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Performance Audit

# **Management of Detained Goods**

**Australian Customs and Border Protection Service**

Australian National Audit Office

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Canberra ACT  
1 May 2013

Dear Mr President  
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Australian Customs and Border Protection Service in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament. The report is titled *Management of Detained Goods*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

Ian McPhee  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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# Abbreviations

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ANAO	Australian National Audit Office
ASA	Agency Security Adviser
Customs Act	<i>Customs Act 1901</i>
Customs and Border Protection	Australian Customs and Border Protection Service
DGMS	Detained Goods Management System
DGS	Detained Goods Store
NMCO	National Manager Cargo Operations
PSRA	Protective Security Risk Assessment
TSF	Temporary Storage Facility



# Glossary

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Armoury	Part of a Detained Goods Store or Temporary Storage Facility which is designed for the storage of firearms, but may store some non-firearms goods.
Cameras	Closed-circuit television cameras.
Customs store	Part of a Detained Goods Store used for the storage of non-firearms goods.
Detained Goods Store	Detained Goods Stores consist of a customs store and an armoury, which provide for the long-term storage of goods.
International Gateway Facility	An Australia Post facility which includes Customs and Border Protection's staff that manage the customs clearance for international mail.
Line item	Used within the Detained Goods Management System, a description of a single type of good within a single detection, regardless of quantity.
SharePoint	SharePoint is a web application platform that is used to manage documents within an intranet environment.
Temporary Storage Facility	Used for storing goods for a 'minimum period of time' before transferring them to a Detained Goods Store for long-term storage.



## **Summary and Recommendations**

# Summary

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## Introduction

1. The Australian Customs and Border Protection Service's (Customs and Border Protection) role is to prevent, deter and detect the illegal movement of people and goods entering Australia. It also seeks to facilitate legitimate trade and travel, and to collect border-related revenue and statistics. These roles require Customs and Border Protection to balance the often competing priorities of facilitating trade while protecting the Australian border.

2. The majority of goods enter Australia without intervention. However, all goods are subject to customs control, and some are targeted for inspection. In 2011–12, Customs and Border Protection reported that it had:

- processed 29.1 million air passengers arriving in, or departing from, Australia<sup>1</sup>;
- cleared 14 456 ships arriving from overseas, with 6760 boarded and inspected;
- inspected 102 247 sea cargo containers;
- inspected approximately 1.51 million air cargo consignments; and
- inspected approximately 41 million international mail items.<sup>2</sup>

3. Inspection activities may identify goods that are prohibited from entering Australia under any circumstances.<sup>3</sup> In addition, some goods, such as firearms and drugs, are restricted and may only enter Australia after relevant permits are granted.<sup>4</sup> As these goods pose risks to the community, goods suspected of being prohibited or restricted are detained by Customs and Border Protection pending further investigation.

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<sup>1</sup> Interventions on arrival and pre-departure include questioning, targeted baggage examinations and personal searches.

<sup>2</sup> Australian Customs and Border Protection Service, *Annual Report 2011–12*, <<http://customs.gov.au/webdata/resources/files/annualreport2011-12.pdf>> p.ii [accessed 1 February 2013].

<sup>3</sup> There are four types of prohibited goods including certain breeds of dangerous dogs, diamonds from Cote d'Ivoire, embryo clones and suicide devices.

<sup>4</sup> There are a large number of categories of restricted goods including firearms, weapons, drugs, tobacco, hazardous waste and pornographic material.

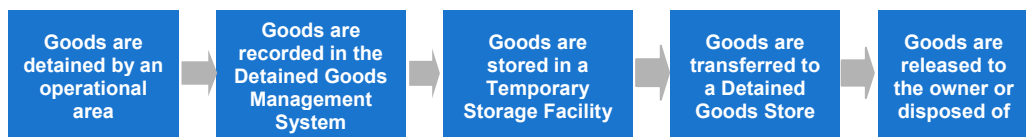
4. All detained goods are recorded in Customs and Border Protection's Detained Goods Management System as individual items.<sup>5</sup> Customs and Border Protection advised that it had detained 124 792 items in 2011–12, an increase of 44 per cent on the 86 559 items detained in 2007–08. While the nature of detained goods can vary, approximately 90 per cent (112 242) of these goods were recorded in the Detained Goods Management System as weapons, firearms, tobacco or drugs in 2011–12.

## Managing detained goods

5. Many operational areas and officers are involved in detaining goods. Once detained, staff are required to store them in an approved place known as a Detained Goods Store or Temporary Storage Facility as soon as is practical. Figure S1 represents the process for managing detained goods.

**Figure S1**

### Detained goods management process



Source: ANAO representation.

6. In the majority of cases, a detaining officer transfers goods to one of 65 Temporary Storage Facilities which are co-located with their operational area. Temporary Storage Facilities are responsible for storing detained goods for a 'minimum period of time' before transferring them to a Detained Goods Store for long-term storage. Detained Goods Stores consist of two co-located facilities; a customs store and an armoury.<sup>6</sup> A customs store is used to store non-firearms goods, while an armoury is primarily used to store firearms, but may also store some non-firearms goods.

7. While some detained goods are released to their rightful owner, they may also be 'condemned and forfeited to the crown'. As the owner of the goods, Customs and Border Protection may dispose of them as it sees fit,

<sup>5</sup> The agency refers to these as items within the Detained Goods Management System. Where a single detention may involve multiple types of goods, each type is recorded as a separate item under one of 10 categories.

<sup>6</sup> An armoury may also be co-located with a Temporary Storage Facility in some cases. For example, the Sydney Gateway Facility that processes international mail has a Temporary Storage Facility and an armoury.

including by destroying them. Customs and Border Protection outsource the destruction of goods, but maintains oversight of this process.

8. Irrespective of where goods are stored, they should be secure and accounted for. Customs and Border Protection has developed a number of guidelines that outline its control and accountability framework for managing detained goods. These include conducting regular stocktakes, the use of tamper-evident seals on some packages and a requirement that two staff be present during the transfer and destruction of goods. In addition, storage facilities have a range of physical security features such as alarm systems and, in the case of armouries, closed-circuit television cameras. The agency also requires that storage facilities restrict the number of staff who have access to detained goods.

## **Reform within Customs and Border Protection**

9. During the course of the audit, the Minister for Home Affairs announced the establishment of the Customs Reform Board. The Board was established in December 2012 after the arrest of a second Customs and Border Protection officer from Sydney International Airport for abuse of office and precursor importation offences as part of a two year investigation by the Australian Federal Police, Customs and Border Protection and the Australian Commission for Law Enforcement Integrity. The joint investigation resulted in the arrest of two further officers in February 2013.<sup>7</sup> The Board has been asked to provide advice to the Minister for Home Affairs regarding structural and cultural reforms to improve Customs and Border Protection's law enforcement capability, integrity culture and business systems.

10. In relation to detained goods, Customs and Border Protection has investigated a number of allegations made about the integrity of certain officers since 2007. Eleven cases have been investigated by the Integrity and Professional Standards Branch. In eight investigations no impropriety was found, and two investigations were ongoing at the time of audit. In the remaining case (a series of three related investigations), an officer pleaded guilty to misapplying public property and resigned his position.<sup>8</sup> In addition, an ongoing investigation was being undertaken regarding the possible theft of

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<sup>7</sup> Australian Customs and Border Protection Service <<http://customs.gov.au/site/130212mediastatement-officersarrested.asp>> [accessed 27 March 2013].

<sup>8</sup> It has been reported that the case did not involve personal enrichment or theft. <<http://www.theage.com.au/victoria/customs-crime-smoked-out-20100701-zqm5.html>> [accessed 21 March 2013].

goods at a facility contracted to destroy them.<sup>9</sup> In this case, a decision on whether charges would be laid against the owners of the destruction facility is being considered by the Commonwealth Director of Public Prosecutions.

11. Customs and Border Protection has announced that it will strengthen its focus on integrity, security and risk management through a major reorganisation of key functions in this area. In addition, a capability review of its professional standards function is also being undertaken.<sup>10</sup>

12. New legislation has also been introduced to provide Customs and Border Protection with powers to strengthen its integrity framework by:

- conducting targeted integrity testing of officers suspected of engaging in corrupt activities;
- enabling its Chief Executive Officer to make a determination that an officer's employment can be terminated for serious misconduct;
- introducing mandatory reporting requirements for its employees to report serious misconduct and corrupt activities; and
- alcohol and other drug testing.<sup>11</sup>

13. The enhancements to the legislation and administrative frameworks applicable to Customs and Border Protection will also necessarily require measures to ensure alignment of staff to the new approaches and organisational goals.

## Audit objective and criteria

14. The objective of the audit was to assess the effectiveness of Customs and Border Protection's arrangements for managing the safe and secure storage and disposal of detained goods. In particular, the audit examined whether Customs and Border Protection has:

- effective governance arrangements to support the management of detained goods;

<sup>9</sup> <<http://www.theage.com.au/victoria/trapdoor-hid-contraband-under-the-nose-of-customs-20120525-1za...dt.html>> [accessed 21 March 2013].

<sup>10</sup> Australian Customs and Border Protection Service <[http://customs.gov.au/site/130322mediarelease\\_.asp](http://customs.gov.au/site/130322mediarelease_.asp)> [accessed 26 March 2013].

<sup>11</sup> Australian Customs and Border Protection Service <[http://customs.gov.au/site/mediaStatement\\_20130316.asp](http://customs.gov.au/site/mediaStatement_20130316.asp)> [accessed 21 March 2013].

- developed, and consistently applies, sound processes for handling and monitoring detained goods during their storage, transport and disposal; and
- appropriate arrangements to assure itself that storage facilities provide a safe and secure environment for detained goods.

15. The audit assessed Customs and Border Protection's management of goods in Temporary Storage Facilities and Detained Goods Stores. The detention of goods and the processes to monitor the transfer of goods from the detaining officer to a Temporary Storage Facility, as well as the commercial arrangements for the storage of certain goods were outside the scope of this audit.

## Overall conclusion

16. Customs and Border Protection's role is to prevent, deter and detect the illegal movement of people and goods entering Australia, while also facilitating legitimate trade. For 2011–12, Customs and Border Protection has reported that some 42.6 million items were inspected<sup>12</sup>, and advised that 124 792 items were detained because of prohibitions or restrictions on entry, or where import duties had not been paid. The operating environment for the management of detained goods is complex, with over 70 facilities responsible for storing and accounting for such goods. This complexity places a premium on Customs and Border Protection designing effective administrative arrangements and then implementing those arrangements.

17. Following a review of Detained Goods Management in 2009, Customs and Border Protection has been enhancing its administrative framework to control and account for detained goods. The framework, which is now generally sound, is outlined in a series of internal guidelines that establish the requirements for transferring goods between facilities, as well as those being released or destroyed. These guidelines also set out the physical security requirements for the storage of detained firearms, including the use of alarm systems and closed-circuit television cameras. The agency requires that all storage facilities conduct regular stocktakes and firearms counts and has implemented a Quality Assurance Program to monitor compliance with its control and accountability framework. Monthly reports are provided to senior

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<sup>12</sup> Australian Customs and Border Protection Service, *Annual Report 2011–12*, <<http://customs.gov.au/webdata/resources/files/annualreport2011-12.pdf>> p.30-31 [accessed 1 February 2013].



management regarding the performance of Detained Goods Stores; there is no similar reporting framework for Temporary Storage Facilities.

18. Although Customs and Border Protection's framework to control and account for detained goods is generally sound, the implementation of some key controls by staff at various facilities fell short of the agency's requirements, reducing the overall effectiveness of the framework and its security environment. These shortcomings included:

- goods that were selected for destruction were accessible to staff in two facilities visited by the ANAO for up to one month prior to destruction and the goods were not re-verified before destruction;
- seals used to alert staff to potential interference with the goods were not tamper-evident and the poor application of seals to some packages increased the risk that goods could be removed from their packages, and the packages destroyed, without the theft being detected;
- closed-circuit television camera footage was not retained at all armouries for the full period between monthly firearms counts, as required by internal guidelines; and
- the area covered by cameras varied between facilities.

19. There are also weaknesses in the operation of the Detained Goods Management System used to record all detained goods. Limitations in the system require some operational staff to have administrator access. These officers, who also work in close proximity to detained goods, have the ability to delete records, increasing the risks to the accountability of detained goods. The risks associated with the system have not been assessed and use of the system is not monitored. Against this background, it is important that Customs and Border Protection institute compensating controls for known system weaknesses and to assess any other risks to the effective operation of the system.

20. During the course of the audit, the ANAO opened 528 packages of detained goods and compared their contents against the corresponding electronic records in the Detained Goods Management System. There were no goods identified as missing and 14 items had discrepancies in the recorded quantities. These discrepancies included small quantities of narcotics (1.2 grams or less), cigarettes (more than 10 000 sticks) and counterfeit makeup (two items). Customs and Border Protection advised the ANAO that these discrepancies are most likely due to counting errors, wastage when testing

powders, or an estimation error when counting bulk tobacco.<sup>13</sup> Also, in response to the ANAO's finding that the seals used were not tamper-evident, Customs and Border Protection advised that it checked the contents of another 4697 items in October 2012 and identified 24 discrepancies. Eighteen of these discrepancies involved larger quantities of goods being held in storage than were recorded in the Detained Goods Management System.<sup>14</sup> This testing provided some assurance that the vulnerability of the seals had not been exploited. Customs and Border Protection has advised the ANAO that it has now replaced the seals.

**21.** Weaknesses in the detained goods management control framework and security arrangements can be and, in the past have been, exploited by staff or contractors. The risks inherent in managing detained goods, many of which are of an illicit or restricted nature, means that Customs and Border Protection requires ongoing assurance that its control framework is sound and being implemented as intended. In addition to changes already being introduced by Customs and Border Protection during the course of the audit, which reflects positively on the responsiveness of agency management to address matters raised, and the broader organisational changes being introduced as explained in paragraph 11, the ANAO has made three recommendations directed towards improving performance monitoring of Temporary Storage Facilities, assessing the risks associated with the use of the Detained Goods Management System, and retaining camera footage for the periods between firearms counts.

## Key findings by Chapter

### Governance Arrangements (Chapter 2)

**22.** The National Manager Cargo Operations is responsible for most Detained Goods Stores and some Temporary Storage Facilities. A number of other operational areas, such as those processing passengers at international airports, manage other storage facilities.

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<sup>13</sup> The discrepancy involving 10 200 cigarettes was the equivalent of one box missing (10 000 sticks) and an additional box that had been opened and was missing a carton of cigarettes (200 sticks). As a result, the ANAO considered it unlikely that this discrepancy was caused by an estimation error. Customs and Border Protection has advised that it is conducting further enquiries in relation to this discrepancy.

<sup>14</sup> In conducting this testing, Customs and Border Protection advised that it had located an additional 81 tablets (including Dianabol, Stanazolol and Diazepam), 1537 sticks of cigarettes, two butterfly chains, three knives and one bottle of alcohol. Those items that were recorded in the Detained Goods Management System where the goods were missing included one 'stop cold' tablet, 85 sticks of tobacco, 400 grams of molasses tobacco, one blow pipe and two rifle casings. Regarding the rifle casings, Customs and Border Protection also advised that these had been released to the owner and that the Detained Goods Management System had not been updated.

**23.** Customs and Border Protection has developed a planning framework that includes the preparation of an agency-wide risk and annual business plan, as well as division, branch and team level business plans. In addition Cargo and Trade Division has developed a draft risk register to record key operational risks. This suite of documents provides adequate coverage of detained goods.

**24.** National guidelines outline the detained goods management control framework. The guidelines were approved by the relevant National Director, and have been reviewed and reissued twice since 2008 to continue to enhance the control framework.<sup>15</sup> Nevertheless, the guidelines could have been clearer and were sometimes inconsistent with other related guidance. Staff from some facilities interviewed by the ANAO also advised that they do not use the guidelines. In addition, the lack of formal training and a standardised induction package has resulted in inconsistent practices being implemented across regions. During the course of the audit, Customs and Border Protection advised that it will review and update the guidelines, and develop national training and induction packages.

**25.** Storage facilities undertake quarterly and biannual stocktakes of detained goods by cross-checking the records in the Detained Goods Management System with goods in storage.<sup>16</sup> In total, five items have been identified as missing in the past four stocktakes.<sup>17</sup> An annual Quality Assurance Program and internal audits also provide positive and timely opportunities to improve the management of detained goods, but some recommendations, although accepted, have not been implemented across all storage facilities.<sup>18</sup> The outcomes of stocktakes and the Quality Assurance Program are reported to Customs and Border Protection's senior management.

**26.** The reporting of outcomes from regular stocktakes and quality assurance reviews provides a useful indicator of overall performance of storage facilities. In addition, monthly reports are provided to the National

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<sup>15</sup> The National Director Cargo and Trade provides executive oversight of the detained goods function. The guidelines are made up of a series of documents and individual documents were reviewed between March 2008 and March 2009, and then again between December 2010 and May 2012.

<sup>16</sup> Customs and Border Protection conducts biannual stocktakes of all goods and quarterly stocktakes of high value, sensitive and firearms goods.

<sup>17</sup> The missing items included two flick knives, a laser pointer and pharmaceutical drugs.

<sup>18</sup> These recommendations include the use of lockable containers to secure goods selected for destruction and the use of registers to record the details of visitors who have accessed detained goods.

Manager Cargo Operations against the Detained Goods Stores' key performance indicator that measures the percentage of goods retained by each store for more than 120 days. However, there is no centralised monthly reporting of performance for Temporary Storage Facilities. Customs and Border Protection has acknowledged that there would be benefits in developing performance indicators for Temporary Storage Facilities, including monitoring and reporting the timeframes that firearms and non-firearms goods are stored.

### **Managing Detained Goods (Chapter 3)**

27. Customs and Border Protection has a control framework to account for detained goods during their transfer, release or destruction. This framework includes the use of two officers to complete the processes and cross-checking of electronic records with labels attached to the goods.

28. The audit team conducted site visits to storage facilities in four states and territories and observed the transfer of goods between facilities, the release of goods to importers and the destruction of goods at three commercial destruction facilities.<sup>19</sup> Files for 352 items were also examined to verify that processes had been documented and implemented effectively. While some issues of non-compliance were identified, these occurred at a single or small numbers of facilities.

29. At two facilities visited by the ANAO, goods selected for destruction were accessible to staff for up to one month prior to their actual destruction. In this circumstance, there was a risk that the goods could be stolen and any discrepancy is unlikely to be identified as those goods were not re-verified as being complete prior to destruction. Customs and Border Protection had not fully implemented the recommendation from its Review of Detained Goods Management Processes in 2009 that all facilities use lockable containers to secure goods selected for destruction.<sup>20</sup>

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<sup>19</sup> The audit team visited four customs stores, five armouries and four TSFs across New South Wales, Victoria, Western Australia and the Australian Capital Territory.

<sup>20</sup> Customs and Border Protection has advised that the recommendation from its Review of Detained Goods Management Processes in 2009 has been fully implemented in seven of the eight Detained Goods Stores. In the eighth facility, lockable containers cannot be used due to work health and safety concerns related to the use of the lockable containers at the main destruction facility. As an alternative, and in response to the ANAO's audit, Customs and Border Protection advised that goods selected for destruction at that facility are now placed in tamper-evident sealed boxes prior to destruction.

30. Since 2009, Customs and Border Protection has required the use of tamper-evident seals to more efficiently manage detained goods, while maintaining accountability. These seals are designed to identify potential interference with goods. It also means that Customs and Border Protection does not need to regularly re-check the contents of the packages, providing efficiencies for the agency. However, ANAO testing showed that: the two most recent types of seal were not always tamper-evident; seals were sometimes applied in a way that allowed goods to be accessed without breaking the seal; and staff did not always respond appropriately to evidence of tampering.

31. Customs and Border Protection's operational staff and managers were aware that the seals were not tamper-evident, yet for approximately 12 months, no effective action was taken to resolve this shortcoming, reflecting weaknesses in the agency's management arrangements. Customs and Border Protection has advised the ANAO that it has now replaced the seals and has drafted guidance to assist staff to understand their responsibilities in using the seals. In addition, the agency advised that to provide assurance that goods were properly accounted for during this period, it checked the contents of 4697 packages against the Detained Goods Management System records and that 24 discrepancies were identified. Eighteen of these discrepancies involved larger quantities of goods being held in storage than were recorded in the Detained Goods Management System.<sup>21</sup> This testing provides some assurance that the vulnerability of the seals had not been exploited.

