

The Auditor-General
Audit Report No.54 2001–2002
Performance Audit

Drug Detection in Air and Containerised Sea Cargo and Small Craft

Australian Customs Service

© Commonwealth
of Australia 2002

ISSN 1036-7632

ISBN 0 642 80641 1

COPYRIGHT INFORMATION

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth, available from AusInfo. Requests and inquiries concerning reproduction and rights should be addressed to:

The Manager,
Legislative Services,
AusInfo
GPO Box 1920
Canberra ACT 2601

or by email:
Cwealthcopyright@finance.gov.au



Canberra ACT
6 June 2002

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Australian Customs Service in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Drug Detection in Air and Containerised Sea Cargo and Small Craft*.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. J. Barrett'.

P. J. Barrett
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. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

Auditor-General reports are available from Government Info Shops. Recent titles are shown at the back of this report.

For further information contact:
The Publications Manager
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Telephone: (02) 6203 7505
Fax: (02) 6203 7519
Email: webmaster@anao.gov.au

ANAO audit reports and information about the ANAO are available at our internet address:

<http://www.anao.gov.au>

Audit Team

Barbara Cass
Vanda Lockyer
Ngan Thai
Peter White

Contents

Abbreviations/Glossary	7
Summary and Recommendations	9
Summary	11
The drug environment	11
Australian Customs Service	12
Border management	13
Objective and scope	14
Overall conclusion	14
Key Findings	17
Intelligence and Law Enforcement Cooperation—Chapter 2	17
Air and Containerised Sea Cargo—Chapter 3	18
Cargo Examinations and Technology—Chapter 4	20
Small Craft Activities—Chapter 5	20
Customs and National Illicit Drug Strategy Funding—Chapter 6	22
Governance Including Performance Reporting—Chapter 7	23
Recommendations	24
Audit Findings and Conclusions	27
1. Background and Context	29
The drug environment	29
Australian Customs Service	31
Border management	32
Beyond the border	35
Audit objective, scope, and methodology	35
2. Intelligence and Law Enforcement Cooperation	38
Introduction	38
Management of intelligence	38
Dissemination of intelligence	42
Intelligence coordination and support	44
Intelligence-related training	46
Law enforcement liaison	48
3. Air and Containerised Sea Cargo	53
Introduction	53
Cargo management framework	53
Cargo screening and assessment process	55
Target selection process	60
National and regional profiles	65
Reviews of cargo assessment and targeting	68
Impact of Cargo Management Re-engineering	69
4. Cargo Examinations and Technology	71
Process for undertaking examinations	71
Detection of illicit drugs in sea and air cargo	77
Technology used in examinations	79

5. Small Craft Activities	83
Introduction	83
Notification of arrival	84
Small craft boarding process	85
Identifying and assessing high risk vessels	88
Response operations for detecting and intercepting illicit drugs	91
Operational command training	94
Remote area dossiers	96
6. Customs and National Illicit Drug Strategy Funding	97
Introduction	97
The National Illicit Drug Strategy	100
Implementation of NIDS initiatives	103
Reporting and evaluation of NIDS initiatives	104
7. Governance including Performance Reporting	108
Introduction	108
Corporate planning processes	109
National Resource Allocation (NRA) process	111
Risk management	111
Performance reporting	113
Appendices	121
Appendix 1: Drug Detections for Period 1996–1997 to 2000–2001 and Year to Date	123
Appendix 2: Technology used in Examinations	128
Appendix 3: Small Craft Targeting and Reporting Strategy Recommendations	131
Appendix 4: Performance Information used by Customs Administrations	139
Index	145
Series Titles	149
Better Practice Guides	153

Abbreviations/Glossary

ACA	Air Cargo Automation System
AFP	Australian Federal Police
AG's	Attorney-General's Department
AQIS	Australian Quarantine Inspection Service
AUSTRAC	Australian Transaction Reports and Analysis Centre
AWB	Air Waybills
BOCU	Customs Border Operations Coordination Unit
CAD	Customs Activity Dictionary
CATO	Competency Assessment Training Officer
CMR	Cargo Management Re-engineering
CPP	Community Participation Program
CSRP	Corporate Strategic Risk Profile
CSSA	Cargo Selection and Screening Advice
Customs	Australian Customs Service
DIMIA	Department of Immigration Multicultural and Indigenous Affairs
DDU	Detector Dog Unit
EXAMS	Examinations Data Management System
FCL	Full Container Load
GAO	General Accounting Office (USA)
HMCE	Her Majesty's Customs and Excise (UK)
ICS	Integrated Cargo System
LCL	Less than Container Load
LEAs	Law Enforcement Agencies
MCDS	Ministerial Council on Drug Strategy
MECC	Monitoring and Evaluation Coordination Committee
MoU	Memorandum of Understanding
NAO	National Audit Office (UK)
NCA	National Crime Authority
NDLERF	National Drug Law Enforcement Research Fund

