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F. No. VIII(Cus)17-18/CT/SO/2017/WARDHA

Dated: 23/05/2017

STANDING ORDER No: 03/2017-CUS

Subject: Implementation of the Risk Management System(RMS) in imports at M/s. Worlds Window Wardha Infrastructure Pvt. Ltd. (WWWIPL), ICD Wardha (INCHJ6) - Local Risk management System and PCA administration-reg

Attention of officers is invited to the Public Notice No. 01/2017-Cus dated 23.05.2017 and Standing Order No. 01/2017-Cus dated 23.05.2017 issued in connection with the above subject. These instructions are to be read in conjunction with the said P.N. and S.O. and meant for guidance of officers who are assigned the various roles and responsibilities in relation to local risk management and post clearance audit functions.

2. **Local Risk Management System administration:** The RMS machine installed in the Custom house is known as Local Risk Management (LRM) system. This system is in the same Local Area Network as the ICES. The National Risk Management (NRM) system is in the ICENET and hence connected to the LRM. The Additional/Joint Commissioner in charge of SIIB is designated as the System Administrator of LRM. A detailed user manual for LRM is provided to all the officers working in the LRM. The DC/AC and the nominated officers working in SIIB will be given user ids and passwords in the LRM by the Systems Administrator. The users must change their assigned passwords in LRM by immediately logging and also keep changing passwords at regular intervals. In addition to handling the Targeting and Intervention activities assigned to them, all LRM users should be vigilant about all such bills of entry which are getting facilitated and are being sent for clearance without any assessment or examination. Discrepancy if any found in respect of such bills should be immediately brought to the notice of the LRM for further action.

3. **Ensuring un-interrupted messaging between the ICES and RMS:** The ICES System Manager will designate officers in the EDI section for monitoring flow of EOD messages from the ICES to the RMS and also the reverse flow of PCA (Post Clearance audit) messages from RMS to ICES. Any interruption in the same should

be brought to the notice of the LRM or Addl / Joint Commissioner of Audit as the case may be. The system manager will ensure that all B/Es which have been given out of charge are submitted to RMS in the EOD files. If BEs not selected for PCA by the RMS, such BEs will be sent to history. Only the selected BEs will be queued by the ICES to the audit officers for PCA. ICES will send to history all BEs for which no PCA message is received.

4. **Targeting in RMS:** The LRM users have the facility to insert Targets into the system. Using the targeting feature of the RMS, it is possible to interdict consignments that match the particulars of specific intelligence or alerts (called targets). The targets will match each Bill of Entry with respect to the logic inserted in the system by the user in the interface provided to him. In case there is a match, the concerned Officer (called Targetor) will be alerted through the RMS dashboard and action on the Bill of Entry will be based on the Targetor instructions. The targeting tool in RMS allows the Targetor to verify and improve upon his intelligence or information. The number of consignments the target is likely to select or shortlist can be estimated through an RMS feature called Impact Analysis. Targets should be inserted carefully and in such a way that, as far as possible, clearance of compliant consignments are not held-up. Therefore, it has been decided to provide targeting facility of RMS to a limited number of officers and a note of satisfaction of the proposer and approver of the target should be recorded on the system. The LRM systems administrator shall designate officers as the target proposer and approvers of the target. To the extent possible the Targetor should be the AC/DC or the AO/Superintendents and the approver should be the ADC/JC SIIB. The LRM users can view on their dashboards all the bills of entry hit by the targets inserted by them. Targets can be *national*, i.e., applicable on Bills of Entry filed at all ICES locations or *local* i.e., applicable at particular locations only. It has been decided to give the power of inserting both national and local targets to the Directorate General of Revenue Intelligence (DGRI) and the Risk Management Division. It has been decided that DRI Delhi will enter the targets based on Alerts issued by DRI and these targets should not be entered again by the Local Risk Manager, to avoid duplication. SIIB section will analyze the intelligence gathered by officers and examine alerts received from various formations before deciding to insert any local target. A file shall be opened wherein justification for inserting a target will be given by the target proposer. The target approver with his remarks shall put up file to the Commissioner for approval, after which the target can be approved in system. All the officers must note that targets can hit accredited clients also. Hence due caution shall be exercised before insertion of the targets. If required target can be inserted in such a way that it will bypass the ACP importer. The Manual should be referred for further help.

5. **Intervention in RMS:** Where there is no specific intelligence or information but there are known/suspected trends in evasion or violation, LRM users with the

approval of the Commissioner can use the tool of Intervention to check some or all consignments of a particular category of imports in order to check on the levels of compliance. The user is required to insert the percentage of bills matching the intervention criteria for selection. The intervention feature can also be used to monitor the quality of their declarations. Officers with the approval of the Commissioners of Customs can provide guidance to importers and CHAs for improving the descriptions of goods, whenever they are not satisfied by the quality of declarations in the Bills of Entry by using this tool. Like the targeting function, insertion of interventions will also have to be used cautiously and sparingly. The RMS provides for a two stage process for creation of an intervention where the proposer and approver insert their remarks regarding the reason for inserting the intervention. The Systems administrator should designate one officer as the intervention proposer and another for approving the intervention. As far as possible the interventions should be approved by the ADC/JC SIIB with the approval of the Commissioner. The impact analysis tool must be used before insertion of intervention. Like targets, interventions can be national or local. The dashboard should be used to view the hits for the intervention inserted by the user. All the officers must note that interventions can impact accredited clients also. Hence due caution shall be exercised before insertion of the interventions. If required the interventions can be inserted in a manner so as to exclude ACP importers from their ambit. Please refer to the Manual for further help.

