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**CURRENT ASPECTS OF CUSTOMS INTELLIGENCE AND**  
**INVESTIGATION IN THE CUSTOMS CONTROL SYSTEM**

*Dissertation Abstract*

For the award of a PhD degree

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**Supervisor:**

Associated Professor Rositsa Koleva, PhD

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The dissertation has been discussed at the Department of Control and Analysis of Economic Activities and has been approved for defence.

The dissertation contains 202 standard pages and includes an introduction, a presentation in three chapters, a conclusion, a statement of originality and verity, a list of abbreviations, bibliography and three appendices.

The open session of the academic jury of the dissertation defence will be on 17.05.2022 in the Rectorat Hall of D. A. Tsenov Academy of Economics.

The dissertation defence materials are available in the Doctoral Programs and Academic Development Department.

## I. GENERAL DISSERTATION CHARACTERISTICS

### 1. Subject relevance

Customs intelligence and investigation (CII) in modern times is a vital element of the customs control system. It is a key tool to optimise customs control to achieve effective and efficient use of the limited material and human resources of the customs administration. Customs intelligence and investigation activities contribute to the successful accomplishment of the main customs control objective: to facilitate legal international trade and limit as much as possible crimes against and violations of the financial system performed by business operators.

A detailed review of customs intelligence and investigation in a paper like this one could enable more accurate identification of the right entities that need to be controlled, hence higher control efficiency and effectiveness. Because of these reasons, and due to the author's personal research interest, this dissertation presents an effort at a detailed exploration of relevant theoretical and practical CII aspects in the customs control system.

*The relevance* of this research is predetermined by the fact that customs intelligence and investigation play a significant role not only for the Bulgarian customs administration, but also for the whole customs system of the European

Union through the existing joint risk management. The latter includes sharing information on many risk indicators and on their analyses that is performed today between customs administrations of the EU member countries on the basis of established common criteria and risk standards, control measures and priority control areas.

The problems covered in the dissertation can be defined as insufficiently represented at the national level, with limited attention on them in modern research discussions.

The dissertation *focus* is on the social and practical need for research into this matter because of the significance of customs intelligence and investigation for the revenues in the national budget of the Republic of Bulgaria and the budget of the EU. As a matter of fact, a well-functioning CII can lead to significant growth of the budget revenues of any country, and it can also neutralise numerous risks and threats to the economy and the society in general even at its input, where customs control is actually positioned.

## 2. Research subject and focus

The research subject of this dissertation is the organisational and functional structure of the customs intelligence and investigation in the framework of the customs control system of the Republic of Bulgaria. The research focus is the customs intelligence and investigation model under the new operating conditions of the customs administration.

## 3. Dissertation aim and objectives

*The aim* of this research is to review and analyse the existing aspects of the organisation and operation of the present functioning customs intelligence and investigation model in the framework of the customs control of the Republic of Bulgaria, and to suggest rational improvement ideas.

The following *objectives* will help to achieve this aim:

1. To develop a concept of customs intelligence and investigation nature and operation characteristics based on a research analysis and synthesis of the views of Bulgarian and foreign authors and on the legal framework regulating customs activities, stepping on understanding its key role and significance for the correct implementation of customs control and for achieving its aims.

2. Through analysing other authors' views, the legal framework and the results of a survey performed in the customs administration system, to identify the aims, the objectives and the role of customs intelligence and investigation in the present-day conditions, and, using this as a basis, to make a profound analysis of its functional and organisational model.

3. Based on a critical analysis of the functional and organisational model and of the condition of the human resource factor within CII, and on the results of a survey carried out in the customs administration system, to identify some of the main problems of its functioning and organisation in order to suggest areas that can be improved.

4. Researcher's thesis

*The researcher's thesis* defended in this dissertation is that the optimisation of the customs intelligence and investigation model in the customs control system will improve its adequacy, functional effectiveness and efficiency concerning the new reality in the Bulgarian customs administration operation in the context of the European Union customs policies.

**Research Methodology.** The following research approaches and methods have been used to achieve the research aims, accomplish the objectives and prove the researcher's thesis: systematic and process approach; research analysis and synthesis; regulation analysis; exploration into the theoretical aspects of the issues raised here; comparative method; classification; survey, and document study.

Professional comments of people with expertise in the research domain were requested and obtained to provide reasoning of the thesis and obtain a deeper

understanding of the matters under research. A survey was carried out for that purpose with officers of the Customs Intelligence and Investigation Directorate, and in the territorial departments of Customs Intelligence and Investigation and Combating Drug Trafficking that operate on the territory of the Danube Directorate of the Customs Agency. The representative quality of the results is based on two main facts: the structure of the territorial departments covered by the survey is largely identical to the structure of the General Directorate for Customs Intelligence and Investigation; the number of officers employed there is large enough considering the fact that the responsibility area of the Danube Territorial Directorate covers a large segment of Northern Bulgaria.

The survey covers 67 respondents; it was carried out in November and December 2020. The survey questions were formulated in compliance with the research and practical analyses, evaluations and summaries in the research. The survey questionnaire contained fifteen questions (see Appendix 1). Four rating scale types were used to match the different question types in order to collect information that would satisfy the research accuracy needs. The scales included the following respondents' degrees of views and comments: scale one included 'always', 'sometimes', and 'never' as possible answers; scales two and three were related to the effects of certain factors, where the answer options were either 'strong', 'low', and 'no effect', or the effect degree options 'high', 'low', and 'no effect', and scale four had 'absolutely yes', 'maybe yes', 'maybe no' and 'absolutely no' as possible answers. In view of covering all possible answers of the respondents, a possible answer to each question was also 'I can't decide'.

Schematic, diagram and table presentation formats were used to visualize the research carried out and the results obtained. That way, the author's views concerning the specified thesis, the aim and the objectives covered in the dissertation are visualized.

## 5. Restrictive Conditions

This research is related to the existence of certain constraints that can be expressed as spatial, territorial and time-related frameworks. The dissertation focus is above all on the customs intelligence and investigation performed in the Republic of Bulgaria and the EU. Although the paper contains some historical retrospection, it analyses above all the existing condition of the customs intelligence and investigation in the customs control system in the beginning of the 21<sup>st</sup> century. The summaries, conclusions and recommendations in it are made in the lack of complete research works on the matters of customs intelligence and investigation within the customs control system. Furthermore, a constraint is posed by the fact that the Customs Agency structure has been changed, and no sufficient empirical data have been accumulated yet regarding the new structure that could serve as the basis for a satisfactory analysis of the efficiency of the changes.

#### 6. Approbation

The dissertation has been discussed at a meeting of the Department of Control and Analysis of Economic Activities of D. A. Tsenov Academy of Economics. Parts of the research have been presented at research events in the country and were published in specialised research magazines.

#### 7. Implementation of the results of this research

Some of the suggested ideas concerning customs intelligence and investigation improvement are undergoing experimental testing at Ruse Customs. Such testing has yielded some results that could improve the efficiency and effectiveness of customs intelligence and investigation within the customs control system. The approbated results could be used in the practical operation of other structures and units functioning in the Bulgarian customs system.

## II. DISSERTATION VOLUME AND STRUCTURE

The dissertation volume is 202 standard pages. The main text of 178 pages includes an introduction, three chapters and a conclusion. The main body of the text contains visualisation by 21 tables and 9 figures. The overall dissertation volume includes also: a statement of originality and verity; a list of abbreviations; a bibliography containing 148 titles of books, articles, laws and regulations, reports, standards and online sources 108 of which are in Bulgarian and 33 are in English.

The dissertation content is structured as follows:

### **LIST OF ABBREVIATIONS AND ACRONYMS**

### **INTRODUCTION**

### **CHAPTER ONE: CUSTOMS INTELLIGENCE AND INVESTIGATION NATURE AND CONTENT ASPECTS**

#### **1.1. INTELLIGENCE NATURE AND CHARACTERISTICS**

#### **1.2. INVESTIGATION NATURE AND CHARACTERISTICS**

#### **1.3. CUSTOMS INTELLIGENCE NATURE AND CHARACTERISTICS**

#### **1.4. CUSTOMS INVESTIGATION NATURE AND CHARACTERISTICS**

### **CHAPTER TWO: PRACTICAL ASPECTS OF CUSTOMS INTELLIGENCE AND INVESTIGATION**

#### **2.1. CUSTOMS INTELLIGENCE AND INVESTIGATION PURPOSE AND ROLE**

#### **2.2. CUSTOMS INTELLIGENCE AND INVESTIGATION FUNCTIONAL ASPECTS**

#### **2.3. CUSTOMS INTELLIGENCE AND INVESTIGATION ORGANISATIONAL ASPECTS**

### **CHAPTER THREE: CRITICAL ANALYSIS OF THE MODEL, AND CUSTOMS INTELLIGENCE AND INVESTIGATION AREAS THAT CAN BE IMPROVED**

**3.1. CRITICAL ANALYSIS OF THE MODEL OF CUSTOMS INTELLIGENCE AND INVESTIGATION**

**CRITICAL ANALYSIS OF THE HUMAN FACTOR IN CUSTOMS INTELLIGENCE AND INVESTIGATION**

**3.3. AREAS IN THE CUSTOMS INTELLIGENCE AND INVESTIGATION MODEL THAT CAN BE IMPROVED**

**CONCLUSION**

**BIBLIOGRAPHY**

**APPENDICES**

**STATEMENT OF ORIGINALITY AND VERITY**



### **III. DISSERTATION CONTENT SUMMARY**

#### **INTRODUCTION**

The introductory dissertation section describes the topicality and the significance of the chosen topic. It defines the research subject and focus. The tasks needed to achieve the aim are set out in it. It sets out the thesis that is being defended, explains the research methodology and specifies the limiting conditions.