NDS	National Drug Strategy
NDSF	National Drug Strategic Framework
NERADS	National Electronic Remote Area Data System
NIDS	National Illicit Drug Strategy
NIS	National Intelligence System
NMU	National Marine Unit
NRA	National Resource Allocation
NZ	New Zealand
RAD	Remote Area Dossier
RIC	Regional Intelligence Committee
RIU	Regional Intelligence Unit
RMCU	Customs Risk Management Coordination Unit
SCA	Sea Cargo Automation System
SDA	Significant Detection Analysis Report
SOPs	Standard Operating Procedures
STARS	Small Craft Targeting and Reporting Strategy
TSO	Target Selection Officer
UK	United Kingdom
USA	United States of America
WCP	Working Corporate Plan

Summary and Recommendations

Summary

The drug environment

1. The National Drug and Alcohol Research Centre report, *Australian Drug Trends 2001*, noted that, during 2000–2001:

- heroin availability in Australia had dramatically decreased;
- there was a change in the pattern of drug use for cocaine and stimulant type drugs;
- methamphetamine use continued to increase in every Australian jurisdiction; and
- cocaine use remained predominantly an issue in New South Wales (NSW) where marked increases in use were recorded.

2. The 2001 survey also documented early indicators of a potential diffusion of cocaine from NSW to other jurisdictions, notably the Australian Capital Territory, Queensland, Victoria and South Australia. As in previous years, cannabis remained the most stable of Australia's illicit drug markets.¹

3. The costs associated with the consequences of illicit drug use in Australia are considerable and multi-dimensional. The effect of illicit drug use is seen throughout society and within families, through increased criminal activity and costs to our health system. The cost to Australia of illicit drug use is difficult to quantify. Australian researchers, Collins and Lapsley estimated the intangible cost of drugs to be in excess of \$1.6 billion resulting from lost productivity, law enforcement and health care funding.²

4. The Australian Customs Service (Customs) and other law enforcement agencies are working in an environment where the size of the market is unknown. The ANAO has found that there is no national consensus or estimation of the amount of illicit drugs entering Australia or the national drug market overall. Because it is extremely difficult to quantify illicit drug activity, policies and practices are based upon available information and market intelligence. Seizure information used by many organisations to estimate trends in supply is limited

¹ National Drug and Alcohol Research Centre, *Australian Drug Trends 2001 Findings of the Illicit Drug Reporting System (IDRS)*, Monograph No.48, pp. 12-13.

² Collins, D. J. & Lapsley, H. M. 1996, *The Social Cost of Drug Abuse in Australia 1988 and 1992*, National Drug Strategy Monograph Series No.30. Commonwealth Department of Human Services and Health Canberra. Collins and Lapsley, in cooperation with the Department of Health and Ageing, are currently undertaking an estimation study on the social costs of drug abuse (alcohol, tobacco, illicit drugs) in 1998–99.

to the activities undertaken by law enforcement agencies, and does not provide sufficient data for a comprehensive analysis of the market. Information relating to drug users, changes in the patterns of drug use and the demands placed on health care systems must also be considered.

5. The Government has indicated its commitment to protecting Australia's border and reducing the importation and use of illicit drugs. The Government relies upon the effectiveness of Customs and other agencies including the Australian Defence Force, the Australian Federal Police (AFP), the Australian Quarantine Inspection Service (AQIS) and the Department of Immigration Multicultural and Indigenous Affairs to secure and protect our borders.

Australian Customs Service

6. Drug detection forms part of Customs' wider role of managing the integrity of Australia's border. Many of Customs' border activities are inter-related and, although not specific to detecting illicit drugs,³ include drug detection as an important component and objective. In 2000–2001, Customs processed:

- more than 17.9 million people entering and leaving Australia;
- 1 527 small craft movements; and
- 4.2 million air cargo consignments and over 1.3 million sea cargo consignments.