6. **Systems administrator of the LRM** shall be responsible for the maintenance, security and effective working, of the LRM server. The System Administrator of LRM shall keep close liaison with the National Risk Management system administrator. He will supervise the working of the system and ensure that the RMS software vendors personnel posted at the site perform their assigned roles. The local **ICES Systems Manager** and the NIC officials should be approached for any work related to local data transfer and smooth operation of RMS. The ICES system manager and the NIC staff shall co-operate with the LRM system administrator in the discharge of his duties.

7. **Random selection of Bills:** The RMS subjects all categories of bills of entry to a random percentage of examination. The percentage of random will be monitored by Risk Management Division. Commissioners of Customs can however fix the random percentages for Interventions inserted locally.

8. RMS is designed so as to give the output on any bill of entry within a stipulated time limit, from the time of getting the bill from ICES. However, in the event of any problem with the LRM system due to which bills of entry may take more than the specified time, the Bills will be automatically processed by the ICES in the normal fashion without any RMS instructions. There will be no concurrent audit even for such bills of entry. In all such bills of entry officers

must assess and examine as per normal ICES practice. *The LRM systems administrator must immediately alert the NRM about systems related problems encountered by them, if any, for rectification.*

9. All the officers should note that apart from the designated SIIB officers at LRM, the officers working in the Directorate General of Revenue Intelligence (DGRI) and the Risk Management Division (RMD) are empowered to insert targets and Interventions. The RMS also gives the facility to the officers of the RMD to insert Risk rules and update the systems intelligence in the NRM which will update on every LRM online. The Bills of entry in the ICES may be hit by any one or more of the targets, interventions, risk rules inserted by one or more officers in the NRM and LRM. The Officers and staff in assessment and examination sections will get on their screen the selected bills of entry along with the Targetor and interveners instructions, Appraising and Examination Instructions specific to the rules hitting the BE and the Compulsory Compliance Requirements for the goods imported and the notification benefit claimed. The action in ICES shall be done accordingly.

10. It must be noted that the prime objective of the RMS is to enhance facilitation for compliant importers and compliant consignments. Therefore, all officers, while being vigilant against abuse, must at all times act with a sense of responsibility and avoid doing anything that would cause undue delay or harassment to legitimate trade.

11. **Role of Additional/Joint Commissioners:** The dash board of the Local risk management system will be made available to all the Additional/Joint Commissioners posted in Custom House or Air Cargo Complex. The bills of entry being cleared in the custom house under the respective groups held by the Additional/Joint Commissioners shall be monitored using the dashboard. The data available on the dash board may be used to ensure proper implementation of RMS. Compliance to the Targeting, Intervention and Risk rule related instructions being sent to the officers shall be supervised using this tool. While viewing the dashboard the Supervising officers should be especially vigilant towards all the Bills of entry which are not selected for assessment and Examination.

12. **RMS PCA administration:** A separate post clearance audit section headed by an Assistant Commissioner in charge of audit will take ownership of the RMS PCA administration. This section will be responsible for managing the RMS portion of the PCA in addition to conducting the audit of selected bills of audit in the ICES. The following paras describe the various tools made available to the Audit branch of the Commissionerate, their utility and define the responsibilities of the various officers in the section vis-a-vis use of these features.

13. The RMS processes the PCA messages received from the ICES in three stages:
- (a) It parses them through the PCA rules
 - (b) It will apply PCA interventions on such BEs. PCA interventions are purely local in nature and have to be inserted by the local commissionerate
 - (c) It will apply Corridor based interventions. Corridor based interventions are also purely local in nature and the Commissionerate has the sole responsibility for managing the corridor based interventions.

Apart from the above, PCA module in the RMS also has a tool for selection Bills of strategic audit.

14. **PCA Rules:** PCA rules are national in character and will apply to some or all ICES locations where the RMS has been deployed. PCA rules will be managed by the Risk Management Division in consultation with the DG- Audit /field formations and under the overall policy guidelines laid down by the Board. PCA rules can be inserted only by the RMD on the system. The Additional Commissioner /Joint Commissioner in charge of the PCA program will have to liaise with the RMD and provide feedback on the operation of existing PCA rules, and for incorporation of fresh rules the Commissionerate may deem necessary.

