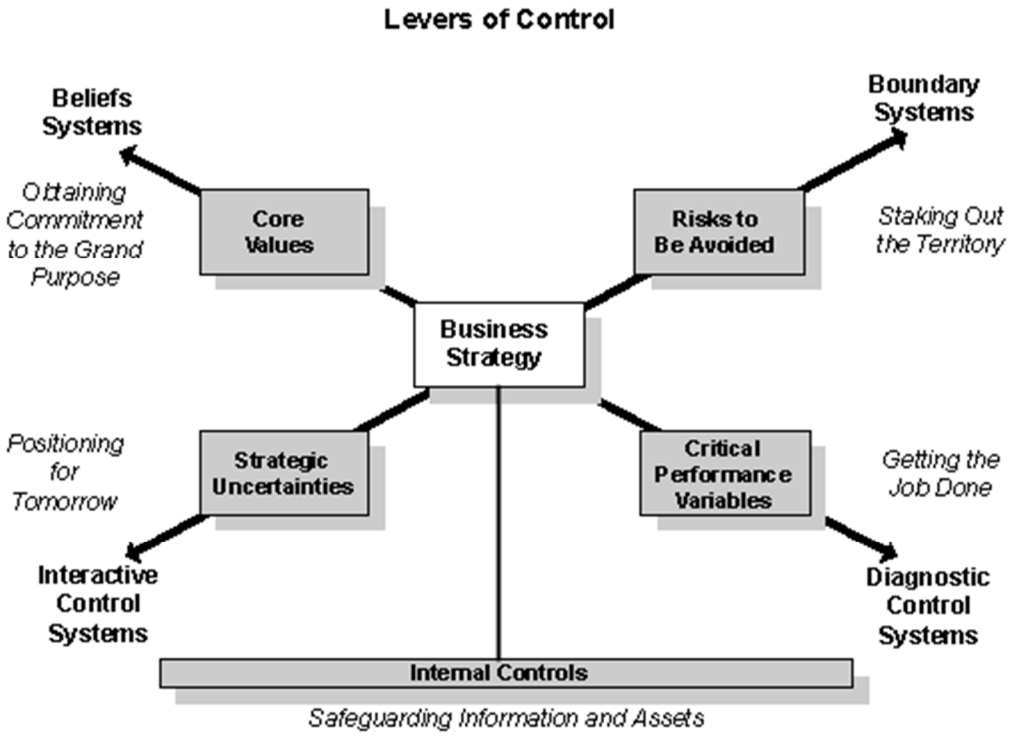
Er loopt een pilot met een andere manier van aangeven (DEI, Bart Mutsaers)

Losse gedachten;

- mathematische steekproef doet een uitspraak over de gehele massa; is dat nodig?
- System based approach; beheersing is beoordeeld aan de voorkant, het systeem is hetgeen je monitort; wat moet je vooraf onderzoeken en vaststellen dan?
- Risicomanagement benadering
- Compliance literatuur
- Minimale waarnemingen (statistiek) theorie over kwaliteitschecks in productieomgeving
- HT is niet compliance gericht toezicht, HT past niet in de visie van Douane, ➔ (fysiek) toezicht naar 0 is geen mogelijkheid.

Bart Mutsaers Gesprek 24 oktober 2019

Model Simons (voorlichting AEO
Levers of control



Kilde: Robert Simons, Levers of Control: How Managers Use Innovative Control Systems to Drive Strategic Renewal. Boston 1995. Fra Kaplan and Norton: The Strategy Focused Organization.

(Als VA wil toetsen of je ontheffing van het aanbrengen terecht is gedaan)
Hoe kan je dat vooraf analyseren of je terecht tot ontheffen over gaat

Waarin verschillen de profielen oo invoer van binnenbrengen
Welke profielen kunnen ook achteraf

Systeem toezicht, wat is de norm van goed genoeg, deze is niet uitgewerkt voor NL
Welke risico's is NL verplicht om uit te voeren en op welk moment.

Hoe werkt het huidige risico analyse syteem?

Overweging 42 eerste versie DWU

Toezicht na binnenbrengen

Fysieke controle in het binnenland na het verleggen van de ENS controle
Dan past deze beter bij het werk, niet gericht op de fiscaliteit

Risico informatie via klantbeeld naar afdeling die het toezicht uitoefent
(bijvoorbeeld indelingsrisico op een bepaalde goederencode)

Toezicht inrichten op een andere manier (niet FT in de logistiek als oponthoud maar bijvoorbeeld toezichtsdag

Andere manier kan ook zijn bijvoorbeeld via Skype(==> achterhalen K&N en aan Bart doorgeven)

Wim Visscher gesprek 6 november 2019

Fysiek Toezicht moet is het standpunt van DLK
Risicogerichte FT loslaten maar wel wettelijk verplichte profielen en prikken om vast te stellen dat het goed gaat.

60 minimum aantal volgens…. ???? statistiek? ==> Poppe

CAB aanpak

Uitgangspunt AO IB is op orde Groene Stroom (opzet bestaan en werking is getoetst)

Profielen; kan er geevalueerd worden?
Rene Doolhoff Procesregisseur Invoer DLK
Zit goed in Wettelijke verplichtingen, stemt af met handhaving DLTC
Niet meer risicogericht wel wettelijke verplichtingen, overzicht risicoprofielen

Welke methoden zijn er en welke voorkeur en waarop gebaseerd

Doelgroep benadering (logistiek dienstverlener, producenten, andere soorten bedrijven
Data scientists
Ruud Boesen data scientist club maarten veldman, bestandanalyses
Eerder gebruikte scipts nog liggen?

Hoeveelheid van de Fyco's en de uitkomst daarvan

Results Groene stroom

Risicogericht loslaten in logistiek maar statistisch verantwoord
Bonus malus geen optie vanwege IT onmogelijkheden
Landen die hiermee werken (China?)
Kwaliteit vastlegging resultaten fyco's is nu niet op orde, dat is ook key voor bonus malus

Validatiesteekproef invoer (methodiek; 1 item fout is geheel fout)

Hoe vaak accepteer je een fout in deze checks?