#### **CHAPTER ONE**

#### **CUSTOMS INTELLIGENCE AND INVESTIGATION NATURE AND ACTIVITY ASPECTS**

Chapter One contains applied theory. Its volume is 51 standard pages structured in four paragraphs that are the framework of the implementation of the first task and of part of the second task. Chapter One of the dissertation describes the main characteristics of customs intelligence and investigation. It gives a scientific review of the terms ‘intelligence’ and ‘investigation’ used by the author as a basis to give his own definitions of the terms ‘customs intelligence’ and ‘customs investigation’. The nature of the mentioned activities as described in this chapter explains the high level of significance they have for effective customs control.

*Paragraph 1 – ‘Intelligence Nature and Characteristics’* – makes a review of historical facts, gives different authors’ viewpoint analyses and summaries and analyses key features to clarify intelligence nature and characteristics.

- The historical beginning, development and periodization of intelligence have led to the definition of the term ‘intelligence’. Certainly, intelligence has evolved significantly in the course of social development. The question of its start as an organised human activity and its development periods is a matter of debates. Ivo Velikov’s dominating periodization outlines four main intelligence development periods: the first period (the pre-state period and in the agrarian era), the second period (the state in the agrarian era), the third period that is called the ‘industrial state period’, and the fourth period, the

intelligence in which corresponds to the so-called ‘post-modern’, ‘post-industrial’, or ‘information’ era (Toffler, 1991). This intelligence periodization enjoys the highest support because it presents the idea of its origin and its development phases, which can be seen as a fundament for formulating a concept of its place and role in human society development.

- A research based on research analyses and syntheses of local and foreign authors and of the legal framework of intelligence has been carried out in order to formulate an accurate definition of the term ‘intelligence’.
- An analysis of the key characteristics of intelligence in 4 key aspects. To obtain a profound understanding of intelligence nature and content considering its specificity of being one of the earliest specialised human activities, its characteristics should be analysed in the following aspects: **aspect one** is related to the strong dependence of intelligence on the subjective attitude of the society; **aspect two** is related to achieving the intelligence ultimate aim, which is safety protection; **aspect three** concerns actions that need to be taken to neutralise foreign intelligence activities; **aspect four** is that the organisational structure of intelligence needs a broad network of national and state-funded services with branches in the country as well as in foreign countries.

The research analysis of the nature and the substance of the term ‘intelligence’ has led to the view that this term can be defined as *a combination of activities the ultimate aim of which is to acquire, analyse and use intelligence information for a particular object under surveillance in order to counteract hostile and/or illegal actions that could jeopardise the safety, the integrity or the performance of the aims of the state, the society or the organised system.*

*Paragraph 2 – ‘Investigation Nature and Characteristics’* – describes an analysis-and-synthesis-based research stepping on the views of predominantly Bulgarian authors and on the legal framework regulating investigation as a key

component of the criminal proceedings. This section of the dissertation contains evidence that investigation as part of the penal procedures under the Penal Procedure Code is a key instrument of success in the national penal policy. Criminal case investigation is actually a procedural activity in the pre-litigation proceeding stage. The purpose of this activity is to collect and verify sufficient evidence and to prepare the indictment in order to clarify the prerequisites of bringing proceedings before a judicial authority. A specific aspect of investigation as a key activity in pre-litigation proceedings is the observation of the following principles:

- The principle of lawfulness. As an activity performed by state authorities, the investigation follows the law and serves the law. It is inadmissible for any activity performed in the name of law to use unlawful methods and instruments.
- The principle of ethics. Investigation is connected to relations between different actors involved in the criminal proceedings. The essence of the principle of ethics is that no investigation actions shall ever lead to undermining citizens' honour and dignity. When they are performed under the regulations and with the instruments allowed under the Penal Procedure Code, any violation of the principle of ethics is impossible.
- The principle of scientific basis. Criminal offence detection and investigation shall be performed by a state authority. Its activity is a tool to perform the function of the state policy to counteract crime. Therefore, investigation shall be performed on scientific bases by duly trained professionals.

*Paragraph 3, 'Customs Intelligence Nature and Characteristics'*, contains an analysis of the general philosophy, the principles, the aims and the nature of customs intelligence information and the need to have it.

As a practical activity, customs intelligence is based on its special philosophy that has specific characteristics in the general context of intelligence philosophy. Similarly to all other intelligence activities, the customs intelligence philosophy needs the fundament of partnership that should exist between those, who are fully

engaged with intelligence operations or are in the position to be a source or a supplier of customs information, and the ones who need it, i.e. the users of such information. Suppliers and users can be internal (structures or officers of the customs administration performing various customs control functions) or external (public, business or economic agents, mass media, criminal justice authorities, etc.)

Customs intelligence philosophy is focused on three key spheres:

- **Nature of customs intelligence.** Understanding the nature of customs intelligence as a specific type of intelligence activity is key for customs control effectiveness in today's conditions of free trade, and for more comprehensive protection of the interests of the individual states regarding their customs policy.
- **Customs intelligence subjects.** In relation to intelligence information, there are two main subjects in the customs control sphere: the user and the supplier. It should be noted that the relations between intelligence information users and suppliers in the customs sector should unconditionally meet the requirement for lawfulness.
- **Customs Intelligence Goal and Principles.** Customs intelligence goal and principles are inseparable elements of the customs intelligence activity; their correct formulation and understanding would be useful in developing applicable policies, procedures, activities and a methodology for its correct implementation.

The generalised view accepted for the purposes of this dissertation is that *customs intelligence is related to or identified with the processes of collecting and processing specialised intelligence information for business entities controlled by customs authorities; such information, after analyses of all sources, becomes a final product.*

Similarly to any other result-oriented activity, customs intelligence also has its specific main underlying principles, namely: *partnership between intelligence information users and suppliers; accessibility; systematic planning; objectivity;*

*timeliness; feedback; continuous monitoring; centralised control; recurrent partnership between intelligence information users and suppliers.*

**Paragraph 4 – ‘Customs Investigation Nature and Characteristics’** – *describes an analysis-and-synthesis-based research stepping on the views of predominantly Bulgarian authors and on the legal framework regulating customs investigation.* That is the basis for the summarised definition that *customs investigation is a combination of activities in the framework of customs operation that is focused on investigating administrative violations and crimes in the framework of customs control.* From such viewpoint, customs investigation can be defined as an important activity supporting the performance of key customs control functions and achieving customs control aims.

From the practical point of view, *customs investigation can be regarded as a targeted process featuring its own technology.* This technology can be best presented by administrative penal proceeding phases, taking into consideration the case specificity: institution; proceedings to impose administrative penalty; appeal, and realization.

*Customs investigation types* fall in two main groups depending on whether the deed is a violation or a crime:

- Type One – administrative customs investigation – is connected only to customs regime-related violations.
- Type Two are customs crime investigations under the provisions and the order as stipulated by the Penal Procedure Code.

In summary, the nature and the substance characteristics of customs intelligence and investigation can be summarised as follows:

**Number One.** Customs intelligence and investigation are specific activities within the customs administration system; they have a key significance in achieving the aims and performing the functions of customs control.

*Number Two.* The research framework includes an effort to formulate definitions of the terms ‘customs intelligence’ and ‘customs investigation’ based on scientific analysis of the views of different authors and an analysis of the legal framework that regulates customs administration activities. The result is an outline of these activities; their performance within the customs control framework is highly important for its efficiency.

*Number Three.* Based on the definitions that this research provides of the nature of customs intelligence and investigation, a review is made that covers their characteristics concerning their role and significance in achieving the aims and performing the functions of customs control.

## **CHAPTER TWO**

### **PRACTICAL ASPECTS OF CUSTOMS INTELLIGENCE AND INVESTIGATION**

The volume of Chapter Two is 57 pages structured in three paragraphs. It contains analyses on the practical aspects of customs intelligence and investigation. The research task in this part of the dissertation is to analyse the views of other authors, the legal framework and the results of the survey carried out in the customs administration system in order to specify the goals, the tasks and the role of customs intelligence and investigation in the contemporary conditions and use that as a basis to give a comprehensive description of its functional organisational model. The chapter outlines the organisational and the functional pattern of customs intelligence and investigation. A COSO-based research analysis gives the theoretical grounds of customs intelligence and investigation functional model and clarifies its logic of operation. Two models of customs intelligence and investigation organisational structure that have functioned after our country’s accession to the European Union are described in the chapter. The research has yielded the organisational aspects of these two models that can serve as the basis of further analyses of their main advantages and faults.