15. **PCA interventions:** The need for interventions and their design and applicability has already been discussed earlier while discussing the operation of interventions in the import module. The intervention functionality in PCA is identical to that of the intervention in the RMS import module. Interventions are a tool for compliance monitoring and measurement. Though their functionality is very similar to that of PCA rules as outlined above, they differ from the rules in the following key aspects.

a) Rules affect all BEs which satisfy the criteria. Interventions allow the inserter to specify a random percentage (between 1% & 99%). The random percentage will be applied to all eligible BEs and only the specified percentage will be selected for audit in a random fashion.

b) PCA interventions have to be defined by the audit section and will work only on the BEs filed in the custom house. In this sense they are purely local in nature vis-a-vis the national character of the rules. The RMD in consultation with DG (Audit) also has the option to insert national interventions which apply to one/few or all customs locations. Simple interventions require a proposer to propose the intervention and an approver to approve proposers intervention. The user privileges of the various user of the PCA module in the RMS will be defined by the LRM. The Addl / Joint Commissioner I/c of audit will have the exclusive privilege of approving an intervention on the RMS. The privilege of proposing the intervention can be given to designated officers (above the rank of

Inspector/ PO) decided by the Addl / Joint Commissioner I/c of audit. This list has to be communicated to the LRM for enabling the propose intervention privilege on the system. All proposed interventions will have to be approved by any officer of a rank not less than an Additional / Joint Commissioner before they are activated. Deactivation and suspension of an active intervention can be done, similarly by an officer, not less than the rank of an ADC / JC.

16. **Corridor trace based interventions:** Corridor trace based interventions rely on the path taken by the BE in the Import module of the RMS to define the criteria on the antecedent side of the intervention. They are local in their character and the sole responsibility for managing these percentages will vest with the Addl / Joint Commissioner in charge of audit. For example if a Bill has been filed by an ACP client and it has not been hit either by a target or an intervention or a random , he may like to specify a higher percentage for such facilitated BEs during PCA. In other terms, corridor based random give the Addl / JC I/c of audit a flexibility to specify random percentages of audit , depending on the path traversed by the BE in the RMS, during live processing. The possible permutations and combinations of the corridor traces have been hard coded into 32 different categories in the PCA module. The suggested percentage for each of the categories is given in Annexure I to this document. The Addl / Joint commissioner I/c of audit will periodically review these percentages and revise them if necessary.

17. **Strategic Audit:** A limited facility for conducting a desk based strategic audit is also available in the RMS PCA module. PCA rules apply only prospectively. In other words, rules apply only to those BEs whose EODs reach RMS after their insertion. They do not affect BEs which were received by the RMS before their insertion. The strategic audit is designed to over come this limitation of the PCA rules. A strategic audit overcomes this limitation by allowing the user to insert a rule for the past period and pick out the BEs which meet criteria specified in the rule. The interface for inserting strategic audit rules is very similar to that of the PCA rule interface with one major difference. A start date and end date have been provided and the strategic audit rule will operate on all the Bills between these dates and send all matches for post audit to the ICES. This is helpful in situation where during audit a short levy has been noticed and there is a need to check if similar such BEs have been cleared in the past without audit not noticing the short levy. By inserting a strategic audit rule RMS allows the auditor to pick out all previous BEs during a defined period to be pulled out as a batch for audit purposes. Strategic audits have to be defined by the Addl / Joint commissioner i/c of audit only. National level strategic audits will be communicated to the Commissionerate by the DG (audit) and the RMD.

18. In addition to the above, the RMS module will have various MIS reports on PCA. Privileges for viewing these reports will be decided by the Addl / JC I/c of audit and communicated to the LRM for enabling the same.

19. **Feedback:** The process of Risk management is incomplete without feedback. Officers working on the LRM and PCA are advised that if any aspect of the RMS which in their understanding is either not suitable or seemingly out of context in respect of any BE under their scrutiny, it should be immediately reported to the Local Risk Manager(LRM) or the Addl/Joint Commissioner (PCA) as the case may be. Such feedback shall be routed to the NRM through the office of Local Risk Manager.

20. It must be noted that the prime objective of the RMS is to enhance facilitation for compliant importers and compliant consignments. Therefore, all officers, while being vigilant against abuse, must at all times act with a sense of responsibility and avoid doing anything that would cause undue delay or harassment to legitimate trade.



(Ashish Chandan)

Commissioner

Customs, Central Excise and Service Tax,
Wardha Commissionerate

To,
All Concerned.

Copy to:

1. The Chief Commissioner, Customs, Central Excise and Service Tax, Nagpur Zone, Nagpur.
2. The Director General, Directorate General of Systems, Customs & Central Excise, 4th & 5th Floor, Hotel Samrat, Kautilya Marg, Chanakya Puri, New Delhi – 110021
3. The Additional Director General, Risk Management Division, Directorate of Revenue Intelligence, Central Board of Excise and Customs, 13, Sir Vithaldas Thackersey Marg, Opposite Patkar Hall, New Marine Lines, Mumbai – 440020
4. The Assistant Commissioner, ICD, Wardha, Wardha
5. The Assistant Commissioner (Systems), Wardha with a request to upload the Public Notice on the official website of Wardha Commissionerate
6. Office Copy