CONFORMITEITSPROFIEL Scenario A Groene stroom

Wettelijk verplichte profielen
welke zijn dat dan?
Welke risicoprofielen zijn er

Bak met gegevens alsnog draaien tegen de risicoprofielen en wat zijn daar dan de signalen.

Ruud Boesen Gesprek 12 december 2019

What conclusions can be drawn from historical data and historical physical checks?

- data analysis of historical data of real time import declarations and the results of physical checks. Analyse results of AEO and non-AEO licensed companies.

4 x een periode van een week, of een dag? Data hoeveelheid? Einde jaar 2018, einde kwartaal, ergens middenin en einde 13 weken 2019?

- 24 – 30 december 2018, week 52 (2 feestdagen….beter week 51?)
- 25-31 maart 2019, week 13, einde kwartaal
- 27 mei- 2 juni, week 22, geen link in periodiciteit
- 2-8 september, Week 36, einde periode 9/4 wkn

Ruud; Optie zou zijn een steekproef in EORI's, gehele jaar
Optie zou zijn een steekproef in EORI's, gehele jaar, uit de set AEO gestickerd 25 bedrijven aselect en uit de set niet AEO bedrijven aselect

AEO moet zijn

- Importeur gecertificeerd én
- Indiener/dienstverlener gecertificeerd (conform verzoek Wim Visscher "groen stroom")

Componenten in vergelijking

- Bevinding FT J/N
- Douanewaarde
- % heffing
- AEO j/n
- Toelichting bevinding
- Goederencode
- Goederenomschrijving
- Profielnummer raking

- Analyse the selection profiles that are used nowadays, why are those used, what regulations and goals were the reason to activate those.
- What happens if a check leads to a detected fault/mistake, what are the consequences?
- Interview Dutch Customs Tactical Centre (specialist on profiling on import).

Which rules on (random) sampling have been used and is that appropriate?

- Analyse the current way on random sampling by Dutch Customs
  Welke afdeling is hiervan?
- Does this fit to the answers found in sub-question 1?
- Which mistakes are accepted and why?
- Interview experts at Dutch Customs Tactical Centre, which choices have been made?

Mischa Slegt (statistiek) icm Rene Doolhoff Validatiesteekproef

Achtergronden Ron Roelofs (beleid?)

Uit gesprek met Ruud;
Oplossing zou kunnen zijn een "platte"steekproef eventueel in combinatie met grootte van de aangevers (aantallen ingediende aangiften).
Welke percentages in de richting van gewenste aantallen
Uitgangspunt tot op heden is het jaarplan met aantallen uit te voeren controles, van hieruit worden keuze4s gemaakt.
Keuzes over wat zijn dan goede percentages hierin

Variëren in vergunningenpakket of goederenpakket?

Statistische theorie sample size berekeningen ==> hoeveel controles moet je doen om op het gewenste niveau te komen

Onderbouwde keuzes maken==> aantallen zijn hier bottleneck, je redt het niet om het gewenste aantal toetsen te halen om een uitspraakt te kunnen doen over het totaal

DLTC Data en modellen==> zij hebben wel analyses gedaan op bevindingen en inhoud van de aangifte.

Douanestandpunt AGS, lijkt de meest schone vastlegging om te analyseren wat de uitkomsten van een toets zijn (niet bevindingen in Plato).

DSP in jaarlaag AGS 7 codes, legenda AGS invoer, bespreken met AB hoe wordt 'oranje" afgehandeld
Dit wordt door AB ingevuld, meer "betrouwbaarheid" dan bevinding in Plato

DSP mot in ==> reden standpunt bedoeld voor intern gebruik.

Vraag voor AB;
Wat gebeurt er als FT heeft gezegd bevinding en AB vervolgens weer zegt conform
Matchen op aangiftenummer?

Jaarlaag AGI in Bladertool==> kan Miriam deze data aan?

Rene Doolhoff Gesprek 13 december 2019

Algemeen;

Ben je bekend met de Enforcement Vision en de daaruit voortvloeiende groene stroom?

Kun je aangeven wat jij verstaat onder bedrijven die zouden passen in de groene stroom?

Kun je je voorstellen dat het douanetoezicht op de invoeraangiften in de groene stroom op een andere manier wordt ingericht?

Zou het denkbaar zijn dat er in de groene stroom géén fysiek toezicht plaatsvindt (gezien vanuit de huidige manier van aanpak, dus aangifte ten invoer, selectie dmv profielen en vervolgens opdracht)?

Denk je dat dat beleidsmatig zou passen in het toezicht van Douane Nederland?

Heb je een idee over hoe je dat toezicht dan anders zou willen inrichten?

What conclusions can be drawn from historical data and historical physical checks?

- data analysis of historical data of real time import declarations and the results of physical checks. Analyse results of AEO and non-AEO licensed companies.

Met Ruud Boesen besproken; data opvraag bij DLTC, bij wie? Hoe toestemming regelen?

- Analyse the selection profiles that are used nowadays, why are those used, what regulations and goals were the reason to activate those.

Profielen op invoer, overzicht? Van november

Achtergronden?

Aantallen uitworp? Verleden percentage van de populatie (nu meer vanuit de capaciteit geredeneerd) nu handhavings niveau 0,9%

Veiligheid niet in de invoerprofielen (zit meer op binnenbrengen) hoofdmoot is fiscaal, landbouw, antidump en douanerechten

Jaarplan toezicht met aantallen leidend?

Beleidskeuzes gemaakt

- What happens if a check leads to a detected fault/mistake, what are the consequences?

Afhandeling bij AB na bevinding door FT (correctie vindt plaats bij AB)

Afhandeling in de regio's?

Fysiek en bescheid NCF

Alleen fysiek

Alleen bescheid ("oranje" bestaat niet meer)

wegvoeringsverhinderend of niet

enkelvoudige of meervoudige profielen

evaluatiebestanden van profielen; periodiek kunnen dossierhouders eventueel bijstellen, maar data zijn niet erg geschikt om te evalueren.