## **Detained Goods Management System (Chapter 4)**

32. The Detained Goods Management System was introduced in April 2006. While the system was seen as an interim measure, it has now been operating for almost seven years. Customs and Border Protection advised that the system was unstable in 2008, but this issue was resolved and future instability is considered unlikely based on annual monitoring. However, there is no back-up system. In response to any short or long-term outages, the agency advised that it would resort to manual processes and paper records. While this strategy has been documented in operational Business Continuity

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<sup>21</sup> In conducting this testing, Customs and Border Protection advised that it had located an additional 81 tablets (including Dianabol, Stanozolol and Diazepam), 1537 sticks of cigarettes, two butterfly chains, three knives and one bottle of alcohol. Those items that were recorded in the Detained Goods Management System where the goods were missing included one 'stop cold' tablet, 85 sticks of tobacco, 400 grams of molasses tobacco, one blow pipe and two rifle casings. Regarding the rifle casings, Customs and Border Protection also advised that these had been released to the owner and that the Detained Goods Management System had not been updated.

Plans, Customs and Border Protection advised that it has not conducted any testing to confirm that this is a practical alternative, particularly in the longer-term. The risks associated with the use of the system have also not been properly assessed.

33. The majority of Detained Goods Management System users are restricted to 'read only' or 'standard' access. However, 12 staff, including eight operational staff, have been granted administrator access. As these operational staff who work in close proximity to detained goods have the ability to delete records, there is an increased risk that an electronic record could be deleted and the corresponding goods stolen without detection. The Detained Goods Management System has a fully auditable trail, but user activity has not been monitored to identify potential misuse of the system.

34. The ANAO opened 528 items in store to cross-check the quantity of goods with its corresponding Detained Goods Management System record. No items were missing but for 14 items (2.7 per cent) there was a discrepancy with the quantity of the goods. The discrepancies included small quantities of narcotics (with 1.2 grams or less), cigarettes (more than 10 000 sticks) and counterfeit makeup (two items). Customs and Border Protection advised the ANAO that these discrepancies are most likely due to counting errors, wastage when testing powders, or an estimation error when counting bulk tobacco.<sup>22</sup>

## **Security of Detained Goods (Chapter 5)**

35. Customs and Border Protection has promulgated detailed physical security requirements specifically for armouries and Temporary Storage Facilities. Similar requirements for customs stores have not been prepared.

36. Storage facilities have implemented a range of physical security features, including alarm systems and the use of closed-circuit television cameras. Customs and Border Protection also monitors access to detained goods with visitor registers and by updating access codes to storage facilities.

37. During the audit, the ANAO observed that one facility had adopted the practice of leaving the armoury open during the day, in contravention of the

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<sup>22</sup> The discrepancy involving 10 200 cigarettes was the equivalent of one box missing (10 000 sticks) and an additional box that had been opened and was missing a carton of cigarettes (200 sticks). As a result, the ANAO considered it unlikely that this discrepancy was caused by an estimation error. Customs and Border Protection has advised that it is conducting further enquiries in relation to this discrepancy.

Firearms Guidelines.<sup>23</sup> This increased the accessibility of staff to firearms and reduced the overall impact of physical security arrangements. Customs and Border Protection advised that the facility is now kept closed.

38. Cameras were installed in all the armouries, and at three of the four customs stores, visited by the ANAO.<sup>24</sup> Where installed, cameras increase the level of assurance of the security and control of detained goods. However, while camera footage from armouries is required to be retained for the period between monthly firearms counts, this did not always occur in six of the eight facilities reviewed. In the event that the theft of firearms has been identified in monthly firearms counts, camera footage may not be available for the full period in which the theft occurred. Customs and Border Protection advised that this vulnerability had not, to its knowledge, been exploited.

39. An internal review of 50 storage facilities in 2011 identified that 41 facilities were not fully compliant with the Firearms Guidelines. Nevertheless, Customs and Border Protection considered these issues of non-compliance were low risk and the facilities were approved for continued use pending the conduct of protective security risk assessments, to be completed by 2015. At the time of the audit, 29 of the 98 Customs and Border Protection sites (30 per cent) had either not had a protective security risk assessment completed or did not have a current risk assessment under internal guidelines.<sup>25</sup> This included some facilities that store high-risk detained goods.

## **Safety Aspects of Managing Goods (Chapter 6)**

40. Storage facilities conduct biannual occupational health and safety assessments to identify and manage the risks associated with moving and storing large quantities of goods. In addition, facilities have implemented a number of strategies to build ongoing safety awareness, such as induction programs, discussions at weekly meetings and the use of posters with safety messages.

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<sup>23</sup> Customs and Border Protection advised that this armoury door was open during the day to allow staff to access non-firearms goods more easily.

<sup>24</sup> Customs and Border Protection advised that, nationally, cameras are installed in all armouries and four of the eight customs stores. Closed-circuit television cameras are not mandatory for customs stores, as they do not store firearms. Temporary Storage Facilities are permitted to store firearms only for a maximum of 120 hours, as these facilities are not as secure as an armoury.

<sup>25</sup> Customs and Border Protection advised that, because of changes in personnel in the three areas responsible for managing the regional security adviser network, it is unable to give the reasons why some protective security risk assessments were not up-to-date at the time of the audit.

41. Detained Goods Store staff have reported 136 safety incidents since 2006–07. Many of these incidents were of a minor nature, with muscle strains and repetition injuries accounting for around 30 per cent (41) of the incidents reported.<sup>26</sup> The risk of muscle strains is generally managed through the provision of manual handling training and equipment. Nevertheless, there were some inconsistencies in the type of equipment used between facilities and only one facility was applying warning stickers to heavy items. Customs and Border Protection advised that it will promote awareness and implement consistent practices across facilities.

42. Hazardous goods are rarely detained. However, appropriate strategies are available to Customs and Border Protection staff where necessary, including having the goods destroyed immediately or removing the goods to a commercial storage facility that specialises in storing such goods.

43. Customs and Border Protection has implemented psychometric testing to manage the risk that Detained Goods Store staff with access to firearms and weapons may commit acts of harm to themselves or to others. However, this strategy is not applied to staff in Temporary Storage Facilities. There would be merit in Customs and Border Protection re-assessing its approach to psychometric testing for those Temporary Storage Facilities where firearms are stored for longer periods or that manage large quantities of weapons.

## Summary of Customs and Border Protection's response

44. The proposed report was provided to Customs and Border Protection for formal comment. Customs and Border Protection provided the following summary response, and the formal response is shown at Appendix 1.

Customs and Border Protection welcomes the report and commends the professionalism and level of engagement demonstrated by the ANAO audit team throughout the audit. The recommendations and supporting information contained within the report are accepted by Customs and Border Protection.

Customs and Border Protection appreciates the feedback provided in the report, recognising that the overall administrative framework to control detained goods is generally sound, and that Customs and Border Protection have responded and actioned a number of issues identified during the course of the audit.

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<sup>26</sup> Around 44 per cent (18) of muscle strain and repetition injuries involved back related pain.



## Recommendations

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### Recommendation No.1

#### Paragraph 2.49

To measure performance of Temporary Storage Facilities in managing detained goods, the ANAO recommends that Customs and Border Protection develops appropriate key performance indicators for these facilities, and reports against them in the monthly management reports.

**Customs and Border Protection Response:** *Agreed.*

### Recommendation No.2

#### Paragraph 4.29

To enhance the administration of the Detained Goods Management System, the ANAO recommends that Customs and Border Protection:

- assesses the risks to the effective operation of the system, and develops appropriate risk mitigation strategies; and
- institutes controls for system weaknesses, including monitoring administrators with close proximity to detained goods.

**Customs and Border Protection Response:** *Agreed.*

### Recommendation No.3

#### Paragraph 5.30

To strengthen the overall security of detained goods, the ANAO recommends that Customs and Border Protection align the period that closed-circuit television camera footage is retained at each facility storing firearms with the timing of monthly firearms counts.

**Customs and Border Protection Response:** *Agreed.*



## **Audit Findings**

# 1. Background and Context

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*This chapter provides an overview of Customs and Border Protection's arrangements for managing detained goods. It also outlines the audit objective, criteria and scope.*

## Introduction

**1.1** Customs and Border Protection's role is to deter, detect and investigate the illegal movement of people and goods entering Australia. It also seeks to facilitate legitimate trade and travel, and to collect border-related revenue and statistics. These roles require Customs and Border Protection to balance the often competing priorities of facilitating trade while protecting the Australian border.

**1.2** Customs and Border Protection's operational environment is complex, with people and goods entering Australia by air and sea from a number of points. Although the majority of people and goods pose no threat to Australia, some may pose a significant threat, such as from terrorism or from organised crime groups seeking access to harmful goods, such as narcotics or firearms. The collection of customs duties and border related taxes is also an important source of revenue for the Australian Government. In 2011–12, Customs and Border Protection:

- processed 29.1 million air passengers arriving in, or departing from, Australia<sup>27</sup>;
- cleared 14 456 ships arriving from overseas, with 6760 boarded and inspected;
- inspected 102 247 sea cargo containers;
- inspected approximately 1.51 million air cargo consignments;
- inspected approximately 41 million international mail items; and

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<sup>27</sup> Interventions on arrival and pre-departure include questioning, targeted baggage examinations and personal searches.

- collected around \$11.2 billion in revenue on behalf of the Australian Government.<sup>28</sup>

## Prohibitions and restrictions on the movement of goods

**1.3** The majority of goods enter Australia without intervention by Customs and Border Protection. However, all goods are subject to customs control and some are targeted for inspection. Inspection activities may identify goods that: are prohibited from entry under any circumstances; are restricted from entering without the relevant permits being granted; and/or require customs duty to be paid before release.<sup>29</sup> These goods are detained pending further investigation by Customs and Border Protection. Table 1.1 provides some of the key reasons why goods may be detained.<sup>30</sup>

**Table 1.1**

### Reasons for detaining goods

Reason	Description of reason
Prohibited goods	Prohibited goods cannot be legally imported under any circumstances and, if identified, are subject to compulsory seizure. Prohibited goods include certain breeds of dangerous dogs, diamonds from Cote d'Ivoire, embryo clones, and suicide devices.
Restricted goods	Restricted goods may be imported subject to the granting of relevant permits. Any restricted goods without the relevant permit may be detained. There are a large number of restricted goods including firearms, drugs and narcotics, tobacco, hazardous waste, pesticides and radioactive materials.
Duty avoidance	Where an importer makes false statements about the value of goods to avoid paying duties, or to reduce the value of duties owing, the goods may be detained or seized.
Failure to pay duties owing	Goods may be detained if duties are owed and have not been paid.

Source: ANAO analysis of Customs and Border Protection's data.

**1.4** Once detained, goods may be subsequently 'condemned and forfeited to the crown'. In these instances, the Australian Government becomes the owner of the goods and Customs and Border Protection can dispose of them as

<sup>28</sup> Australian Customs and Border Protection Service, *Annual Report 2011–12*, <<http://customs.gov.au/webdata/resources/files/annualreport2011-12.pdf>> p.ii [accessed 1 February 2012].

<sup>29</sup> There are four types of prohibited goods including certain breeds of dangerous dogs, diamonds from Cote d'Ivoire, embryo clones and suicide devices. There are a large number of categories of restricted goods including firearms, weapons, drugs, tobacco, hazardous waste and pornographic material.

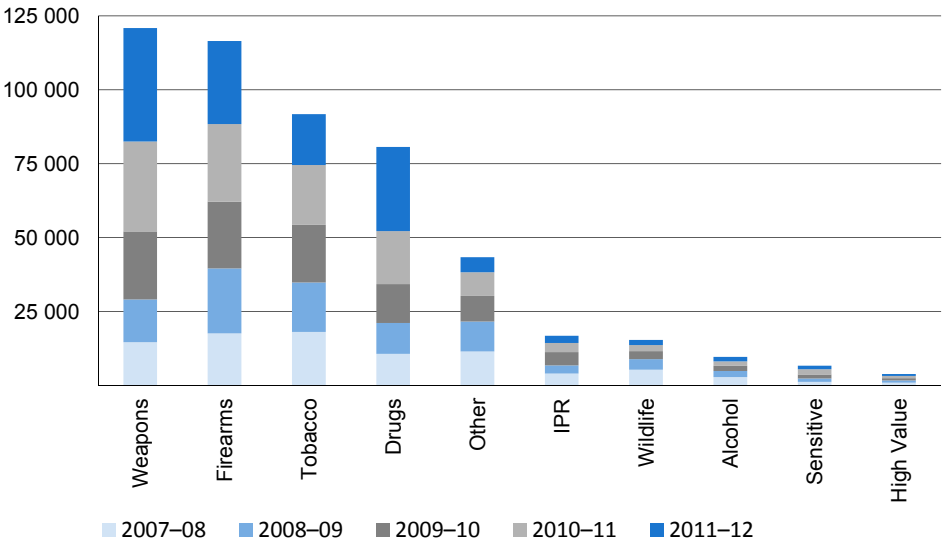
<sup>30</sup> Australian Customs and Border Protection Service, *Prohibited and Restricted Goods*, <<http://www.customs.gov.au/site/page4369.asp#e2101>> [accessed 14 December 2012].

it sees fit. For the purposes of this report, detained and seized goods are referred to as ‘detained goods’ or ‘goods’ unless the term seized is specifically intended.

**Quantities and categories of goods detained**

**1.5** Customs and Border Protection detains a diverse range of goods under state and federal legislation, including items that pose a risk to the environment, breach copyright and trademark laws and/or contravene criminal laws. All detained goods are recorded in Customs and Border Protection’s Detained Goods Management System (DGMS) as individual ‘line items’ within the system.<sup>31</sup> Where a single detention involves multiple types of goods, each type is recorded as a separate line item under one of 10 categories, as outlined in Appendix 2. While the total number of goods detained for each category is provided in Figure 1.1, approximately 90 per cent (112 242) were recorded as weapons, firearms, tobacco or drugs in 2011–12.

**Figure 1.1**  
**Total number of line items per category, by financial year for the period 2007–08 to 2011–12**



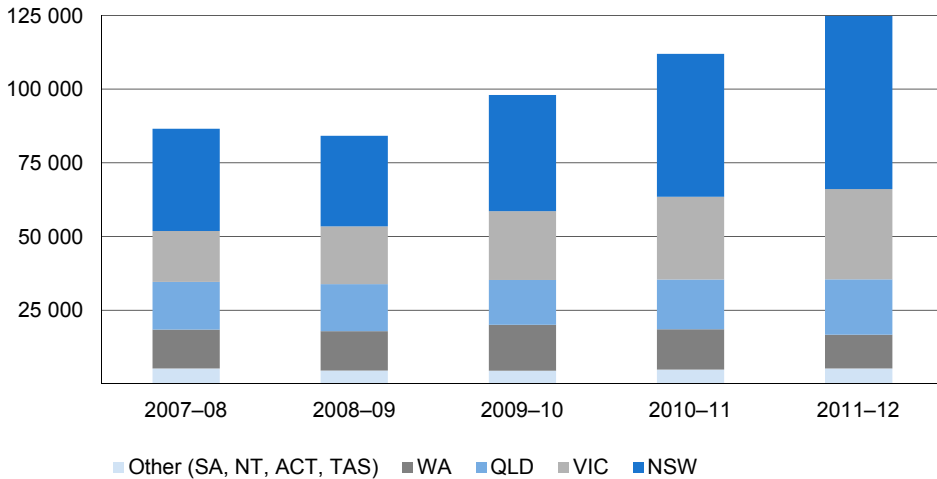
Source: ANAO analysis of Customs and Border Protection’s data.

<sup>31</sup> Each line item may involve small or large quantities of goods, such as a single packet or pallets of cigarettes.

**1.6** Figure 1.2 provides the number of line items recorded in the DGMS each year, by state and territory from 2007–08 to 2011–12.

**Figure 1.2**

**Total number of line items detained annually, by state or territory from 2007–08 to 2011–12**



Source: ANAO analysis of Customs and Border Protection's data.

**1.7** Customs and Border Protection advised that it had detained 124 792 items in 2011–12, an increase of 44 per cent on the 86 559 items detained in 2007–08. This increase has mostly occurred in New South Wales and Victoria, where a combined 72 per cent of all line items were detained in 2011–12, up from around 60 per cent in 2007–08. In part, this increase correlates with the increase in international goods entering Australia via Sydney and Melbourne.

## Managing detained goods

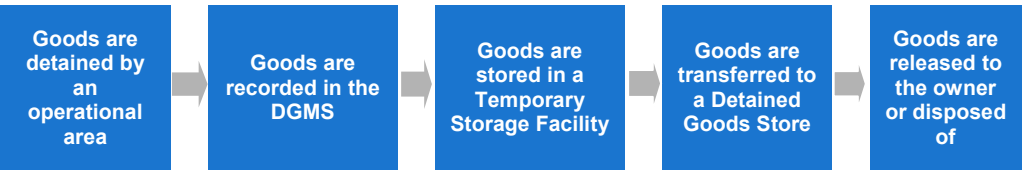
**1.8** The range of goods detained by Customs and Border Protection present different risks. While some goods, such as dangerous chemicals, may pose safety risks, goods such as narcotics and firearms are attractive to organised crime and pose security risks. As such, Customs and Border Protection adopts a risk-based approach to managing detained goods.

**1.9** Many operational areas and officers are involved in detaining goods. Once goods are detained, staff are required to store them in an approved place known as a Detained Goods Store (DGS) or Temporary Storage Facility (TSF)

as soon as is practical.<sup>32</sup> Figure 1.3 represents the usual process for managing detained goods.

**Figure 1.3**

**Detained goods management process**



Source: ANAO representation.

**Temporary Storage Facilities**

**1.10** In the majority of cases, a detaining officer transfers goods to one of 65 TSFs, which are co-located with their operational area. While the main operational areas that detain goods are international mail gateways, passenger divisions at international airports and sea and air cargo examination facilities, there are also a large number of small district offices with TSFs. As illustrated in Figure 1.4, responsibility for managing goods is dispersed around Australia.

**1.11** TSFs are responsible for storing detained goods for a ‘minimum period of time’ before transferring them to a DGS for long-term storage. However, some goods may be stored for longer periods, to provide the importer with time to seek a permit that would allow their release. Narcotics are held by TSFs until transferred to the Australian Federal Police.

**Detained Goods Stores**

**1.12** DGSs are located in the capital city of each state and territory and consist of two co-located facilities; an armoury and a customs store.<sup>33</sup> An armoury is used to store firearms and has additional security. The customs store is used for storing non-firearms goods and where the store does not have the capacity to receive certain goods from a TSF, it may store some bulk items, such as tobacco and alcohol, in an approved commercial warehouse.

<sup>32</sup> Customs Act 1901 s.204.

<sup>33</sup> An armoury may also be located at a TSF. For example, the Sydney Gateway Facility that processes international mail has a TSF and an armoury.



**Figure 1.4****Location of storage facilities**

Source: Customs and Border Protection.

Note: The capital of each state and territory may have several TSFs usually located at airports, ports, international mail gateway facilities and with investigations units.

**1.13** In total, Customs and Border Protection has allocated \$5 million (not including capital costs) and a staffing complement of 54 to operate DGSs. The budget and number of staff allocated to each TSF is included within the broader functions of each operational area.