*In paragraph 1, 'Customs intelligence and investigation purpose and role',* CII purpose and role are discussed as kind of an input for a research into its organisation and functioning. Understanding these two CII aspects is the fundament of the concept of structuring its functional and organisational model.

- The purposes are discussed at three levels: international, European and national. The reason for such differentiation lies in the fact that they are formed in accordance with the strategies and policies adopted by the World Customs Organisation (WCO), the European Commission (EC) and the Bulgarian government concerning customs control, and CII in particular. A comparative analysis of the existing strategies and policies is a proper tool to outline similarities and differences of the planned purposes, which can be used as a basis to formulate conclusions regarding CII significance at the different levels. In **summary** of the objectives, it can be noted that the Customs Agency Strategy 2018-2020 does not contain much details and does not discuss any specific tools and instruments needed to perform the strategic aims it outlines. Anyhow, its comparison to similar documents of the World Customs Organisation and of the European Union in the customs intelligence and investigation context leads to the conclusion that it is largely in compliance with the global (WCO) and the European (EU) development trends and perspectives.
- The role of CII is discussed in two main aspects: *prevention*, and *detection and investigation*
  - The role of CII in preventing crimes and administrative violations of the customs, excise and currency regimes;
  - The role of CII in detecting and investigating committed crimes and administrative violations, and in imposing administrative and criminal liability through transmitting the evidence to the relevant sanctioning and judicial authorities.

The key *conclusion* that can be drawn after reviewing customs intelligence and investigation objectives and role is that CII, being an independent segment of customs operations, is of exceptional importance and plays a critical role concerning customs regime law enforcement in Bulgaria as well as in the EU as a whole. An effective customs investigation would ensure that any violation of or crime against the customs regime is successfully proved and sanctioned, thus achieving the ultimate aim of accomplishing prevention as needed. Customs intelligence and investigation per se plays the role of a powerful prevention factor against crimes and administrative violations in the international trade domain. The main tools used in routine customs intelligence and investigation activities are preventive: risk management and the authorised business operator. It is a long-established fact that preventing a crime is much more effective than detecting it post factum and eliminating its negative effects.

The most important evidence of the efficiency of the measures implemented by the customs administration and the customs intelligence and investigation units respectively in terms of preventing and counter fighting customs, excise and currency violations and crimes is the increased revenues for the budget of the Republic of Bulgaria in the recent years, in the period 2015-2020.

The conclusion that can be drawn on the basis of all said above concerning CII's purpose and role is that it has its specific objectives within the customs control system that determine its role regarding prevention and detection of administrative violations of and crimes against the customs, excise and currency regime of the country. The clarification of these practical aspects of CII would make it possible to define its functional model and use it as a basis to present its organisational structure.

*Paragraph 2, 'Functional Aspects of Customs Intelligence and Investigation'*, analyses the functional model by using the COSO internal control model (Internal Control – Integrated Framework; COSO, Committee of Sponsoring Organisations of the Treadway Committee, 2013). The reason to choose this



approach is exactly because CII is viewed as a key element of the customs control system in Bulgaria. In that relation, the CII model is commented on as comprising five main elements: legal environment; risk management; control activities; information and communication; coordination and interaction. This research section discusses the functional aspects of performing this activity; furthermore, there is a suggested structure of the logical model of its functioning. In the time when this dissertation was in progress, there was no law, regulation, methodology or any other procedural document in the customs control system regulating the functional model of performing CII that describes the specific framework of its actual performance. As known from the theory of management, model building is a powerful tool to study a certain system or process structure and patterns of functioning from the perspective of their goals and objectives in a real environment. The five elements of the CII model are discussed in sequence as follows:

- **Legal environment:** the legal environment is governed by the legal framework of CII at *the international, European and local level*; it is viewed as a set of policies, standards, processes and structures providing the basis (the environment) for its functioning in the customs control system. Such differentiation is necessary on account of the fact that customs control, and CII in particular, functions in a legal framework designed by the World Customs Organisation, the European Commission and the Bulgarian government. A comparative analysis of the legal provisions governing the CII activity enables to clearly outline the legal environment in which it functions.
- **Risk Management:** according to the COSO framework, risk assessment is not simply a theoretical analysis; it is a process affecting all activities of an organisation, and it can be critical for the overall success of its functioning. Risk management is seen as a process embracing activities related to the identification, analysis and evaluation of risks posing threats to achieving the organisation's goals, and deciding on an adequate response. The customs administrations of the

European Union perform risk management under the standardized Framework for Risk Management (Standardized Framework for Risk Management in the Customs Administrations of the EU, EU Commission DG for Taxation and Customs Union, 2007). Under this framework, risk management is also defined as a process that ‘examines, analyses and follows the existing risk development in view of alleviating the adverse effect of their possible occurrence or allowing a possibility for benefitting from their occurrence’.

The Risk Management Guidelines of the Customs Agency presents risk management as consisting of four elements: circumstances/risk identification; risk analysis; risk treatment; residual risk monitoring/evaluation. Each of the aforementioned elements is directly related to the Risk Management Strategy developed by the Agency (Customs Agency Risk Management Guidelines, 2012).

Under the procedure applicable in our customs administration and the *risk-ranking matrix*, risks are assessed as: high, moderate and low.

Binding CII to risk management is *a basis to develop efficient and effective intelligence and investigation control activities* aimed at prevention and combating violations of and crimes against the customs, excise and currency regime of the Republic of Bulgaria and the European Union.

*The research made this far gives grounds to summarise that there is a two-way connection between customs intelligence and risk. On the one hand, customs intelligence is focused on merchandise or operators for which the risk analysis module indicates high risk levels. Hence the risk level determines the customs intelligence focuses. In this sense, customs intelligence should be considered as a response to risk assessment. On the other hand, the purpose of the investigation is to limit the risk level and bring it down to a tolerable level. It can be said from this perspective that customs intelligence is a risk reduction tool.*

- **Control activities.** Control activities are the element of the CII functional model in which the procedures, activities, actions and measures taken by the Customs Agency leadership in response to the assessed risks find their expression. Control activities are established through the intelligence and investigation policies and procedures that help to ensure the achievement of the CII goals. Control activities shall be performed at all phases of performing that activity by using technologically supported control methods and tools.

From this perspective, control activities in the functional model of CII shall be considered in three main aspects: *preventive, operating (in-process) and subsequent*. The key ex-ante control tools – the creation of risk profiles and authorised economic operator status – are reviewed in detail. Operating (aka process) control is one of the oldest classical control forms used in customs operation. The best applicable methods and techniques to perform operating control used by the customs administration are: document control; physical control using modern technical equipment; lab analyses and technical investigation; automated, based on the customs electronic systems. The final aspect of control activities performed by any modern customs administration is subsequent control. In most general terms, that is comprehensive and detailed control performed by highly qualified customs officers after the goods have been cleared for consumer use under the customs or excise regulations.

- **Information and communication.** Customs intelligence and investigation is an activity that functions on the basis of collecting, processing, analysing, transferring to interested parties and storing information about controlled entities. CII needs it in order to be able to perform its responsibilities under the law and support the process of achieving the goals. Communication in the CII system is a critical tool for the effective performance of its goals. Communication is regarded as internal concerning the performance of authorised control, and

external concerning the activity of obtaining adequate external information from CII structures and providing such information to external interested parties in response to specific requirements or expectations. Information and communication are an important element of the CII functional model because they are an instrument for CII to perform the responsibilities assigned by the law in order to achieve its goals.

- **Coordination and collaboration.** In the modern conditions, the customs administrations in the different countries do not function separately and independently; they operate as a whole united and aligned mechanism that ensures the free movement of merchandise, people and cargo across protected national and international customs territories. Therefore, coordination and cooperation with other customs administrations, international and European organisations and with judicial institutions is a necessary condition for CII to function.

*Paragraph 3, ‘Customs intelligence and investigation organisational aspects’*, explores the two main structural models of CII organisational development after Bulgaria’s accession to the EU – decentralised and centralised. Since the Republic of Bulgaria’s accession to the EU in 2007, customs intelligence and investigation as activities in the customs control system have been developing in the organisational aspect predominantly through two structural models: decentralised (from 2007 to 07.01.2019), and centralised (from 07.01.2019 till July 2021). Both models feature strongly expressed characteristics of opposite standing concerning their structures, hierarchy and location. Either model has its advantages and disadvantages. This part of the dissertation, on the basis of practical analyses, explores CII organisational models with regards to their advantages and disadvantages. Between 2007 and 07.01.2019, the CII organisational model was based on the concept of significant structural decentralisation. Prior to the reform in the early 2019, the Customs Agency structure included the Central Customs

Directorate and nine territorial customs. The Central Customs Directorate (CCD) general and specialized administration was structured as directorates, and each customs was structured as a territorial customs office, customs bureaus and/or customs points.