DMS straks kan dat wel…..

- Interview Dutch Customs Tactical Centre (specialist on profiling on import).

Steekproef, uit gesprek met Ruud; Mischa Slegt, validatiesteekproef

Which rules on (random) sampling have been used and is that appropriate?

- Analyse the current way on random sampling by Dutch Customs
  Welke afdeling is hiervan?
- Does this fit to the answers found in sub-question 1?
- Which mistakes are accepted and why?
- Interview experts at Dutch Customs Tactical Centre, which choices have been made?

Huidig gebruikt is een posten steekproef om risico selectie te valideren
Analyse van eventuele bevindingen wordt gedaan.

Europese verplichte risicoprofielen ==>presentatie
1 juni 2019
Financial Risk Criteria
DWU gebaseerd, 46 tm 50
Op safety en op fiscaal (invoer) ==> VRAAG: moeten deze in logistiek worden afgedekt of kan NL een keuze maken deze op een andere manier in te richten?

⇨ Wel flexibiliteit voor uitvoering door lidstaten

Anti dump moet
DG budget spanningsveld, hoe gaan zij eventueel reageren op aanpassingen controles.

Ursula von der Leijen; Voorzitter Europese Commissie sinds 1 dec 2019
Robuuster risicomanagement, druk vanuit Brussel
Meer sturing vanuit EU zal gaan plaatsvinden
Riskmanagement Brussel wel vooruitstrevend ==> **nagaan waar dat is gezegd**

Begrotingsindicatoren
Prestatieindicatoren
Willen we sturen op output/aantallen
Voor de A; aandeel juiste aangiften in invoer
VSP en risicoprofielen, formule en indexcijfer
Basisjaar 2016
Daarna als een dolle naar beneden door 1 bedrijf (zonder populatie van betreffende bedrijf is het wel oke?)

Micha Slegt gesprek 8 januari 2020

Data; Harmen van der Kooij? Douane standpunt in AGS is hetgeen waar je naar zou moeten kijken.

Validatiesteekproef; ingesteld op de groep “niet geselecteerde aangiften (dus de bak “wit”) om daar te beoordelen of je iets mist. Random op basis van percentage van het totaal.

Statistisch significant onderscheid maken tussen bak “wit” en “rood”

Kijk in de stukken “waar je thesis aan moet voldoen, schrijf daar naartoe”
Start met de opzet in hoofdstukken en steekwoorden, werk stukje voor stukje
Literatuur review splitsen in wetenschappelijk en Douane gerelateerd (praktisch/beleid)

Wat moet er minimaal kloppen in een aangifte, waar kun je achteraf niet meer op terugkomen?

Welke maat wil je aanhouden;
Controlelast die wordt ervaren door logistiek Nederland
Vanuit Capaciteit geredeneerd
Vanuit statistische techniek geredeneerd ==> percentage van totaal
Vanuit wetgeving geredeneerd?

Appendix IV Short e-mail survey

A short e-mail survey amongst current GPA declarants has been held to validate the operational opinion on findings. Eight declarants were invited to answer and five actually replied.

Questions

1. Do you have several EIDR licenses nowadays?
2. Do you consider to opt for the new "chain procedure" for consecutive customs procedures?
3. Would this consideration be influenced if the future physical inspections related to declarations for bringing goods under free circulation procedure could be maximized to 12 inspections yearly?
4. Would this consideration be influenced if the future physical inspections related to declarations for bringing goods under free circulation procedure could be maximized to 5 inspections yearly?

Answers

1. Do you have several EIDR licenses nowadays?
   a. Yes
   b. Yes, EIDR license for warehousing and bringing goods in free circulation
   c. Yes, we have EIDR licenses for bringing goods into free circulation, for warehousing and for inward processing.
   d. Yes
   e. Yes

2. Do you consider to opt for the new "chain procedure" for consecutive customs procedures?
   a. Yes
   b. As it stands now, yes, but no decision taken yet
   c. Yes, the "chain procedure" is definately an option because of the diminished customs-administrative burden that this procedure would bring along.
   d. Yes
   e. Yes, probably

3. Would this consideration be influenced if the future physical inspections related to declarations for bringing goods under free circulation procedure could be maximized to 12 inspections yearly?
   a. No
   b. No
   c. Reducing the number of physical inspections would obviously influence our considerations, but we also trust the option of making declarant specific agreements on performing physical inspections in complex situations as we have nowadays.
   d. No, not for the procedure of bringing goods into free circulation.
   e. No

4. Would this consideration be influenced if the future physical inspections related to declarations for bringing goods under free circulation procedure could be maximized to 5 inspections yearly?
   a. No
   b. As it stands now we would opt for the "chain procedure", because of minimizing the interference in the logistical process. We have not decided yet but I can imagine that if the "chain procedure" demands a lot of IT investments, maximum 5 physical inspections yearly would be a realistic option.
   c. See our answer to question 3.
   d. No, not for the procedure of bringing goods into free circulation.
   e. No

Appendix V Research Proposal

RSM Erasmus University

Executive Master in customs and Supply Chain Compliance

Research Proposal

Participant:	*Yvette Ritzen-Pennings*
Phone:	*+31 6 20599376*
E-mail:	*vooryvette@gmail.com*
Company:	*Dutch Customs*
Company Client:	*W. Visscher*
Department:	*Dutch Customs National Office, Enforcement, Team Supervision*
Address:	*Laan op Zuid 45*
Postcode/City:	*3072 DB ROTTERDAM*
Phone:	*+31 6 21 13 86 16*

Project Title: Physical Supervision on DMS import-declarations in the Green Lane

Academic Supervisor: *J. Hulstijn*

Signature Client Participant
approval by mail

Signature Academic Supervisor
approval by mail

Signature

Problem Definition

The Customs Administration of the Netherlands is developing a new customs-declaration system (DMS). This system will bring a fundamental change in the customs import declarations procedure. Nowadays two ways of filing import declarations are used; AGS (normal procedure: real time declaration) and GPA (entry in the declarants records, EIDR, filed monthly afterwards). In the new system it is no longer possible to file a declaration afterwards, the only possibility will be real time declarations.