### **Accountability and security of detained goods**

**1.14** Irrespective of where goods are stored, they should be secure and accounted for. Customs and Border Protection has developed a number of guidelines that outline its control and accountability framework for managing detained goods. These include conducting regular stocktakes, the use of tamper-evident seals<sup>34</sup> on some packages, and a requirement that two staff be present during the transfer and destruction of goods. In addition, storage

<sup>34</sup> Provided the seals remain intact, staff should not need to re-verify the contents of a package at later stages of its management, which maintains accountability while substantially reducing Customs and Border Protection's workload.

facilities are required to have a range of physical security features such as alarm systems and, in the case of armouries, closed-circuit television cameras. The number of staff with authority to access detained goods is intended to be limited to as few as is practical. Customs and Border Protection outsource the destruction of goods, but maintains oversight of this process.<sup>35</sup>

## **Reform within Customs and Border Protection**

**1.15** During the course of the audit, the Minister for Home Affairs announced the establishment of the Customs Reform Board. The Board was established in December 2012 after the arrest of a second Customs and Border Protection officer from Sydney International Airport for abuse of office and precursor importation offences as part of a two year investigation by the Australian Federal Police, Customs and Border Protection and the Australian Commission for Law Enforcement Integrity. The joint investigation resulted in the arrest of two further officers in February 2013.<sup>36</sup> The Board has been asked to provide advice to the Minister for Home Affairs regarding structural and cultural reforms to improve Customs and Border Protection's law enforcement capability, integrity culture and business systems.

**1.16** In relation to detained goods, Customs and Border Protection has investigated a number of allegations made about the integrity of certain officers since 2007. Eleven cases have been investigated by the Integrity and Professional Standards Branch. In eight investigations no impropriety was found, and two investigations were ongoing at the time of audit. In the remaining case (a series of three related investigations), an officer pleaded guilty to misapplying public property and resigned his position.<sup>37</sup> In addition, an ongoing investigation was being undertaken in regards to the possible theft of goods at a facility contracted to destroy them.<sup>38</sup> In this case, a decision on whether charges would be laid against the owners of the destruction facility is being considered by the Commonwealth Director of Public Prosecutions.

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<sup>35</sup> As commercial companies generally specialise in destroying particular types of goods, Customs and Border Protection has engaged around 23 companies across the states and territories to provide this service.

<sup>36</sup> Australian Customs and Border Protection Service <[http://customs.gov.au/site/130212mediastatement\\_officersarrested.asp](http://customs.gov.au/site/130212mediastatement_officersarrested.asp)> [accessed 27 March 2013].

<sup>37</sup> It has been reported that the case did not involve personal enrichment or theft. <<http://www.theage.com.au/victoria/customs-crime-smoked-out-20100701-zqm5.html>> [accessed 21 March 2013].

<sup>38</sup> <[http://www.theage.com.au/victoria/trapdoor-hid-contraband-under-the-nose-of-customs-20120525-1\\_za\\_dt.html](http://www.theage.com.au/victoria/trapdoor-hid-contraband-under-the-nose-of-customs-20120525-1_za_dt.html)> [accessed 21 March 2013].

**1.17** Customs and Border Protection has announced that it will strengthen its focus on integrity, security and risk management through a major reorganisation of key functions in this area. In addition, a capability review of its professional standards function is also being undertaken.<sup>39</sup> New legislation has also been introduced to provide Customs and Border Protection with powers to strengthen its integrity framework by:

- conducting targeted integrity testing of officers suspected of engaging in corrupt activities;
- enabling its Chief Executive Officer to make a determination that an officer's employment can be terminated for serious misconduct;
- introducing mandatory reporting requirements for its employees to report serious misconduct and corrupt activities; and
- alcohol and other drug testing.<sup>40</sup>

**1.18** The enhancements to the legislation and administrative frameworks applicable to Customs and Border Protection will also necessarily require measures to ensure alignment of staff to the new approaches and organisational goals.

## Audit objective, criteria and methodology

### Audit objective, criteria and scope

**1.19** The objective of the audit was to assess the effectiveness of Customs and Border Protection's arrangements for managing the safe and secure storage and disposal of detained goods. In particular, the audit examined whether Customs and Border Protection has:

- effective governance arrangements to support the management of detained goods;
- developed, and consistently applies, sound processes for handling and monitoring detained goods during their storage, transport and disposal; and

<sup>39</sup> Australian Customs and Border Protection Service <[http://customs.gov.au/site/130322mediarelease\\_.asp](http://customs.gov.au/site/130322mediarelease_.asp)> [accessed 26 March 2013].

<sup>40</sup> Australian Customs and Border Protection Service <[http://customs.gov.au/site/mediaStatement\\_20130316.asp](http://customs.gov.au/site/mediaStatement_20130316.asp)> [accessed 21 March 2013].

- appropriate arrangements to assure itself that storage facilities provide a safe and secure environment for detained goods.

**1.20** The audit assessed Customs and Border Protection's management of goods in TSFs and DGSs. The detention of goods and the processes to monitor the transfer of goods from the detaining officer to a TSF, as well as the commercial arrangements for the storage of certain goods were outside the scope of the audit.

## **Audit methodology**

**1.21** The ANAO reviewed Customs and Border Protection's documentation and guidelines. Staff responsible for managing detained goods were also interviewed. The audit team conducted site visits at 13 storage facilities in four states and territories and observed the implementation of the current control framework. This included the transfer of goods between facilities, the release of goods to importers, and the destruction of goods at three commercial destruction facilities.<sup>41</sup>

**1.22** A random sample of 528 line items was analysed to verify that the goods recorded in the DGMS could be accounted for. A further sample of 352 line items was examined to verify that processes had been documented and implemented effectively.

**1.23** The audit was conducted in accordance with the ANAO auditing standards at a cost of \$413 746.

## **Report structure**

**1.24** The audit findings are reported in the following five chapters, as outlined in Figure 1.5.

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<sup>41</sup> The audit team visited four customs stores, five armouries and four TSFs across New South Wales, Victoria, Western Australia and the Australian Capital Territory.

**Figure 1.5****Report structure**

<b>Chapter 2</b> <b>Governance Arrangements</b>	Examines Customs and Border Protection's governance arrangements to support the effective management of detained goods.
<b>Chapter 3</b> <b>Managing Detained Goods</b>	Examines the processes implemented by Customs and Border Protection to control the transfer, release and destruction of detained goods.
<b>Chapter 4</b> <b>Detained Goods Management System</b>	Examines the Detained Goods Management System, including the system's access controls, the monitoring of users and the accuracy of detained goods records.
<b>Chapter 5</b> <b>Security of Detained Goods</b>	Examines Customs and Border Protection's physical security arrangements for securing detained goods.
<b>Chapter 6</b> <b>Safety Aspects of Managing Detained Goods</b>	Examines Customs and Border Protection's arrangements for maintaining a safe environment for staff managing detained goods.

## 2. Governance Arrangements

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*This chapter examines Customs and Border Protection's governance arrangements to support the effective management of detained goods.*

### Introduction

**2.1** Governance refers to the processes that assist an agency to effectively direct, control and be held to account for the delivery of goods, services or programs.<sup>42</sup> In the context of detained goods, effective governance is important to encourage accountability and consistent practices across a broad operational network. To assess the governance arrangements for managing detained goods, the ANAO reviewed Customs and Border Protection's:

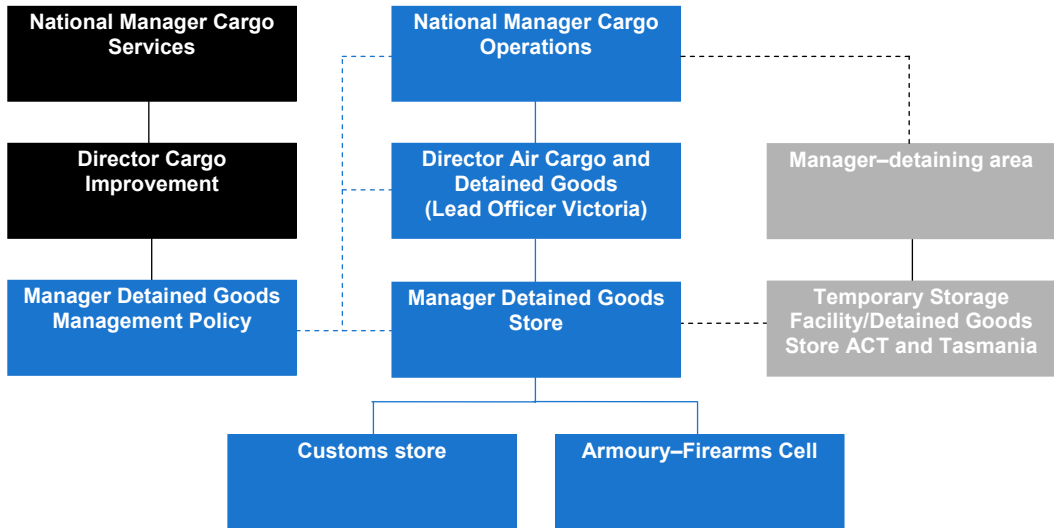
- organisational structure, including the roles and responsibilities of staff;
- business planning, performance monitoring and reporting;
- processes for monitoring and accounting for the goods; and
- guidance and training for staff and information sharing between operational areas.

### Organisational structure and roles

**2.2** As set out in Figure 2.1, Customs and Border Protection's organisational arrangements for managing detained goods are complex, involving multiple lines of reporting and accountability.

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<sup>42</sup> Australian National Audit Office, *Better Practice Guide—Public Sector Governance*, Volume 1, July 2003, Canberra, p.6.

**Figure 2.1****Organisational structure for the management of detained goods<sup>1</sup>**

Source: ANAO representation.

Note 1: Blue shading represents the organisational structure for the management of DGSs and detained goods policy. Grey shading represents the organisational structure for the management of TSFs. Black shading represents the reporting responsibilities of the Manager Detained Goods Management Policy.

**2.3** The Manager Detained Goods Management Policy is primarily responsible for national detained goods management guidance and for coordinating reporting and stocktakes. Whilst the Manager is generally tasked by, and for, the National Manager Cargo Operations (NMCO), he reports to the National Manager Cargo Services. The Director Air Cargo and Detained Goods (Victoria), as the operational lead, also has some policy responsibilities.<sup>43</sup> The Director oversees operations of the Victorian DGS, but is also responsible for promoting procedural consistency between stores and for resolving operational issues with a national impact.

**2.4** There are multiple lines of operational responsibility for managing detained goods. Cargo and Trade Division, via the NMCO, provides management oversight of most DGSs and some TSFs.<sup>44</sup> However, management oversight of some TSFs is provided by other National Managers, such as those managing staff at international airports. Nevertheless, for some national tasks,

<sup>43</sup> There is a Director Air Cargo and Detained Goods, or equivalent, in NSW, VIC, QLD (covering NT), and WA (covering SA), who is responsible for operations of the DGS.

<sup>44</sup> DGS staff in the Australian Capital Territory and Tasmania perform additional functions and do not report to the NMCO.

such as stocktaking, the Manager Detained Goods Management Policy collates and reports outcomes to the NMCO.

**2.5** Customs and Border Protection considers that, for efficiency reasons and due to spread of storage facilities throughout Australia, the complex management structure for detained goods is appropriate. The agency also advised that centralised management may isolate a small number of TSF staff from other operational areas. Furthermore, managing detained goods is a small component of an officer's workload in some TSFs. This approach emphasises the importance of staff having a clear understanding of their respective roles and responsibilities.

## **Roles of Temporary Storage Facilities and Detained Goods Stores**

**2.6** When first detained, goods are usually stored at one of the 65 TSFs located throughout Australia. The role of TSFs is documented in internal guidance and includes:

- liaising with external agencies and owners of goods regarding entry permits and/or seizure processes;
- identifying and resolving safety matters related to goods being stored;
- having high value goods valued;
- where appropriate, releasing goods to their rightful owner; and
- if necessary, transferring goods to a DGS.

**2.7** The role of staff in DGSs is also documented in internal guidance and involves receiving and storing goods transferred by a TSF. In addition, DGSs arrange for the destruction of goods or, in some circumstances, release them to their owner. Each DGS manages two co-located facilities: a customs store and an armoury. As previously noted, customs stores are used for storing non-firearm goods, while an armoury is mainly used to store firearms. While staff in some DGSs operate both facilities, others have a separate firearms cell to manage the armoury.<sup>45</sup> Based on observations, interviews with staff and a review of internal guidance, the ANAO considers that the roles of TSFs and DGSs are generally clear and understood by relevant staff. The implementation of these roles and responsibilities is examined in later chapters of this report.

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<sup>45</sup> There is a separate firearms cell in New South Wales, Victoria, Queensland and Western Australia.



## Business planning and performance reporting

**2.8** Customs and Border Protection has a planning and risk framework that includes an annually prepared business plan and separate risk plan. The Annual Business Plan 2012–13 lists the agencies objectives, including references to intercepting or preventing the illegal movement of goods across the Australian border. A similar approach is taken in the Risk Plan 2012–13.<sup>46</sup> These plans do not refer to the management of goods once detained. Customs and Border Protection considers that, given the high priority of its other operational roles, the omission of detained goods management from these high level planning documents is appropriate.

**2.9** Business plans are also formulated at the division, branch and team levels. The Cargo and Trade Divisional Statement 2012–13 records its role to include taking an intelligence led risk-based approach to manage interventions and the design and delivery of services. In addition, it lists the development of strategies to manage increasing numbers of detained goods due to changes in duty free tobacco concessions as a priority.<sup>47</sup> These are consistent with the roles listed in the Cargo Operations Branch Plan 2012–13.

**2.10** To assist in managing risks, Cargo and Trade Division has developed a draft Enterprise Risk Register 2012–13.<sup>48</sup> This register includes a range of operational risks and management strategies. Some of the risks relevant to detained goods include:

- the risk of fraudulent or corrupt behaviour by staff; and
- risks associated with DGMS functionality.

**2.11** The current business planning and risk management framework provides adequate coverage of detained goods. Nevertheless, the ANAO notes that there is some scope for Customs and Border Protection to improve its analysis of the risks associated with its DGMS, as discussed in Chapter 4.

<sup>46</sup> Customs and Border Protection advised that it undertakes a vast range of functions for government and that not all business as usual activities are addressed in high-level plans, particularly where the agency considers that it has adequately managed the risks.

<sup>47</sup> On 1 September 2012, new rules reduced the number of duty free cigarettes that are permitted to enter Australia per traveler. As a result, Customs and Border Protection anticipated an increase in the number of tobacco line items detained and an associated increase to its workload.

<sup>48</sup> The ANAO notes that Cargo and Trade Division has also developed a draft Program Integrity Risk Assessment, which highlights the risks to the integrity of its work. While this document has listed as a risk the theft of seized items, it had not been endorsed by Customs and Border Protection's Operations Committee at the time of audit. As a result, the Program Integrity Risk Assessment was not assessed by the ANAO. Customs and Border Protection advised that the Program Integrity Risk Assessment was endorsed on 22 March 2013.

## Reporting and key performance indicators

**2.12** Customs and Border Protection does not routinely report its performance in managing detained goods externally. However, upon request, the Manager Detained Goods Management Policy provides some DGMS data to other internal work areas to assist them in addressing ad hoc queries such as responding to Questions on Notice in Parliament and media enquiries.<sup>49</sup>

**2.13** There are limitations in using DGMS data. The Manager Detained Goods Management Policy advised that, in some cases, DGMS data is 'cleansed' before being disseminated.<sup>50</sup> However, the 'cleansing' process does not provide assurance that DGMS data is accurate.<sup>51</sup> Customs and Border Protection advised that improving the quality and integrity of DGMS data would come with a significant resource cost and is not a priority for the agency. It therefore measures the performance of its storage facilities on the outcomes of stocktakes and the Quality Assurance Program. As the focus of storage facilities is the secure and accountable storage of goods, these processes provide a useful indicator of satisfactory performance.

### *Detained Goods Stores*

**2.14** A monthly report is provided to the NMCO, which includes a range of management data relating to DGSs, including the total number of items received and disposed of during the preceding period and the number of goods in-store at the end of the month. Such data also provides useful information about the workload of each facility. The monthly report tracks a key performance indicator, the percentage of goods held by DGSs for more than 120 days—the assumption being that goods should be either reclaimed or destroyed within this timeframe. There is no stated acceptable limit for the percentage of goods held in store beyond this period; the aim is to reduce the percentage to as low as possible.<sup>52</sup> Table 2.1 provides the percentage of non-firearms goods held for more than 120 days by each facility from

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<sup>49</sup> In addition, DGMS data is provided to some external agencies for reporting and analysis. For example, firearms data is provided to the Australian Crime Commission on a quarterly basis.

<sup>50</sup> The 'cleansing' process involves downloading DGMS data to a spreadsheet and scanning the data to identify and rectify any anomalies. The process does not change any data within the DGMS itself. Therefore, future requests may result in the same DGMS data being downloaded and 'cleansed' again.

<sup>51</sup> When disseminating DGMS data, the Manager Detained Goods Management Policy includes a caveat that states "Please note that this is raw data that has been input into DGMS by operational areas, with no quality checking of the data and as such we cannot guarantee the accuracy of the data".

<sup>52</sup> The ANAO notes that there may be good reasons why goods may be stored for more than 120 days, such as where they are to be used as evidence in criminal proceedings.

January to June 2012. The different operating circumstances of DGSs also accounts for some variation in performance. For example, some smaller DGSs hold goods until sufficient quantities accumulate to make destruction commercially viable.

**Table 2.1**

**Percentage of non-firearms goods held in each DGS for more than 120 days in 2012**

Detained Goods Store	January	February	March	April	May	June
NSW	4	3	5	7	5	4
VIC	6	8	7	6	6	6
QLD	14	17	15	14	18	15
WA	11	12	15	6	7	18
SA	10	11	14	12	10	7
ACT	50	26	25	27	28	29
NT	26	19	23	26	27	25
TAS	51	45	45	53	42	45
National	8	9	10	9	9	9

Source: Customs and Border Protection Detained Goods Management Monthly Reports.

### *Temporary Storage Facilities*

**2.15** Customs and Border Protection's internal guidelines require TSFs to hold firearms for no more than five days (120 hours) and non-firearms goods for a 'minimum period of time'.<sup>53</sup> Unlike DGSs, there is no KPI for the time non-firearms goods may be held in TSFs. As a consequence, the only reporting of the period that TSFs are holding goods is an automatically generated monthly report sent to managers of facilities. This information is not included in the monthly report to the NMCO. In addition, the number of firearms held for more than five days are reported only where such goods have been held for longer periods at the time of stocktakes.

**2.16** The ANAO reviewed the number of line items held at 15 TSFs as at 23 July 2012 and found that six had retained a range of different categories of goods for more than 120 days, as outlined in Table 2.2.

<sup>53</sup> Minimum period of time is loosely defined in Customs and Border Protection's guidelines to include the period before the goods are released to the importer or transferred to a DGS.

**Table 2.2****Line items held in TSFs in excess of 120 days as at 23 July 2012**

Stocktake category	Sydney Airport	Sydney Gateway Facility	Melbourne Gateway Facility	Perth Gateway Facility	Port Hedland <sup>1</sup>	Broome <sup>1</sup>
Alcohol	0	0	0	0	1	0
Drugs <sup>2</sup>	0	99	52	12	1	0
Firearms	0	0	1 <sup>3</sup>	0	4	0
Other	1	11	5	0	0	4
Sensitive	0	1	0	0	1	1
Tobacco	0	0	0	0	4	13
Weapons	0	19	7	0	17	0
Wildlife	0	0	0	0	7	0
<b>Totals</b>	<b>1</b>	<b>130</b>	<b>65</b>	<b>12</b>	<b>35</b>	<b>18</b>

Source: ANAO analysis of Customs and Border Protection's data.

Note 1: Customs and Border Protection advised that the Port Hedland and Broome TSFs independently arrange for the destruction of goods due to the cost of transferring goods to the WA DGS. Therefore, those facilities may have been holding goods for beyond 120 days to allow for sufficient goods to accumulate until destruction is commercially viable.

Note 2: As discussed in Chapter 3, the drugs stocktake category includes narcotics and pharmaceuticals. Narcotics may be held by some facilities awaiting collection by the Australian Federal Police and an Internal Audit in August 2012 made recommendations to assist the international gateway facilities to expedite the transfer process and reduce the number of these goods held for extended periods of time.

Note 3: The firearm held by the Melbourne Gateway Facility was a duplicate record and was deleted as a result of ANAO findings. Customs and Border Protection advised that this was not identified in monthly firearms counts because the detaining officer had not allocated the record to the TSF.

**2.17** The cost of measuring and reporting against performance indicators should be balanced with the value of the management information that they provide. While the ANAO acknowledges DGMS limitations in this regard, there is room to improve the monitoring of performance of TSFs, including more actively monitoring the number of firearms held by TSFs for more than the expected five day maximum.