In that period, the Customs Intelligence and Investigation Directorate belonged to the specialized administration of the Customs Agency. The directorate included activities such as customs intelligence and investigation of smuggling and customs fraud, drug trafficking control, administrative criminal proceedings and copyright protection, import and export of arms and dual-use goods, activities related to risk analysis, collecting operational information, coordination and reporting of the results of performed controlled activities and so on. The Director of the Customs Intelligence and Investigation Directorate reported directly to the Customs Agency Director; latter nominated him/her and appointed by him/her vice-director responsible for CII.

In this organisational structure, the territorial customs directorate units active in customs intelligence and investigation, and in selecting entities for control and operating activities in particular, included three departments: a Customs Intelligence and Investigation Department, a Department to Combat Drug Trafficking, and an X-ray Systems Department.

The units of the territorial customs offices had to perform sophisticated and specialised activities related to management, organisational, intelligence, investigation, prevention and control functions. Practically, that task is hard to perform, as it requires a multitude of various resources, highly qualified staff, excellent coordination and modern management.

With that CII organisational structure, the heads of the customs intelligence and investigation departments of the territorial customs offices were, on the one hand, under the direct administrative control of the territorial customs directorate

director, and on the other hand, they were under the functional and methodological control of the Director of the CII Directorate of CCO. That structure led to a significant level of decentralisation of: CII activities, methods of transferring intelligence information, taking operating decisions concerning the performance of control activities, and the possibilities to coordinate activities with other structural units in the territorial customs offices.

The organisational model of customs intelligence and investigation reviewed above is strongly decentralised. The detailed cross-section of the model reveals some advantages that it has: receiving real-time quality information (through daily collaboration with other departments of the specialised administration); maintaining high-level professional competence in many spheres of the customs and excise regulations; possibilities to combine resources when performing tasks (a unique advantage given the constant shortage of staff) significantly improving thereby the quality of work; optimal use of work hours; better teamwork.

This model, however, hides some significant disadvantages arising from the strongly decentralised system of customs intelligence and investigation: possible leakage of sensitive information; difficult communication and coordination; difficult control; chaotic use of various practices connected with identical cases.

Since the beginning of 2019 (07.01.2019), after the new structural reform, the Customs Agency was structured as the Central Customs Directorate (CCD) with five territorial directorates (TD): The administration of the Central Customs Directorate of the Customs Agency is organised in the following structural units: two directorates general – Customs Intelligence and Investigation Directorate General, and the Information Systems and Analytics Directorate General; 8 directorates of general and specialised administration - Finance, Property Management and Public Procurement Directorate, Human Resources Management Directorate, Administrative Services and Communications Directorate; Legal and Regulatory Directorate, Security Directorate, Customs Activity and Methodology Directorate;

Excise Activity and Methodology Directorate; Central Customs Laboratory Directorate. What is specific about the Customs Agency structure is that there are two independent units along with the directorates: the Inspectorate, and the Internal Audit Unit.

The existing model of customs intelligence and investigation can be described as follows: The Customs Intelligence and Investigation Directorate General belongs to the specialized administration of the Central Customs Directorate of the Agency. The head of the Directorate General is the Director General who can be assisted by deputy general directors. The functions of the deputy general directors shall be defined by the Agency Director.

The Directorate General is organised in territorial units, departments, sectors and other lower-ranking units. The territorial units of the Customs Intelligence and Investigation Directorate General are territorial departments that report to the Director-general of the Directorate General and are not in the structure of the territorial directorates. The territorial departments of the Customs Intelligence and Investigation Directorate General have a department head directly responsible for the operation of the corresponding territorial department. The functions, activities and objectives of the territorial departments of the Customs Intelligence and Investigation Directorate General are defined and approved by the Agency Director. This organisational model of customs intelligence and investigation is very much centralised and its operation is independent to a certain level. This detailed cross-section of the model shows the following advantages:

- Rapid and accurate communication between CII task assignor and assignee.
- Limited possibilities for unlawful information leakage.
- Adequate control and coordination of the territorial departments countrywide.
- Standardisation and implementation of successful practices everywhere.

This model can also reveal some significant disadvantages as a consequence of the highly centralised system of customs intelligence and investigation:

- No more immediate working links with colleagues in other departments of the specialized administration; that leads to loss of important real-time information.
- Gradual loss of professional competence concerning new and specific elements of the customs and excise regulations.
- Largely impeded teamwork between CII officers and the other specialized administration structures.
- Lack of competition between the CII structures and the other specialized administration structures regarding detection of violations and crimes.

This model of the existing CII organisational structure is highly centralised and has a high level of independence to perform operating activities. To date, the heads of the territorial departments for CII and Combating Drug Trafficking report directly to the Director General of CII Directorate General. The Director General assigns tasks, controls their performance and evaluates the operation of all units within the CII Directorate General. The information flow of intelligence information runs mainly between the territorial departments and CII Directorate General, which to a certain extent isolates the other structural units of the territorial customs concerning the performance of their operating activities.

In *summary* of this part of the dissertation, it can be said that either model has its advantages and disadvantages; the experience this far has shown that the shift of the work organisation and the structure of customs intelligence and investigation activities from one extreme to the other will significantly impede the attainment of best results. The disadvantages bear risks concerning information exchange, communication, coordination and collaboration in the framework of European policy implementation in the customs control domain.



The following overview *sums up* the matters discussed earlier concerning customs intelligence and investigation goals, role, functional and organisational aspects:

- **Number One.** The concept is that customs intelligence and investigation is a key activity within the customs control system; it features specific objectives that determine its role concerning prevention and detection of administrative violations of and crimes against the excise, customs and currency regime of the country.
- **Number Two.** On the basis of the COSO framework, the research and applied analysis and synthesis made in this paper suggest a theoretically grounded CII functional model that can be used to practically clarify its functioning logic.
- **Number Three.** A review based on a practical analysis describes the two CII organisational structure models that have been in operation after Bulgaria's accession to the European Union. The highlighted key organisational aspects of these two models can serve as the basis of further profound analyses of their main advantages and disadvantages.

### **Chapter Three.**

#### **Critical Analysis of the Model, and Customs Intelligence and Investigation Areas that Can Be Improved**

The volume of Chapter Two is 50 pages structured in three paragraphs. Its character is theoretical and practical, with a focus on performing the third task.

Chapter Three of the dissertation presents an empiric survey on the matters under research. The approach used to analyse the results has provided an opportunity to find out the actual understanding of the stakeholders regarding the meaning and the significance of customs intelligence and investigation. That way, the problems encountered by the activities under research have been outlined and suggestions for

their improvement have been formulated. If implemented, the suggestions that are made can improve the efficiency of the customs administration operation in Bulgaria and in the European Union as a whole.

The content given here examines the existing condition of the customs intelligence and investigation organisational and functional model. The research has led to grounded suggestions regarding its improvement. The practical material used here went through a process of selection and analysis.

*Paragraph 1, 'Critical analysis of the customs intelligence and investigation model'*, explains the operating and organisational logic of the customs intelligence and investigation notwithstanding the circumstance that they are arranged under the existing regulations and affected by the international practices in the customs control activities, which also suggest a certain degree of dependence between the elements and structures in its functional and organisational model. If the model is adequately structured, its functioning will be adequate to the environment and it can be expected that the performance of the CII goals will be satisfactory in compliance with the responsibilities assigned to it. Regardless of the facts that CII has certain advantages as a key activity in the customs control system, it does have some faults related to the way it functions and the way it is organised; the two aspects just mentioned should be examined in order to identify the problem areas of its functional and organisational model. This is the perspective from which a critical analysis of this model is made in this part of the dissertation, and the focus falls on the following analysis aspects:

- Identification of weak points and faults in the practical performance of CII from the perspective of its functional model elements;
- Description of the advantages and disadvantages of the CII organisational model in correspondence with the way it is structured in the new conditions.

The first focus of the critical analysis enables the identification of problematic areas of the CII functional model concerning its functioning discussed in the

foregoing chapter of the paper. This aspect of the analysis suggests a possibility to make a comparative critical analysis of the existing functioning CII organisational models concerning their advantages and disadvantages. The analyses provide prerequisites needed to identify areas to improve in the CII functional and organisational model. The identified areas are five: legal environment; risk management; control activities; information and communication; coordination and interaction.

- **Concerning the element of legal environment:** The legal environment-related (legal framework) issues can be viewed in two main aspects:
  - **The progress of changes** in the legal framework regarding customs control and CII determined by the changes in the international trade and the requirements to protect people’s lives and health;
  - **The complexity of the decision-making process** concerning key changes in the policies and the way the system of customs control, hence CII, functions.