In this new system, importing companies will be divided in three groups (according to the Dutch Customs enforcement Vision, Pushing Boundaries) ; yellow- green- and blue lane. Yellow lane means the total supply chain is known, from the packing at the other side of the world up until arrival at the importers premises. Blue lane means the companies involved are “unknown” to Customs.

If an importer is part of the green lane this means the company is known by Dutch Customs (AEO, licenses, proven trustworthy). In both yellow and green lane the pressure of customs supervision can be reduced in several ways; less interventions in the logistical flows, less delays, less administrative burden, by making use of the internal control processes of the companies

Customs is working towards this layered approach enforcement concept. In the blue lane customs intervenes in the logistics at the border, based on risk analyses. In the yellow lane customs works on securing entire chains. In the green lane customs makes observations – preferably outside of the logistics process – to verify that traders are acting correctly.

From the moment of implementation of the new system on, filing import declarations real time will be the only possibility. This means all the declaration lines from the current EIDR declarants will move to the new system, a huge increase of data (from 7 million declaration lines in 2018 to probably over 155 million declaration lines per year). To be able to select the declarations that need to be checked (physical inspection or paper checks) profiles are used nowadays, both risk-based and randomly. If the same way of selecting declarations would be used in the new DMS system, a impracticable amount of work would roll out of the system.

To be able to supervise this huge increase of real time data a new supervision model must be developed, combining different approaches like system based auditing, self-assessments, audit after importation and only if needed physical inspections.

Scope of the research

For this research the scope will be narrowed to the companies that declare their imports using EIDR nowadays. Because those companies face the biggest challenge in adapting to the new system. Those companies have licences for EIDR and the vast majority also has an AEO licence. The assumption is made that they will meet the requirements for being part of the green lane declarants.

Stakeholders

European Parliament	As regulator
Dutch Government	As regulator and policy maker
Dutch Customs	As policy maker and auditor/inspector
Other Dutch inspection agencies	With whom Dutch Customs has inspection agreements on imported goods, stopping dangerous goods (public health, economical, agricultural, etc.…)
Importing companies in NL	The companies that nowadays use EIDR and will face real time declarations (and the related inspections and delays) after implementation but also the companies that file real time declarations nowadays and will experience delays related to the increased workload of Customs.

Goal and research questions

Research question

Which model could be used to select the minimal amount of checks to be done in physical reality by a supervisory authority after confirmation that the administrative organisation and internal control system of the supervised company complies to required regulations.

Sub-questions

Which rules from law and policy need to be taken into account?
What theory on supervision is applicable in this case?
What conclusions can be drawn from historical data and historical physical checks?
Which rules on (random) sampling have been used and is that appropriate?
Would this way of random sampling fit in the new system?
What is the impact on administrative burden that companies experience?

Methodology

In this research the following methodologies will be applied;

- Design Science, designing a new model to select the import declarations that need to be physically checked.
- Literature study, to be able to understand the background on inspections and supervision, also from other authorities.
- Qualitative research; interviewing experts to be able to understand choices that have been made and policies that have been implemented.
- Quantitative research; using historical data of import declarations, physical checks and profiles to be able to draw conclusions from those results that are more objective.
- Case Study; zooming in on data from EIDR declarants and the consequences of declaring via the new system. Testing the new designed model to those data.

Each sub question relates to different methodologies, below the methodologies are more specified for each sub question.

Which rules from law and policy need to be taken into account?

- Literature study, analysing the UCC and the related implementing provisionsof the EU.
- Analyse the policy of Dutch Customs.
- Interview Dutch Customs Policy advisor and management at strategic level.
- What rules on declaring for import and profiles are in place in other EU countries?
- Interview policy advisor of another EU country with a large amount of import declarations

What theory on supervision is applicable in this case?

- Literature study, theoretical backgrounds on supervision and inspecting
- Theoretical backgrounds on responsive regulation

What conclusions can be drawn from historical data and historical physical checks?

- data analysis of historical data of real time import declarations and the results of physical checks. Analyse results of AEO and non-AEO licensed companies.
- Analyse the selection profiles that are used nowadays, why are those used, what regulations and goals were the reason to activate those.
- What happens if a check leads to a detected fault/mistake, what are the consequences?
- Interview Dutch Customs Tactical Centre (specialist on profiling on import).

Which rules on (random) sampling have been used and is that appropriate?

- Analyse the current way on random sampling by Dutch Customs
- Does this fit to the answers found in sub-question 1?
- Which mistakes are accepted and why?
- Interview experts at Dutch Customs Tactical Centre, which choices have been made?

Would this way of random sampling fit in the new system?

- Study on other mathematical theories that would fit sampling of the import declarations
- Interview experts on statistics and statistical audit

What is the impact on administrative burden that companies experience?

- How could you measure administrative burden?
- Which parts of inspections and supervision affect the logistical world the most?
- Interview Eggo Bert Smid
- Use currently used profiles on data of a EIDR declaring company, what would have been the impact on this specific company, what would have been the result in total?
- Interview experts at importing AEO companies (non-EIDR declarants)

Contribution for research

The overarching objective of this thesis is to contribute to the development of theory regarding supervision in actuality of inspecting authorities.

Contribution for Practise

The objective of this Thesis for practise is an efficient and effective use of workforce of the Customs Administration of The Netherlands, putting physical interventions at the most relevant goods. Next to that, for the Dutch Government with a strategy of being a key player in the international ranking in logistical competitiveness.

Action planning

October/November 2019 – reading and planning interviews, gathering first data, exploratory interviews	✓
24 November 2019 – Draft research proposal to supervisor	✓
24 November – 1 December refining proposal, approval supervisor needed	✓
December 2019 /January 2020 – Interviews, literature study, analysing data.	
January 2020- meeting with supervisor	
January/February 2020 – writing	
23 February 2020 mid-term version of the report	
29 March 2020 Green light version of the report	
10 may 2020 Final research report	

Supervisors

Academic supervisor; Dr. Joris Hulstijn
2nd supervisor; Prof.dr. Walter de Wit

Problem Owning Organisation

Dutch Customs is the problem owning organisation. At the moment the new system is being developed. Implementation is planned for July 1st 2022. The organisation is prepared to collaborate in the research as the research question is one of the real issues to be solved.
Wim Visscher will be the Dutch Customs supervisor (Senior Advisor Supervision, National Coordinator AEO, Customs National Office, Enforcement, Team Supervision).