## Monitoring the effectiveness of processes

**2.18** Customs and Border Protection employs internal audits and a quality assurance program to monitor the effectiveness of its control framework. In addition stocktakes are conducted to verify that goods are properly accounted for.

## Internal audits and reviews

**2.19** A number of internal audits and reviews have been conducted in respects to the management of detained goods, or aspects of it. The following reports were reviewed by the ANAO:

- *Internal Audit of Detained Goods Management*, February 2009;
- *Review of Detained Goods Management Processes*, August 2009;
- *Internal Audit of Firearms*, July 2010;
- *Custodial Firearms (including, Armouries, Temporary Storage Facilities and Detained Goods Management Stores) Internal Audit*, November 2010;
- *Detained Goods Destruction Processes Internal Audit*, April 2011;
- *Agency Referrals and Handovers of Border Management Issues*, August 2012; and
- *District Office Compliance Internal Audit*, September 2012.

**2.20** The major findings of these reports varied. The 2009 Audit of Detained Goods Management concluded that effective controls were in place to mitigate detained goods management risks, but made recommendations to improve filing processes and stocktaking procedures. However, the 2011 Audit of Detained Goods Destruction Processes found control gaps, including that goods were not always effectively destroyed and, in some cases, were not appropriately controlled during the destruction process. The Audit of Custodial Firearms in 2010 identified that six storage facilities were not fully complying with internal physical security requirements.

**2.21** Customs and Border Protection's management accepted the majority of recommendations from these reports.<sup>54</sup> Nevertheless, some issues of non-compliance have been raised in the past and not implemented across all storage facilities. For example, the Review of Detained Goods Management

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<sup>54</sup> Recommendations made in these internal audits, and that were agreed to by management, include that:

- relevant Customs and Border Protection divisions review the physical security weaknesses for the armoury facilities and TSFs;
- all regions are reminded of the process for completing stocktakes and firearms counts, and that reports of these activities be retained as evidence of completion;
- guidance be amended to include the requirement that staff attending destructions maintain visual contact with the goods and that they be rotated periodically to prevent them from developing familiarity with service providers that could result in collusion; and
- a standard model for processing detained goods be developed and implemented.

Processes in 2009 recommended that all DGSs store goods selected for destruction in lockable containers until destroyed. However, as discussed in Chapter 3 of this report, this has not been fully implemented. In addition, DGSs and TSFs should have registers to record the details of visitors to a facility. While the Audit of Detained Goods Management in 2009 identified that some facilities did not have a register, the same issue was found in the Audit of District Offices in 2012.<sup>55</sup>

**2.22** The conduct of regular internal audits provides Customs and Border Protection positive and timely opportunities to improve its management of detained goods. However, the value of internal audits is diminished when recommendations, although accepted, are not being implemented across all storage facilities. As a result, the agency remains exposed to the risks identified in those audits.

## **Quality Assurance Program**

**2.23** Customs and Border Protection undertakes an annual Quality Assurance Program to verify that storage facilities are complying with internal guidelines.<sup>56</sup> The Quality Assurance Program involves the assessment of DGSs and TSFs by staff from another storage facility. The results are collated by the Manager Detained Goods Management Policy and reported to the NMCO to promote better accountability.

**2.24** The ANAO reviewed the Quality Assurance Program reports from 2010 to 2012. These reports identified some issues of non-compliance, a sample of which are listed in Table 2.3.

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<sup>55</sup> The 2012 Audit of District Offices focused on the storage of agency owned firearms and, as a result, Customs and Border Protection considers that this report was not relevant to detained goods. Nevertheless, the ANAO notes that the facilities assessed by the District Offices internal audit may also store detained goods and the same requirement for a visitor register applies.

<sup>56</sup> Prior to 2011, the Quality Assurance Program was limited to the management of firearms and was referred to as a Firearms Healthcheck. Customs and Border Protection advised that it created the Quality Assurance Program to include the management of all goods.

**Table 2.3****Some findings from quality assurance programs 2010–12**

Year	Key findings
2010 <sup>1</sup>	<ul style="list-style-type: none"> <li>• Airport Operations in Victoria and Northern Territory did not use visitor registers;</li> <li>• Airport Operations in Northern Territory did not review access logs to ensure that officers no longer requiring access to the TSF were removed;</li> <li>• Airport Operations in Northern Territory stored ammunition and firearms in the same safe;</li> <li>• closed-circuit television cameras were not in use at 13 TSFs located through New South Wales, Queensland and Tasmania; and</li> <li>• Adelaide DGS did not retain closed-circuit television footage for its armoury for the required period.</li> </ul>
2011	<ul style="list-style-type: none"> <li>• Northern Territory DGS did not retain documents as evidence that goods had been re-exported;</li> <li>• Western Australian DGS was not using independent officers during processes to destroy firearms; and,</li> <li>• Customs House Perth Airport TSF did not use a visitor register.</li> </ul>
2012	<ul style="list-style-type: none"> <li>• DGSs in Western Australia, Queensland and Tasmania had not recently offered manual handling training to staff;</li> <li>• Northern Territory customs store does not have closed-circuit television cameras;</li> <li>• Airport Operations in Victoria stored BB guns for longer than 120 hours;</li> <li>• Perth Gateway Facility did not have a visitors register and were not using independent officer's to conduct stocktakes; and,</li> <li>• Airport Operations in South Australia did not review access logs to ensure that officers no longer requiring access to the TSF were removed;</li> </ul>

Source: Customs and Border Protection's quality assurance reports 2010–12.

**2.25** The Quality Assurance Program involves checking compliance against standard checklists. The checklist used to evaluate the compliance of DGSs seeks to assess their compliance against all of the requirements of the detained goods guidelines. In contrast, the TSF checklist focuses largely on security requirements. The small quantities of detained goods managed by some TSFs may justify the narrower focus of the Quality Assurance Program but some TSFs are managing large quantities of goods. Customs and Border Protection advised that it will review its Quality Assurance Program and assess the need to apply a more thorough compliance check to the larger TSFs.

## **Stocktakes and firearms counts**

**2.26** Stocktakes are an important mechanism for providing assurance that detained goods are being properly accounted for. Customs and Border Protection has developed a schedule of stocktakes that includes:

- biannual stocktakes of all goods;
- quarterly stocktakes of high value, sensitive and firearms goods; and,
- in those months that stocktakes are not conducted, a monthly firearms count.

**2.27** The stocktake guidelines require two officers (with one being independent of the storage facility) to verify that the label attached to goods matches the DGMS electronic record. In particular, staff are required to verify the location and quantity of the goods, record numbers, seal numbers (where applicable) and/or firearms serial numbers. For monthly counts, the number of firearms in-store is verified but their serial numbers are not.

**2.28** The ANAO was informed that staff do not open packages to check the quantity of goods during stocktakes. Instead, the use of individually numbered tamper-evident seals allows staff to rely on the quantity listed on the DGMS label, provided the seal remains intact.<sup>57</sup> However, one store advised that it verifies that the number of the seal on the goods matches the DGMS records for only a small number of goods during stocktake. This practice does not comply with requirements and, as a result, there is a risk that the stocktakes at this facility may not identify goods that may have been tampered with.

**2.29** The outcomes of stocktakes have been reported to the NMCO since November 2011. The ANAO analysed the four national stocktake reports available at the time of audit and noted that few discrepancies have been identified. In addition, most of the discrepancies involved administrative errors, such as storing goods in the wrong location. In total, five items were identified as missing across the four reports.<sup>58</sup> While stocktake outcomes are reported to the NMCO, the completion of and outcomes of monthly firearms counts are reported on an exception basis and only where a firearm is missing.<sup>59</sup>

**2.30** Customs and Border Protection's Integrity and Professional Standards Branch (or its predecessors) have conducted five internal investigations into items identified as missing during stocktakes of detained goods since 2007.<sup>60</sup>

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<sup>57</sup> The use of seals is discussed further in Chapter 3.

<sup>58</sup> The missing items included two flick knives, a laser pointer and pharmaceutical drugs.

<sup>59</sup> Customs and Border Protection advised no firearms have been identified as missing during firearms counts in the past three years.

<sup>60</sup> These five investigations generally identified procedural errors and were among the eight cases where no impropriety was found.



From February 2012, officers independent of the storage facilities have conducted investigations into all missing goods identified during stocktakes. The ANAO reviewed four investigation reports and noted that three concluded that items were likely missing due to procedural errors rather than misconduct, and the fourth resulted in the goods being found. Undertaking independent investigations of all missing items is a sound initiative to enhance the accountability of detained goods.

**2.31** The majority of facilities conduct stocktakes as required. However, as reported in Customs and Border Protection's national stocktake reports, one DGS did not conduct the required stocktakes on two occasions in 2011 and one TSF did not conduct the February and May 2012 stocktakes.<sup>61</sup> In addition, three of the eight DGSs could not provide evidence to the ANAO that they had completed all firearms counts between January and July 2012 (see Appendix 4).

**2.32** Monitoring to confirm that stocktakes and firearms counts are properly completed occurs through the national stocktake report and through the annual Quality Assurance Program. The ANAO's analysis indicates that this monitoring process has not always been effective. For example, the Queensland DGS was reported as completing all monthly firearms checks during its March 2012 Quality Assurance Program. However, the ANAO found that there was no evidence to verify that one check, for January 2012, had actually occurred.

## Guidance and training provided to staff

### Operational guidance

**2.33** Customs and Border Protection has a number of guidelines to assist staff managing detained goods. In general, these address the controls for managing goods, as well as security and safety matters. The guidelines were approved by the National Director Cargo and Trade, and have been reviewed and reissued twice since 2008 to continue to enhance the control framework.<sup>62</sup>

<sup>61</sup> In relation to the two missed DGS stocktakes in 2011, Customs and Border Protection advised that these oversights were caused by one officer being on leave during the first missed stocktake period and the heavy workload of the facility during the second stocktake period. Customs and Border Protection advised that the reasons that the TSF stocktakes did not occur was due to the commencement of a new staff member and a lack of understanding in regards to stocktaking requirements. In addition, the need to conduct stocktakes in accordance with guidelines has been reinforced with the relevant staff.

<sup>62</sup> The National Director Cargo and Trade provides executive oversight of the detained goods function. The guidelines are made up of a series of documents and individual documents were reviewed between March 2008 and March 2009, and then again between December 2010 and May 2012.

**2.34** The guidelines are available on Customs and Border Protection's intranet. However, four of the seven officers interviewed at four different facilities advised that they did not use the guidelines and, in the case of a relatively new officer, had not read them.<sup>63</sup> Instead, staff commonly relied on experienced colleagues for advice or, in some cases, used locally developed guidance rather than the national guidelines.<sup>64</sup> This approach increases the potential for inconsistent practices to be adopted across DGSs and TSFs.

**2.35** Although the guidelines addressed many of the key issues for managing detained goods, there were important issues that the guidelines did not address. For example, there was limited guidance in regards to the use of tamper-evident seals (discussed further in Chapter 3) and expected response of staff in relation to armed hold-ups. The ANAO noted that to address this gap, various storage facilities had issued locally developed guidance. While there may be valid reasons for developing local guidelines, these should complement national guidelines rather than compensate for any gaps in the guidelines.

**2.36** The ANAO also identified a number of shortcomings in the guidelines that have the potential to reduce their usefulness. For example, they:

- are repetitive, which reduces readability and impact<sup>65</sup>;
- focus on procedures, but not the context or purpose of the control framework<sup>66</sup>; and
- in part, lack clarity and are contradictory.<sup>67</sup>

**2.37** In response, Customs and Border Protection has advised that it is reviewing and updating its guidelines.

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<sup>63</sup> The new officer had been working at the DGS for one month at the time of the ANAO's interview.

<sup>64</sup> Six out of the seven officers interviewed advised that they would seek the advice of experienced colleagues in the first instance.

<sup>65</sup> Nine of the Detained Goods Management guidelines re-state occupational health and safety guidance, which was also available in a separate document specifically dedicated to this topic.

<sup>66</sup> The guidelines require that packages transferred between stores have a tamper-evident seal intact on arrival at the receiving store or its contents need to be re-checked. However, the guidelines provide no information about why this is important.

<sup>67</sup> The guidelines for storage facilities and storage requirements state that DGSs may store goods requiring identification. However, the guidelines for occupational health and safety assume unidentified goods are hazardous and state that hazardous goods are not to be transferred to a DGS.

## **Detained goods management training**

**2.38** Customs and Border Protection does not provide ongoing structured training to staff about managing detained goods; training is provided on-the-job and during staff induction.<sup>68</sup> The ANAO reviewed three checklists developed by different DGSs for staff induction training. These checklists varied in content. For example, two checklists required that the detained goods management guidelines be provided to, or discussed with, new officers. However, the third induction checklist did not mention the guidelines. Customs and Border Protection advised that it will develop a national induction checklist and training modules to support the development of staff, to be implemented by all facilities.

## **Sharing information**

**2.39** Customs and Border Protection has established a detained goods management SharePoint site to allow DGSs to upload and share information.<sup>69</sup> However, TSFs were not provided access to this site.

**2.40** The ANAO reviewed the SharePoint site and noted that some documents had been uploaded in 2010 but the site has not been updated since that date.<sup>70</sup> Staff were unclear as to who was responsible for uploading documents to SharePoint and there was no guidance as to the information that should be uploaded.

**2.41** SharePoint could be a practical tool for sharing information across DGSs and TSFs, provided it is updated regularly. Customs and Border Protection advised that the Manager Detained Goods Management Policy is now responsible for maintaining and updating the site and that staff in TSFs will be granted access to the site.

## **National Detained Goods Management Conference**

**2.42** The NMCO conducts an annual Detained Goods Management Conference, which is attended by managers from each DGS. Whilst DGS managers considered that the conference is a valuable networking and

<sup>68</sup> Customs and Border Protection's staff are required to undertake training to enable them to safely handle firearms.

<sup>69</sup> SharePoint is a web application platform developed by Microsoft that is associated with managing documents within an intranet environment.

<sup>70</sup> Documents that had been uploaded include business continuity plans, destruction procedures, monthly reports, internal audit reports and stocktake reports.

information sharing initiative, TSF managers do not attend. As some TSFs manage large numbers of detained goods, there would be merit in representatives of larger facilities attending this conference. Customs and Border Protection has agreed with this suggestion, while noting the potential associated costs.

## Conclusion

**2.43** The National Manager Cargo Operations is responsible for most Detained Goods Stores and some Temporary Storage Facilities. A number of other operational areas, such as those processing passengers at international airports, manage other storage facilities.

**2.44** Customs and Border Protection has developed a planning framework that includes the preparation of an agency-wide risk and annual business plan, as well as division, branch and team level business plans. In addition, Cargo and Trade Division has developed a draft risk register to record key operational risks. This suite of documents provides adequate coverage of detained goods.

**2.45** National guidelines outline the detained goods management control framework. The guidelines were approved by the relevant National Director, and have been reviewed and reissued twice since 2008 to continue to enhance the control framework. Nevertheless, the guidelines could have been clearer and were sometimes inconsistent with other related guidance. Staff from some facilities interviewed by the ANAO also advised that they do not use the guidelines. In addition, the lack of formal training and a standardised induction package has resulted in inconsistent practices being implemented across regions. During the course of the audit, Customs and Border Protection advised that it will review and update the guidelines and develop national training and induction packages.

**2.46** Storage facilities undertake quarterly and biannual stocktakes of detained goods by cross-checking the records in the Detained Goods Management System with goods in storage. In total, five items have been identified as missing in the past four stocktakes. An annual Quality Assurance Program and internal audits also provide positive and timely opportunities to improve the management of detained goods, but some recommendations,

although accepted, have not been implemented across all storage facilities.<sup>71</sup> The outcomes of stocktakes and the Quality Assurance Program are reported to Customs and Border Protection's senior management.

**2.47** The reporting of outcomes from regular stocktakes and quality assurance reviews provides a useful indicator of the overall performance of storage facilities. In addition, monthly reports are provided to the National Manager Cargo Operations against the DGSs' key performance indicator that measures the percentage of goods retained by each store for more than 120 days. However, there is no centralised monthly reporting of performance for TSFs. Customs and Border Protection has acknowledged that there would be benefits in developing performance indicators for TSFs, including monitoring and reporting the timeframes that firearms and non-firearms goods are stored.

**2.48** Only DGS staff attend the annual National Detained Goods Management Conference and have access to the Detained Goods Management SharePoint site. As a result, there is limited formal information sharing opportunities between these different types of facilities. Customs and Border Protection has advised that it will invite representatives from some larger TSFs to attend the annual conference in future and provide access to the SharePoint site for all TSFs.

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<sup>71</sup> These recommendations include the use of lockable containers to secure goods selected for destruction and the use of registers to record the details of visitors who have accessed detained goods.

## Recommendation No.1

**2.49** To measure the performance of Temporary Storage Facilities in managing detained goods, the ANAO recommends that Customs and Border Protection develops appropriate key performance indicators for these facilities and, reports against them in the monthly management reports.

### **Customs and Border Protection's response:**

**2.50** *Agreed. The existing Detained Goods Management System (DGMS) has limitations that have been highlighted throughout the report and in recommendation number 2. In response to recommendations made during the audit, Customs and Border Protection are already able to report on a Temporary Storage Facilities (TSFs) performance indicator that is already applied to Detained Goods Stores. This performance indicator measures the number of detained lines held within a TSF for greater than 120 days. This information is currently available via the Detained Goods Management (DGM) SharePoint Site.*

**2.51** *Customs and Border Protection will also explore the development of a DGMS based report that will enable the exception reporting of custodial firearms that are retained in TSFs for longer than 120 hours.*

**2.52** *To improve the accountability and awareness of all operational areas responsible for the storage of detained goods in TSFs, Customs and Border Protection will develop and implement a quarterly 'Certificate of Assurance' for those areas to be completed in conjunction with the stocktake program.*

**2.53** *These actions are expected to be completed by 28 June 2013.*

## 3. Managing Detained Goods

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*This chapter examines the processes implemented by Customs and Border Protection to control the transfer, release and destruction of detained goods.*

### Introduction

**3.1** The loss or theft of detained goods is likely to impact on Customs and Border Protection's reputation, the economic interests of the importer and/or community safety. Therefore, detained goods should be managed in a controlled and accountable manner.

**3.2** The ANAO examined the implementation of key elements of Customs and Border Protection's control and accountability framework for detained goods, in particular, the:

- processes for transferring, releasing and destroying goods; and
- use of tamper-evident seals by staff.

**3.3** Appendix 3 provides the ANAO's assessment of the effectiveness of Customs and Border Protection's detained goods management control framework.

### Processes for transferring goods

**3.4** Customs and Border Protection may transfer goods internally from a TSF to a DGS for long-term storage or to an external agency for a variety of reasons, including to the Australian Federal Police (AFP) for investigation.

#### Processes for the internal transfer of goods

**3.5** Guidelines for the internal transfer of goods require that:

- the transferring facility provides notice to the receiving facility;
- the method for transporting the goods is appropriate for the risks; and
- a DGMS label is attached.<sup>72</sup>

**3.6** The transferring facility lists goods to be transferred on a DGMS action queue, which includes a description of each item, as well as the DGMS record

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<sup>72</sup> Australian Customs and Border Protection Service, *Instructions and Guidelines Transferring Goods Internally and Externally*, December 2010, p.4.

and seal number. The receiving facility can access the action queue and this serves as notice of the transfer.

**3.7** Internal guidelines allow for the use of a courier or Australia Post to transport low and medium risk goods, but high-risk goods should be escorted by two Customs and Border Protection officers. Goods are considered high-risk where a transfer involves large numbers of line items; goods valued in excess of \$5000, or items are to be used as evidence in court. The ANAO observed the transfer and receipt of high-risk goods on four occasions at three DGSs and each involved two officers transporting the goods as required.<sup>73</sup>

**3.8** When transferred goods arrive at a receiving facility, staff use a printed copy of the action queue to cross-check details against information on a DGMS label attached to each of the goods. In addition, staff check the package is secure and verify the number of the seal attached to the goods. After manually checking the goods, the receiving facility acknowledges receipt of the goods in DGMS. Cargo and Trade Division considers this process to be inefficient and would prefer a system that enabled the scanning of barcodes attached to detained goods, automatically updating the database. While this concern has merit, in the absence of such improved technology, the current process maintains control of the goods.