The progress of the legal environment changes has a particularly strong influence on the human factor active in performing customs intelligence and investigation activities in view of their stable professional competence and rational behaviour. This fact was reconfirmed by the analysis of the data obtained through the representative survey in the customs administration system (See table 3.1).

*Table 3.1*

**Effect of the progress of legal environment changes on the CII performance**

<b>How much do the changes of the legal environment regarding customs affect you customs intelligence and investigation work?</b>					
<b>Distribution of answers</b>	<b>Always</b>	<b>Sometimes</b>	<b>Never</b>	<b>I can’t determine</b>	<b>No answer</b>
Absolute number	35	31	0	0	1
Relative share in (%)	52	46	0	0	2

More than half (52 %) of the interviewed officers active in customs intelligence and investigation reconfirmed the importance of the influence of the

legal changes in customs control on their performance. Another significant share of the respondents (46 %) confirm that the changes, although not very frequent, do affect their performance. A response to this group of problems can be the possibility to develop regulations that are better designed hence frequent changes will not be needed. That way, stability and predictability of regulations can be ensured for the business operators and for the customs officers. That, however, seems to be a challenging process on account of the issues arising from the other aspect mentioned above: the complexity of the **decision making process concerning changes** when regulating key policies or processes, especially on the European level.

➤ Concerning the legal environment element

As discussed in the previous research chapter, risk management in the customs control system is seen as a process embracing activities related to the identification, analysis and evaluation of risks posing threats to achieving the organisation's goals, and deciding on an adequate response. The risk management guidelines can be different depending on the objectives of the customs control, which, in turn, opens possibilities for major problems in this process. As process research shows, the latter can be identified in *two aspects* as follows:

- Related to risk identification, analysis and assessment;
- Related to finding an adequate response to the risks as identified and assessed.

Customs control risk identification, analysis and assessment are based on information that is collected, processed and analysed in sufficient quantity and quality in relation to the business operations of economic operators. Part of that information is supplied through the customs intelligence and investigation activities, while another part is obtained through sharing information and communication between the different units in the customs administration structure.

➤ Concerning the control activities element

As clarified in the preceding part of the dissertation, control activities are the element of the CII functional model in which the procedures, activities, actions and

measures taken by the Customs Agency leadership in response to the assessed risks find their expression. Control activities are established through the intelligence and investigation policies and procedures that help to ensure the achievement of the CII goals. Control activities in the functional model of CII can be considered in three main aspects: **preventive, operating (current) and subsequent.**

As clarified above, one of the key activity groups can be identified with preliminary control activities, and they are a direct consequence of the risk management process and the creation of **risk profiles.**

If a certain risk profile is not adequately formulated, it leads to problems related to deciding on the control operations concerning specific goods, business operators, excise entities or transport vehicles. With preliminary control, there is a realistic danger of incorrect risk assessment performed by the customs administration when defining the stature of the authorised economic operator (AEO). The business entity to which statute of AEO is granted may later decide to undertake actions in bad faith to perform well planned and hard to detect abuses related to customs and excise regime violations.

The **operating (current) control** problems can be identified as common: insufficiently qualified and informed staff; lack of integrity and loyalty when performing working duties; inadequate selection of controlled entities or people; use of traditional methods when performing control procedures. The representative survey made with customs administration officers led to the conclusion that traditional control methods and approaches are usually used in intelligence and investigation actions against customs crimes and violations.

The data analysis has made it clear that such traditional methods as inspections, questioning witnesses, defendants and customs officers, appointment of experts, searches and seizures/perquisitions are used relatively often and their priority is high: the answers vary between 31 % and 64 %. The relative share of questioning witnesses is 64%; questioning defendants is 63%. The distribution of

the answers to the question ‘Are there other methods, innovative methods that are used?’ is the following: Sometimes – 12%; Never – 9%; no answer – 72%. The last fact is particularly disturbing as it indicates a major problem in using innovative investigation methods: it is that either the staff do not know them well, or there is lack of capacity in using them.

On the other hand, the question ‘How often do you have to collect indirect evidences when performing intelligence and investigation activities to detect violations of and crimes against the customs regime?’, which can be described as an innovative method of intelligence and investigation, the answers of the largest relative share are ‘Sometimes’ - 46 %. The situations with the answers to the question ‘How often have you had to resort to special intelligence devices when investigating customs smuggling?’ is similar: the highest relative share has the answer ‘Never’ – 46%. It can be stated that the main problems impeding the effectiveness of **subsequent control activities** are incorrectly planned preliminary investigation actions and inadequately performed investigation actions leading to unrevealed and unproved infringements of and crimes against the customs regime. The relative share of the answers as seen in the tables makes it obvious that the opinion of the staff members interviewed for the survey in the first case is concentrated in the answers ‘to a high degree’ and ‘to a moderate degree’; in the second case it is in the answers ‘always’ and ‘sometimes’. This indicates problems in the methods used in investigation actions or in the level of knowledge of the methods that the customs administration staff doing customs intelligence and investigation has.

➤ Concerning the Information and Communication element

Concerning information and communication as elements of the CII functional model, there are problems just like in any other area of the customs control operation. A paradox as it may sound, sharing too much risk-related information in the customs service area will sometimes lead to counter-productivity. It is exactly such type of sharing that can be given as a basic example of insufficiently functioning activities

in the CII area. A similar issue has found its expression in the comments of the staff members responding to the representative survey questionnaire; it is formulated as lack of comparability between the information obtained through operating customs statistics and the information obtained from other institutions (see Table 3.7).

*Table 3.7*

**Comparability between the information regarding crimes against the customs regime obtained through operating customs statistics and information received from other institutions**

<b>Do you think that there is comparability between the information regarding crimes against the customs regime obtained through operating customs statistics and information received from other institutions?</b>						
<b>Distribution of answers</b>	<b>Absolutely Yes</b>	<b>Maybe Yes</b>	<b>Maybe No</b>	<b>Absolutely No</b>	<b>I can't determine</b>	<b>No answer</b>
Absolute number	8	40	8	1	10	0
Relative share (in %)	12	60	12	1	15	0

The data shows that a significant number of the respondents have answered with ‘Absolutely Yes’ and ‘Maybe Yes’ (72% total). This ‘overloads’ the CII system with information, and this fact was described as counter-productivity and an example of unsatisfactory functioning of CII activities.

The above mentioned issue with providing information ultimately leads to ‘information overloading’ of risk management.

➤ Concerning the Coordination and Cooperation element

The existing problems with coordination and cooperation as an element of the CII functional model are directly reflected in the Risk Management element and in the control activities performed by the customs administration.

The problems related in coordination and cooperation in CII can be grouped as follows:

- Insufficient systematic continuous sharing of information between the customs services of the EU member countries, including sensitive information related to international trade;
- Insufficient anticipatory actions prior to the arrival of the goods to the EU territory in view of neutralising customs control-related risks.

- Insufficient effectiveness of planned and ad hoc cross-border operations performed with the aim of collecting customs duties.

A problem that can be described as fundamental for the ineffective CII activities in the mentioned areas is the poor coordination and cooperation between the units active in CII in the customs administration and in other stakeholders: state institutions, branch organisations, judicial authorities as well as European and international customs administrations.

The existence of such a problem is reconfirmed by the representative survey performed with customs administration staff active in customs intelligence and investigation. The data analysis shows that most of the respondents' opinions are in the category of 'sometimes' – from 63% to 29%; there is also a large part of answers meaning 'never' – from 40 % to 7 %. Hence a conclusion can be made that the coordination and collaboration between officers performing CII and other stakeholders interested in prevention and detection of infringements of and crimes against the customs and excise regime is quite inadequate.

The critical analysis of the elements of the CII functional model outlined the problematic areas there, and a comparative analysis of its organisational model was made on that basis. The analysis covers a comparison of the advantages and disadvantages of the two CII organisational models that have been in operation since Bulgaria's accession to the European Union (2007). The advantages in the analysed models are grounded on the basis of the practical performance of CII organised by elements of its functional model, while the disadvantages are reviewed in relation to the problem areas defined by the critical analysis of that model. That enables afterwards a critical analysis of the existing operating model in order to outline possible improvement areas in it.

The comparative analysis steps on the author's practical experience in the matters discussed here and has taken into consideration the respondents' comments in the representative survey with customs administration staff made for the purposes



of this dissertation. The analysis was made bearing in mind the following limitation: with either of the CII organisational models there is a danger of underestimation or overestimation of some specific CII areas or groups of activities.

As already discussed in the preceding dissertation chapter, with regards to the customs intelligence and investigation organisation in Bulgaria since the country’s accession in the EU to date, two main models have been implemented: **a decentralised and a centralised one**. Both models are defined in accordance with the national and European legal framework applicable in that period. The purpose of the comparative analysis is to identify the advantages and disadvantages of the functional effectiveness of the organisational models from the perspective of future improvements (see Table 3.9).