Foundations

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1

Declaration Services Information Document EIDR

2

1. Introduction

From the Union Customs Code it ensues that all declaration data must be shared electronically based on Annex B of Regulation 2015/2446 (the Commission Delegated Regulation, Dutch abbreviation: Gvo.DWU). A new version of AGS (Customs Declaration Software) will be built to this purpose and will be renamed as of then: Douaneaangiften Management Systeem (Dutch abbreviation: DMS), the Customs Declarations Management System. The present data set will be replaced by a new data set (DMS 4.0). Everyone who submits customs declarations[1] will be faced with an alteration of the data sets, irrespective whether one is using the normal procedure, the simplified declaration, or entry in the declarant's records.

To those who are authorized to enter goods in the declarants records and use the Written Periodic Declaration (Dutch abbreviation: SPA) or the Automated Periodic Declaration (Dutch abbreviation: GPA) it also applies that they will have to use DMS. The Dutch Customs Administration aims to achieve that these authorisation holders will only have to go through one process of change in which both the declaration system (from SPA or GPA to DMS) and the data set (from the present data set to the UCC data set) will be converted. Changing the data set is a separate project. Customs will closely monitor the concurrence of replacing the data set and replacing the declaration system in order to ensure that the change process will run as smoothly as possible. The transfer from SPA and GPA to DMS must be implemented ultimately by 1 July 2022.

This information set describes the three options of declarations from which authorisation holders SPA and GPA must choose as an alternative for their SPA or GPA. SPA or GPA authorisation holders can choose between:

1. The normal procedure. This also includes the prior declaration and the simplified declaration.
2. Entry in the records of the declarant with presentation and periodical supplementary declaration 10 days after lapse of the period in which the goods are entered in the records.
3. Entry in the records of the declarant with exemption from presentation and periodical supplementary declaration 10 days after lapse of the period in which the goods are entered in the records.

Besides the normal procedure, the simplified incomplete declaration, and entry in the records of the declarant, the UCC has two additional simplified procedures, namely centralised clearance, and assessment by the market operator itself (self-assessment). Centralised clearance pertains to the option to declare goods in the member state where the declarant is located though the goods are physically located in another member state. Selfassessment authorisati- on holders who also have an EIDR authorisation may be allowed to submit the additional declarations by means of direct electronic access to the authorisation holder's system. Centralised clearance and self-assessment will not be detailed further in this document due to the lack of a full statutory framework and technical specifications for these procedures.

Below, we will address the following procedures in sequence: the normal procedure, the simplified declaration, entry in the declarant's records, and stipulations that apply to all declaration options. The elaboration is based on submit- ting declarations to release goods for free circulation. This also includes goods placed under the enduse procedure, which is a special type of release for free circulation. The elaboration also applies largely to declarations to place goods under the inward processing arrangements, or temporary admission procedure. These stipulations also apply to placing goods under the customs warehousing procedure, subject to the proviso that no supplementary declara- tion is required for this customs procedure. These types of declarations will be further detailed in the various topics if so required.

[1] The person who submits the declaration is often also the declarant. In case of representation the person who submits the declara- tion may be another person than the declarant. I.e. in case of direct representation in the normal procedure the person who submits the declaration will not be the declarant. When we use the term declarant in this document, we mean the legal entity: the person submitting the declaration is the person who submits the customs declaration on its own behalf or, alternatively, the person on whose behalf this declaration is submitted.

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2. The Normal Procedure

When goods are declared they must be presented to the Customs Administration. Presentation means sending a notification to the customs authorities that the goods have arrived at the customs office or at any other designated or approved location and are available for customs control. In the normal procedure, the declaration is also the pre- sentation notification (unless an prior declaration is submitted) since the declaration provides information about the place where the goods are located.

After submission in the Customs system the declaration is accepted technically. This technical acceptance includes a check for completeness, accuracy, and consistency of the data and for listing relevant documents.

The next step is acceptance. Acceptance can only be effected when the goods have been presented. The customs and tax dues are calculated based on the details in a declaration to release goods for free circulation, and it is

established whether the conditions have been met in respect of bans and/or limitations that apply to the goods.

2.1 Prior Declaration

In the normal procedure, the UCC provides an option to submit a declaration prior to the presentation of the goods to Customs, the so-called prior declaration. The prior declaration is a customs declaration and contains the same details as a normal customs declaration. An prior declaration can be submitted up to a maximum of 30 days before the time of presentation. An prior declaration will be accepted technically after the automated checks have been performed. A risk analysis will also be performed on the prior declaration. When the declarant who has submitted the prior decla- ration has AEO status (Authorised Economic Operator), it will be informed about customs controls to be performed. As such, the announced controls can be taken into account in advance in the logistical planning. When the goods have arrived and are available for inspection, the goods must as yet be presented by forwarding a presentation notificati- on. Only after the goods have been presented the declaration will be accepted and the goods may be released.
When the goods have not been presented within 30 days after submitting the prior declaration, the declaration will be disregarded.

2.2 Vertegenwoordiging

Representation may be direct or indirect:
- direct representation: the representative acts in the name of and on behalf of another person;
- indirect representation: the representative acts in its own name but on behalf of another person.

The person submitting the declarations in the normal procedure may act as a direct representative and as an indirect representative. More information about representation is available in the Customs Manual (Handboek Douane - in Dutch) 2.00.00.

2.3 Tariff Quota

A tariff quota is automatically requested when Customs have received all required data in DMS. In case of a normal declaration this is as soon as the declaration has been accepted.