**3.9** On occasions where goods are identified as missing, action queues provide important evidence that a transfer has occurred. Customs and Border Protection's guidelines require that a signed action queue be retained on file as evidence of the transfer.<sup>74</sup> However, Customs and Border Protection was only able to locate 91 of the 200 action queues requested by the ANAO, reducing the assurance provided by this requirement.<sup>75</sup>

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<sup>73</sup> In previous versions of the guidelines, sensitive goods could be transferred while accompanied by a single staff member. In addition, alcohol and tobacco were defined as medium to low risk, which allowed them to be transferred by internal mail or courier. While the previous guidance noted that low risk items may become high risk due to the size and value of a shipment, the value at which they become high risk was not defined. Customs and Border Protection advised that the current guidelines, which have removed the ability for one officer to conduct transfers and defined the value at which goods become high risk, were implemented to strengthen its control framework.

<sup>74</sup> Australian Customs and Border Protection Service, *Instructions and Guidelines Transferring Goods Internally and Externally*, May 2012, p.3.

<sup>75</sup> Customs and Border Protection advised that it would review its requirement to keep a paper copy of the action queue given that the goods are also transferred and received electronically via the DGMS.



## Transferring narcotics to the Australian Federal Police

**3.10** TSFs are required to transfer narcotics to the AFP and, recognising the high-risk nature of these goods, should occur in a timely manner. Narcotics seized at international airports are transferred immediately to AFP officers on-site and are not entered into the DGMS. However, AFP officers are not generally present at other operational sites for the immediate handover of narcotics. Therefore, narcotics are recorded in the DGMS and stored until collected by the AFP.

**3.11** The ANAO analysed the number of drug line items held by TSFs at three international mail gateway facilities as at 23 July 2012 and the length of time that each had been in-store (see Table 3.1).<sup>76</sup> This analysis identified that each facility stored drug line items for variable lengths of time. In addition, 19 of the 99 line items held by the Sydney Gateway Facility and one of the 52 line items stored by the Melbourne Gateway Facility for over 120 days were narcotics. The quantities of narcotics stored were generally small. For example, the larger quantities included 582 grams of cannabis, 40 grams of ‘magic mushrooms’, 100 grams of MDMA and three grams of cocaine.

**Table 3.1**

**Number of days drug line items were held by the gateway facilities as at 23 July 2012**

Gateway Facility	0–30 days	31–60 days	61–90 days	91–120 days	120+ days	Total
Sydney	1296	389	94	61	99	1939
Melbourne	495	18	12	6	52	583
Perth	11	4	1	5	12	33

Source: ANAO analysis of Customs and Border Protection’s data.

**3.12** Customs and Border Protection advised that, because of the AFP’s other operational priorities, it does not always conduct regular visits to some locations to collect small quantities of narcotics. In addition, transferring each line item to the AFP involves significant paperwork and is time consuming. An internal audit report in August 2012 reviewed the international mail gateways’ approach to transferring narcotics to the AFP and made a recommendation to assist in streamlining the process. This recommendation was for each gateway

<sup>76</sup> Narcotics and pharmaceuticals are both recorded in the DGMS as drugs.

facility to forward to the AFP a spreadsheet with details of the narcotics to be transferred prior to collection, which allows the AFP to complete its paperwork and reduces the time taken to effect the transfer.<sup>77</sup> Customs and Border Protection advised that it is implementing this recommendation and that narcotics are now being transferred in a more timely manner.

## Processes for the release of goods

**3.13** Customs and Border Protection may release detained goods to its rightful owner where a required permit has been granted or duties owing paid. To control the release of goods, Customs and Border Protection requires that:

- the release occur in a secure area;
- the goods being released are verified as correct;
- two officers are present for the release of firearms;
- the person receiving the goods provides proof of identity;
- an agent of the owner collecting the goods provides appropriate evidence of authorisation to receive the items; and
- documentation be signed to confirm that the goods were released.<sup>78</sup>

A copy of all related documentation is required to be kept on file as evidence of a release.

**3.14** The ANAO observed the release of five line items across three storage facilities.<sup>79</sup> Each facility has a secure area for releasing goods and, where required, two officers were involved. Staff were observed thoroughly checking paperwork and, on one occasion, the goods were not released because an agent of the owner failed to provide evidence of authority to collect them.

**3.15** A standard checklist has been developed to assist staff releasing non-firearms goods.<sup>80</sup> This checklist is a useful tool but the ANAO noted that a similar checklist had not been developed for the release of firearms. In addition, a review of 101 files for released items found that staff were using a

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<sup>77</sup> Australian Customs and Border Protection Service, *Agency Referrals and Handovers of Border Management Issues*, August 2012.

<sup>78</sup> There are separate guidelines for the release of non-firearms and firearms goods. This is a consolidated list from the two separate guidelines, however, in most circumstances the requirements are identical.

<sup>79</sup> ANAO observed the release of firearms on three occasions and non-firearms twice at three DGSs.

<sup>80</sup> Australian Customs and Border Protection Service, *Releasing Goods from Store – Checklist – Non Firearms*.

variety of locally developed non-firearms release checklists and these did not generally cover all of the required checks when compared with the nationally approved checklist. The file review also found that:

- a copy of the owner or agent's identification was not kept on file for eight released items, comprising six firearms, one weapon and one high value line item;
- the record of identity was a note of a driver's license number, not the required photocopy of the document itself, for two released items, comprising one firearm and one wildlife line item; and
- a signed release document was not retained for eight items, comprising three firearms, three weapons, one high value and one drugs line item.

**3.16** Customs and Border Protection has adequate processes to control the release of goods. To be effective, these processes need to be adhered to by staff. The failure of staff to retain a small number of release documents for the sample of transactions reviewed by the ANAO, including some high-risk firearms, reduced the assurance that these goods were released appropriately. Customs and Border Protection advised that it will develop a checklist to assist with the release of firearms and encourage the use of the nationally approved non-firearms checklist through the training programs it is developing.

## Processes to verify the destruction of goods

**3.17** Customs and Border Protection may destroy goods that have been forfeited to the Commonwealth.<sup>81</sup> Destruction processes require appropriate authorisation and that the practices for selecting and destroying goods is controlled.

### Authority to destroy goods

**3.18** Before goods are destroyed, a seizure notice must be issued to allow the owner 30 days notice to make a claim for the return of the goods.<sup>82</sup> Where a claim is not made, or is unsuccessful, the goods are 'condemned as forfeited to the Crown' and can be destroyed.<sup>83</sup> Once forfeited, an authorised delegate is

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<sup>81</sup> The majority of goods are destroyed, but Customs and Border Protection may also dispose of goods through auction or gift.

<sup>82</sup> Abandoned goods do not require a seizure notice to be issued before destruction can occur.

<sup>83</sup> *Customs Act 1901* (Cth) s.205C.

required to confirm that appropriate notice has been provided to the owner and to then authorise the destruction of the goods.

**3.19** The files of 50 destroyed line items were reviewed by the ANAO and a destruction authority was signed for each. However, each DGS used a different destruction authority template. While each template included a covering minute and an attached list of the goods to be destroyed (destruction lists), the content of destruction lists varied and not all confirmed that a seizure notice was issued, or the date of issue. Therefore, this documentation did not provide the delegate with sufficient assurance that the seizure process had been completed prior to approving destruction. In response to this finding, Customs and Border Protection advised that it will develop and implement a national destruction authority template.

**3.20** In addition, Customs and Border Protection was unable to provide a copy of the seizure notice for three of the 50 destroyed line items reviewed and the seizure date for these items was not recorded on the DGMS.<sup>84</sup> Consequently, there was reduced assurance that appropriate notice had been provided to the owner of these goods, or that Customs and Border Protection had the legal authority to destroy the goods.

## Selecting goods for destruction

**3.21** Once destruction is approved, two officers are required to select the goods on the destruction list. The signatures on destruction lists indicated that two officers were involved in the selection process.

**3.22** Customs and Border Protection's guidelines state that, after selection, goods should be stored in secure containers. This practice aims to prevent theft and remove the need to re-verify the goods against the destruction list. A Cargo and Trade Division review in 2009 recommended that lockable containers be used to secure goods selected for destruction.<sup>85</sup> Customs and Border Protection advised that one facility could not comply with this recommendation because only two of the five destruction companies it uses

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<sup>84</sup> These three items were described as a knuckle duster, slingshot and body armour.

<sup>85</sup> This review was conducted as a result of an internal audit, which recommended that Customs and Border Protection develop and implement a standard model for processing detained goods. The objective of this review was to identify best practice and to provide assurance that the integrity of goods is maintained from the point of detection to destruction.

could accommodate the lockable containers used.<sup>86</sup> While visiting this facility, the ANAO observed that goods selected for destruction were left in open containers for up to a month and that they were not re-verified on the day of destruction.

**3.23** While the use of commercial destruction facilities may not always allow for the implementation of documented processes, the ANAO considers that other options may be available to assist the agency to resolve this matter. For example, the goods could be stored in a lockable container and transferred to an ordinary container on the day of destruction. Alternatively, goods selected for destruction could be re-verified immediately prior to destruction. Customs and Border Protection has advised that this facility has reviewed its destruction processes and that goods selected for destruction at that facility are now placed in tamper-evident sealed boxes prior to destruction.

**3.24** The ANAO observed that a second DGS stored goods selected for destruction in lockable containers in a locked roofless cage. However, some items were not in the containers and were stacked to the top of the cage where they could be reached by staff, reducing the overall accountability of a small number of items.<sup>87</sup>

## Processes for the destruction of goods

**3.25** Two officers are required to transport goods to commercial destruction facilities and to maintain visual contact of the goods until destroyed. Officers used in this role are rotated to reduce the potential for any collusion in stealing the goods. Destruction facilities also issue a certificate as evidence that the goods were destroyed. The importance of maintaining a controlled and accountable destruction process is highlighted in the case study at Figure 3.1.

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<sup>86</sup> Customs and Border Protection advised that the van used by this facility to transport goods to destruction at the time could not accommodate the height of the lockable containers. In addition, the containers were large and, when full, posed safety risks.

<sup>87</sup> Customs and Border Protection noted that the roofless cage in the Victorian DGS is 2.2 metres high.

**Figure 3.1**

**Case study of possible theft during destruction of seized goods**

One destruction facility used by Customs and Border Protection is being investigated and is suspected of having diverted detained goods from the destruction process by installing a trapdoor on a conveyer belt. Agency staff in attendance could not view the trapdoor because of on-site safety procedures. This suspected theft was identified following a report from the public in 2010. Warrant action at premises associated with the company was undertaken in January 2011 and located seized goods that have been allegedly diverted including cigarettes, alcohol, sensitive material<sup>1</sup>, weapons (for example, laser pointers and flick knives) and pharmaceuticals. A decision on whether charges would be laid against the owners of the destruction facility is being considered by the Commonwealth Director of Public Prosecutions.

Customs and Border Protection advised the ANAO that, in conjunction with the warrant action, all business dealings with the company were terminated. As a result of the experience with the company, Customs and Border Protection conducted an Internal Audit of Detained Goods Destruction Processes in May 2011. Customs and Border Protection's internal guidelines have since been updated to require that staff maintain visual contact with the goods until destroyed.

Source: Customs and Border Protection.

Note: Sensitive material is defined in Appendix 2 and includes pornographic material.

**3.26** The ANAO observed the destruction process at three facilities and staff maintained adequate visual contact with the goods. However, on-site safety requirements at one destruction facility meant that the process was observed through a single remote controlled closed-circuit television camera. This prevented the simultaneous viewing of goods waiting for destruction and those being destroyed. As a result, there were accountability risks. Customs and Border Protection advised that this destruction facility has agreed to install a second camera to enhance accountability.

**3.27** A destruction certificate had been retained for most (46) of the line items in the ANAO sample. In four cases, no destruction certificate had been retained. While other documentation such as the 'authority to destroy' and signed destruction lists would support the conclusion that these goods were destroyed, retention of the destruction certificate would have provided greater assurance in these cases. In addition, destruction records confirmed that DGSs rotate staff through the destruction process. Therefore, the ANAO considered that the destruction processes were implemented appropriately.

***Use of private security guards to escort goods***

**3.28** Customs and Border Protection employs armed private security guards to escort bulk tobacco shipments from DGSs in two states to destruction facilities. This procedure was implemented in early 2012 in response to the identified risk that these goods could be targeted for hijacking by criminal

groups. However, Customs and Border Protection has not documented the role of the private security guards in the event of a hijacking.

**3.29** Contradictory advice was also provided by DGS staff on the role of the private security guards. Staff at one DGS advised that the private security guards would observe a hijacking and report their observations to police. Staff in the second DGS advised that its private security guards would respond with force to prevent a hijacking. While the public would be at risk if goods were hijacked in transit, these risks would increase if force was used to resist the hijackers. The ANAO acknowledges that the use of private armed security guards is common in some industries. However, the reasons for using such strategies should be documented and proportionate to the risk, which in this instance is related to the possible theft of tobacco otherwise marked for destruction. Customs and Border Protection has advised that it will assess and document the role of armed private security guards when escorting goods for destruction.

## The use of tamper-evident seals

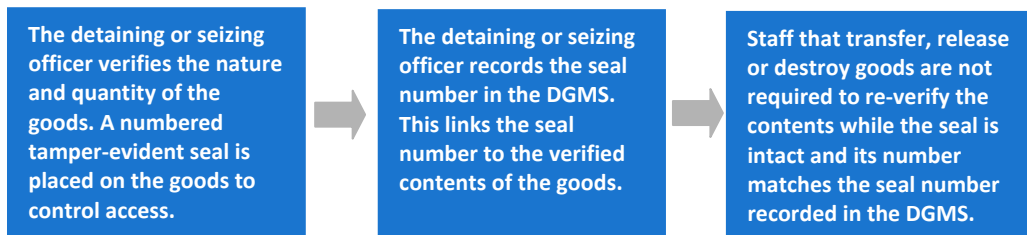
**3.30** As a result of its Review of Detained Goods Management Processes in 2009, Customs and Border Protection introduced the national mandatory requirement that individually numbered tamper-evident seals be applied to all goods to control their transfer, release and destruction.<sup>88</sup> Customs and Border Protection uses tamper-evident seals to more efficiently manage detained goods, while maintaining accountability. The use of these seals aims to provide Customs and Border Protection with reasonable assurance that the contents of the package have not been interfered with, provided the seal remains intact. It also means that Customs and Border Protection does not need to re-check the contents of the packages. Figure 3.1 represents how the seals are to operate in practice.

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<sup>88</sup> The 2009 review found that seals were generally applied in New South Wales, Victoria and Queensland, but were not generally applied in Western Australia or South Australia. The review recommended that the application of seals be applied as a national mandatory practice to more effectively manage the risk of theft.

**Figure 3.2**

**The role of seals to control the contents of goods**



Source: ANAO analysis of Customs and Border Protection's processes.

**3.31** For seals to be an effective control, it is important that:

- they are fit-for-purpose (that is they are tamper-evident);
- their application prevents access to the goods; and,
- staff respond appropriately when there is evidence of tampering.

**Whether seals used are fit-for-purpose**

**3.32** At the time of audit, three types of seals were used on detained goods: wafer seals (the oldest style of seal), a mostly silver foil seal (replacement for the wafer seal) and a black foil seal (the newest type of seal). The ANAO attempted to remove the different seals without leaving evidence of tampering, and found that:

- any attempt to remove wafer seals resulted in obvious damage;
- some of the silver foil seals could, with care, be removed from plastic surfaces and be re-applied without evidence of tampering; and
- all of the black foil seals tested could be removed from plastic surfaces and, in some cases, from cardboard surfaces and re-applied without evidence of tampering.

**3.33** The area responsible stopped purchasing wafer seals in late 2010 based on advice that was mistakenly interpreted to mean that they were no longer endorsed.<sup>89</sup> The introduction of the foil seals rendered this control largely ineffective and there could be little assurance that the contents of secured packages with foil seals had not been interfered with.

<sup>89</sup> The Australian Security Intelligence Organisation had issued advice that removed endorsement of wafer seals on classified information, which was mistakenly interpreted to mean they could not be used for any purpose.



### *Responsibility for tamper-evident seals being fit-for-purpose*

**3.34** It is important that agencies assess the suitability of security devices, such as seals, for their operational requirements. Customs and Border Protection advised that it did not test whether the foil seals were fit-for-purpose for use on detained goods because of a lack of understanding within the agency regarding whose responsibility this was. As a result of the ANAO's audit findings, Customs and Border Protection has clarified that the Agency Security Adviser will be responsible for this role in future.

**3.35** In addition, some of Customs and Border Protection's managers and staff at four TSFs and three DGSs were aware as early as July 2011 that some seals were not fit-for-purpose.<sup>90</sup> That no effective action was taken to resolve this shortcoming reflects a weakness in the management arrangements for detained goods. Customs and Border Protection has advised that it will encourage a culture of continuous improvement by providing officers with more opportunities to question processes and escalate issues. As discussed in Chapter 2, the development of formal training, national induction packages and improved information sharing initiatives may assist in this regard.

### *Customs and Border Protection's response to ANAO audit findings*

**3.36** In August 2012, Customs and Border Protection advised that it was using only wafer seals on detained goods, and that storage facilities were requested to return all foil seals to People and Corporate Services or to use them only on classified information. In addition, the agency opened and re-verified the contents of 4697 line items in mid to late October. The ANAO was advised that this identified 24 (0.51 per cent) discrepancies, with six items having fewer goods than were recorded in the DGMS and the other 18 having more goods.<sup>91</sup> Customs and Border Protection advised that it also requested staff to re-verify the contents of any packages at the time of destruction or release where a seal has been tampered-with. However, as discussed later in this chapter, the ANAO observed that this did not always occur and notes that

<sup>90</sup> An e-mail identifying that the seals were not tamper-evident was sent from a TSF manager to People and Corporate Services (the area responsible for sourcing the seals) in July 2011, but this was not followed up.

<sup>91</sup> In conducting this testing, Customs and Border Protection advised that it had located an additional 81 tablets (including Dianabol, Stanazolol and Diazepam), 1537 sticks of cigarettes, two butterfly chains, three knives and one bottle of alcohol. Those items that were recorded in the DGMS but where the goods were missing included one 'stop cold' tablet, 85 sticks of tobacco, 400 grams of molasses tobacco, one blow pipe and two rifle casings. Regarding the rifle casings, Customs and Border Protection also advised that these had been released to the owner and that the Detained Goods Management System had not been updated.

this process did not address the risk that some seals already applied to packages were not tamper-evident.

## Application of seals

**3.37** Detained goods may come in a variety of packages or containers. Thus, the exercise of judgement is required as to the number of seals to be placed on the goods and their location, with the aim being that a package cannot be opened without damaging one or more seals.

**3.38** Internal guidelines require seals to be attached to goods, but do not advise on their correct application.<sup>92</sup> Nevertheless, separate guidelines issued for airport staff managing goods state that seals should be placed over a package's opening.<sup>93</sup> In addition, guidelines for applying seals to classified information provide specific directions about placing seals to multiple points of an envelope.<sup>94</sup>

**3.39** The ANAO observed that seals were generally attached to packages, but some goods could be accessed without breaking the seal. For example:

- a single seal was attached to a package, but the goods could be accessed through a second opening such as the underside of a box (see Figure 3.2);
- seals were not placed on the opening of a package (see Figure 3.2);
- multiple cartons of cigarettes were sticky taped together with a single seal placed over one join; and
- seals were applied to an opening of a package, but its contents could be removed due to their size and shape.

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<sup>92</sup> Australian Customs and Border Protection Service, *Instructions and Guidelines Receiving Goods into Store*, May 2012, p.4.

<sup>93</sup> Australian Customs and Border Protection Service, *Instructions and Guidelines Detained Goods Management in Airport Operations*, April 2012, p.6.

<sup>94</sup> Australian Customs and Border Protection Service, *Instructions and Guidelines Storage, Transfer and Destruction of Classified Information*, April 2010, p.9.

