

REPUBLIC



OF CYPRUS

MINISTRY OF FINANCE

**Department of Customs and
Excise**

> The Management of Change <

BUSINESS STRATEGY

2005 - 2008

Nicosia

September 2005

LIST OF CONTENTS

| | |
|--|----|
| FOREWORD..... | ii |
| SECTION 1: INTRODUCTION..... | 1 |
| SECTION 2: BACKGROUND INFORMATION | 2 |
| SECTION 3: THE DEPARTMENT`S VISION | 4 |
| SECTION 4: MISSION STATEMENT | 5 |
| SECTION 5: GOALS..... | 6 |
| SECTION 6. STRATEGIC OBJECTIVES | 7 |
| Enforcement | 7 |
| Harmonisation of Legislation | 7 |
| Administrative and Operational Changes | 7 |
| Information and Communication Technology | 8 |
| Internal and External Relations | 8 |
| Personnel and Training | 9 |
| SECTION 7: BENCHMARKS..... | 10 |
| Appendix I | 11 |
| Appendix II | 12 |
| Appendix III | 13 |

FOREWORD

On the 1st of May 2004 the Republic of Cyprus acceded to the European Union along with nine other countries. Accession to the EU, in addition to its positive repercussions, entails new responsibilities and challenges both for the private and public sectors. The Department of Customs and Excise has a unique and important responsibility to carry out its duties both domestically and to the EU. To meet this challenge the Department of Customs and Excise is launching a new Business Strategy for the next four years.

Rising trade volumes in goods and services and crime incidence linked often to global terrorism, and the opening up of borders within the EU require ever more sophisticated, swift, and proactive customs services. Cooperation with other countries and international organizations is also crucial given the nature and the size of the task. The added responsibility of Cyprus as the EU's most-Eastern border and the collection of import duties on behalf of the EU demands good organization and management of the tax collecting authority and the customs.

The challenge is even greater following the recent enlargement of the European Union, but I am convinced that the Department of Customs and Excise will carry out its duties in an efficient and transparent manner to serve best the interests of the citizens of Cyprus and meet the requirements of the EU. To this end, the key objective of the new strategy outlined in this paper is to ultimately transform the Department of Customs and Excise into a modern and efficient organization, performing the highest standards of service in a professional and impartial manner.

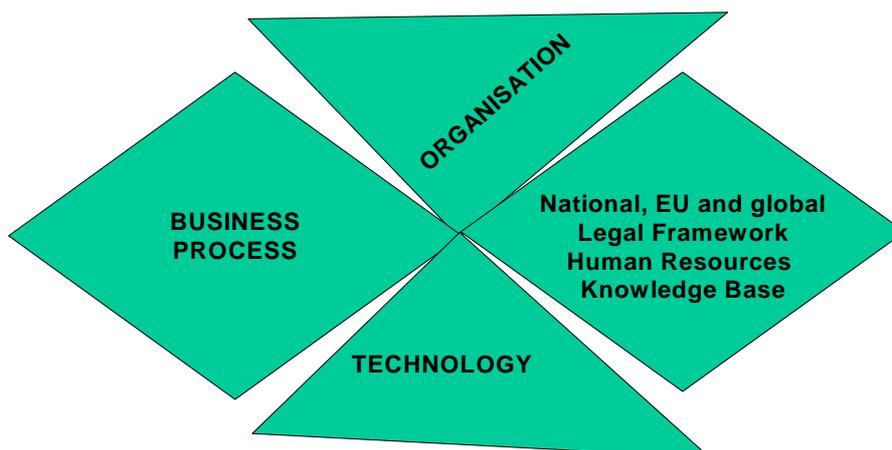
I am convinced that this new ambitious strategy will be successful and wish the staff all the success in their endeavors.

