



## Swedish Customs control

– an accurate enterprise?

Swedish Customs is to determine and levy customs duties, taxes and charges and oversee regulatory compliance in connection with import and export of goods. It is also to prevent and counteract crime related to import and export of goods. The control activities of the agency play an important role in this work.

The control activities encounter an array of difficulties. The traffic and trade flows to be overseen are increasing and many types of goods has various forms of restrictions; from unsafe electrical appliances to narcotic drugs. This requires the ability to prioritize between different control activities and assumes a broad range of staff skills.

In light of the important public service Swedish Customs' controls constitute and the difficulties encountered by the agency, the Swedish National Audit Office (NAO) considers it justified to audit whether the control activities are designed effectively.

## Audit findings

The Swedish NAO's overall conclusion is that Swedish Customs essentially has the building blocks required to design control activities effectively, but that measures are required to ensure that resources are allocated in a way that generates the greatest possible benefit. Measures to improve the control tools and their adaptability could also improve effectiveness.

The Swedish NAO would also like to point out that information exists indicating that the objectives in the Swedish Customs' appropriation directions concerning prevention of import of narcotic drugs and weapons are not achieved. Considering the damage that these goods

cause, an investigation would be warranted into what would be required to prevent import to the extent necessary to reduce access in the community. This was not possible to investigate in the audit.

The Swedish NAO's assessment is based on the following findings.

### Lack of knowledge concerning the existence and consequences of errors

Swedish Customs states that the focus of control should be based on an assessment of where the greatest risks exist. The Swedish NAO shares this view and notes that the possibility of targeting the control on the errors and offences that have the greatest negative impact on society is a fundamental condition for effectiveness and efficiency. The audit shows, however, that the knowledge of Swedish Customs concerning the volume of smuggling in various goods and traffic flows is relatively low, particularly regarding illegal import of weapons. However, work is in progress to increase knowledge of the tax gap<sup>1</sup>, which is positive.

Moreover, the Swedish NAO notes that the strategic intelligence work tasked with acquiring knowledge of various risk areas has a limited impact on the focus of control activities. The reasons for this include the lack of a clear structure for how strategic intelligence work should be designed and how the information obtained should be used.

Swedish Customs has a partially better picture of the consequences of various errors and offences, for example there is a method to calculate the societal benefit of the Swedish Customs' drug seizures. The method has some weaknesses, but the Swedish NAO is positive to the attempts being made to estimate the benefit that these seizures generate. However, there are no equivalent cost-benefit analyses for other types of seizure, such as weapons and goods that infringe product safety or intellectual property rules.

### Enhanced intelligence work can improve accuracy

The flows monitored by Swedish Customs are very large in relation to the number of controls that can be carried out. Consequently, the ability to find shipments that generate large charges and seizures is central from the point of view of effectiveness and efficiency. The Swedish Customs' main tool for achieving this is intelligence activities conducted within the Competence Centre for Analysis and Intelligence (KCAU).

The Swedish NAO notes that the work in KCAU is spread among several different areas, which limits the scope for methodological development and concerted action on high priority risks. The success of concerted action as a method is shown by the intelligence initiative the Swedish Customs calls the Commission for heavy traffic, which generated a substantial increase in seizures of narcotic drugs in the flow of heavy vehicles in 2017. The Commission was a pilot

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<sup>1</sup> The difference between the determined and theoretically correct amounts of taxes and charges.

scheme outside the KCAU. Now when the work is to be transferred to the KCAU, there is a risk that some of the success factors will disappear, despite a clear ambition at management level to avoid this.

The intelligence from the KCAU differs, depending on whether for example it is to result in a customs audit or a physical check (check of goods etc. crossing the border). The latter type of intelligence is called a check proposal and forms the basis of about 3 per cent of the total number of physical checks. The audit shows that 15 per cent of the check proposals do not lead to checks, which is because they may not be given priority by border security if, for example, staff are unavailable. It is not possible to ensure that the most important proposals are not given low priority.