7. Since October 1998, Customs has been responsible to the Minister for Justice and Customs, and is part of the Attorney-General's portfolio. Customs is funded and reports on one major Outcome and five Outputs. The detection of illicit drugs is funded and reported against under Output One:

Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports.

Prohibited items include *illicit drugs*, weapons, pornography, unsafe products, therapeutic goods, wildlife, quarantine items and items that breach intellectual property rights.

8. Customs' total budget allocation for its Outcome in 2001–2002 is \$728.6 million. Of this, Customs allocates \$274.4 million to Output One. The Government has enhanced Customs' drug detection capabilities by providing additional funding under the National Illicit Drug Strategy (NIDS). Under NIDS,

³ Illicit drugs in the context of this report are those defined as narcotics by the *Customs Act 1901* and Regulations. The more commonly known drugs include heroin, cocaine, cannabis, ecstasy, amphetamines and methylamphetamines. It is these substances that, under the 1987 Ministerial agreement, Customs will pass to the AFP for formal seizure and subsequent investigation.

Customs has been allocated \$62 million over the period 1997–98 to 2001–02. Ongoing funding of approximately \$13 million has also been provided annually for the life of the strategy for supply reduction initiatives. NIDS funding is split between demand-reduction, supply-reduction and harm minimisation strategies. Customs and the AFP are the key agencies engaged in implementing strategies to reduce the supply of illicit drugs entering Australia, as well as having a preventative and demand reduction role.

Border management

Cargo environment

9. Although the vast majority of importations are legitimate, a small number of importations contain illicit drugs. Customs adopts a risk management approach, reliant on accurate and timely information being provided by industry participant. It uses risk assessment processes at all stages of its operations. The agency has in place a complex infrastructure and processes for screening, risk assessing, targeting and intercepting illicit drugs that may be concealed in sea and air cargo.

Australia's maritime border

10. Australia's offshore maritime area of more than nine million square kilometres presents a considerable risk for Customs. Large quantities of illicit drugs have been imported into Australia in recent years by international syndicates using small craft as their means of entry. Customs has strategies and processes for managing compliance and assessing the risks associated with small craft activity. As part of this strategy, Customs relies on the information and intelligence from a variety of sources and, particularly, its Community Participation Program contacts and surveillance undertaken by the National Marine Unit (NMU) and Coastwatch.

Agency cooperation

11. Customs recognises that the key to success in detecting illicit drugs is the development of cooperative information and intelligence exchanges across all law enforcement agencies. The effective pooling of agency information, intelligence and resources ensures a better understanding of, and response to, criminal activity and, particularly, to the importation of illicit drugs.

Objective and scope

12. The audit objective was to assess the administrative effectiveness of Customs' drug detection strategies for air and containerised sea cargo and small craft activity. These modes of entry offer the greatest potential for importing large quantities of illicit drugs and represent a high risk for Customs. Within the scope of this audit, the following areas were examined:

- intelligence and law enforcement cooperation;
- air and containerised sea cargo;
- cargo examinations and technology;
- small craft activities;
- Customs funding arrangements (including funding for NIDS initiatives); and
- governance, including performance reporting.

13. The ANAO reviewed Customs' management, systems and processes in the context of detecting illicit drugs. They were not examined from the perspective of Customs' wider border management function. The ANAO did not review the NIDS initiatives being implemented in the Torres Strait, as these involve Coastwatch and the NMU. The focus of the audit was directed at non-Torres Strait initiatives.

Overall conclusion

14. The detection of illicit drugs concealed in air and sea cargo or imported by small craft presents a considerable challenge for Customs. Given the high volume of cargo entering Australia, it is neither feasible nor practical for Customs to examine all cargo consignments. Similarly, it is not possible to continually monitor all points of entry along Australia's vast coastline. Customs relies on its intelligence capabilities, risk assessment strategies and cooperation with law enforcement agencies and other organisations to detect illicit drugs being imported into Australia.

15. Overall, the administrative effectiveness of Customs' drug detection strategies for air, containerised sea cargo and small craft is sound, particularly in terms of its intelligence structures and systems, law enforcement cooperation, governance arrangements and response capabilities. Customs' drug detection capabilities will increase considerably with the planned implementation of container x-ray technology in Sydney, Melbourne and Brisbane later this year.