Michalis Sarris
Minister of Finance

SECTION 1: INTRODUCTION

- 1.1. This business strategy sets out the main priorities for the Department of Customs and Excise for the next four years, a crucial period during which its principal focus will be playing its full part during the sensitive post accession era.
- 1.2. The purpose of the strategy, which is based upon a detailed analysis of the current and expected future business environment the Department will be working in as it is visualised in the diagram below, and thus reflecting on the actual administrative practice, is to:
 - focus the attention of everyone within the Department on the organisation's vision, our mission and objectives, and what is actually required in order to achieve them;
 - re-affirm the Department's core values;
 - generate commitment and support from key external 'stakeholders';
 - provide the means by which both progress and achievements made can be measured.
- 1.3. This business strategy has the full support and commitment of the Department's top managers and staff. The values, which it espouses, and the priorities which it sets, will govern the Department's work throughout the next four years. Staff will be expected to actively contribute to the organisational and cultural changes necessary to achieve these demanding requirements, and thus shall receive all the support they need in order to do so.

The Principal Domains of Change in our administrative practice and business environment



SECTION 2: BACKGROUND INFORMATION

- 2.1. The Department of Customs and Excise falls within the domain of the Ministry of Finance and has been in existence for more than 100 years.
- 2.2. The Department's main responsibilities and functions are:
 - the imposition and collection of import and export duties, excise duties and Value Added Tax (VAT) on imported and exported goods;
 - the control of the movement of harmonised goods from other member-states into Cyprus and vice versa and the imposition and collection of excise duties and VAT on such goods;
 - the control of the flow of goods from the areas of the Republic of Cyprus not under the effective control of the Government of Cyprus to the areas of the Republic of Cyprus under the effective control of the Republic of Cyprus, in particular on basis of the current legal framework of the European Union;
 - the active participation in EU bodies and committees;
 - the safeguarding of the security of the supply chain of goods;
 - the enforcement of prohibitions and restrictions on the import, export and transit of goods such as drugs of abuse, precursor chemicals, firearms and weapons, including "dual use" items and embargoes;
 - the enforcement of prohibitions and restrictions on the import, export and transit of endangered species of fauna and flora, cultural artefacts, intellectual property, counterfeit goods, and pornographic and other material of an offensive nature;
 - the protection of consumers' health and safety against goods which do not conform to standards;
 - the monitoring of the movements of high rated products, mainly cigarettes;
 - the control of export refunds in line with the Common Agricultural Policy (CAP);
 - the control of statutory reliefs from duties and taxes;
 - the authorisation and control of simplified customs regimes and procedures on the basis of the Community Customs legislation and in particular the Community Customs Code and its implementing provisions;
 - the active participation in the island's role in the area as a transit point;
 - cooperative 'agency work' on behalf of other Ministries and Departments, for example in relation to import and export licensing and certain aspects of exchange control;
 - the collection and analysis of revenue and trade statistical data;
 - the co-operation with other Customs Administrations and other national and international bodies and organisations;
 - the cooperation and liaison with the British Sovereign Bases established on the Island of Cyprus in respect of goods being discharged from these areas.
- 2.3. The Department of Customs and Excise has its headquarters in Nicosia. Headquarters is entrusted with policy making and the administration of the