*Table 3.9*

**Advantages and disadvantages of the CII organisational models**

<b>Decentralised organisational model (prior to 07.01.2019)</b>	<b>Centralised organisational model (after 07.01.2019)</b>
<ol style="list-style-type: none"> <li>1. Relative operating independence that enables the work to be focused on the specific risks in the various regions.</li> <li>2. Quality real-time information received specifically through day-to-day collaboration with other departments of the specialised administration.</li> <li>3. Keeping high professional competence of the staff in the different spheres of customs and excise regulations.</li> <li>4. A possibility to combine resources when performing specific tasks, thereby achieving a significant performance improvement especially considering the permanent shortage of staff.</li> <li>5. Resource management on the regional level that creates conditions for better teamwork.</li> <li>6. A possibility for the territorial director to have operating influence on the controlled entities in view of achieving the set goals and objectives.</li> </ol>	<ol style="list-style-type: none"> <li>1. Fast and accurate sharing of intelligence information between the central administration and the CII units regarding risk assessment.</li> <li>2. A possibility to use various control activity practices in identical operating cases.</li> <li>3. Limited possibilities for unauthorised access to and leakage of sensitive information.</li> <li>4. A better possibility to harmonise the use of successful practices when working on identical cases.</li> <li>5. Better conditions to improve the integrity of customs officers active in CII from the perspective of their performance rationality.</li> <li>6. Better mobility possibilities for officers doing CII when performing large-scale countrywide operations.</li> </ol>

7. Conditions for a better action traceability and control and objective assessment of the performance quality.	
<b><i>Disadvantages</i></b>	
<ol style="list-style-type: none"> <li>1. A possibility to lose valuable intelligence information regarding risk identification because of the lack of an effective sharing system between the territorial units.</li> <li>2. A possibility to use various control activity practices in identical cases.</li> <li>3. Lack of a centralised system for sensitive information control, which poses the threat of unauthorised access to it.</li> <li>4. The control on the performance of policies and objectives on the level of the Central Customs Directorate is impeded.</li> <li>5. Smaller possibilities for communication and coordination between units doing CII in the different territorial customs.</li> </ol>	<ol style="list-style-type: none"> <li>1. It is impossible to cover the specificities of risk identification and assessment in the different regions.</li> <li>2. Worse communication and coordination (operating link) with colleagues in other departments of the specialised administration in the territorial units, thereby losing important real-time information.</li> <li>3. Gradual loss of professional competence concerning new and specific elements of the customs and excise regulations.</li> <li>4. Largely impeded teamwork between CII officers and the other specialized administration structures.</li> <li>5. Less possibilities for operational impact in detecting violations and crimes on account of restricted interaction with the other specialised administration structures on the regional level.</li> <li>6. Lack of possibilities to combine resources in performing specific tasks, thereby reducing the performance quality.</li> </ol>

From the quantitative perspective, the comparative analysis of the advantages and disadvantages of the two CII models shows that the decentralised model has more advantages compared to the centralised model; the situation is reciprocal concerning the disadvantages.

From the research perspective, the *qualitative comparative analysis* is more interesting. The first comparison shows that the advantages the first model (the decentralised one) has are disadvantages in the other (centralised) model and vice versa. Hence a conclusion can be made that both organisational models feature significant risks due to the quality characteristic of their disadvantages, and they cannot be compensated by the quality characteristics of their advantages.

The critical analysis of the customs intelligence functional and organisational model gives grounds to come to the *conclusion* that the existing CII model analysed in conformity with the new reality contains many problems the overcoming of which

can have a significant input to its significance and effectiveness within the customs control system. The problems outlined in this part of the paper concerning the CII functional and organisational model in the customs control system suggest that it is necessary to look for adequate solutions to improve the model in correspondence with the environment in which it functions.

**Paragraph 2, ‘Critical analysis of the human factor in customs intelligence and investigation’**, makes a deep analysis of the human factor impact and role.

Human factor plays a specific role in the customs intelligence and investigation organisational and functional model. That role is predetermined by the circumstance that people have always been and will be the most critical resource in the organisation and functioning of any activity, including this one. This is reconfirmed by the data of the representative survey with the Customs Agency officers: 94% of the respondents define human factor as very important for the adequate and effective functioning of the customs intelligence and investigation system (see Table 3.10).

**Table 3.10**

**Human factor significance for the adequate and effective functioning of the CII system**

What is the human factor significance for the adequate and effective functioning of the customs intelligence and investigation system?					
Distribution of answers	Strong	Weak	No effect	I can't determine	No answer
Absolute number	63	4	0	0	0
Relative share (in %)	94	6	0	0	0

**A key aspect** of researching into the behaviour models of everyone active in intelligence and investigation is the so-called **‘behaviour rationality when performing professional duties’**.

The results of the representative survey among customs administration officers clearly outlines their attitude to the **rational behaviour model** in the customs intelligence and investigation activity. The result analysis shows that 79% of the respondents see rationality in the behaviour of customs officers performing customs intelligence and investigation as a model of behaviour. In other words, they realize

that such specific personal qualities as an analytical mind, pragmatism and using professional standards should dominate over emotions, external influence or irrational behaviour. It is indicative, though, that – regardless of the small relative share (17 %) – some of the respondents do not accept this behaviour model. ***This suggests the existence of problems related to the emotional stability of customs control officers, in the CII sphere in particular. Irrational behaviour*** raises the question of the numerous issues that need to be addressed, bearing in mind that the only purpose of responding to such issues is the better quality of intelligence and investigation activities. The present research dwells only on some of these problems related to the ***ethics, motivation and professional qualification of the staff*** performing customs intelligence and investigation within the customs control system.

- ***Ethics***: The issues concerning professional ethics and behaviour norms of customs officers performing intelligence and investigation activities is a key factor taken into consideration when exploring and analysing their behaviour rationality. The representative survey carried out among customs administration officers clearly outlines their awareness of the need to follow the ethical norms of behaviour as determined under the Customs Officer Code. The data analysis reveals that the largest share of respondents follow the ethical conduct norms when performing their professional duties and responsibilities. Although this might be a personal opinion, it suggests that the officers see things that way and makes it possible to conclude that the customs officers are aware of the need to follow the norms of professional ethics and behaviour regardless of whether in a professional setting or in any other setting.
- ***Motivation***: the motivation of customs officers, including those performing intelligence and investigation activities, can be defined as another key factor supporting the rational behaviour and the ethical norms that should be followed by customs officers when performing their professional duties and lead to higher

performance efficiency. To rephrase it, motivation can be defined as a catalyst of rational behaviour for such officers and as a prevention tool against the influence of irrational behaviour models. Furthermore, this paragraphs of Chapter Three covers some of the popular *work motivation models* that are closely related to customs officers performing intelligence and investigation activities, namely:

- ***The economic rationality model.*** Under this model, people are motivated above all by economic remunerations.
- ***The social human relations model.*** This model is based on the assumption that a person has social needs, hence his/her motivation for work includes the need to belong to a group or a social community.
- ***The self-renewal model.*** It is based on the principle that people are motivated by a combination of various human needs, where the needs of self-fulfilment, self-renewal and growth are of particular importance.
- ***The complex person model.*** Personality in this model is seen as a system that incorporates needs and desires, capabilities, expectations, priorities and role ideas, while the personality's work environment system is composed by the elements of: technology factors, work functions, outside pressure, and role change.
- ***The Japanese model.*** It rests on the concept that the best way to motivate a person is to make that person fully committed to the corporate priorities through wise management and possibilities to participate in the decision-making process.

The data analysis shows that the customs officers share to the largest extent the concept that the model of economic rationality (with a total of 85% of positive answers) and the model of social human relations (a total of 81% of positive answers) have the largest weight. The self-renewal model is moderately expressed (a total of 42% of positive answer), while the complex person model (a total of 20% of positive answers) and the Japanese model (a total of 16% of positive answers) are weakly expressed. This outlines a group of problems arising from the lack of cohesion

between the different models, which results in little use of models that are not related to economic rationality.

➤ ***Professional qualification.*** An intriguing aspect of the analysis of the human factor state in the customs intelligence and investigation system is the possibility to maintain the professional qualification of the staff working in it. Professional qualification can be identified as the third key factor when analysing the staff behaviour rationality.

In summary of the matters covered in this part of the dissertation, it can be said that the identified groups of issues related to the rationality of the human factor in the customs administration regarding ethics, work motivation and professional qualification suggest the need to look for adequate solutions to improve the model in compliance with the changing environment in which customs control is performed.

***Paragraph 3, ‘Areas to improve in the customs intelligence and investigation model’***, contains suggested solutions for a better CII organisational and functional model. The two foregoing parts of this chapter of the research contain an analysis of the practical aspects of customs intelligence and investigation in the following cross-sections: a critical analysis of the functional model implementation; a comparative analysis of the organisational model functionality, and a critical analysis of the impact of human factor sufficiency and quality on its effectiveness. That was the basis on which some problems were identified; they can be grouped in several areas:

- Issues related to the practical implementation of the different elements of the CII functional model;
- Issues arising from the existing CII organisational structure model;
- Issues related to the human factor impact on performing CII activities.