16. Customs has standard systems and processes for screening and risk assessing air and sea cargo, which are being implemented by regions. While it is appreciated that there may be differences between regions in resources and organisational structures, the ANAO found considerable variation across regions in the number of cargo reports screened, assessed and targeted for examination. The ANAO considers there would be benefits in Customs undertaking a benchmarking exercise to determine the optimum number of cargo reports that should be processed by each region. Such an exercise would also provide assurance that risk management practices are being applied consistently across regions to ensure high risk targets are selected for examination.

17. Customs adopts a risk management approach when assessing and targeting sea and air cargo based on risk indicators and risk profiles. Air cargo reports must be assessed before the cargo is released from Customs control. Sea cargo reports are assessed on a priority basis, with emphasis given to those reports presenting the characteristics of potential high risk consignments. Cargo is held if physical examination is considered necessary. Only a very small proportion (on average, less than half of one per cent Australia-wide) of air and sea cargo being imported into Australia is targeted for examination by Customs. The ANAO considers that Customs needs to review its level of targeting, in comparison to overall volumes received, to ensure it adequately reflects the effective application of its risk management strategies for detecting illicit drugs. Target selection is particularly important if Customs is to maximise the increased detection capacity offered by the new container x-ray technology.

18. The Small Craft Targeting and Reporting Strategy project has refocused Customs' strategies to further assessing the risks associated with small craft. Recent initiatives such as the assessment and mapping of small craft routes by Coastwatch, the development of a national Small Craft Targeting Strategy, and completion of the Coastal Risk Assessment project, will also enhance Customs' ability to detect high risk small craft movements.

19. The ANAO considers Customs' drug detection strategies will be improved when risk management at the operational level is fully implemented. Developing performance measures that indicate the effectiveness and impact of its drug detection initiatives will also allow Customs to assess its strategies and ultimately the policy that the strategies, processes, systems and procedures underpin.

Recommendations

20. The ANAO has made eight recommendations aimed at improving Customs' systems and processes for detecting illicit drugs. Customs has agreed with all recommendations, with part of one subject to qualification.

Acknowledgments

21. The ANAO would like to express its appreciation to Customs' management and staff for their valuable assistance and expertise in the conduct of this audit.

Key Findings

Intelligence and Law Enforcement Cooperation— Chapter 2

Strategic, operational and tactical intelligence

22. Customs has clearly defined the role of strategic, operational and tactical intelligence within the organisation and has the management framework to ensure that intelligence is collected, produced, analysed and disseminated. Strategic intelligence assessments produced by the Intelligence Branch and the operational and tactical intelligence activities undertaken by the Border Operations Targeting and Analysis groups support Customs' drug detection strategies.

Dissemination of intelligence

23. Communication across regions has not always been effective and has been raised as an area of concern at recent Border Targeting and Regional Managers conferences. To encourage information sharing between the regions at the operational level, the Targeting and Analysis groups have dedicated e-mail groups, and from November 2001, hold video conferences every two months. The Border Operations Coordination Unit has also agreed to provide the regions with details of any significant detections immediately following the seizure.

24. Significant detections are considered to warrant detailed analyses and a Significant Detection Analysis (SDA) report is to be completed by intelligence analysts within 30 days of the detection. The ANAO found that SDAs are not always completed within the required timeframe. As a result, the value of the intelligence contained in the report may be diminished. The ANAO considers an intelligence summary report outlining pertinent information, disseminated within one week of significant seizures, would be a more timely method of disseminating intelligence. The SDA could then be completed in a more realistic timeframe.

Intelligence-related training

25. Concerns have been raised about the lack of comprehensive training for National Intelligence System (NIS) users and the selection, training and career development of intelligence analysts. These concerns should be addressed if Customs is to gain maximum benefit from its intelligence system and maintain

a high quality, motivated intelligence analyst pool. The trial currently being undertaken by the NSW region is a positive initiative and should be evaluated on completion. Options for improving NIS user training should also be addressed as a matter of priority.