2.4 Supervision

In the normal procedure, there are no pre-established securities in company records. Enforcement will consist of, if and when there is a reason to do so based on risk management:
a) Risk-focussed verification of declaration and relevant documents (as soon as data become available, in case of prior declaration this may even be prior to presentation of the goods)
b) Risk-focussed control of the goods, as soon as these have been presented
c) Performing formalities that impede removal of the goods for release (SHEE obligations, Security, Health, the Economy, and the Environment; Dutch abbreviation: VGEM)
d) Performing formalities that do not impede removal of the goods before or after release
e) Controls after import at transaction level - for multiple transactions simultaneously

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Within the normal procedure, declarations can be distinguished in a green and blue flow. When a declaration meets specific, pre-determined criteria it will be designated as a green flow declaration. This requires at least that the de- clarant (and in case of representation, the person who submits the declaration) has an AEO authorisation and was assessed positively in respect of operation of that status. When it was demonstrated that a declarant does not adhere to the conditions, declarations by this declarant will be processed as blue flow declarations.
Green flow declarations will be controlled as little as possible “in logistics”. Only when (legal) obligations stipulate this and in case declarations are selected randomly, they will be controlled “in logistics”.
A company cannot submit a request for the green flow. Customs will assess by means of objective criteria whether a declaration qualifies for the green flow and whether companies will be exempted from application of the green flow (i.e. due to any irregularities observed).
The blue flow will be controlled based on risks. This applies to companies without an AEO authorisation and to companies that have an AEO authorisation but do not qualify for the green flow, or do not yet qualify. In the blue flow AEO-companies will indeed be subject to fewer risk-focussed controls that other business.

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3. Simplified Declaration

From a practical perspective, the simplified declaration is a normal declaration in which specific mandatory data and/or documents do not have to be submitted yet at the time of the declaration. The simplified declaration is also called an ‘incomplete declaration’ in practice. Annex B of the GVo.DWU (Commission Delegated Regulation to the Union Customs Code) stipulates what data must be submitted at least in case of a simplified declaration. When the missing data or documents are essential to be able to release the goods for free circulation - such as an import permit - the goods cannot be released for free circulation until such data or exhibits have been submitted. When the missing data or documents are not essential to be able to release the goods for free circulation - such as a document of preferential origin - Customs may release the goods for free circulation based on the simplified declaration.

3.1 Supplementary Declaration

The missing data or documents must be provided by the declarant within a period as stipulated by law. The declarant must do so by submitting a supplementary declaration. The simplified declaration must, in combination with the supplementary declaration, contain the same data as a declaration in the normal procedure. The period within which the data or documents must be submitted depends on the type of data that are missing. The main rule is that the sup- plementary declaration must be submitted ultimately within 10 days

after the simplified declaration. In some cases, this period may be extended to a maximum of 120 days (i.e. for documents of preferential origin) or to a maximum of 2 years (data with regard to customs value).
Please note: it is not possible to submit multiple supplementary declarations for one simplified declaration. The shor- test period to submit data or documents determines the final deadline for submitting the supplementary declaration.
A supplementary declaration is not required in case of a simplified declaration to place goods under the customs warehousing procedure.
The supplementary declaration to the simplified declaration has a general nature. This means that a supplementary declaration has to be submitted for each simplified declaration.

3.2 Prior Declaration

See paragraph 2.1.

3.3 Representation

See paragraph 2.2.

3.4 Tariff Quota

A tariff quota is automatically requested when Customs have received all required data in DMS. In case of a simplified declaration the time to apply for a quota depends upon the question whether all required data have already been included in the simplified declaration. If this is not the case, a quota can only be applied when the supplementary declaration has been submitted.

3.5 Supervision

Supervision on the simplified declaration is not different in essence from supervision on the normal declaration (see paragraph 2.4.). However, the nature of the simplified declaration entails that some deviations apply. Customs will, for instance, check whether a supplementary declaration will be submitted in time for each simplified declaration.
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4. Entry in the Declarant's Records (EIDR)

In order to use the EIDR declaration procedure you require an authorisation from the Customs Administration. In order to qualify for this authorisation the economic operator must meet most of the conditions to obtain an AEO-permit. An EIDR authorisation cannot be granted for all types of goods/procedures. Some of the excluded goods are those that are exempted from VAT and those for which excise duties have been suspended.
The EIDR-procedure consists of a maximum of three key elements: the goods must be presented to Customs, the goods must be entered in the declarant's records, and a supplementary declaration must be submitted. The relati- onship between these three elements is one-to-one. This means that a presentation notification and a supplemen- tary declaration has to be submitted for each entry in the declarant's records, and that these element can be linked.

4.1 Presentation of the Goods

The main rule in EIDR is that goods will be presented to Customs. This is effected by submitting a presentation notifi- cation for every individual entry in the records. The presentation notification contains a prescribed data set and must be effected electronically in DMS.
In some cases, exemption from presentation may be granted (see next paragraph). However, goods must always be presented if the prior procedure was temporary storage after entry. Customs need the presentation notification to be able to close the declaration for temporary storage in an automated manner.

4.2 Exemption from Presentation

EIDR authorisation holders may file a request to be granted exemption from presentation of goods to Customs when they meet specific conditions. The following conditions apply to granting exemption from presentation:
- The declarant has AEO authorisation for simplified customs procedures;
- The nature of the goods and the goods flow of the relevant goods justify exemption from presentation and are known to Customs;
- Customs have access to all information it deems necessary to control the goods, if and when required;
- At the time of entry in the records, the goods are no longer subject to bans or limitations, unless stipulated alternatively in the authorisation.

Please note: even when exemption was granted for presentation, the authorisation holder must still be able to present the goods as yet when requested by Customs.
The condition behind the second dash has not been elaborated in legislation. This means that Customs can give substance to this at its own discretion, with due observance of prior remarks by European institutions during review of existing procedures. In principle, the Netherlands only grant exemption in cases with a so-called chain procedure.