The issues identified in the above areas, in turn, give an opportunity – in the framework of the questions covered in this part of the dissertation – to define the ***areas that can be improved*** in the CII organisational and functional model, namely:

- **Number One.** Possibilities to improve some of the elements of the existing CII model. The improvement of specific activities included in the different functional model elements will, we believe, lead to optimisation of its performance, hence to its better efficiency.
- **Number Two:** Possibilities to improve the CII organisational structure. The suggestions to optimise the CII organisational structure would enable a better compliance with the successful European and world practices in this area of customs control.
- **Number Three.** Possibilities to optimise the human resources performing CII activities in order to improve CII functional efficiency. Employing personnel having adequate education and training in the customs intelligence and investigation units, maintaining their professional capacity and improving the integrity conditions would enable higher efficiency of the procedures and activities used in CII in general.

The suggested improvements in certain areas are a modified and expanded combination between the suggestions of the author and suggestions that are already publicly known. **The first area** to improve the CII model aims at a better **functional efficiency**.

- Concerning the **legal environment** element:

It is fundamental to find a solution to the legal issues of customs intelligence and investigation on the national, European and international level. It is highly necessary to create a common investigation and intelligence policy that can be the engine of positive changes.

- Concerning the **risk management** element:

In the risk management area, there are several aspects that need actions to be taken in order to make the process more efficient. Better **quality of the information** used as the basis of the risk management cycle; it is necessary to overcome the **high level of subjectivity** of the customs officers in the risk management process, and to find a

solution to the issue of *insufficiency, or rather lack of collaboration* between customs authorities and other state authorities, the business and the non-governmental organisations.

- Concerning the *control activities* element:

For the control action effectiveness of the customs administration to be improved, it is necessary to change the focus of the performed control activities. This implies that the main weight should be shifted to the ex-ante and ex post control activities in order to make most effective use of the CII resources that the customs administration has.

- Concerning the Information and Communication element

It is extremely necessary to build a modern system to collect, analyse and manage intelligence information, as at present such a system is non-existent.

- Concerning the Coordination and Collaboration element

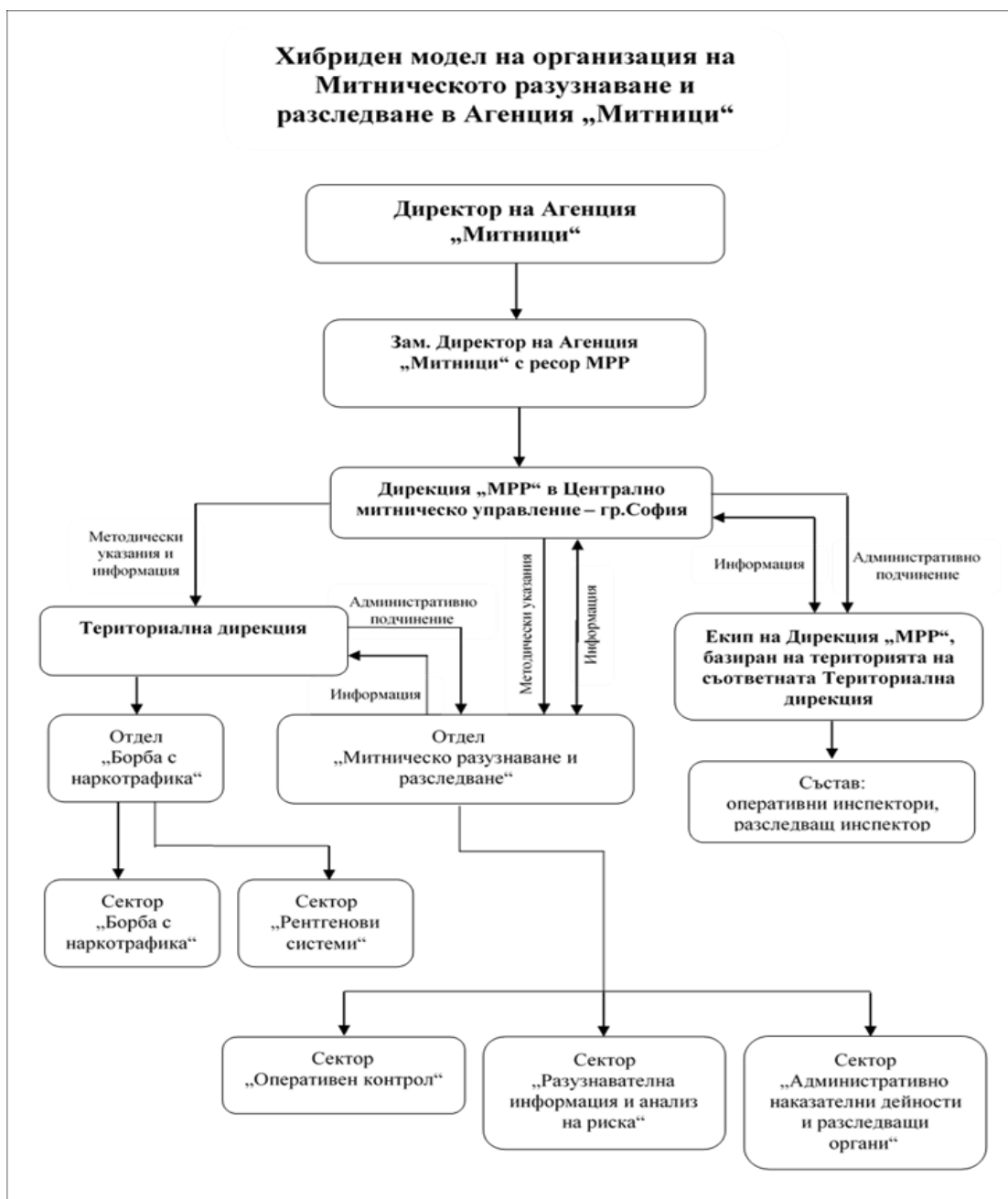
It is an urgent need to create these elements in places where they do not exist, or to update the existing instructions and regulations in order to effectively improve coordination and collaboration.

Concerning the *second area* of the CII model that needs improvement, which is the *organisational structuring*, it is necessary to develop a new CII organisational model that will enable the maximisation of the advantages and the reduction of the disadvantages of the other two organisational models: the centralised one and the decentralised one. We find a possibility for this in creating a *hybrid organisational model* (see Fig. № 3.1.).

### **Figure 3.1.**

#### **Hybrid Organisational Model of Customs Intelligence and Investigation**





Regarding the *third area to improve* the CII model, i.e. the *human factor*, the measures that should be applied in this case can be grouped as follows:

- Better CII personnel selection;
- Regular testing of CII officers' integrity;
- Continuous specialised training.

The following *summaries and conclusions* can be made as a *synopsis* of the matters discussed this far on the basis of the critical analysis of the CII functional

and organisational model, the state of the human factor in this model and the areas for improvement identified on such basis:

- **Number One.** The critical analysis of the practical use of the described CII functional model helps to identify specific weaknesses and faults. That gives grounds to assert that there is a particular need to undertake law-making and practical measures to improve the CII functional efficiency in order to reach the goals it has.
- **Number Two:** The conclusions formulated in the comparative analysis concerning the two existing applicable CII organisational models (centralised and decentralised) in accordance with the way they are structured in the new conditions define their particular benefits and weaknesses. Hence it can be certainly stated that either model has its advantages and disadvantages; the experience this far has shown that the shift of the work organization and the structure of customs intelligence and investigation activities from one extreme to the other will significantly impede the attainment of best results.
- **Number Three.** The evidences based on the representative survey among customs administration officers reveal specific weaknesses and faults in human factor management in CII. The exceptionally significant role that factor plays for the intelligence and investigation efficiency gives grounds to look for specific tools to improve its management.
- **Number Four.** The suggested specific possibilities to improve the effective and efficient CII model operation outline the key areas in it where improvements can be made. Timely and adequate measures should be taken to eliminate the existing weaknesses and imperfections in the functional and organisational model and the management of the human factor in order to achieve the goals set to it in the new conditions in which the customs administration develops.

## CONCLUSION

This dissertation offers an attempt to suggest grounded reasons for changes in the customs intelligence and investigation operation model. Such changes would, in the new conditions, lead to better customs control effectiveness and efficiency countrywide. The creation of a customs intelligence and investigation model adequately responding to these conditions would yield even better chances to limit and prevent violations of and crimes against the customs and excise regime and better protection of the interests of the state, the business and the health of the citizens.