Law enforcement liaison

26. Customs' relationships and information sharing arrangements with Commonwealth, State and territory law enforcement agencies are key elements for the successful detection of illicit drugs at the border. Customs has developed and implemented effective strategies and protocols for sharing information and intelligence and maintaining productive working relationships with State and Commonwealth law enforcement agencies. These agencies value the cooperation, assistance, and quality of the intelligence provided by Customs.

Air and Containerised Sea Cargo—Chapter 3

Cargo screening and assessment process

27. Customs has systems and processes for risk assessing and targeting cargo consignments and these have been implemented across all regions. However, the ANAO found significant variations between regions for the number of sea cargo reports screened and the average number of sea cargo reports screened by individual Target Selection Officers (TSOs). For example, there were differences of almost 60 per cent in the number of sea cargo reports screened and 608 per cent in sea cargo reports screened per TSO. In the light of these significant variations, the ANAO considers there would be merit in Customs undertaking a benchmarking exercise to determine the optimum number of reports that should be processed by each region for an effective risk management strategy to operate.

28. The number of cargo reports targeted for examination is relatively small in comparison to the number of cargo reports received and screened by TSOs. With the exception of Western Australia (2.16 per cent air cargo and 1.08 per cent sea cargo), the regions targeted less than one per cent of sea and air cargo consignments (refer Table 2). The ANAO recognises that Customs' processes for targeting cargo are based on risk management strategies and methodology. It is also appreciated that there are constraints on the number of sea cargo containers that can be physically examined. However, the ANAO considers that Customs needs to be assured, based on proper sampling methodology, that targeting less than one per cent of cargo reports for examination is an effective application of its risk management strategies for detecting illicit drugs.

National and regional profiles

29. A profile is one or a cluster of risk indicators that, when grouped together, present the characteristics of a high risk consignment. Customs groups profiles into two categories: national and regional profiles. The Sea Cargo Automation (SCA) system lists 124 national sea cargo profiles covering 66 high risk countries of origins. Customs reviewed and updated the sea cargo national profiles in 1999 as part of its Sea Cargo Profiling Review. At the time of this review, 64 of these countries had not changed since 1994 as no one had responsibility for their maintenance or update. The review noted the need for the on-going maintenance of national profiles to ensure that exclusions were kept current and the country risk rating updated annually. The Air Cargo Automation (ACA) system has 61 national profiles and the ANAO was advised that these profiles have not been subject to any review. However, in 1999, all air cargo profiles were extended until 2010. If national profiles do not align with current risks their value as a risk indicator will diminish over time.

30. There are no national procedures for reviewing profiles and, as a consequence, the ANAO found considerable variation in the way regions review profiles. In some regions, research is conducted to identify how effective the profile has been, for example, analysing which importers have matched against the profile and whether these are high or low risk. In other regions, there is no attempt to evaluate the effectiveness of the profile and the review process consists of asking the originator whether or not they would like to extend the expiry date of the profile. Developing and implementing national guidelines for reviewing regional profiles would help to ensure a consistent quality and standard across regions.

31. The ANAO found that, historically, there has been little evaluation of profiles from a national Australia-wide perspective. Contributing factors to this lack of evaluation are the current difficulty in extracting the relevant data from the ACA and SCA systems and the lack of a national system to record profiles. Each region has developed its own system to record profiles making regional comparison difficult. The new Examinations Data Management System (EXAMS), which will be the interface between the Targeting and Analysis areas and the new container x-ray facilities will support profile review. EXAMS, which is expected to be operational by mid-2002, will allow Customs to evaluate the effectiveness of profiles from a national and regional perspective as well as providing feedback to intelligence analysts and TSOs on profiles and target selection.

Cargo Examinations and Technology—Chapter 4

Process for undertaking examinations

32. Customs has processes and procedures for examining cargo targeted as a potential risk. The audit found these procedures and processes are being implemented within the regions reviewed by the ANAO. The completion rate for targeted air cargo examinations has been between 90 and 99 per cent nationally. Current measures do not allow an assessment of the completion rate for sea cargo examinations.

33. There is no national examination system to record the details or results of cargo examinations. As a consequence, each region maintains its own unique system for recording consignments targeted and the outcome of examinations. The main driver for establishing these systems was the need to track whether examinations had been completed on the targeted consignments, although this information is not reported nationally. Some of these systems include the capacity to analyse cargo examination outcomes. However, the ANAO found that there is no evaluation undertaken at the national level, across regions or in some regions. The implementation of the EXAMS system, expected to be operating nationally by mid-2002, will provide a national system to record air and sea cargo examination details and results.