The Swedish NAO also notes that there is no adequate follow-up to evaluate the results of the intelligence delivered by KCAU. For example, it is difficult to compare accuracy of intelligence-based and self-initiated checks and there is no reporting of the societal benefit generated by the check proposals. This makes it difficult to determine the level of priority that intelligence should be given in different traffic and trade flows.

### Good access to tools, with some exceptions

Swedish Customs in general has access to the tools (regulatory framework, technology, competence etc) needed to deal with high-priority control areas. But some things could be improved.

To start with, there is a need to increase the use of systems and methods that can analyse big data. Swedish Customs has taken some steps in that direction, but much work remains to be done. Another problem is that since the introduction of new EU legislation on passenger information on 1 August 2018, Swedish Customs is no longer able to obtain passenger information from airlines for the purpose of identifying persons smuggling drugs and other goods. The airlines are instead to transfer these data to the Police Authority, which processes the data digitally and then delivers the result to the Swedish Customs. However, the connection of airlines to the new system is slower than expected, which means that the ability of Swedish Customs to find suspicious air passengers has been impaired.

There are also measures which could improve the control possibilities of border security, for example concerning checks on the trains across the Sound (Öresund).

### Adaptability of control activities can be enhanced

Effectively designed control activities require rapid adaptation to new smuggling routes, altered traffic flows and other changes. An example of the importance of this capacity is the

incorrect handling of postal consignments that was only dealt with after the rapid increase in postal consignments from China in 2017 made the problems widely known.

One development that has not, however, led to any extensive measures is the increased use of illegal firearms. Instead, the seizures of firearms decreased from 61 weapons in 2017 to 41 weapons in 2018. Swedish Customs has stated that it is difficult to evaluate this result, since the volume of importation is unclear. In light of the damage caused by illegal weapons in the community the Swedish NAO considers this to be unsatisfactory.

The Swedish NAO also notes that there are certain types of smuggling that Swedish Customs has difficulty handling. One example is the strategy of concealing illegal importation of alcohol in the legal flow by crossing the border frequently with relatively small volumes. The corresponding situation exists in the postal flow, where the large number of consignments with small amounts of illegal substances is difficult to prevent, partly because of the number of criminal investigations that arise from large operations in this flow.

A good example of successful work to combat alcohol smuggling is, however, the operations carried out by Swedish Customs and other agencies in relation to the “alcohol busses” (organised bus trips where hired accomplices said they owned alcohol which was later sold illegally). These operations put a stop to this smuggling method, which shows that concerted action can be a good method in control activities as well. Because of the considerable resources required, there are few examples of this type of operation, but the Swedish NAO considers that there is reason to assume that an increased element of concerted action would be positive from the point of view of effectiveness.

### Inadequate reference data make resource prioritisation and streamlining more difficult

The limited knowledge of the volume of smuggling in different flows, and of the benefit generated by certain types of seizure, impair chances of making good risk assessments. Current risk analysis is carried out at local level based on knowledge of local conditions. This, together with deficiencies in the evaluation of intelligence, makes it difficult to ensure that resources in control activities are prioritised so as to generate the greatest benefit.

However, the Swedish NAO notes that many of the building blocks needed for sound resource prioritisation exist (intelligence activities, follow-up of accuracy, cost-benefit calculations etc). If Swedish Customs can develop these, in the opinion of the Swedish NAO there are good prospects of increasing effectiveness.

## Recommendations

In light of the audit findings, the Swedish NAO recommends that Swedish Customs:

- increases knowledge of the volume of illegal importation of goods, develops cost-benefit calculations for more types of goods and clarifies the role of strategic intelligence activities
- improves the ability to evaluate the result of KCAU's intelligence and reviews their function in order to improve conditions for methodological development and concerted action in priority areas
- takes steps to ensure that proposed checks that have high priority leads to physical checks
- evaluates the result of work in relation to firearms and examines the possibility of taking steps to increase the number of seizures
- reviews the process of risk assessment and access to follow-up information in order to ensure that control is developed and focused so as to provide the greatest benefit.

The Swedish NAO also recommends that the Government:

- takes steps to hasten the connection of airline companies to the new system for processing passenger data and examines whether additional measures can be taken to improve the control potential of border security.