

Risk management strategy

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Jordan Customs Department

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Introduction

Jordan Customs Department is one of the most important governmental institutions that play a prominent role in mitigating illegal trade activities, raising the efficiency and competitiveness of the national economy, and protecting the local community, from risks that threaten its safety and security. This requires the highest accuracy and safety in its operations, procedures and activities.

This strategy is designed to ensure the achievement of the strategic objectives of the Department to reduce and minimize the negative effects of the risks that may prevent the achievement of

those objectives through a series of preventive and remedial measures to enable the Department to continue to provide its services efficiently and effectively in different circumstances.

Justifications

A range of risks affect efforts to develop and improve risk operations. Hence, it is deemed important to build a risk management strategy for the following reasons:

- Identification of risks that may affect the department's performance is an effective preventive and remedial measure to reduce its impact in the event that they occurs.
- Early identification procedures to avoid or reduce risks can help create the most optimal and effective solutions, rather than immediate solutions that may be more costly and less effective.
- The need for scientific methodology to predict and deal with risks.
- Staff needs for guidance to control their performance during risk events; and maintain the quality of service delivery.
- The need to standardize concepts and practices in risk management.
- Changing environment in Customs work.
- The need to transfer expertise and knowledge between different administrative levels.

Vision: Providing a secure and stable Customs environment.

Mission: Using best practices in management and planning to avoid risks and crises and reduce the effects thereof.

Methodology for Risk management building

The aim of this methodology is to identify and classify risks according to their impact and probability of occurrence to ensure that proper decisions are made to turn these risks into opportunities or reduce their impact in the event they occur.

Methodology procedures:

1. Review the risk report in the previous strategic plan.
- 2 - Survey the work environment (quadratic analysis of the internal and external work environment).
- 3 - Address the directorates and Customs houses to identify the risks that may prevent the achievement of the strategic or operational objectives in accordance with the approved model.

4. Compile and review risk responses.
5. Prepare the risk matrix which includes two main dimensions of the probability of occurrence and the extent of the risk impact.
6. Identify the value of risk and priorities.
7. Identify the risk prevention and treatment mechanisms.
8. Adopt a risk management strategy and circulate it to all organizational units for appreciation, and provide the Directorate of Strategies with periodic feedback.

Objectives of risk management strategy

First: institutionalize risk management in the Department by raising awareness of the importance of risk management.

Second: Predicting risks and crises through:

- Identify potential risks.
- Estimate their probability and impact.
- Identify the causative factors.

Third: Effective and efficient risk management through:

- Prepare plans to handle potential risks.
- Identify of tasks and responsibilities for risk management.
- Use of best practices in risk management.

Definitions

Risk: The occurrence of something that may have a negative impact on the achievement of the strategic / operational objectives of the directorate, or lead to human / material / moral losses.

Crisis: A set of huge and successive risks that negatively affect the performance of the department and lead to the suspension of service provision in part or in full.

Risk assessment: The process of determining the severity of the risk by determining the probability of occurrence and the impact of the risk in case it occurs.

Risk Management: The process of identifying, measuring, controlling and reducing the risks facing the Department.

Risk management methodology

Risk management is part of the Department's strategic management represented in a set of procedures that are systematically followed to address the risks associated with the execution of the activities of the Department through the optimal use of available resources (material and human) in order to achieve the set objectives.

A specific mechanism was adopted to give each risk a value that depends mainly on the probability of occurrence, on the one hand, and its impact on the other.

Risk assessment:

1. Identification of the probability of occurrence of the risk:

Level	Weight	Probability	Description
Very high	5	More than 80%	Most likely to occur
High	4	60% - 79%	High probability of occurrence
Medium	3	40% - 59%	Medium probability of occurrence
Low	2	10% - 39%	Low probability of occurrence
Rare	1	Less than 10%	Rare occurrence

2. Identify the impact of the risk:

Level	Weight	Probability	Description
Very high	5	More than 80%	A threat to the effective work of the department which is associated with the national and strategic objectives and requiring the intervention of senior management.
High	4	60% - 79%	Affect the department's strategic objectives, and causes major problems for service recipients and require senior management intervention.
Medium	3	40% - 59%	Affect the operational objectives and knowledge assets of the department and may require management review.

Low	2	10% - 39%	Threatens the effectiveness of some aspects and the effectiveness of people in the department, but can be dealt with internally.
Can be ignored	1	Less than 10%	Risk effects are dealt with through routine work.