4.3 Chain Procedure

Part of the present authorisation holders declares goods for consecutive customs procedures and uses the EIDR procedure for each declaration. In effect, these authorisation holders perform a chain of consecutive declarations and procedures. When the comprehensive goods flow is demonstrated in one set of records it is possible to assess the nature of the goods and the goods flow at the start of such chain and next, to follow the goods by means of entries in the records, the supplementary declarations, and the stock audit file. In order to assess the nature of the goods and goods flow, the goods must be presented at the first link of the chain. The goods need not be presented once more at subsequent links of the chain. This is called the chain procedure.
We will give you an example of a common chain. Goods arrive at the storage location of a customs warehouse by

means of the transit procedure. By means of entry in the declarant's records the goods are place in the customs warehouse procedure and, after some time, released for free circulation by entry in the declarant's records. By presenting the goods upon placement in the customs warehouse the nature of the goods can be established and it is no longer necessary to present the goods when they are released for free circulation.
One very important condition must be met in order to apply the chain procedure. At the first link, the declarant must submit sufficient data and/or documents to be able to perform controls that have to be performed in later
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links of the chain. I.e., when goods are released for for free circulation Customs have to check whether all veterinary obligations were met. When it can be verified whether this is the case upon placement in the customs warehouse, it need not be checked upon release for free circulation.
Besides, a company may be ordered to present goods at later links of the chain in exceptional situations.
The chain procedure has the advantage that any physical controls to be performed will be effected at an idle moment in logistics (upon arrival of the goods at link 1 of the chain).

4.4 Supplementary Declaration

In case of the EIDR-procedure, a supplementary declaration must be submitted within a specific period, so that Customs will have available all declaration data of the goods. The supplementary declaration must, in combination with the presentation notification, contain the same data as a declaration in the normal procedure.
The supplementary declaration in case of EIDR has a periodical nature in the Netherlands. This means that 10 days after the end of a pre-determined period (time period) all supplementary declarations must be submitted in one go in respect of all goods that have been entered in the records during that time period. Every supplementary declaration refers to one entry in the declarant's records. Depending on the number of entries in the declarant's records and the duration of the time period, this may concern a large number of supplementary declarations that will be submitted at one given time.
The Netherlands have set the time period to one calendar day. I.e. in respect of all goods that will be entered in the records on 1 January 2023, the supplementary declarations must be submitted on 11 January 2023. This means that an EIDR-declarant has to submit a supplementary declaration every working day rather than once a month.
A supplementary declaration is not required in case of a simplified declaration or EIDR-procedure to place goods under the customs warehousing procedure.

4.5 Prior Declaration

It is not possible to submit an prior declaration in the EIDR-procedure. The declaration will be accepted at the time of the entry. However, a declaration can only be accepted after the goods have been presented to Customs. In case of an prior declaration in the framework of EIDR the time of acceptance of the declaration would be scheduled before the time of arrival of the goods/presentation of the goods and this is impossible from a statutory point of view.

4.6 Representation

Options for representation in respect of EIDR depend on who was authorised for entry in the declarant's records. Two situations can be distinguished:
1. The authorisation holder acts as a representative for one or more other persons;
2. The authorisation holder asks someone to represent him.
In situation 1 you may imagine a logistic service provider that does not just submit declarations in its own name and at on its own behalf, but also intends to act as a representative for one or more importers. In situation 2 you may imagine an importer with its own authorisation, who engages other parties to perform specific acts on its behalf.

The authorisation holder (logistic service provider) as an indirect representative

In case of indirect representation, the representative (the logistic service provider) is the declarant from a legal perspective. The indirect representative holds the EIDR authorisation and meets all authorisation requirements. The declaration is submitted by entering all goods in the records of the logistic service provider, irrespective of the number of persons it represents indirectly.
The indirect representative presents the goods and submits the supplementary declaration. One particular characte- ristic of indirect representation is that there are two debtors: both the declarant and the person at whose expense the declarant is submitted (the indirectly represented party).
Conclusion: this type of representation is possible.
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The authorisation holder (logistic service provider) as a direct representative

In case of direct representation, the represented party is the declarant from a legal perspective. The declaration must be submitted by entering the goods in the records of the declarant. These records must have been approved by Customs in advance (initial investigation). When the logistic service provider intends to act as a direct representative on behalf of ten customers, the records of these ten customers must be approved in advance. Besides, the representative must have real-time and online access to every set of records. The representative presents the goods to Customs and submits the supplementary declaration. Although it is not impossible from a legal-technical perspective, there are practical objectives to this type of representation:
- An EIDR authorisation holder must meet the criteria set out in Article 39 of the UCC under a, b, and d.
This will be difficult in many cases. I.e. how can the authorisation holder ensure that the owner of the records will limit access to the records, that no alterations will be implemented without Customs' approval, that he can still provide access to the data to Customs after the end of the representation

relation, etc.
- Representation in other member states. When the represented party (and the declarant, consequently) is established in another member state, Dutch Customs Administration cannot review that party's records itself. Mutual assistance will be required to do so. Normally, this entails a substantial increase of the lead time of the authorisation process;
- The administrative burdens for Customs are very high both initially and during the period of representation. An initial investigation must be carried out for each represented party. Administrative controls are compli cated and may sometimes only be possible in the context of mutual assistance. Besides, proper alternatives exist that make such heavy investment by Customs unnecessary. One alternative is that the logistic service provider will act as a direct representative in the normal procedure. It is also possible to cover general and financial responsibilities by means of civil contracts between the logistic service provider and the principal.
- The representative must have real-time and online access to each of the sets of records of companies that it represents as a direct representative.

Conclusion: this type of direct representation is possible in theory, but it will not often occur in practice. If specific situations arise in which there is an actual need for this type of representation for which the costs to be incurred by Customs are realistically proportionate to the benefits of such an authorisation, Customs will not reject this in principle. However, the argument that 'fewer physical controls will be performed by Customs in case of an EIDR authorisation' will not suffice in any case.

Authorisation holder (importer) intends to engage an indirect representative

When an indirect representative submits a customs declaration on behalf of another person he will do so in its own name as declarant and not in the name of someone else. The situation described in this paragraph refers to an importer who holds EIDR authorisation and meets all of the conditions that apply to that authorisation. These are mainly the criteria as referred to in Article 39 under a, b, and of the UCC (no serious or repeated violations, acts and goods flows are well-managed due to records that allow appropriate controls, and practical skills or professional qualification).