34. Victoria had no detections of illicit drugs in sea cargo for the period July 1998 to June 2001. In October 2000, the region completed a review of its sea cargo screening processes because of the lack of positive results and put forward a number of suggestions to improve targeting processes. The region has also put in place a number of strategies to strengthen its information and intelligence sharing arrangements with other law enforcement agencies. In August 2001, the region was responsible for a significant detection of illicit drugs.

Small Craft Activities—Chapter 5

Notification of arrival

35. Ninety five per cent of all reported small craft arrivals depart from six countries: New Caledonia; Vanuatu; New Zealand; Papua New Guinea; Solomon Islands; and Fiji. Formal agreements for information sharing are in place with the New Zealand and Indonesian Customs administrations. These administrations provide expected arrival notification to Customs when vessels depart their country for the stated destination of Australia. Customs is pursuing initiatives to obtain further information on the pending arrival of small craft on established sailing routes to Australia. Customs is also formalising current arrangements with New Caledonia.

Small craft boarding process

36. Boarding officers complete all necessary documentation and undertake an on-board risk assessment, monitoring the crew and scanning the craft for anything unusual or out of place. The ANAO found that, although there is some variation in process due to resources and workload, all regions and district offices complete pre-boarding checks, board and assess first port of call vessels. The procedures adopted by the region/district offices are reasonably consistent.

37. Officers interviewed by the ANAO frequently commented on a lack of specific training for small craft boarding officers. Although the lack of training for small craft officers will be addressed in part by the National Pleasure Craft Training course, there is no component in the course that addresses risk indicators or risk assessment strategies. The ANAO considers a module covering risk assessment strategies and risk indicators should be included in the course to address the shift in focus to assessing the risks associated with small craft.

Identifying high risk vessels

38. To identify high risk vessels, Customs relies on information and intelligence from a variety of sources, particularly, its Community Participation Program (CPP) contacts and the surveillance undertaken by Coastwatch and the National Marine Unit (NMU).

39. The ANAO found that the management and coordination of the CPP varied across region/district offices. Some CPP coordinators are more thorough in their analysis of the participants' information, assessing its relevance and importance. The ANAO was advised that there is no national training package for the CPP Customs Watch and found coordinators were often frustrated by a lack of training. Customs' future priorities for the CPP will include developing a training package for coordinators and a national presentation framework that can be adapted to incorporate local requirements.

40. There is a lack of understanding of the capabilities of Coastwatch and the NMU assets across regions and district offices, which can impact on the quality of the surveillance tasking process. The NMU is developing a tasking guide. However, this is unlikely to be promulgated before mid-2002. To ensure a better understanding of the capabilities and realities of using Coastwatch and NMU assets, a team of Coastwatch, Border Operations Coordination Unit and NMU officers will visit all region and district offices during 2002 as part of an education and training strategy.

41. Customs has not reviewed strategic taskings to ensure that they correlate with the risks posed by small craft. Customs advise that Coastwatch has agreed to undertake an assessment and mapping of the small craft routes into Australia.

Coastwatch will use this assessment to integrate Border Operations requirements into its strategic flying plan. Customs has also advised that it will undertake a review of all Coastwatch strategic surveillance tasking requests to ensure that these taskings are focussed on the high-risk corridors. The ANAO considers a similar review should be conducted of the NMU taskings.

Response operations for detecting and intercepting illicit drugs

42. Customs response to small craft activity is dictated by the level of risk and circumstances at the time and may involve a Customs-only response or a joint or multi-agency response with other law enforcement agencies. Customs has an effective operational command management framework for these operations in all regions reviewed by the ANAO.

Operational command training

43. Customs has conducted no operational command training for over 12 months due to commitments to the Sydney 2000 Olympic Games. Customs advised that a revised training program is being developed but there have been delays in completing this program, as resources were required for higher priority tasks. It is envisaged that the new program will be completed by mid-2002.

44. Customs has conducted a number of training exercises in the last few years that have been considered very useful by participants and identified areas where improvements could be made. The exercises were initiated by regions on an ad-hoc basis, rather than as part of a coordinated program of regular training exercises as recommended by Customs' recent training review.