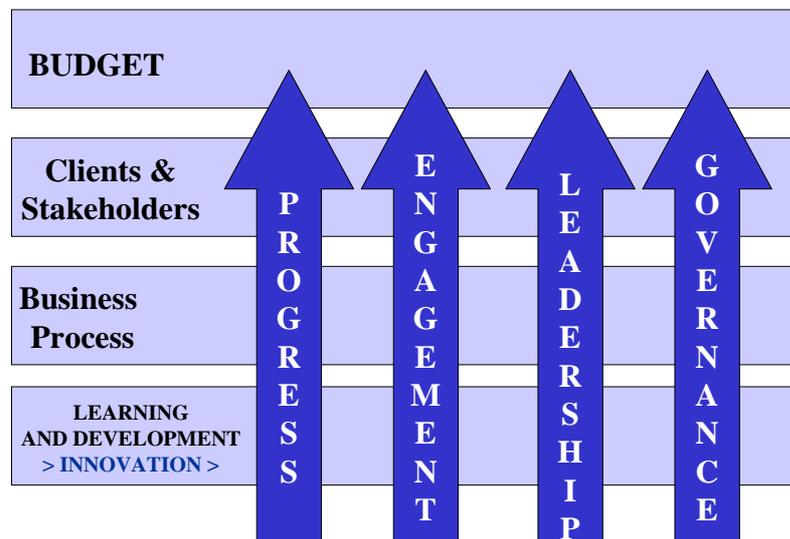
technical operations of the Department. There are 3 regional Customs Offices, known as Collections, in Nicosia, Limassol and Larnaca. Paphos Customs functions as a sub-unit of Limassol Customs. The Department's established posts total approximately 400 staff, being deployed in several major customs entry point as shown in Appendix I.

- 2.4. Whilst the Department has a strong tradition as a revenue administration, and prides itself on the professionalism of its staff, it recognises that its activities are based on legislation and working practices, which need to be reviewed and updated regularly and continuously, so that it can meet the forthcoming challenges of the new era within a pan-European context.
- 2.5. The Department's promoted business strategy is thus taking full account of this inevitably ongoing change in business operations and procedures. In this way it strives to bridge the demand between a well directed and concerted attempt to continuously adopt the guiding role of the Department of Customs and Excise according its actual business needs and those of its clients and stakeholders in both the administrative and public domain.

SECTION 3: THE DEPARTMENT'S VISION

- 3.1. The Department's vision is to continue its effort to transform itself into a modern organisation, which will play its full part as a contemporary customs administration of an EU Member-State, and set an example, which others wish to follow. It will be flexible, effective and reliable, offering high quality service to travellers and to the trade community alike whilst further developing its role of protecting society and the environment. Above all, its staff will be respected for their professionalism, integrity, ethos, propriety and perfect behaviour.
- 3.2. The Department aims to maximise the potential of its entire staff, employ innovative working practices, and utilise the latest technology, in pursuit of its vision.
- 3.3. To achieve its goals, the Department will adhere to generally accepted best practice standards and, moreover, build on the fully integrated core business strategy, as it is depicted in the following

BASIC STRATEGY MAP 2005 / 2008



This holistic management approach will cover all the major parameters being crucial for a sustained and successful business development of contemporary Customs and Excise Services.

SECTION 4: MISSION STATEMENT

4.1. The mission of the Department of Customs and Excise is:

- to protect the global society and the environment, and facilitate the improvement of its quality of life, by preventing illicit traffic in narcotics and other prohibited and restricted goods;
- to collect the revenues for which it is responsible;
- to facilitate legitimate trade and business; and
- to collect and analyse trade statistical data within its competence.

4.2. In fulfilling this mission, the Department of Customs and Excise will respect the rule of law, and the rights and freedoms of individuals; it will apply EU and national customs legislation correctly and consistently and observe international agreements and conventions. It will facilitate the rapid movement of legitimate traffic and trade; and it will be impartial, honest and absolutely transparent in its relations with the public.

LAWFULLY SERVING THE PUBLIC

by way of

BEST PRACTICES AND VALUED TRADITIONS

SECTION 5: GOALS

5.1. The following goals will have to be achieved during the four-year period covered by the business strategy:

- to increase the efficiency and effectiveness of the Department's activities to the level required to fulfil its mission;
- to strike a proper balance between effective customs control and the facilitation of legitimate trade, traffic and passengers;
- to manage the Department in a way which makes its activities as open and transparent as possible to all legitimate interested parties;
- to improve the professional reputation of the Department internally and externally;
- to maximise the potential of the Department's human and physical resources; and last but not least
- to play an active role within the family of the European Union Customs Administrations.