When a person who submits a declaration intends to benefit from simplification, it must meet the required conditions itself, rather than the importer on whose behalf it acts. Custom simplifications are mainly aimed at simplifying the manner of submitting declarations, or rather, simplifying formalities and procedures. It is based on the trust granted by Customs that the declarant will apply the procedures correctly. Therefore, conditions for using simplification must be met by the declarant (which is in this case the indirect representative itself) and not by another person.

Conclusion: this type of representation is not possible.

Authorisation holder (importer) intends to engage a direct representative

The importer holds the EIDR authorisation and meets all authorisation requirements, entry takes place in its records, and it is the declarant. The importer has engaged someone to perform specific general and customs activities on its behalf, such as submitting the supplementary declaration.

Conclusion: this type of representation is possible.

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4.7 Request for Tariff Quota

In case of EIDR, a tariff quota can only be requested when the supplementary declaration is submitted.

4.8 Supervision

The supervision strategy will still be based on the generic approach that has been used by Customs for a large number of years. The manner in which this approach is effected for you as an EIDR authorisation holder depends partly on the nature (typology) and size of your company, the range of goods, the link in the logistic chain, internal operations of the authorisation holder itself, any other authorisations that were granted, agreements with Customs, and results of recent customs controls.

The application for the authorisation in the context of this amendment will be assessed in an investigation to establish whether your company has adequate internal management measures in place to guarantee reliability of the entry in the records, and accuracy of the consecutive declarations of the customs goods.

Every three years, Customs perform a cyclical supervision to investigate the risks that are relevant for the authorisation holder and to cover these by means of a control approach, which takes into account both the risks with regard to the authorisation conditions, as well as the accuracy and completeness of the declarations, which will be based partly on the risk alerts received.

Besides administrative controls (in accordance with cyclical supervision) physical controls will be used. It depends on the range of goods of the declarant whether these will be random checks or a combination of random checks and risk-focussed physical controls:

• Random checks will be used to supervise the physical goods flow and to audit the management measures of the authorisation holder. Random checks will be performed in logistics (unless exempted from the obligation to present).

• Risk-focussed physical controls will be aimed primarily at compliance with statutory obligations ensuing from special legislation (in respect of Security, Health, the Economy, and the Environment) and will be performed in logistics. Goods will only be released after these controls have been performed.

Profiles (Prisma) will be applied to supplementary declarations. Any alerts arising from this may be a reason to take direct action or may be used as input for cyclical supervision. This depends on the nature and gravity of the

alerts.
No random or risk-focussed selections can be carried out in case of EIDR with exemption from presentation.
Customs may decide to perform random observations outside logistics.
In case of EIDR with presentation Customs may select goods based on the presentation notification to perform a random check or a risk-focussed control.
Controls will be performed on idle moments in logistics as much as possible.
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5. Stipulations that Apply to all Types of Declarations

5.1 Security and Notification of Customs Debt

When goods are released for free circulation, a customs debt is incurred, and, in relevant cases, also a tax debt is incurred upon importation. The goods can only be released when the duties and taxes related to these debts have been paid or when a guarantee has been provided in this respect. In practice, a guarantee is provided for these debts.
Customs will monitor the guarantee by means of a reference amount. The reference amount is the total sum of Customs duties and other taxes upon importation subject to which goods can be released. When the reference amount has been fully reserved, no goods can be released anymore. In principle, the guarantee amounts to 100% of the reference amount. The actual sum to be provided in guarantee can be mitigated for AEOs. For AEOs, the mitiga- tion has a standard level of guarantee up to 30% of the reference amount (sum of customs debt). When the customs debt is paid (in practice, before day 15 of the next month), the reference amount will be released once again.
The sum due in import duties will be established by the Customs Administration and notified to the debtor by sen- ding an invitation for payment (Dutch abbreviation: UTB). A notification of customs debt must be effected for each declaration or supplementary declaration. There are no stipulations that prohibit a combination of notifications in one message. This means that Customs have chosen to combine the UTBs ensuing from supplementary declarations on one day in one specified collective UTB. The sums credited on the reference amount must be paid each month.

5.2 Controls and Formalities with regard to Security, Health, the Economy, and the Environment

Customs have to perform a number of obligatory controls. These are controls and/or formalities that are set out in legislation and regulations in the field of Security, Health, the Economy, and the Environment. These controls may be both administratively and physically. The selections for these controls are often laid down in so-called procedu- ral profiles in enforcement practice. Similar to the risk profiles, these are registered in the Prisma selection system. Contrary to risk profiles, these often pertain to a formality, such as an endorsement to be placed on documents or verification that documents are present. Partly, these controls or formalities must be performed before goods may be released.

5.3 Financial Risk Criteria

Directing controls for financial risks is increasingly performed at an EU-level, by means of the so-called Financial Risk Criteria (FRC, these are European financial risk profiles). Customs authorities have to comply with these FRC. The nature and level of detail of an FRC may entail that Customs are not free to choose the instrument of enforcement but may be obliged, i.e., to perform physical controls, irrespective of the level of reliability of the actor or the chain.
One important source of information for these FRC are the so-called AM reports (assistance mutuelle). These reports are sent by OLAF to the member states and contain a description of the possible fraud pattern, any engaged parties, and the steps to be taken to cover the potential financial risk as much as possible.
However, the available topics of the FRC do provide discretion to apply national enforcement methods when this concerns AEOs. In principle, a major part of these controls does not have to be performed in logistics at AEO autho- risation holders. In doing so, it must be observed that a total lack of controls in logistics at the level of declaration lines is undesirable, also for AEO authorisation holders, even if only for external rendering of account. Therefore, a focussed random selection will have to be performed in logistics, besides application of the FRC, albeit afterwards in administrative supervision, and it has to be taken into account that logistic interventions will have to be performed in respect of some specific EU-risks.