Customs and National Illicit Drug Strategy Funding— Chapter 6

45. Fifty-three per cent of the total funding of Customs Outcome was allocated to border activities as at 31 December 2001. Illicit drugs are only one of the prohibited and restricted imports that Customs intercepts at the border. It was not possible to determine what proportion of the resources allocated for Output One (\$274.4 million) are specific to the detection of illicit drugs.

46. To date, Customs has been allocated \$62 million and will receive ongoing funding of approximately \$13 million annually under the National Illicit Drug Strategy (NIDS). There are no outputs or outcomes specified within NIDS that Customs is required to achieve. There is also no requirement for Customs to evaluate the effectiveness of its NIDS initiatives. However, the ANAO suggests that, for its own operational requirements, it is important for Customs to determine that the initiatives are contributing to its objectives. As well, the agency should also be able to show that the additional funding has been targeted to the

areas of highest risk and need. An evaluation of the initiatives would also provide necessary direction when allocating ongoing funding.

47. Any evaluation process would be difficult for Customs at the present time, as it does not capture performance data relating to its NIDS initiatives. To capture this information, qualitative and quantitative performance measures would need to be developed and designed to monitor the ongoing effectiveness of existing and future initiatives.

Governance including Performance Reporting— Chapter 7

48. The corporate planning processes operating within Customs are generally well designed and have been implemented satisfactorily at all levels across the organisation. Plans provide a good basis for accountability, and are subject to review and regular update to ensure their continuing relevance.

49. Customs has recognised the need for better integration between its Working Corporate Plan, National Resource Allocation process and the Corporate Strategic Risk Profile. The Chief Executive Officer has requested a number of senior executive managers to review the processes for integrating risk management into the corporate planning process. The ANAO was advised that this review is ongoing and has been delayed due to higher priority tasks. Customs is also reviewing the Corporate Planning Guide to incorporate risk management, including a step-by-step guide to assist in developing a risk management plan. The ANAO considers this will be particularly useful for operational work areas.

50. The ANAO found that all Divisions have a risk management plan. However, not all regions had completed risk management plans. Although plans had been completed by some regional work areas, the work area risk management plans are generally still in the early stages of development. Customs' Risk Management Coordination Unit is facilitating the development of these plans and has indicated they will be completed throughout 2002.

51. The performance measures currently used by Customs track activity only, that is, the number of drug detections and quantities of drugs seized. They do not measure the impact or effectiveness of Customs' drug detection efforts. The ANAO considers it is important, particularly in the long-term, that Customs take steps to review its existing performance measures and develop measures that can be: statistically analysed; add value to the drug detection initiatives being undertaken; become a tool for comparison and improvement; and provide future direction. Measuring the effectiveness and impact of its drug detection initiatives will allow Customs to assess its strategies and ultimately the policy that the strategies, processes, systems and procedures underpin.

Recommendations

Set out below are the ANAO's recommendations for improving Customs' drug detection processes. Report paragraph references and abbreviated Customs' responses are also included. More detailed responses are shown in the body of the report. The ANAO considers that Customs should give priority to Recommendations 1, 3, 4 and 5.

**Recommendation No.1
Para. 2.26** To facilitate the timely dissemination of intelligence following a significant seizure, the ANAO recommends that an intelligence summary report containing pertinent information be distributed to National Office, all Regional Managers and Targeting and Analysis groups within one week of the seizure.

Customs response: Agreed

**Recommendation No.2
Para. 2.41** To help ensure that Customs has suitably qualified, motivated intelligence analysts and gains maximum benefit from its National Intelligence System (NIS), the ANAO recommends that Customs:

- (a) review the recruitment, training and career development of intelligence analysts following the current trial being conducted in the New South Wales region;
- (b) consider defining intelligence analysts as a specialist area under its Assignment and Career Management policy; and
- (c) examine options to improve NIS user training as a matter of priority.

Customs response: Agreed parts (a) and (c)

Agreed with qualification part (b)

**Recommendation
No.3
Para. 3.31**

To ensure a consistent standard is applied and that the air and sea cargo screening, risk assessment and target selection processes are optimised, the ANAO recommends that Customs:

- (a) evaluate the reasons for the variations across regions in the number of cargo reports screened and consignments targeted for examination; and
- (b) undertake a benchmarking exercise to determine the optimum number of reports that should be screened and targeted by each region.