The dissertation *subject* covers the organisational and functional structuring of the customs intelligence and investigation within the customs control system of the Republic of Bulgaria, while its *focus* falls on the relevant aspects and practical problems of the existing organisational and functional model and the possibilities for its improvement. *The research goal is to explore the existing aspects of the organisation and operation of the present functioning customs intelligence and investigation model in the framework of the customs control of the Republic of Bulgaria, and to suggest well-grounded improvement ideas.*

Considering the research subject and focus as well as the research goal, the dissertation is structured in three chapters. The following *research objectives* have been met by the theoretical, research and practical aspects set out in this paper:

- *In Chapter One, a concept of customs intelligence and investigation nature and operation characteristics is developed based on a research analysis and synthesis of the views of Bulgarian and foreign authors and on the legal framework regulating customs activities, stepping on understanding its key role and significance for the correct implementation of customs control and for achieving its goals.*
- *In Chapter Two, analyses of other authors' views, of the legal framework and of the results of a survey in the customs administration system are used as grounds to specify the goals, the objectives and the role of the customs intelligence and*

investigation in the conditions today, and they are further used as the basis to make a profound review of its functional and organisational model.

- ***In Chapter Three, a critical analysis of the functional and organisational model and of the condition of the human resource factor within CII, and the results of a survey carried out in the customs administration system, serves as the basis to identify some of the main problems of its functioning and organisation in order to suggest areas that can be improved.***

The dissertation ***thesis substantiation*** is based on analyses of the views of local and foreign authors on the issues concerned, exploration of European and international successful practices, a critical analysis and a comparative analysis, a representative survey carried out with customs administration officers active in customs intelligence and investigation. All that has been used as the basis to formulate the reasoning of the researcher's thesis defended in this dissertation that *the optimisation of customs intelligence and investigation model in the customs control system will improve its adequacy, functional effectiveness and efficiency regarding the new reality in the Bulgarian customs administration operation in the context of the European Union customs policies. The suggestions to optimise* the CII functional and organisational model can be summarised in the following aspects:

- ***Number One.*** The presented CII functional model can serve as the basis to identify functional efficiency improvement possibilities in each of its elements through improving the methods, tools, techniques and approaches employed for the practical performance of intelligence and investigation activities. The research highlights that the implementation of the suggested improvements has a key significance for the following elements: control activities; information and communication; coordination and collaboration.
- ***Number Two:*** From the CII organisational structure perspective, the earlier described advantages and disadvantages of its two organisational models that have been used this far is used as the basis to formulate the suggestion that it is

necessary to try to identify regulation possibilities to create a combined (hybrid) organisational model that will benefit from the advantages of the two models that have been functioning this far, and will compensate for their faults.

- ***Number Three.*** It is necessary to make an adequate change of the regulations and the organisation concerning the human factor management in the customs intelligence and investigation system. The focus should be above all on the areas of selection, training and qualification improvement of the staff operating in this system, as that will improve the general efficiency of the customs intelligence and investigation activities.

#### IV. SUMMARY OF THE RESEARCH CONTRIBUTIONS TO THE DISSERTATION

The following essential *applied science contributions* can be outlined in the framework of achieving the goal and performing the objectives of this research, as they can be of interest for the experts working on the customs intelligence and investigation management system within the customs control:

1. A research analysis and synthesis of the views of Bulgarian and foreign authors and of the legal framework regulating customs activities is used as the basis to *present the general concept of the nature and the substance of customs intelligence and investigation*. Such characteristics are used in the research to provide reasoning for its key role and significance for the correct performance of the functions and for the attainment of the goals of customs control in general.
2. A scientific and applied analysis and synthesis *specify the goals, the objectives and the role of customs intelligence and investigation* in the modern conditions, and this is used as the fundament to *substantiate a suggested functional model* of customs intelligence and investigation. From the practical aspect, that would enable the opportunity to get an understanding of the general logic of its functioning as a practically performable activity within the customs control system.
3. A practical analysis of the legal framework and the results of a survey in the customs administration system are used as the basis to outline the *key aspects, the strong points and the weaknesses* of the customs intelligence and investigation structural models (centralised and decentralised) through which it has been developing since our country's accession to the European Union in 2007.

The research results can be used as the basis to substantiate the following *practical contributions* that would be of interest for the Customs Agency top-level management when taking actions towards a better CII model:

1. An applied science analysis and synthesis and the international experience in building internal organisation control systems (the COSO framework) have been

used to *suggest a concrete CII functional model* structured on the basis of individual elements that cover all practical implementation activities. Should such CII functional logic be adopted, the model can serve for a better understanding of the relations and dependencies between the different intelligence and investigation activities, and that can be used as the basis to take measures for the continuous improvement of their functional efficiency.

2. The results of a comparative analysis of data obtained through a survey with Customs Agency officers active in customs intelligence and investigation have been used to *identify the key advantages and disadvantages* of the existing CII organisational models in the context of Bulgaria's full membership in the EU. That has become the basis of the *suggested combined (hybrid) organisational model* which unites the advantages of the two models (centralised and decentralised) that have been used this far, and compensates for their imperfections.

**Doctoral student:**

**/V. Haladzhov/**

## V. LIST OF PUBLICATIONS RELATED TO THE DISSERTATION THEME

### Articles (3)

АКТУАЛНИ ПРОБЛЕМИ НА МИТНИЧЕСКОТО РАЗУЗНАВАНЕ -  
<http://hdl.handle.net/10610/2796> <https://dlib.uni-svishtov.bg/handle/10610/14>

2015 - 03.12.2015 article presented at a doctoral research session

„МИТНИЧЕСКОТО РАЗСЛЕДВАНЕ – СЪСТОЯНИЕ, ПРОБЛЕМИ И ПЕРСПЕКТИВИ," Almanac of PhD Students, D. A. Tsenov Academy of Economics, Svishtov, Bulgaria, vol. 11(11 Year 2), pages 417-432. Ventsislav Haladzhov, 2016. Article presented at a doctoral research session

„ПРАКТИКА ЗА ПОЛУЧАВАНЕ И ОБМЕН НА ИНФОРМАЦИЯ ЗА ЦЕЛИТЕ НА МИТНИЧЕСКОТО РАЗУЗНАВАНЕ И РАЗСЛЕДВАНЕ ВЪВ ФИНЛАНДСКИТЕ МИТНИЦИ“. Article published in the Митническа хроника magazine - 4/2016



**VI. REPORT ON MEETING THE MINIMAL NATIONAL STANDARDS  
UNDER THE IMPLEMENTATION REGULATIONS OF THE LAW ON  
ACADEMIC STAFF DEVELOPMENT IN THE REPUBLIC OF  
BULGARIA**

**By Ventsislav Georgiev Haladzhov, doctoral student**

*Report on meeting the minimal national standards for the award of a PhD degree in  
higher education area*

*3. Social, Business and Legal Sciences*

*Under Art. 2b of LASDRB*

- I. Articles published in unreferenced scientific peer-reviewed journals or published in edited collective volumes

Nr.	Publication	Number of credits for the author
1.	<p><b>Haladzhov, V.</b> АКТУАЛНИ ПРОБЛЕМИ НА МИТНИЧЕСКОТО РАЗУЗНАВАНЕ - <a href="http://hdl.handle.net/10610/2796">http://hdl.handle.net/10610/2796</a> <a href="https://dlib.unisvishtov.bg/handle/10610/14">https://dlib.unisvishtov.bg/handle/10610/14</a> 2015 - 03.12.2015 Article presented at a doctoral research session / certificate Annual Almanac of PhD students' papers, D. A. Tsenov Academy of Economics, Svishtov: A I Tsenov</p>	10
2.	<p><b>Haladzhov, V.</b> 2. "МИТНИЧЕСКОТО РАЗСЛЕДВАНЕ – СЪСТОЯНИЕ, ПРОБЛЕМИ И ПЕРСПЕКТИВИ," Almanac of PhD Students, D. A. Tsenov Academy of Economics, Svishtov, Bulgaria, vol. 11(11 Year 2), pages 417-432. Ventsislav Haladzhov, 2016. Article presented at a doctoral research session</p>	10
3.	<p><b>Haladzhov, V.</b> „ПРАКТИКА ЗА ПОЛУЧАВАНЕ И ОБМЕН НА ИНФОРМАЦИЯ ЗА ЦЕЛИТЕ НА МИТНИЧЕСКОТО РАЗУЗНАВАНЕ И РАЗСЛЕДВАНЕ ВЪВ ФИНЛАНДСКИТЕ МИТНИЦИ“. Article published in the Митническа хроника magazine - 4/2016</p>	10

## VI. STATEMENT OF ORIGINALITY AND VERITY

Concerning the implementation of a procedure for awarding a PhD degree in the research program ‘Business Operation Accounting, Control and Analysis (Control)’, I hereby declare:

1. The results and the contributions in the dissertation on CURRENT ASPECTS OF CUSTOMS INTELLIGENCE AND INVESTIGATION IN THE CUSTOMS CONTROL SYSTEM are original; they have not been unlawfully borrowed from research works and publications in which the author has not participated.

2. The information presented by the author such as copies of documents and publications, personally drawn reports, etc. comply with the objective truth.

26.01.2022

Svishtov

Signee: .....

Ventsislav Haladzhov