3. Identify the value (intensity) of the risk = (probability x effect):

Probability		5	4	3	2	1
		Very high	High	Medium	Low	Can be ignored
Very high	5	25 S	20 VH	15 H	10 M	5 L
High	4	20 VH	16 VH	12 H	8 M	4 L
Medium	3	15 H	12 H	9 M	6 L	3 VL
Low	2	10 M	8 M	6 L	4 L	2 VL
Rare	1	5 L	4 L	3 VL	2 VL	1 VL

4. Identify the value or intensity of risk:

Risk level	Description
S	Extremely significant and unacceptable risks that can terminate the activity. They should be monitored intensively and put appropriate preventive measures. Prepare periodic reports of workflow.
VH	Major risks, which take immediate preventive and remedial action and control
H	High risks which require the attention of the senior management, and the development of appropriate measures.
M	Medium risks which require follow-up action to keep at the lowest practical and logical level
L	Low risk can be managed within routine procedures.
VL	Very low risk, requiring control only, without the need for action unless risk escalation is possible.

Risk handling procedures:

1. Risk control: Identify the methods used by the department to reduce the risk potential and its impact, and allocate an amount within the budget of the department to deal with the risks through:

A - **Risk transfer**: It is a transfer of risk to others, such as the transfer of work or part of it to other parties for implementation.

B – **Risk acceptance**: Taking effective action to reduce risk is limited in some cases, or the cost of taking such measures may be high or costly. In this case, the required administrative action is to monitor the risk and ensure that the likelihood of occurrence or effect will not change. It is appropriate to deal with this risk in the future in a better manner when different management methods are available to manage this risk.

C - **Risk treatment**: most risk situations will be in this category, where risk is contained through preventive measures to handle or reduce risk.

D – **Risk elimination**: where some actions are taken to eliminate the risk radically, such as the use of different ways to implement work, or different technology, which makes the risk disappear.

2. **Periodic monitoring and follow-up**; any new risk source or failure to control past risks will be detected.

3. **Measure the effectiveness of procedures taken** to avoid risk using the risk assessment model.

4. **Measuring the effectiveness of the risk management methodology** and modifying it based on the measurement results.

Tasks and responsibilities related to this strategy:

1. Employees:

Employees are involved in the assessment and review of risks, but they may all be involved in identifying these risks. If the employee is aware of a particular risk in his area of work, and this risk is not known, the employee must share information about this risk with his direct manager. Generally, there is no risk that can be ignored, and after discussion of the risk and its impact, the need to register the risk and procedures to limit its effects and put it under control shall be assessed.

2. Directors:

All managers are responsible for ensuring that all their employees are familiar with the latest information on risk management, and they must do what is necessary to communicate information about any known risks to their employees, so that risks would be clarified and discussed.

3. Service Recipients and Partners:

Service recipients and partners have an important role in risk management through community outreach, although they have no clear responsibilities in the Department's structure.

Types of risks arranged by probability:

- **Financial risks:** the degree of fluctuations that occur to the budget and several internal factors such as inaccuracy of the budget estimate, and insufficient financial allocations that prevent the achievement of the objectives of the Department.
 - **Technical failure risks:** threats to the computer network and information security and confidentiality in the Department that prevent the achievement of the objectives.
 - **Fire risks:** threats that the Department may face and expose the lives of individuals to injuries, destruction of buildings, destruction of contents of documents and important data as a result of the fire.
 - **Natural disaster risks:** natural threats facing the Department such as earthquakes, floods, and landslides that prevent the achievement of targets.
 - **Knowledge risks:** threats facing the Department as a result of shortage of human cadres, lack of administrative and Customs skills, violation of financial and moral stability, and the ineffectiveness of training programs, etc.
 - **Health risks:** threats of work injuries to employees at field or borders, environmental and health threats such as exposure to radioactive and hazardous materials and others.
- Legal risks:** threats to the Department of low level of awareness and legislation governing the work of the Department, and the lack of knowledge to implement the provisions, and failure to provide, the concerned entities with the necessary amendments to avoid material and technical risks.
- **Awareness/media risks:** threats related to failure to provide accurate information to those concerned.

Strategic goals	No	Risk	Probability of Risk	Impact of Risk	Risk Level		Procedures taken over
Strengthen financial resources and raise the efficiency of collection	1	Diversity and development of smuggling trends and commercial fraud	5	3	15	H	<ul style="list-style-type: none"> • Exchange of information regarding methods of smuggling and commercial fraud between the Jordan Customs Department and Customs administrations in the region (RILO Office). • Expand the use of X-Ray in inspection. • Expand the use of electronic tracking system. • Train Customs staff. • Activate monitoring and post-audit operations. • Follow-up with outstanding declarations.
	2	Lack of clarity on future government policies and trends related to the work of the Department.	2	3	6	L	<ul style="list-style-type: none"> • Address and coordinate with the concerned authorities.
	3	Increase the volume of Customs exemptions and exploit facilities granted by illegal means.	3	3	9	M	<ul style="list-style-type: none"> • Study and control cases of granting exemptions. • Clarifying the implications of exemption granting decisions.
	4	Multiplicity of bodies involved in investment promotion and weak coordination with the Department.	3	3	9	M	<ul style="list-style-type: none"> • Electronic connectivity. • Effective coordination with those bodies.
Increase satisfaction of partners and service recipients	1	Weak awareness of the service recipients of the scope of Customs responsibility	3	3	9	M	<ul style="list-style-type: none"> • Communicate with the service recipients. • Publish news on website.