SECTION 6. STRATEGIC OBJECTIVES

6.1. The Department has identified a number of strategic objectives which it must pursue in order to fulfil its mission and achieve its stated goals. These are listed below, under 6 distinct themes:

Enforcement

Given its unique responsibility for the control of imports and exports, the Department has a key role to play in combating violations to the legislation which it is responsible for administering – notably in relation to illegal trafficking in drugs of abuse and precursor chemicals and other prohibited substances. It is determined to continue to give priority to its drugs enforcement work, and has set the following strategic objectives in this area:

- to continue to consider the detection, investigation and enforcement of drug smuggling as one of the main targets of customs control work;
- to improve and increase the application of control methods based upon risk analysis and selectivity;
- to enhance its capacity to safeguard the security of the supply chain of goods;
- to increase cooperation and exchanges of information with other customs administrations and law enforcement bodies.

Harmonisation of Legislation

The Department recognises that it has an important part to play on behalf of the Republic of Cyprus after full accession to the European Union. This begins with the practical application of the governing provisions of the ‘Acquis Communautaire’ – the body of European law with which Cyprus must actually comply as a full Member-State. It also involves the adoption of systems and procedures which will enable the harmonised legislation to be implemented in ways which are compatible with good practices in the EU.

Accordingly, the Department has set itself the following strategic objectives:

- to rigorously implement the relevant legal body of the ‘Acquis Communautaire’ and to apply it in operational practice;
- to review existing customs-related ‘third Pillar’ legislation, and adjust and implement it in line with the ‘Acquis’;
- to review EU-compatible secondary excise legislation; and
- to follow a transparent and fair administrative practice on the basis of the generally accepted principles of good governance in a foremost pan-European level playing field.

Administrative and Operational Changes

The alignment of customs and excise legislation with the ‘Acquis’, and the introduction of EU-compatible systems and procedures is only one part of the picture. Just as important is the Department’s ability to apply the revised legislation, regulations and procedures in practice, in an effective manner. In order to build this ‘operational capacity’, the Department has set itself the following strategic objectives:

- to reorganise the Department to maximise its efficiency and effectiveness, and enable it to meet its new challenges;
- to improve, and increase the application of risk-based control methods;
- to improve, and increase the application of audit-based post-clearance control methodology; and
- to maintain the highest professional internal audit and control standards, based on best international practices, such as the governing INTOSAI¹ and EUROSAI² standards.

Information and Communication Technology

Information systems are nowadays vital for efficient customs control together with the facilitation of legitimate trade. The Department, working closely with the Department of Information Technology Services, therefore aims to achieve the following strategic objectives:

- to continue its active participation in the EU IT systems;
- to constantly review and update the new computerised declaration processing system and other control systems in line with national and EU requirements;
- to develop further IT systems for excise products;
- to participate in the efforts for the development of e-customs;
- to deliver an office automation capability throughout the Department and to raise the level of staff IT skills and performance;
- to provide “on line” services for staff and the trading community together with improved information and data exchange with third parties;
- to enhance the national systems capable of interfacing with EU systems;
- to develop and implement an integrated customs intelligence and enforcement system (CIS) for the control of passenger and cargo movements;
- to train and support staff in the application of Computer Aided Audit Techniques (CAAT);
- to design and implement an integrated Management Information System (MIS).

Internal and External Relations

To operate in the most effective manner, the Department must understand the needs of its many stakeholders – other government departments, traders and trade bodies, the general public, and the European Commission, to name only a few. It must also be able to get its own messages across. At the same time, it is important that the Department keeps its own managers and staff fully involved with, and informed about, the strategic changes which it is making. Recognising these broad requirements, the Department has set itself the following strategic objectives:

- to adopt a policy of constant communication with and service of its stakeholders;

1 International Supreme Audit Offices

2 European Supreme Audit Offices

- to increase co-operation (e.g. through memoranda of understanding) with relevant agencies in the administrative and public domain at both the national and international level;
- to improve its external relations framework to increase public awareness of the Department's purpose, strategy and achievements;
- to improve its range of internal communications techniques which will facilitate the implementation of the business strategy.