**Figure 3.3****Examples of the poor application of seals**

Source: Customs and Border Protection, *Instructions and Guidelines: Detained Goods Management – Use and Application of Customs and Border Protection Seals to Secure Detained Goods*, August 2012 (Draft).

Note: The left photo demonstrates the use of a single wafer seal on large packages with multiple openings. The right photo is an example of a black foil seal being attached to a package away from the opening. Sections of each photo have been blocked for privacy reasons.

**3.40** Customs and Border Protection has drafted new guidelines for the use of seals on detained goods. It is important that, as a matter of priority, the guidelines are issued to staff. In addition, the agency advised that it:

- will add a check in regards to the appropriate application of seals in its Quality Assurance Program (discussed in Chapter 2); and
- has included a check of the application of seals during its processes to transfer, release and destroy goods.

### **Customs and Border Protection’s response to seals that have evidence of tampering**

**3.41** Where a package has been opened and the seal broken, Customs and Border Protection’s staff are required to re-verify its contents and apply a new seal. In addition, any missing items should be investigated.

**3.42** To assist the ANAO with its sampling process, Customs and Border Protection’s staff opened and re-packaged a range of goods. A number of practices that compromised the effective use of the seals were observed, including:

- the removal and re-use of the same seal (indicating that staff were aware that the seals were not tamper-evident);
- seals being sliced and the package re-closed using sticky tape; and

- staff avoiding a seal to access goods.

**3.43** There were 10 examples within the ANAO's sample of 528 goods where the number of the seal on the goods did not match the seal number recorded in the DGMS. ANAO analysis indicates that the mismatches were caused by incorrect data entry, the failure to update DGMS records when previous seals were replaced or the failure to record a seal number in the DGMS.

**3.44** During the course of the audit, Customs and Border Protection's staff were notified of seals that displayed evidence of tampering on two occasions.<sup>95</sup> However, on those occasions, the contents of the packages were not re-verified. Subsequently, Customs and Border Protection has documented the approach that staff should take in responding to seals with evidence of tampering in the draft guidelines on the use of seals.

## Conclusion

**3.45** Customs and Border Protection has a control framework to account for detained goods during their transfer, release or destruction. This framework includes the use of two officers to complete the processes and cross-checking of electronic records with labels attached to the goods.

**3.46** The audit team conducted site visits to storage facilities in four states and territories and observed the transfer of goods between facilities, the release of goods to importers and the destruction of goods at three commercial destruction facilities.<sup>96</sup> Files for 352 items were also examined to verify that processes had been documented and implemented effectively. While some issues of non-compliance were identified, these occurred at a single or small numbers of facilities.

**3.47** At two facilities visited by the ANAO, goods selected for destruction were accessible to staff for up to one month prior to their actual destruction. In this circumstance, there was a risk that the goods could be stolen and any discrepancy is unlikely to be identified as those goods were not re-verified as being complete prior to destruction. Customs and Border Protection had not fully implemented the recommendation from its Review of Detained Goods

<sup>95</sup> For example, ANAO notified a Customs and Border Protection officer that a seal had been cut on goods marked for destruction. The goods were destroyed without the staff member verifying that the contents were accounted for.

<sup>96</sup> The audit team visited four customs stores, five armouries and four TSFs across New South Wales, Victoria, Western Australia and the Australian Capital Territory.

Management Processes in 2009 that all facilities use lockable containers to secure goods selected for destruction.<sup>97</sup>

**3.48** Since 2009, Customs and Border Protection has required the use of tamper-evident seals to more efficiently manage detained goods, while maintaining accountability. These seals are designed to identify potential interference with goods. It also means that Customs and Border Protection does not need to regularly re-check the contents of the packages, providing efficiencies for the agency. However, ANAO testing showed that: the two most recent types of seal were not always tamper-evident; seals were sometimes applied in a way that allowed goods to be accessed without breaking the seal; and staff did not always respond appropriately to evidence of tampering.

**3.49** Customs and Border Protection's operational staff and managers were aware that the seals were not tamper-evident, yet for approximately 12 months, no effective action was taken to resolve this shortcoming, reflecting weaknesses in the agency's management arrangements. Customs and Border Protection has informed the ANAO that it has now replaced the seals and has drafted guidance to assist staff to understand their responsibilities in using the seals. In addition, the agency advised that to provide assurance that goods were properly accounted for during this period, it checked the contents of 4697 packages against DGMS records, and that 24 discrepancies were identified. Eighteen of these discrepancies involved larger quantities of goods being held in storage than were recorded in the DGMS. This testing provides some assurance that the vulnerability of the seals had not been exploited.

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<sup>97</sup> Customs and Border Protection has advised that the recommendation from its Review of Detained Goods Management Processes in 2009 has been fully implemented in seven of the eight Detained Goods Stores. In the eighth facility, lockable containers cannot be used due to work health and safety concerns related to the use of the lockable containers at the main destruction facility. As an alternative, and in response to the ANAO's audit, Customs and Border Protection advised that goods selected for destruction at that facility are now placed in tamper-evident sealed boxes prior to destruction.

## 4. Detained Goods Management System

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*This chapter examines the Detained Goods Management System, including the system's access controls, the monitoring of users and the accuracy of detained goods records.*

### Introduction

**4.1** The DGMS is the national database used to record the details of detained goods, including when goods are transferred, released or have been destroyed. As the DGMS is Customs and Border Protection's primary mechanism for recording detained goods, the ANAO examined whether:

- the DGMS is stable and the risks associated with using the system have been assessed;
- effective user access controls are in place;
- use of the system is appropriately monitored; and
- the DGMS retains a complete and accurate record of detained goods.

### DGMS stability and risk management

**4.2** The DGMS was introduced in April 2006 and despite being designed as a first-of-type, low-budget interim measure, it remains the national detained goods database seven years later. Although Customs and Border Protection would like to replace the system, it is seen as a lower priority and funds have not been allocated to a replacement project. It is therefore important that the system is stable and that any risks associated with its use are effectively managed.

**4.3** Customs and Border Protection advised that the DGMS had stability issues in 2008 that included it becoming inoperable for short periods or responding slowly to user commands. To increase system stability, it was loaded onto its own server and changes to the operation of the system were implemented to reduce its workload.<sup>98</sup>

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<sup>98</sup> The systems workload was reduced through the development of an indexing system to narrow the parameters of searches to certain fields rather than the entire database.

**4.4** Customs and Border Protection now monitors the stability of the system through an annual DGMS Production Database Performance and Growth Report. The May 2012 report concluded that the system's performance was sound and that there are no stability issues that require attention.<sup>99</sup> There is however no backup system for the DGMS. Business Continuity Plans for each DGS outline that, in response to any short or long-term DGMS outages, they would manage detained goods through manual processes and paper records. Customs and Border Protection advised that it has not conducted any testing to confirm whether this would be feasible, particularly in the longer-term.

**4.5** As the DGMS was intended to be a short-term solution, the original system design did not capture the full detained goods business requirements. During its time in operation, system security plans and risk assessments have not been prepared. In addition, a number of 'workarounds' are required to compensate for the systems' shortcomings.<sup>100</sup> Because of design specifications, these shortcomings cannot be easily remedied.

**4.6** The absence of a risk assessment means that Customs and Border Protection may be exposed to procedural and technical risks that are not effectively identified, planned for or managed. In response to the ANAO's findings, Customs and Border Protection advised that its Information Technology Division plans to conduct a DGMS risk assessment to identify significant risks, the effectiveness of current controls and the need for any additional mitigation strategies.

## DGMS access controls

**4.7** It is important that information technology systems have user access controls to protect the confidentiality and integrity of data. In addition, DGMS user access controls should seek to minimise the risks of unauthorised or fraudulent transactions. There are three types of DGMS users (see Table 4.1), to control the level of access that staff have to the system.

<sup>99</sup> Customs and Border Protection, *DGMS Production Database Performance and Growth Report*, May 2012.

<sup>100</sup> For example, where an importer (client) has multiple records in the DGMS and has changed addresses, the system will apply the new address of the client in all previous records. As a result, DGMS users create a second client profile for the same person so historical data is not lost.

**Table 4.1****DGMS user types**

User Type	Role
Read only	A user with read only access can view but cannot create or edit records.
Standard user	A standard user can add and edit some record fields, such as stocktake categories, storage location and seal numbers, for goods controlled by that user's work area.
Administrator	An administrator can modify and update reference tables within the system. An administrator can also access and edit all records, edit most fields within a record, delete records and modify and remove user access.  The fields that an administrator cannot edit include names and addresses of importers, descriptions and weights of goods. Where a record cannot be edited it must be deleted and a new record created.

Source: Australian Customs and Border Protection Service, *Detained Goods Management System (DGMS) - User Manual and Policy*, undated.

**4.8** Read only and standard users are restricted in the access that they have to the system's records. However, DGMS administrators can edit reference tables, which could impact the underlying database structure and result in data corruption. In addition, administrators who also have physical access to the goods could delete DGMS records, and remove the corresponding goods from storage, with the risk of detection significantly reduced. As such, it is important that the number of administrators be limited as much as practicable and that they are physically segregated from the detained goods.

**4.9** There are around 2000 DGMS users, the majority of whom have standard user access. Administrator access has been granted to three staff on the DGMS Helpdesk located in Canberra and the Manager Detained Goods Management Policy. All of these users are physically segregated from the goods.<sup>101</sup> However, for operational reasons, an additional two staff in each of the four international mail gateways were granted administrator access in October 2011. These staff are in close proximity to detained goods and, as a result, there is an increased risk that DGMS records could be amended or deleted and the corresponding goods removed or interfered with, without readily being detected.

<sup>101</sup> The role of the DGMS helpdesk is to assist staff with standard user access to make changes to records that they are not authorised to make themselves, such as amending certain fields.



## Reasons for granting operational staff administrator access

**4.10** Customs and Border Protection could not locate the documents that record the rationale for, and approval of, granting administrator access to staff in the international mail gateways. However, it was suggested that these facilities rely on DGMS records to enable them to identify detection trends and to develop targeting strategies based on an analysis of those trends.<sup>102</sup> Operational circumstances and limitations in the DGMS's design may justify the granting of administrator access to some operational staff. However, there is no documentation to support this decision and, importantly, no documented strategy for managing the associated risks. These risks and potential mitigation strategies should be considered and documented within the broader DGMS risk assessment.

## Monitoring of staff using the DGMS

**4.11** Given the risks associated with some administrators having close proximity to goods and the ability to delete records, it is important that Customs and Border Protection monitor user access to the system.

**4.12** The DGMS has a fully auditable trail, but user activity has not been monitored and there are no exception reports to highlight potential misuse of the system. The lack of any active monitoring means that Customs and Border Protection has little assurance that the system is being used appropriately.

## The deletion of records

**4.13** DGMS records may be deleted by an administrator for a number of reasons, including where a non-editable field has errors or a record has been duplicated. Once a record has been deleted, it is visible in the DGMS only to administrators.

**4.14** While no monitoring of deleted records occurs, Customs and Border Protection advised that there is a process in place to maintain control and accountability. This process includes the requirement that an administrator:

- deleting a duplicate record should cross-reference the deleted record with the record that remains visible to all users; and

<sup>102</sup> The ANAO was advised that other operational areas have different systems, such as the Integrated Cargo System and the Examination Data Management System, which they can use to conduct trend analysis for developing targeting strategies.

- deleting a record in order to update a non-editable field, should create a new record with the correct information and cross-reference the new record with the previous record.

**4.15** Table 4.2 contains the total number of records deleted each calendar year since 2006 (10 481 in total). The number of records deleted has almost doubled from 2007 to 2012. This increase may be due, in part, to an increase in detections during that period.<sup>103</sup>

**Table 4.2**

**Numbers of deleted records each calendar year since 2006**

	2006	2007	2008	2009	2010	2011	2012
No. of deleted records	869 <sup>1</sup>	1151	959	1270	1685	2303	2244

Source: ANAO analysis of Customs and Border Protection data.

Note 1: The number of deletions for 2006 was for a partial year as the DGMS was introduced on 10 April 2006.

**4.16** To verify that administrators were cross-referencing records as required, the ANAO reviewed a sample of 234 deleted records and found that:

- 119 (51 per cent) deleted duplicate records were not cross-referenced to the other record;
- six (2.5 per cent) deleted records were not cross-referenced to a new record that should have been created as a replacement; and
- 38 (16 per cent) deleted records were cross-referenced to a replacement record, but the replacement record was not cross-referenced to the deleted record.

**4.17** While there is a process to maintain accountability for deleted records, this process is not routinely followed. The ANAO also identified that the reason for deleting nine records was that the goods were released to its owner. As there is a process for recording the release of goods, it was unclear why records were deleted in those circumstances.

<sup>103</sup> As previously identified, detections increased by 44 per cent between 2007–08 and 2011–12.

## Accountability for goods and completeness of records

**4.18** It is important that the DGMS provides an accurate record of detained goods. As part of the audit, the ANAO opened 528 packages to compare the quantity of goods with the corresponding DGMS record. Overall, there were no items missing and, in most cases, the DGMS recorded the quantity of goods accurately. However, as listed in Table 4.3, there were discrepancies with the quantity of goods for 14 line items (2.7 per cent).

**Table 4.3**

### Discrepancies between goods in store and DGMS records

Description of Goods	DGMS quantity	Quantity in-store
MAC products (counterfeit cosmetics)	31	29
HCG (human growth hormone)	90 millilitres	120 millilitres
Marlboro Red cigarettes	150 000	139 800
Molasses tobacco	510 grams	700 grams
Great and British cigarettes	740	700
Marlboro / Silk Cut / Marlboro Light / Benson and Hedges	1300	1220
Tobacco	100 grams	80 grams
Molasses fruit tobacco	6.75 kilograms	6.95 kilograms
Benson and Hedges cigarettes	180	160
Cocaine	14 grams	13.6 grams
Cocaine	26 grams	25.8 grams
Cocaine	6 grams	5.6 grams
Methamphetamine	33 grams	32.8 grams
Methamphetamine	23 grams	21.8 grams

Source: ANAO analysis of DGMS data.

**4.19** Customs and Border Protection advised the ANAO that these discrepancies are most likely due to counting errors, wastage when testing powders, or an estimation error when counting bulk tobacco. In regards to the line item with 10 200 cigarettes missing, Customs and Border Protection advised its practice is to count the quantity of bulk pallets of tobacco through

sampling boxes and extrapolating the quantity of the sample to other pallets.<sup>104</sup> The ANAO was also advised that the missing cigarettes may have been taken by its Investigations personnel as a sample of evidence for use in an ongoing case. However, there was no record within DGMS of these goods being removed. Consequently, Customs and Border Protection had no evidence to verify the reasons for discrepancies identified in the ANAO's sample.

**4.20** Overall, the majority of goods were accounted for, and discrepancies generally involved small quantities. Noting that a number of high-risk narcotics had weight discrepancies, there would be value in regularly calibrating the scales used to measure weights. In addition, while counting the contents of all bulk pallets of cigarettes may not be practical, sampling and estimating the quantities of goods reduces accountability for those items.

### **Completeness and quality of other DGMS data**

**4.21** The DGMS records a range of data, including a description of the goods, dates of detention, the owner of goods and seal numbers. It is difficult for Customs and Border Protection to assure itself as to the quality of this data, because the DGMS has a number of free text fields that allow up to 2000 users to enter data in any format. In addition, multiple fields may separately record the same information. A description of the goods may be located in the description field or, for firearms, in the firearms make and model fields. As such, the absence of data from one field may not necessarily point to poor data quality.

**4.22** In recognising the need to improve DGMS data quality Cargo and Trade Division developed the concept of a 'DGMS relaunch' in 2010. The relaunch aimed to improve data by educating staff about the importance of maintaining accurate records and through revising and reissuing guidance regarding data entry. In addition, a network of subject matter experts was established to assist operational staff on-site. Nevertheless, as discussed in Chapter 2, the ANAO notes that the Manager Detained Goods Management Policy continues to cleanse DGMS data and cannot provide assurance of its accuracy. This suggests that deficiencies remain, which limits the quality of the management information that can be reported from the system.

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<sup>104</sup> The discrepancy involved 10 200 cigarettes, which was the equivalent of one box missing (10 000 sticks) and an additional box had been opened and was missing a carton of cigarettes (200 sticks). As a result, the ANAO considered it unlikely that this discrepancy was caused by an estimation error. Customs and Border Protection has advised that it is conducting further enquiries in relation to this discrepancy.

## DGMS replacement project

**4.23** On three occasions in 2010, Cargo and Trade Division submitted a proposal to the Customs and Border Protection Investment Review Committee seeking approval to replace the DGMS at a cost of approximately \$7.6 million. The proposals argued that the current system:

- lacks stability and reliability;
- will become increasingly expensive over time to maintain;
- lacks functionality and has limited reporting capabilities; and
- is inefficient and labour intensive.

**4.24** The committee rejected the proposal on the first two occasions, but approved the third proposal within current Cargo and Trade Division funding. As Cargo and Trade Division advised it is not in a position to make this funding commitment, it intends to seek approval for additional funding in future.

**4.25** Decisions regarding the allocation of capital expenditure often involve judgements about competing priorities, relative risk and available resources. In this context, any future proposal to replace the DGMS would benefit from an assessment of the risks associated with its use of the system and by relating these risks to the impact that they may have on Customs and Border Protection's ability to manage detained goods in a controlled and accountable manner.

## Conclusion

**4.26** The DGMS was introduced in April 2006. While the system was seen as an interim measure, it has now been operating for almost seven years. Customs and Border Protection advised that the system was unstable in 2008, but this issue was resolved and future instability is considered unlikely based on annual monitoring. However, there is no back-up system. In response to any short or long-term outages, the agency advised that it would resort to manual processes and paper records. While this strategy has been documented in operational Business Continuity Plans, Customs and Border Protection advised that it has not conducted any testing to confirm that this is a practical alternative, particularly in the longer-term. The risks associated with the use of the system have also not been properly assessed.

**4.27** The majority of DGMS users are restricted to ‘read only’ or ‘standard’ access. However, 12 staff, including eight operational staff, have been granted administrator access. As these operational staff who work in close proximity to detained goods have the ability to delete records, there is an increased risk that an electronic record could be deleted and the corresponding goods stolen without detection. The DGMS has a fully auditable trail, but user activity has not been monitored to identify potential misuse of the system.

**4.28** The ANAO opened 528 items in store to cross-check the quantity of goods with its corresponding Detained Goods Management System record. No items were missing but for 14 items (2.7 per cent) there was a discrepancy with the quantity of the goods. The discrepancies included small quantities of narcotics (with 1.2 grams or less), cigarettes (more than 10 000 sticks) and counterfeit makeup (two items). Customs and Border Protection advised the ANAO that these discrepancies are most likely due to counting errors, wastage when testing powders, or an estimation error when counting bulk tobacco.

## Recommendation No.2

**4.29** To enhance the administration of the Detained Goods Management System, the ANAO recommends that Customs and Border Protection:

- assesses the risks to the effective operation of the system, and develops appropriate risk mitigation strategies; and
- institutes controls for system weaknesses, including monitoring administrators with close proximity to detained goods.

### Customs and Border Protection’s response:

**4.30** *Agreed. Customs and Border Protection will assess the risks associated with the Detained Goods Management System (DGMS) and explore mitigation strategies for those risks. Please note that the DGMS is built on the out-dated Windows NT platform and likely to run out of support in near future. Customs and Border Protection’s Investment Review Committee has requested the development of a project proposal to replace this system.*

**4.31** *Customs and Border Protection will be undertaking a test of the business continuity arrangements for the DGMS in the event that the system is inoperable for an extended period of time.*

**4.32** *We note that any recommendations for system changes or modifications will be subject to funding and resource prioritisation processes applicable to all information technology activities within Customs and Border Protection.*

**4.33** *Customs and Border Protection agree to assess the risks and complete a mitigation plan by 28 June 2013.*

## 5. Security of Detained Goods

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*This chapter examines Customs and Border Protection's physical security arrangements for securing detained goods.*

### Introduction

**5.1** Effective physical security arrangements are also required to deter and, within reason, prevent the break in and theft of detained goods while in storage. These security arrangements should complement the detained goods control framework (discussed in Chapter 3). The ANAO reviewed Customs and Border Protection's security arrangements to determine whether:

- physical security requirements for the storage of detained goods were clearly defined and being complied with<sup>105</sup>; and
- compliance with security arrangements was being monitored appropriately.

