



National Audit Office

NEWS RELEASE

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Report by the Comptroller and Auditor General

The Customs Declaration Service: a progress update

HM Revenue & Customs (HMRC) has taken steps to mitigate risks in delivering the Customs Declaration Service (CDS) programme, raised by the National Audit Office (NAO) in July 2017. Significant challenges remain and there is a risk that CDS will be unable to fully replace the existing CHIEF (Customs Handling of Import and Export Freight) system by January 2019. However, HMRC has developed contingency plans which mean it will be in a better position in the event that CDS is not ready or does not perform as planned, or if traders have not migrated to the new system in time.

Today's follow up report by the NAO recognises that HMRC has accelerated work on its contingency plans for handling customs declarations in the event of 'no deal' in March 2019. If it successfully completes this work, HMRC should have the system capacity to handle customs declarations no matter what the outcome of negotiations between the UK and the European Union (EU). The success of wider customs preparations will, however, involve many other dependent systems and processes at the border.

Since the last NAO review of CDS, some risks have reduced. For example, HMRC has secured all the funding it currently expects to require to cover the total estimated cost of £270 million. However, some still remain and HMRC has faced new challenges which could prevent CDS being delivered on time.

HMRC still plans for CDS to go live in August, but has had to reduce the scope of what CDS will be able to do at that date. It now intends to roll-out further releases in November and December. It previously planned to design and build the full scope of CDS by July. HMRC told the NAO that its intention has been to phase the release of functionality to mitigate the risk of implementing a complex system all at once. HMRC has engaged with industry in developing this phased approach, and said that key stakeholders consider it fits with their development timetables.

HMRC will not know whether CDS works in live service until it has implemented all the functionality in December 2018. The late release of functionality and migration of users increases the risk that HMRC will not have sufficient time to resolve any issues it might identify with the last release and some traders will, as a result, remain using the existing CHIEF system for longer.

HMRC's plan remains to migrate users from August 2018 and to finish this process by January 2019. However, HMRC is unlikely to complete the migration of users from the

existing CHIEF system to CDS by January 2019. Export functionality will only be released in December, and traders who export goods will only have one month to complete the process.

HMRC's phased release strategy means traders involved in the first release will have to support a further two releases and associated changes to their own systems and processes before the end of the year, and will leave some users with less time to migrate. HMRC plans to continue to run CHIEF in parallel with CDS to mitigate the risk of migration not being completed on time. However, it may also lead to traders continuing to use CHIEF for longer than necessary, which could also delay the completion of migration.

In March 2018, the NAO surveyed Community System Providers and customs software suppliers who will need to change their systems in order to allow traders to make customs declarations. At the time of the survey, the majority were uncertain about what changes they needed to make and therefore when their systems would be ready for users to submit customs declarations.

HMRC has started to engage with 150,000 traders that import and export goods outside of the EU but there is a lot more to do to ensure traders are supported to smoothly migrate from CHIEF to CDS and effectively update their business processes. HMRC has prepared, but not yet started, a campaign to communicate with at least 145,000 EU-only traders who may need to make customs declarations after March 2019.

Amyas Morse, the head of the NAO, said today:

“Developing the CDS system to a tight timetable remains a major challenge. However, HMRC has made progress in developing its contingency plans, and has reduced the risk of it not having an operational system in place next March. Inevitably risks remain, and the next few months are crucial if HMRC is to make this a success.”

Key facts

	<p>255m</p> <p>customs declarations that HM Revenue & Customs (HMRC) estimates might be made after the United Kingdom (UK) leaves the European customs union, around a 200 million increase on the 55 million existing declarations each year</p>	<p>150,000</p> <p>current traders who make customs declarations and will need to move to the Customs Declaration Service (CDS) from the existing system</p>	<p>145,000</p> <p>minimum number of traders whom HMRC estimates currently trade within the European Union (EU) and might make customs declarations for the first time after the UK leaves the European customs union</p>
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CDS programme dates when we last reported in July 2017

July 2018	HMRC planned to finish building the full CDS scope
August 2018	HMRC planned to start migrating traders to CDS
January 2019	HMRC planned to complete migrating traders to CDS

New CDS programme dates

- August 2018** HMRC aims to go-live with CDS and start migrating traders as planned - it expects to have 44% of the full functionality in place at this time
- November 2018** HMRC now plans to release remaining import functions and start migrating traders who require these functions
- December 2018** HMRC now plans to release all export functions and start migrating traders who require these functions
- January 2019** HMRC now aims to complete migrating traders to CDS, however this may not be possible given the plan to release export functionality one month before

Contingency programme dates

- July 2018** HMRC plans to have demonstrated the CHIEF (Customs Handling of Import and Export Freight) system's capacity as a contingency option. When we previously reported, HMRC had not planned its contingency option in detail.

-ENDS-

Notes for Editors

1. The National Audit Office [reported](#) on the progress of the Customs Declaration Service programme in July 2017. It set out facts about the programme and highlighted the risks and issues that HMRC is managing ahead of implementation of the new service by January 2019.
2. The UK and EU have made progress towards an agreement that will leave customs arrangements unchanged until December 2020. Until these arrangements are confirmed, the government has directed HMRC to continue planning for a 'no deal' scenario with the expectation that a fully scaled and operational customs system will be in place in March 2019.
3. Press notices and reports are available from the date of publication on the [NAO website](#). Hard copies can be obtained by using the relevant links on our website.
4. The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 785 people. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services. Our work led to audited savings of £741 million in 2017.

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