Strengthen Social Responsibility		related to services.					
	2	Weak response and electronic readiness of some partners and service recipients	3	2	6	L	<ul style="list-style-type: none"> • Provide technical assistance to some agencies. • Train other departments' staff. • Hold coordinative meetings.
	1	Government policy in establishing and rationalizing expenditures	3	1	3	VL	<ul style="list-style-type: none"> • Focus on initiatives that have no financial impact.
	2	Weak media promotion for the Department	3	2	6	L	<ul style="list-style-type: none"> • Activate the website of the Department. • Conduct awareness campaigns on the role and mission of the Department.
Develop intelligence operations and risk management	1	The diversity and development of means of smuggling, fraud and commercial fraud.	4	3	12	H	<ul style="list-style-type: none"> • Rehabilitate and train the Customs staff. • Exchange of information with neighboring countries and partners.
	2	Selection criteria vary between customs and other departments	3	2	6	L	<ul style="list-style-type: none"> • Develop cooperation with the supporting bodies of the department • Implement the National Window project.
	3	Lack of intelligence resources	3	2	6	L	<ul style="list-style-type: none"> • Increase secret informants.
	1	Diversity and development of smuggling trends and commercial fraud	4	3	12	H	<ul style="list-style-type: none"> • Intensify the efforts of control patrols by increasing inspection campaigns. • Strengthen the escort patrols.

Strengthen Customs seizures and Controls							<ul style="list-style-type: none"> • Make recommendations to amend legislation.
	2	Lack of qualified human resources.	3	3	9	M	<ul style="list-style-type: none"> • Implement “replacement and succession policy”. • Develop and modernize the computerized systems. • Use of modern technology to assist in electronic controls. • Rehabilitate the Customs staff with specialized courses.
	3	The Government's delay in developing legislation related to the work of the Department (amended Customs Law)	3	2	6	L	<ul style="list-style-type: none"> • Address relevant authorities to expedite the issuance of legislation.
	4	The security and political situation in the neighboring countries	3	3	9	M	<ul style="list-style-type: none"> • Crisis Management Committee.
Strengthen environmental sustainability	1	Lack of financial funding	3	3	9	M	<ul style="list-style-type: none"> • Search for funding resources.
Facilitate Customs clearance procedures	1.	Weak response by some partners and service recipients to accomplish business.	3	3	9	M	<ul style="list-style-type: none"> • Sign memorandums of understanding with partners. • Coordinate with partners.
	2.	The Government's delay in developing	3	3	9	M	Address relevant authorities to expedite

Increase efficiency of performance and institutional capacity		legislation related to the work of the Department					the issuance of legislation.
	3.	Lack of qualified human resources.	3	3	9	M	<ul style="list-style-type: none"> • Conduct specialized courses for Customs staff.
	4.	Delayed implementation of tenders by other bodies	4	3	12	H	<ul style="list-style-type: none"> • Coordinate and follow-up with those bodies. • Early bidding and requirements. • Identify the expected date of the tender by documenting it in the project card, and provide it to the Directorate of Administrative Affairs and the Directorate of Financial Affairs.
	1	Lack of qualified human resources.	4	3	12	H	<ul style="list-style-type: none"> • Implement “replacement and succession policy”. • Develop and modernize the computerized systems. • Secondment from public security cadres. • Provide Customs staff with specialized courses.
	2	Insufficient allocations in the capital project.	3	3	9	M	<ul style="list-style-type: none"> • Address relevant authorities to monitor the necessary allocations. • Implement projects according to their importance (priority). • Solicit external sources of funding.
	1	Natural disasters and wars	1	4	4	L	<ul style="list-style-type: none"> • Crisis Management Committee

All strategic objectives	2	Sit-ins and strikes	3	3	1	VL	
	3	Sudden breakdowns of national communication networks and disruption of electronic systems	1	4	4	L	<ul style="list-style-type: none"> • Provide a backup network. • 24 hour shifts
	4	Accelerated technological change	1	4	4	L	<ul style="list-style-type: none"> • Search for external sources for funding. • Keep abreast of developments according to available possibilities.
	5	The culture of nepotism and favoritism	2	3	6	L	<ul style="list-style-type: none"> • Application of computerized systems. • Activation of audits and internal controls. • Activate accountability processes.