### Physical security requirements for the storage of goods

**5.2** There are separate physical security requirements for the storage of firearms and non-firearms goods and these requirements are discussed separately.

### Security of firearms

**5.3** An armoury and TSF must receive approval from Customs and Border Protection's Agency Security Adviser (ASA) to store firearms. The Firearms Guidelines document the minimum security requirements necessary to achieve this approval.<sup>106</sup> These include requirements for solid and reinforced doors, walls, ceilings and floors; the use of intruder resistant meshing; alarm systems; and the separate storage of firearms and ammunition. For armouries, closed-circuit television cameras are also required to be installed. As armouries have stronger security features than TSFs, all firearms must be transferred to an armoury within 120 hours of being received.

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<sup>105</sup> The ANAO did not conduct a security risk assessment or penetration testing for this audit.

<sup>106</sup> Customs and Border Protection, *Instructions and Guideline, Storage of Firearms and Ammunition*, 16 May 2011.



## Security of non-firearms goods

**5.4** Customs and Border Protection has issued a second set of guidelines relating to the security of storage facilities (Security Guidelines).<sup>107</sup> These guidelines state that the physical security requirements for DGSs and TSFs are addressed in the Firearms Guidelines. However, while the Firearms Guidelines discuss the security requirements for armouries and TSFs, they do not refer to DGSs or customs stores.<sup>108</sup> Therefore, there is no guidance as to the security standards that apply to a customs store which, along with an armoury, make up the DGS.<sup>109</sup>

**5.5** In addition, the Security Guidelines do not identify the types of non-firearm goods that should be stored in the different types of facilities.<sup>110</sup> In this regard, Customs and Border Protection advised that its guidance was deliberately non-prescriptive because each facility has different capacity constraints and operating circumstances. The ANAO observed that a variety of different non-firearms goods were stored in the armoury at two separate sites.<sup>111</sup>

**5.6** While recognising the different operating circumstances of DGSs, the storage of some lower-risk goods in an armoury could diminish the overall security of high-risk firearms, as more staff have access to the armoury. The ANAO suggests that Customs and Border Protection develop principle-based guidelines to assist staff in assessing the suitability of non-firearms goods for storage in an armoury.

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<sup>107</sup> Australian Customs and Border Protection Service, *Instructions and Guidelines Detained Goods Management Security*, 4 June 2012, p.4.

<sup>108</sup> As discussed in Chapter 2, a DGS consists of two co-located facilities; an armoury and a customs store that is used for storing non-firearms goods.

<sup>109</sup> Customs and Border Protection advised that while there is no guidance in this regard, the customs stores have been designed in consultation with the agency's security advisers.

<sup>110</sup> Australian Customs and Border Protection Service, *Instructions and Guidelines Detained Goods Management Storage Facilities & Storage Requirements*, 10 December 2010, p.5.

<sup>111</sup> Weapons were stored in one armoury, while inert warfare items, sensitive material and high value goods were stored in the second.

## Compliance with physical security arrangements

5.7 The ANAO visited five armouries, four TSFs and four customs stores as part of the audit and received an overview of the security arrangements in place at each facility.<sup>112</sup> In general, the ANAO observed that each facility had a range of security features as required by the Firearms Guidelines, including the installation of alarm systems and closed-circuit television cameras. In addition, each of the armouries and TSFs had a single point of entry and the armoury doors were of solid construction.

5.8 In 2011, the Director Air Cargo and Detained Goods (Victoria) coordinated a security review of facilities that store firearms.<sup>113</sup> The review found that nine out of the 50 facilities reviewed were fully compliant with the requirements of the Firearms Guidelines. The issues of non-compliance for the remaining 41 facilities are listed in Table 5.1.

**Table 5.1**

### Issues of non-compliance

Issues of non-compliance	Number of facilities
The facility has not been approved by the ASA to store firearms.	34
The facility does not have both electronic and mechanical locks.	17
The facility is not a Customs and Border Protection controlled building or the storage facility shares a wall with a non-Customs and Border Protection area.	16
The door to the storage area cannot be locked from inside.	15
The keys are not stored and controlled correctly.	7
Intruder resistant meshing has not been fitted to openings >150mm in diameter.	3
The armoury does not have seismic detectors fitted.	2
Firearms and ammunition were not stored separately.	2

Source: ANAO analysis of Customs and Border Protection's information.

5.9 The compliance issues identified for these facilities were considered by Customs and Border Protection to be low-risk. For example, the issue of non-compliance for 12 facilities was the lack of approval by the ASA to store firearms (the other 22 facilities without approval by the ASA had additional issues of non-compliance). As a result, the ASA approved the continued use of

<sup>112</sup> The sites visited included; the Sydney, Melbourne, Perth and Canberra Customs stores and armouries; the CAGE armoury in Melbourne; and, TSFs located at the Sydney Kingsford Smith Airport, International Mail Gateway in Melbourne, and the Investigations Units in Perth and Melbourne.

<sup>113</sup> This review was conducted as a result of an internal audit's findings which identified some issues of non-compliance at selected facilities.

each facility until a full risk assessment could be conducted by regional security advisers (discussed later in this Chapter).<sup>114</sup>

**5.10** The ANAO interviewed three regional security advisers who acknowledged issues of non-compliance in some facilities. Nevertheless, they all considered that the greatest risk to detained goods was from the staff with approved access to the facilities.

## **Access to storage facilities**

**5.11** To control access and enhance accountability for detained goods, the Firearms and Security Guidelines require facilities to:

- use a register to record the details of visitors;
- change security access codes biannually or as staff leave the work area;
- limit access to goods to as few people as is practical; and
- lock facilities containing firearms when not in use.

**5.12** Each of the facilities visited by the ANAO was using a visitor register as required. However, as identified in Chapter 2, past internal audits have identified that not all facilities use a visitor register, but these audits did not expand on why this was the case.

**5.13** Concerning the updating of security access codes, regional security advisers request that facilities change codes on a biannual basis. Each facility is to advise when the access codes have been changed. The involvement of independent regional security advisers in this process provides some assurance that it occurs. In addition, evidence provided to the ANAO indicated that storage facilities do change security access codes as required, including when staff cease working at a particular facility.

**5.14** The ANAO observed some variance in the number of staff with access to storage facilities. Three TSFs visited allowed around five staff to have ongoing access, while a fourth had 85 staff managing the TSF based on a roster system.<sup>115</sup> This facility advised that it conducts weekly stocktakes and, if any goods are missing, closed-circuit television cameras would record any

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<sup>114</sup> Regional Security Advisers are responsible for the security of facilities within their assigned region.

<sup>115</sup> This facility rotated staff between its different work areas to build staff capabilities.

wrongdoing. This is a sound strategy to manage the risks of additional staff having access to the facility.

**5.15** The ANAO also observed that one armoury visited could be accessed by all staff. It had adopted the practice of leaving the armoury door open during the day to allow convenient access to the non-firearms goods that were also stored in the armoury. This practice increased the accessibility of staff to high-risk firearms and reduced the overall impact of security arrangements. In addition, it was contrary to the requirements outlined in the Firearms Guidelines. Customs and Border Protection has advised that the majority of non-firearms goods are no longer stored in this armoury and that it is now closed during the day. In addition, the DGS is reviewing its access arrangements for the armoury.

### **The use of closed-circuit television cameras**

**5.16** Customs and Border Protection requires that all armouries be monitored by closed-circuit television cameras (cameras).<sup>116</sup> As a risk mitigation strategy, cameras are only useful if regularly monitored, or if footage is retained for sufficient time to be used as evidence should wrongdoing be suspected. The Firearms Guidelines require footage to be retained for the period between firearms counts. Firearm counts should occur every calendar month, but the guidelines do not prescribe the days on which the counts should occur. In practice, this means that there can be up to 62 days between counts.

**5.17** To verify that footage is retained for the required period, the ANAO requested that the eight DGSs provide the dates of monthly firearms counts from January to July 2012, along with the period that footage is retained at each facility. This information is provided at Appendix 4 and shows that:

- only two armouries had footage for the entire periods between all monthly firearms counts;
- one armoury's cameras were not working at the time of request, but some monthly counts had been conducted outside the period for which footage is normally retained; and

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<sup>116</sup> All of the armouries visited by the ANAO had cameras installed, and Customs and Border Protection advised that, nationally, all armouries have cameras installed.

- there was insufficient footage to cover the period between some monthly counts in the other five armouries.

**5.18** A number of Customs and Border Protection's staff considered that camera footage was required to be kept for around 31 days, rather than for the period between monthly firearms counts. This misunderstanding meant that these facilities thought they were compliant, including a facility that had its camera system upgraded in June 2012. In practice, it meant that missing firearms may not have been identified in a monthly firearms count until after camera footage for the preceding period had been erased.

**5.19** Customs and Border Protection stated that this vulnerability has not been exploited to its knowledge but that, where possible, it would increase the period that footage is retained. Nevertheless, to give full effect to its security requirements, it is important that firearms counts are conducted within the period that footage is retained for each site, irrespective of the length of time involved.

**5.20** The area covered by cameras also varies for each armoury. A camera was located inside three armouries visited, while the fourth had a single camera aimed at its entrance (see Figure 5.1). As a result, any inappropriate activity inside that armoury is unlikely to be captured on camera. Customs and Border Protection advised that a camera will be installed within the armoury.

**Figure 5.1**

#### **Camera coverage of one armoury**



Source: Australian Customs and Border Protection, *Protective Security Risk Review: Detained Goods Management*, November 2008.

#### ***Cameras in customs stores***

**5.21** The Security Guidelines do not require cameras to be installed in customs stores (in addition to the armouries). Three of the four customs stores visited by the ANAO had cameras installed, and Customs and Border

Protection advised that, nationally, four of the eight stores had cameras installed. Footage from these cameras is retained for between 20 and 50 days. As stocktakes for non-firearms goods are conducted on a quarterly or biannual basis (as discussed in Chapter 2), footage is not being captured for the full period between these stocktakes. While the decision to install cameras in customs stores should reflect judgements of its relative costs and benefits, the failure to retain sufficient footage where cameras are installed reduces the assurance that might otherwise be gained from the technology.

## Monitoring security compliance

**5.22** Periodic monitoring is required to verify that security arrangements are being effectively implemented and are appropriate to an organisation's security risks. As previously discussed, in 2011 the Director Air Cargo and Detained Goods (Victoria) identified a number of non-compliance issues in facilities storing firearms. Nevertheless, the continued use of those facilities was approved pending the completion of a full Protective Security Risk Assessment (PSRA).

**5.23** PSRAs seek to provide a comprehensive assessment of all security risks, taking account of the physical and procedural aspects of a facility. In addition, PSRAs should be completed every four years and are undertaken by regional security advisers with the necessary experience to assess such risks.<sup>117</sup> At the time of audit, 29 of the 98 sites (30 per cent) had either not had a PSRA completed or did not have a current PSRA.<sup>118</sup> In regards to sites that manage detained goods, a PSRA was not completed/reviewed at the:

- New South Wales DGS, which was built in 2007 and stores the largest number of goods, until March 2012<sup>119</sup>;
- New South Wales and Victorian International Mail Gateway Facilities, which detain around 50 per cent of all goods, since 2007; and
- Western Australian International Mail Gateway Facility since 2001.

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<sup>117</sup> Australian Customs and Border Protection Service, *Instructions and Guidelines Protective Security Risk Assessment*, 16 May 2011, pp. 2-3.

<sup>118</sup> The 98 sites include facilities that do not have a TSF or DGS and, as a result, do not directly correlate to the number of facilities assessed by the Director Air Cargo and Detained Goods (Victoria) in 2011.

<sup>119</sup> Customs and Border Protection advised that the New South Wales DGS had state of the art security equipment and that the regional security adviser had been involved in its planning. Nevertheless, there would have been value in conducting a PSRA earlier at this site to test the application of security measures.

**5.24** Customs and Border Protection advised that, because of changes in personnel in the three areas responsible for managing the regional security adviser network, it is unable to give the reasons why some protective security risk assessments were not up-to-date at the time of the audit. Customs and Border Protection has developed a schedule to complete or review PSRAs at all sites by June 2015. This schedule prioritises sites that manage detained goods and/or have not had a recent assessment. As each site should be assessed every four years, close oversight will be required to maintain timely reviews post-2015.

## Conclusion

**5.25** Customs and Border Protection has promulgated detailed physical security requirements specifically for armouries and Temporary Storage Facilities. Similar requirements for customs stores have not been prepared.

**5.26** Storage facilities have implemented a range of physical security features, including alarm systems and the use of closed-circuit television cameras. Customs and Border Protection also monitors access to detained goods with visitor registers and by updating access codes to storage facilities.

**5.27** During the audit, the ANAO observed that one facility had adopted the practice of leaving the armoury open during the day, in contravention of the Firearms Guidelines.<sup>120</sup> This increased the accessibility of staff to firearms and reduced the overall impact of physical security arrangements. Customs and Border Protection advised that the facility is now kept closed.

**5.28** Cameras were installed in all the armouries, and three of the four customs stores visited by the ANAO.<sup>121</sup> Where installed, cameras increase the level of assurance of the security and control of detained goods. However, while camera footage from armouries is required to be retained for the period between monthly firearms counts, this did not always occur in six of the eight facilities reviewed. In the event that the theft of firearms has been identified in monthly firearms counts, camera footage may not be available for

<sup>120</sup> Customs and Border Protection advised that this armoury door was open during the day to allow staff to access non-firearms goods more easily.

<sup>121</sup> Customs and Border Protection advised that, nationally, cameras are installed in all armouries and four of the eight customs stores. Closed-circuit television cameras are not mandatory for customs stores, as they do not store firearms. Temporary Storage Facilities are permitted to store firearms only for a maximum of 120 hours, as these facilities are not as secure as an armoury.

the full period in which the theft occurred. Customs and Border Protection advised that this vulnerability had not, to its knowledge, been exploited.

**5.29** An internal review of 50 storage facilities in 2011 identified that 41 facilities were not fully compliant with the Firearms Guidelines. Nevertheless, Customs and Border Protection considered these issues of non-compliance were low risk and the facilities were approved for continued use pending the conduct of protective security risk assessments, to be completed by 2015. At the time of the audit, 29 of the 98 Customs and Border Protection sites (30 per cent) had either not had a protective security risk assessment completed or did not have a current risk assessment under internal guidelines. This included some facilities that store high-risk detained goods.

### **Recommendation No.3**

**5.30** To strengthen the overall security of detained goods, the ANAO recommends that Customs and Border Protection align the period that closed-circuit television camera footage is retained at each facility storing firearms with the timing of monthly firearms counts.

#### **Customs and Border Protection's response:**

**5.31** *Agreed. To minimise requirements for the storage of closed-circuit television (CCTV) footage Detained Goods work areas have agreed to complete monthly firearms counts by the end of the second week of each month.*

**5.32** *In conjunction with the provider of the CCTV system, all regions will undertake an assessment of existing CCTV systems installed in detained goods areas containing armouries. This assessment will not only assess compliance with the recommendation but also the extent of visual coverage provided by the system.*

**5.33** *We note that any enhancements or replacement of existing CCTV systems is subject to funding and resource prioritisation processes applicable to all activities within Customs and Border Protection.*

**5.34** *Customs and Border Protection agree to complete this assessment by 30 April 2013 to enable the timely identification of funding required to support actions to comply with the recommendation.*



## 6. Safety Aspects of Managing Detained Goods

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*This chapter examines Customs and Border Protection's arrangements for maintaining a safe environment for staff managing detained goods.*

### Introduction

**6.1** Customs and Border Protection, like all government agencies, pays insurance premiums to Comcare and Comcover.<sup>122</sup> Comcare and Comcover encourage agencies to implement an effective risk management framework by offering discounts to those that adopt best practice arrangements.<sup>123</sup> Customs and Border Protection's insurance premiums for 2012–13 was approximately \$13.63 million for Comcare and \$2.18 million for Comcover. Therefore, there is a financial incentive for Customs and Border Protection to manage safety risks effectively.

**6.2** Customs and Border Protection's aim in maintaining a safe work environment is to identify high risk activities and apply effective risk mitigation strategies to reduce the human and financial costs of workplace injuries and illnesses.<sup>124</sup> Managing detained goods presents safety risks as it involves moving and storing potentially dangerous and hazardous goods, the use of goods handling equipment and conducting operations within warehouse environments. It is, therefore, important that Customs and Border Protection have appropriate systems and processes to identify, monitor and manage the safety risks associated with detained goods.

### Identifying and monitoring safety risks

**6.3** Identifying safety risks requires a combination of formal risk assessments and a culture of ongoing monitoring and reporting of hazards and incidents.

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<sup>122</sup> Comcare is the Australian Government's insurance fund for work health and safety. Comcover is the Australian Government's general insurance fund that provides insurance and risk management services.

<sup>123</sup> *Safety, Rehabilitation and Compensation Act 1988* (Cth), s 97A allows Comcare to charge penalty rates base on the number of claims made by employees of an entity and the amount of compensation paid.

<sup>124</sup> Australian Customs and Border Protection Service, *Work Health and Safety Plan 2012–13*.

## **Conduct of formal safety risk assessments**

**6.4** All of Customs and Border Protection's work areas are required to conduct biannual safety assessments to identify and manage workplace health and safety risks. Safety representatives were conducting these assessments at each of the facilities visited by the ANAO. The ANAO further noted that as a result of these assessments, initiatives had recently been implemented to improve the safety of staff. For example, the ventilation at one site was improved to reduce the smell of bulk tobacco, and racking was introduced at a second site to reduce the need to manually handle goods. In addition, each DGS conducts periodic assessments of the commercial destruction facilities used to destroy goods.

**6.5** In 2011, each of the DGS developed an Occupational Health and Safety Strategic Management Plan. The Strategic Management Plan for each store suggests that a risk register would be developed to monitor risks identified during biannual safety assessments.<sup>125</sup> However, at the time of audit, the risk registers had not been developed by any of the four facilities visited by the ANAO. Whilst the storage facilities visited had a mature approach to conducting biannual safety assessments, there would be merit in facilities developing a risk register to effectively monitor workplace safety risks.

## **Initiatives for ongoing safety awareness**

**6.6** Customs and Border Protection has issued Safety Guidelines to staff managing detained goods. The Safety Guidelines state that safety is of the highest priority and that all staff are responsible for monitoring and implementing safe work practices.<sup>126</sup> To build safety awareness, the Strategic Management Plans state that DGSs are to:

- use induction programs to promote safety awareness;
- display posters with relevant safety messages; and,
- include safety as a rolling agenda item at weekly team and monthly management meetings.

**6.7** The ANAO observed during site visits and file reviews that these strategies have been implemented. In addition, Customs and Border

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<sup>125</sup> Safety at TSFs is managed by independent operational areas.

<sup>126</sup> Australian Customs and Border Protection Service, *Instructions and Guidelines Occupational Health & Safety*, 10 March 2009.

Protection's staff generally indicated in interviews that safety was an issue of ongoing focus for management and staff.

### *Reporting and monitoring of safety incidents*

**6.8** To effectively monitor safety risks, staff need to report all incidents and near misses. Customs and Border Protection has a centralised reporting system for safety incidents. This system records each reported incident by work area. Safety incidents and near misses involving staff in DGSs are reported in the system under a single work function. As safety incidents reported by staff in TSFs are recorded against the broader operational area, TSF safety data was not available. Table 6.1 outlines the causes of safety incidents reported by staff in DGSs for the period 2006–07 and 2011–12.

**Table 6.1**

### **Causes of safety incidents reported by staff in Detained Goods Stores for the period 2006–07 and 2011–12**

Cause of incident	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	Total
Muscular stress or repetition injury	11	5	5	5	7	8	<b>41</b>
Other or unspecified <sup>127</sup>	4	6	3	9	7	12	<b>41</b>
Hit by moving or stationary object	9	3	1	7	6	1	<b>27</b>
Chemical or other exposure	8	4	1	3	0	0	<b>16</b>
Fall, trip or slip	2	2	1	2	0	4	<b>11</b>
<b>Total</b>	<b>34</b>	<b>20</b>	<b>11</b>	<b>26</b>	<b>20</b>	<b>25</b>	<b>136</b>

Source: ANAO analysis of Customs and Border Protection's data.