Personnel and Training

This business strategy cannot be achieved without the efforts of the Department's managers and staff – easily its most important asset. The Department recognises that it must invest heavily in developing the knowledge and skills of its personnel in order to realise their considerable potential, and meet the standards of professional behaviour that the business strategy requires. The Department must reinforce this development work by re-examining its personnel systems and, where it has the power to do so, by adjusting them – or introducing new initiatives – so as to support the overall drive for professionalism, and recognise the importance of the contribution which managers and staff have to make.

The following strategic objectives have therefore been set:

- to improve its integrated Personnel, Training and Development strategies, policies, systems and procedures which maximise human potential and thus facilitate the achievement of the Department's strategic objectives;
- to maintain and foster the Ethics Policy that had been codified into the Code of Ethics for the Department;
- to develop and implement a health and safety policy for the Department's staff.

The Department also realises that it must enhance its stakeholders' efforts for developing their knowledge and skills and therefore intends to continue to organise training courses for them.

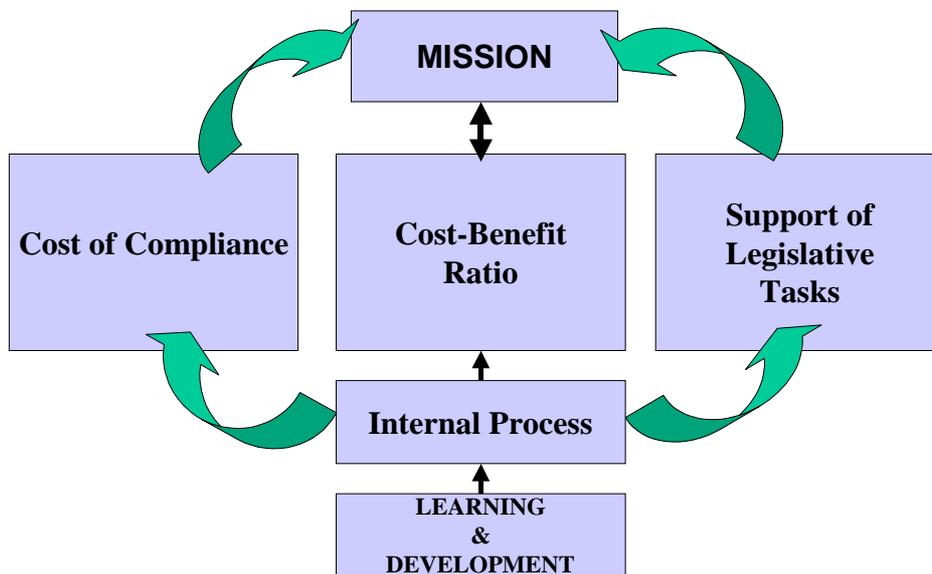
SECTION 7: BENCHMARKS

7.1. The successful implementation of the Department's business strategy is contingent upon the following critical success factors, serving as benchmarks for the continual review and control of its generally accepted internal quality standards:

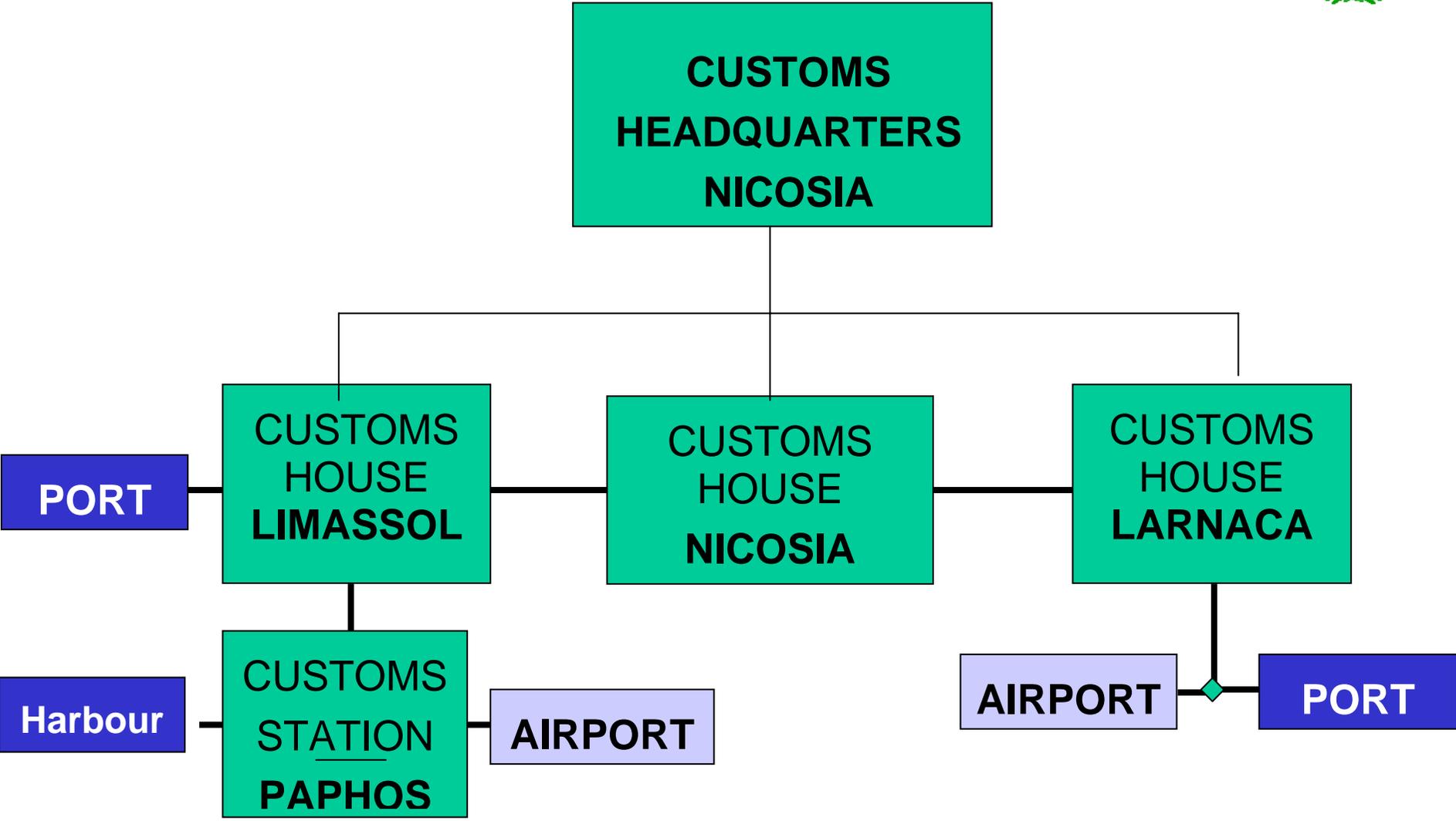
- the commitment of everybody in the Department ;
- the active participation and involvement of the Department's managers and staff;
- the full use of the staff's abilities;
- the constant organisational learning;
- the strengthening of partnership with stakeholders;
- the provision of technical assistance; in conjunction with
- adequate financial resources.

7.2. The Department is aware, of course, that it relies upon the continuing support of the Ministry of Finance in order to accomplish its ambitious objectives. It will therefore do everything it can in the future to build upon the existing strong relationship with its parent administration on a mutual scale.