**6.9** The most common cause for reported incidents is muscle strains and repetition injuries. However, reports also involved minor injuries such as small cuts, abrasions and insect bites. Customs and Border Protection advised that the incidents reported by staff in DGSs are similar in nature to its other operational areas.

**6.10** Customs and Border Protection is also required to report safety incidents to Comcare for investigation in certain circumstances, such as where

<sup>127</sup> The category 'Other' includes issues such as vehicle accidents, biological factors such as insect bites and stress related illnesses.

an incident resulted in, or could have resulted in, death or serious personal injury. The ANAO was advised that since 2006–07, only one incident involving DGS staff has been reported to Comcare (see Figure 6.1).

**Figure 6.1**

### **Comcare reportable incident**

A TSF transferred a loaded air pistol to the DGS in Western Australia. On receiving the firearm, staff in the DGS identified that the firearm had not been rendered safe prior to transport. While no injury resulted, Comcare conducted an investigation and recommended training enhancements along with counselling for staff involved.

Source: ANAO analysis of Customs and Border Protection data.

**6.11** The minor nature of many incidents reported suggests that staff in DGSs take reporting seriously and that there is a safety focused culture among staff managing detained goods.

## **Arrangements for the safe management of goods**

**6.12** While identifying and monitoring risks is important, so too are arrangements to mitigate those risks. This should include providing staff with manual handling training and equipment, personal protective equipment and appropriate strategies to manage dangerous or hazardous goods.

### **Manual handling**

**6.13** As previously discussed, the risk of muscular stress and repetition injuries account for around 30 per cent (41) of all reported incidents (see Table 6.1). Analysis of those reported incidents indicates that approximately 44 per cent (18) involved back related injuries. As a result, training in the use of correct lifting techniques, along with periodic refresher training, is important to minimise these risks.

**6.14** Manual handling training is organised by individual storage facilities on an ad hoc basis. The need to provide manual handling training to staff in DGSs is monitored through quality assurance reviews and each of the DGSs had recently provided manual handling training to staff at the time of audit. Two of the three TSFs visited by the ANAO had also provided manual handling training recently. Staff in the third TSF where training had not been provided may have been at an increased risk of muscle strain injuries. While some TSFs do not manage significant volumes of goods, muscle strain injuries are the most significant risk to staff handling goods. Customs and Border

Protection advised that it will provide opportunities for staff in TSFs to access manual handling training.

#### *Availability of manual handling equipment*

**6.15** In addition to manual handling training, relevant equipment should be provided to assist staff in moving goods to minimise the physical effort required. The ANAO observed during its site visits that each facility had a variety of manual handling equipment available and that staff were generally conscious of how, and when it should be used.

**6.16** The equipment available generally included items such as pallet jacks, large white tubs, wheelie bins, and/or trolleys. The ANAO observed some functional differences between equipment used in each facility. For example, two storage facilities used similar large white tubs, but the tubs in one facility had a base that would rise as goods were removed (see Figure 6.2). Staff using the tubs with the rising base felt that it reduced the likelihood of back injuries as it reduced the bending and reaching required to empty it.

**Figure 6.2**

#### **Example of a tub with a rising base**



Source: <http://www.industrysearch.com.au/Linen-Trolley-Mobile-Polycon-Tubs/p/12497> [accessed 5 September 2012].

**6.17** The ANAO also observed differences in the practice of applying warning stickers to heavy items between storage facilities. One DGS applied warning stickers to heavy goods where appropriate (see Figure 6.3). Staff in other facilities advised that they did not apply warning stickers and any such stickers on goods in those stores were the result of practices by other organisations. For example, goods detained from international mail may have been labelled as heavy by Australia Post, but were not otherwise labelled by Customs and Border Protection.

**Figure 6.3**

**Example of the heavy sticker used at the Western Australia DGS**



Source: Customs and Border Protection, Western Australian Detained Goods Store.

**6.18** Customs and Border Protection's staff were conscious to use manual handling equipment available to reduce the physical effort required to manage goods. Customs and Border Protection has advised that, to minimise the risks of manual handling injuries, it will implement consistent processes in regard to the application of warning stickers and review the manual handling equipment available to support staff in the different facilities.

**6.19** A variety of personal protection equipment is available at each storage facility, including eye and ear protection, high visibility vests, hard helmets and gloves. Staff managing detained goods are required and were generally observed wearing the relevant personal protection equipment appropriate to the task. Nevertheless, while attending one destruction, Customs and Border Protection's staff did not wear the recommended hearing and eye protection.

### **Management of dangerous and hazardous goods**

**6.20** Customs and Border Protection has identified the management of dangerous and hazardous goods as a high-risk issue in its Workplace Health and Safety Plan 2012. Detained goods may come in the form of dangerous and hazardous items and it is important that appropriate processes are in place to safely manage these types of goods.

#### ***Safe management of hazardous goods***

**6.21** The Customs Act<sup>128</sup> allows for the immediate destruction of detained goods that constitute a risk to public safety. In addition, the Safety Guidelines state that:

- the storage requirements for hazardous goods must be assessed;
- where the nature of goods cannot be adequately identified, they should be assumed hazardous;

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<sup>128</sup> Customs Act 1901 (Cth), s 206.

- hazardous goods should not be transferred to a DGS unless deemed safe by an appropriate expert; and
- any goods that cannot be safely stored should be transferred to a suitable commercial storage facility.<sup>129</sup>

**6.22** Two of the three TSFs visited advised that, on rare occasions, they had transferred hazardous goods to third parties.<sup>130</sup> The ANAO was advised that it was unusual for goods classified as hazardous to be detained. The ANAO's sample of goods in-store found 11 unidentified items, which were described as powders and liquids suspected to be narcotics. In those cases, these goods were held by TSFs pending identification as appropriate and were unlikely to create any safety risks.<sup>131</sup>

**6.23** The Safety Guidelines also state that explosive ordnance should not be stored unless deemed inert by a person competent to make such a determination. Where necessary, military personnel in each region make this determination. The ANAO inspected around 10 explosive ordnance goods in the New South Wales and Western Australian DGSs and found that each had been deemed inert as required by the guidelines.

## Psychometric testing of staff in Detained Goods Stores

**6.24** Customs and Border Protection considers that a potential safety risk is that one of its officers with access to firearms and weapons may commit acts of harm to themselves or others.<sup>132</sup> To manage this risk, new DGS staff undertake psychometric testing, which is designed to assess their psychological suitability to have access to firearms and weapons.<sup>133</sup>

**6.25** Staff in TSFs do not undergo psychometric testing as Customs and Border Protection considers that the risk is mitigated to some degree for these officers because they deal with smaller quantities of firearms and weapons. In

<sup>129</sup> Australian Customs and Border Protection Service, *Instructions and Guidelines Occupational Health & Safety*, March 2009, p.5.

<sup>130</sup> Any hazardous goods detained at the Melbourne Gateway Facility are transferred to Australia Post. In addition, the Investigations Unit in Western Australia advised that it has previously transferred hazardous goods to the Australian Federal Police.

<sup>131</sup> Some TSFs have equipment to conduct this testing in-house while other facilities have commercial arrangements with forensic testing laboratories.

<sup>132</sup> This issue was identified as a result of an isolated incident involving an individual displaying aggressive behaviour towards colleagues.

<sup>133</sup> Ongoing staff do not undertake psychometric testing unless their circumstances change, such as being diagnosed with stress disorders.

addition, TSFs should not store firearms for more than 120 hours, which also reduces their exposure to firearms. However, the ANAO notes that:

- an armoury is located with the TSF at the Sydney Gateway Facility, that provides those staff long-term access to firearms; and
- the Melbourne and Sydney Gateway Facilities are larger than some DGSs and therefore pose similar if not greater risks.

**6.26** As Customs and Border Protection has identified psychometric testing as an appropriate strategy to manage this risk, there would be merit in reviewing the current approach and, where appropriate, also applying this testing to TSFs where firearms are stored for longer periods or that manage large quantities of weapons.

## Conclusion

**6.27** Storage facilities conduct biannual occupational health and safety assessments to identify and manage the risks associated with moving and storing large quantities of goods. In addition, facilities have implemented a number of strategies to build ongoing safety awareness, such as induction programs, discussions at weekly meetings and the use of posters with safety messages.

**6.28** DGS staff have reported 136 safety incidents since 2006–07. Many of these incidents were of a minor nature, with muscle strains and repetition injuries accounting for around 30 per cent (41) of the incidents reported.<sup>134</sup> The risk of muscle strains is generally managed through the provision of manual handling training and equipment. Nevertheless, there were some inconsistencies in the type of equipment used between facilities and only one facility was applying warning stickers to heavy items. Customs and Border Protection advised that it will promote awareness and implement consistent practices across facilities.

**6.29** Hazardous goods are rarely detained. However, appropriate strategies are available to Customs and Border Protection staff where necessary, including having the goods destroyed immediately or removing the goods to a commercial storage facility that specialises in storing such goods.

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<sup>134</sup> Around 44 per cent (18) of muscle strain and repetition injuries involved back related pain.



**6.30** Customs and Border Protection has implemented psychometric testing to manage the risk that DGS staff with access to firearms and weapons may commit acts of harm to themselves or to others. However, this strategy is not applied to staff in TSFs. There would be merit in Customs and Border Protection re-assessing its approach to psychometric testing for those TSFs where firearms are stored for longer periods or that manage large quantities of weapons.

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Ian McPhee  
Auditor-General

Canberra ACT  
1 May 2013



# Appendices

## Appendix 1: Agency Response



Australian Government  
Australian Customs and  
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Deputy Chief Executive Officer

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8 April 2013

Ms Barbara Cass  
Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Ms Cass,

Thank you for the opportunity to provide formal comments on the Australian National Audit Office's (ANAO) audit report *Management of Detained Goods*.

Customs and Border Protection welcomes the report and commends the professionalism and level of engagement demonstrated by the ANAO audit team throughout the audit. The recommendations and supporting information contained within the report are accepted by Customs and Border Protection.

Customs and Border Protection appreciates the feedback provided in the report, recognising that the overall administrative framework to control detained goods is generally sound, and that Customs and Border Protection have responded and actioned a number of issues identified during the course of the audit.

With respect to the three recommendations within the report, Customs and Border Protection would like to make the following comments:

### Recommendation 1

To measure performance of Temporary Storage Facilities in managing detained goods, the ANAO recommends that Customs and Border Protection develops appropriate key performance indicators for these facilities, and reports against them in the monthly management reports.

## Agency Response

Agreed. The existing Detained Goods Management System (DGMS) has limitations that have been highlighted throughout the report and in recommendation number 2. In response to recommendations made during the audit, Customs and Border Protection are already able to report on a Temporary Storage Facilities (TSFs) performance indicator that is already applicable to Detained Goods Stores. This performance indicator measures the number of detained lines held within a TSF for greater than 120 days. This information is currently available via the Detained Goods Management (DGM) SharePoint site.

Customs and Border Protection will also explore the development of a DGMS based report that will enable the exception reporting of custodial firearms that are retained in TSFs for longer than 120 hours.

To improve the accountability and awareness of all operational areas responsible for the storage of detained goods in TSFs, Customs and Border Protection will develop and implement a quarterly "Certificate of Assurance" for those areas to be completed in conjunction with the stocktake program.

These actions are expected to be completed by 28 June 2013.

## Recommendation 2

To enhance the administration of the Detained Goods Management System, the ANAO recommends that Customs and Border Protection:

- Assesses the risks to the effective operation of the system, and develops appropriate risk mitigation strategies; and
- Institutes controls for system weaknesses, including monitoring administrators with close proximity to detained goods.

## Agency Response

Agreed. Customs and Border Protection will assess the risks associated with the Detained Goods Management System (DGMS) and explore mitigation strategies for those risks. Please note that the DGMS is built on the out-dated Windows NT platform and likely to run out of support in near future. Customs and Border Protection's Investment Review Committee has requested the development of a project proposal to replace this system

Customs and Border Protection will also be undertaking a test of the business continuity arrangements for the DGMS in the event that the system is inoperable for an extended period of time.

We note that any recommendations for system changes or modifications will be subject to funding and resource prioritisation processes applicable to all information technology activities within Customs and Border Protection.

Customs and Border Protection agree to assess the risks and complete a mitigation plan by 28 June 2013.

### **Recommendation 3**

To strengthen the overall security of detained goods, the ANAO recommends that Customs and Border Protection align the period that closed-circuit television camera footage is retained at each facility storing firearms with the timing of monthly firearm counts.

#### **Agency Response**

Agreed. To minimise requirements for the storage of closed-circuit television (CCTV) footage Detained Goods work areas have agreed to complete monthly firearms counts by the end of the second week of each month.

In conjunction with the provider of the CCTV system, all regions will undertake an assessment of existing CCTV systems installed in detained goods areas containing armouries. This assessment will not only assess compliance with the recommendation but also the extent of visual coverage provided by the system.

We note that any enhancements or replacement of existing CCTV systems is subject to funding and resource prioritisation processes applicable to all activities within Customs and Border Protection.

Customs and Border Protection agree to complete this assessment by 30 April 2013 to enable the timely identification of funding required to support actions to comply with the recommendation.

Customs and Border Protection will continue to pursue actions to seek improvements to enhance controls and processes over the management of detained goods. These improvements will not only focus on the overall integrity of the detained goods environment but also on the skills and attributes of all staff involved in the administration of those controls. We note that any integrity vulnerabilities identified through this report will be considered for inclusion in our formal Program Integrity Risk Assessments along with associated mitigation strategies.

Finally, I want to bring to your attention that apart from the establishment of the Customs Reform Board, Customs and Border Protection has implemented a number of measures to improve integrity and professionalism within the agency. These include mandatory requirements for Customs and Border Protection staff to report misconduct and corruption, integrity testing and alcohol and drug testing.

If you require any clarification of these comments please contact Jagtej Singh, National Manager Cargo Operations, on (02) 6229 3598.

Yours sincerely



**MARION GRANT**  
Deputy Chief Executive Officer  
Border Management

## Appendix 2: DGMS categories of goods

Category	Definition
Firearms	Firearms, ammunition, parts, accessories, imitation firearms, components of ammunition, BB guns.
Weapons	All knives/daggers, martial arts equipment, dog collars, anti-personnel sprays/devices, blow guns/pipes, darts and dart projectors, laser pointers, pistol crossbows, gloves, concealed blades, slingshots, maces, flails, batons, electric shock devices, knuckle dusters and similar devices.
Tobacco	Cigarettes and all other tobacco products.
Drugs	All drugs and other items listed at Schedules 4 and 8 of the Customs (Prohibited Imports) Regulations 1956.
Other	Chemicals, body armour and all other goods not fitting into any other category.
Sensitive	Pornography, suicide devices, all warfare items and any other goods that may have a sensitive nature.
High Value	Diamonds and jewellery, electronic goods and other high value goods.
Intellectual Property Rights (IPR)	All copyright and trademark goods.
Wildlife	All protected and controlled animal and plant products.
Alcohol	All alcoholic goods.

Source: Australian Customs and Border Protection Service, *Instructions and Guidelines: Detained Goods Management – Stocktake Requirements*, February 2012, pp. 5-6.

### Appendix 3: ANAO's assessment of the effectiveness of Customs and Border Protection's detained goods management control framework.

Requirements	ANAO assessment
<b>Processes to transfer goods (paragraphs 3.4–3.12)</b>	
Notice of a transfer is provided by the transferring facility to the receiving facility.	✓
The method of transporting goods is appropriate to the risk profile of the goods. In practice, this generally means that two staff are involved in transporting goods.	✓
Goods are securely packaged (Note: see use of tamper-evident seals below).	✓
Action queues are retained as evidence of the transfer.	✗
DGMS labels are attached to goods and are used to verify that goods transferred match goods listed in the action queue.	✓
<b>Processes to release goods (paragraphs 3.13–3.16)</b>	
Goods are released in a secure area of the storage facility to prevent access to other goods.	✓
Goods being released are verified as correct against the DGMS label.	✓
Two Customs and Border Protection staff are present for the release of firearms.	✓
The person receiving the goods provides proof of identity.	✗
An agent collecting the goods on behalf of the owner provides evidence of authorisation to receive them.	✓
Documentation is signed to confirm that the goods were released.	✗
All relevant documentation is retained as evidence that the goods were released.	✗
<b>Processes to destroy goods (paragraphs 3.17–3.29)</b>	
A seizure notice is issued to the owner of the goods prior to destruction.	✗
An authority to destroy the goods is signed by the delegate.	✓
Two staff select the goods for destruction.	✓
Goods selected for destruction are secured pending destruction.	✗
Two staff are used in the transport of goods to the destruction facility.	✓
Customs and Border Protection maintain visual contact with the goods throughout the destruction process.	✗
Staff used for observing destruction processes are periodically rotated to prevent collusion.	✓
All relevant documentation is retained as evidence that the goods were destroyed.	✗



Requirements	ANAO assessment
<b>Use of tamper-evident seals (paragraphs 3.30–3.44)</b>	
Seals are applied to detained goods as appropriate.	✓
Seals used are fit-for-purpose (tamper-evident).	✗
Seals are applied appropriately to prevent access without breaking the seal.	✗
Staff respond appropriately when a seal that has been tampered-with by seeking to re-verify the contents of the goods.	✗

Source: ANAO analysis.

Note: The ticks signify that, based on ANAO observations at 13 storage facilities and file reviews for 352 line items, Customs and Border Protection's staff were effectively implementing the agency's control framework. The crosses signify that some compliance issues were identified.

## Appendix 4: No. of days camera footage is retained and the dates of monthly firearms counts (2012)

		Date of monthly firearms counts and the number of days since the previous firearms count (in brackets)						
Armoury location	No. of days footage retained	Jan	Feb	March	April	May	June	July
ACT DGS	14 days	31 Jan	16 Feb (17 days)	28 March (41 days)	12 April (15 days)	18 May (36 days)	28 June (41 days)	2 August (34 days)
NSW DGS	Around 50 days	30 Jan	18 Feb (19 days)	13 March (24 days)	19 April (37 days)	19 May (30 days)	22 June (34 days)	18 July (26 days)
NT DGS	31 days	2 Feb	2 March (29 days)	Unknown	Unknown	23 May (83 days)	3 July (41 days)	9 August (37 days)
Qld DGS	30 days	Unknown	23–24 Feb	15 March (21–22 days)	19 April (35 days)	18–19 May (29–30 days)	28 June (40–41 days)	25 July (27 days)
SA DGS	0 days – Should be 30 days <sup>1</sup>	7 Feb	8 March (30 days)	2 April (25 days)	8 May (36 days)	4 June (27 days)	2 July (28 days)	31 July (29 days)
Tas DGS	Around 32 Days	24 Jan	27 Feb (33 days)	26 March (28 days)	20 April (25 days)	1 May (11 days)	27 June (56 days)	27 July (30 days)
WA DGS	Before refit–15 days After refit–20 days <sup>2</sup>	Unknown	15 Feb	Unknown	30 April (75 days)	15 May (15 days)	29 June (45 days)	2 July (3 days)
Vic DGS	Around 49 days	16 Jan	10–11 Feb (25–26 days)	21 March (39–40 days)	20 April (30 days)	12 May (22 days)	19 June (38 days)	18 July (29 days)

Source: ANAO analysis of advice and documents provided by Customs and Border Protection.

Note: For those marked unknown, Customs and Border Protection advised that it could not locate the paperwork associated with the monthly firearms counts or that they may not have been completed. The number of days between firearms counts is recorded in brackets to allow for an easy comparison with the number of days footage is retained at each facility.

Note 1: Customs and Border Protection advised that the SA DGS cameras were not recording at the time of request (13 August 2012), but this was remedied the following day.

Note 2: The WA armoury upgraded its camera system in June 2012. Due to an error in the refit, the number of days recorded at the time of request was 20 days rather than a planned 30 days. Customs and Border Protection advised that this system now retains footage for 30 days.

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