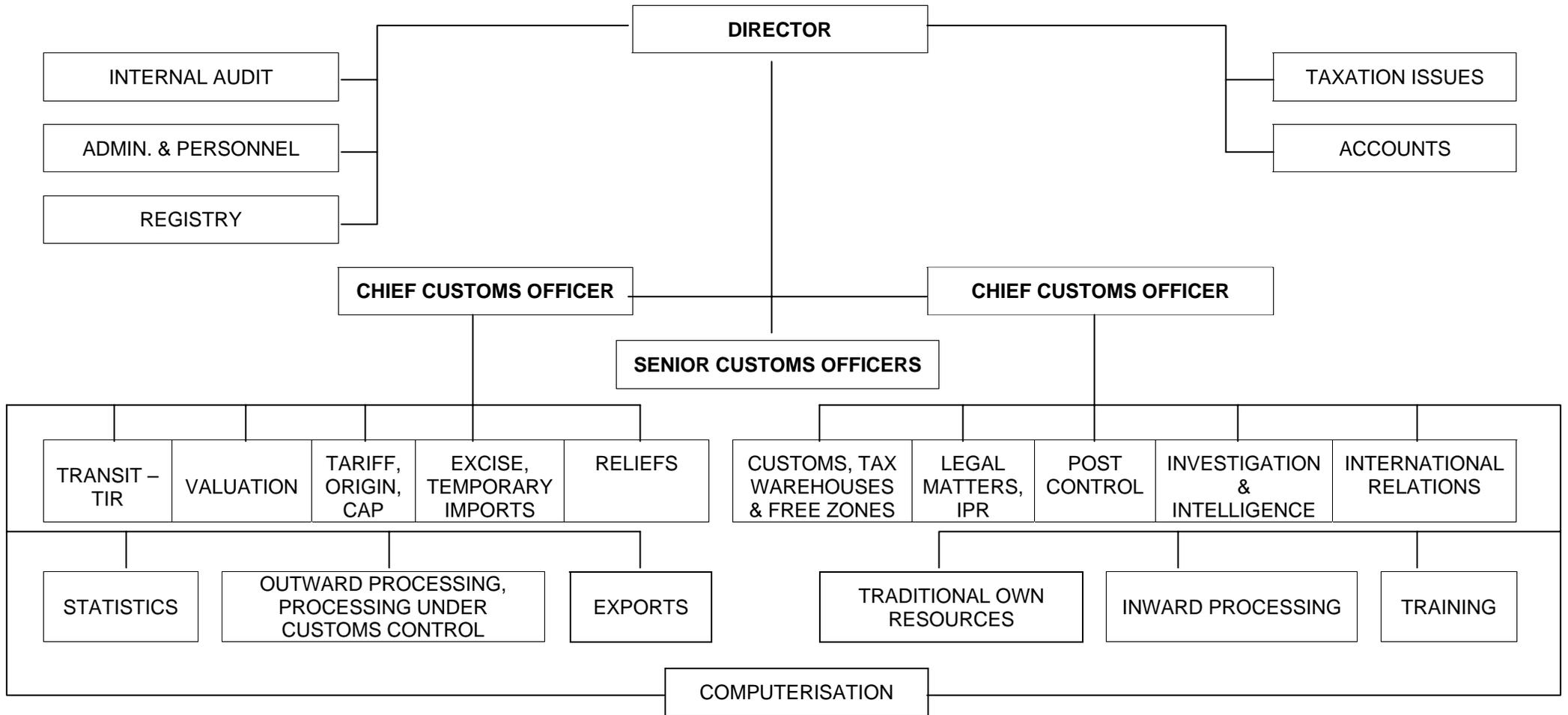
7.3. The following PARADIGMA entails the Department's mission crucial global business perspectives in a concise visual context:



**GEOGRAPHICAL STRUCTURE
OF THE
DEPARTMENT OF CUSTOMS AND EXCISE**



ORGANISATION CHART – DEPARTMENT OF CUSTOMS AND EXCISE, HEADQUARTERS



**ORGANISATION CHART – DEPARTMENT OF CUSTOMS AND EXCISE, STATIONS
DIRECTOR**