Customs response: Agreed

**Recommendation
No.4
Para. 3.42**

To be confident that national and regional profiles are based on current intelligence and assessment of risks, the ANAO recommends that Customs:

- (a) review national country of origin profiles at least on an annual basis and, as part of the review process, request regions to re-assess the low risk importers that are to be excluded; and
- (b) develop national guidelines for reviewing regional profiles to ensure a consistent quality and standard across all regions.

Customs response: Agreed

**Recommendation
No.5
Para. 5.21**

To help ensure the continued effectiveness of its small craft risk assessment and targeting strategies the ANAO recommends that Customs:

- (a) undertake a follow-up review of the Small craft Targeting and Reporting Strategy (STARS) Project within the next 12–18 months;
- (b) incorporate a module outlining risk indicators and risk assessment strategies into the National Pleasure Craft Search Training Course; and
- (c) publish a simplified guide to assist boarding officers.

Customs response: Agreed

**Recommendation
No.6
Para. 5.49**

To maintain a high standard of operational readiness and response capability for operations involving serious breaches of Customs' legislation, the ANAO recommends that Customs consider establishing a national program of operational training exercises, coordinated by the Operational Command Training Unit, that includes:

- (a) one desktop/discussion exercise being conducted annually in each region; and
- (b) depending on Customs' priorities and the availability of resources and funding, a major field exercise conducted annually and rotated between those regions that have not been involved in an operation for more than three years.

Customs response: Agreed

**Recommendation
No.7
Para. 6.40**

To gain assurance that the National Illicit Drug Strategy (NIDS) initiatives are targeting the areas of highest risk and need, providing value for money and contributing to Customs' drug detection capabilities, the ANAO recommends that Customs consider:

- (a) developing performance measures to evaluate the effectiveness of its NIDS initiatives; and
- (b) monitoring the ongoing effectiveness of its existing and future NIDS initiatives.

Customs response: Agreed

**Recommendation
No.8
Para. 7.44**

The ANAO recommends that Customs build on its ongoing work within the National Drug Strategic Framework and other forums to review its performance measures for detecting illicit drugs; and to move towards developing a range of performance indicators that will:

- (a) more accurately assess the effectiveness and impact of the drug detection initiatives being undertaken; and
- (b) include internal and, where necessary, across-agency quantitative and qualitative data to ensure reliability and consistency.

Customs response: Agreed

Audit Findings and Conclusions

1. Background and Context

This chapter provides background information in relation to Customs' role and responsibilities and outlines the context in which Customs is operating. It also sets out the objective and scope of the audit and structure of this report.

The drug environment

1.1 The National Drug and Alcohol Research Centre report, *Australian Drug Trends 2001*, noted that, during 2000–2001:

- heroin availability in Australia had dramatically decreased;
- there was a change in the pattern of drug use for cocaine and stimulant type drugs;
- methamphetamine use continued to increase in every Australian jurisdiction; and
- cocaine use remained predominantly an issue in New South Wales (NSW) where marked increases in use were recorded.

1.2 The 2001 survey also documented early indicators of a potential diffusion of cocaine from NSW to other jurisdictions, notably the Australian Capital Territory, Queensland, Victoria and South Australia. As in previous years, cannabis remained the most stable of Australia's illicit drug markets.⁴

1.3 The costs associated with the consequences of illicit drug use in Australia are considerable and multi-dimensional. The effect of illicit drug use is seen throughout society and within families, through increased criminal activity and costs to our health system. The cost to Australia of illicit drug use is difficult to quantify. Australian researchers, Collins and Lapsley estimated the intangible cost of drugs to be in excess of \$1.6 billion resulting from lost productivity, law enforcement and health care funding.⁵

1.4 Customs and other law enforcement agencies are working in an environment where the size of the market is unknown. The ANAO has found that there is no national consensus or estimation of the amount of illicit drugs entering Australia or the national drug market overall. Because it is extremely

⁴ National Drug and Alcohol Research Centre, *Australian Drug Trends 2001 Findings of the Illicit Drug Reporting System (IDRS)*, Monograph No.48, pp. 12-13.

⁵ Collins, D. J. & Lapsley, H. M. 1996, *The Social Cost of Drug Abuse in Australia 1988 and 1992*, National Drug Strategy Monograph Series No.30. Commonwealth Department of Human Services and Health Canberra. Collins and Lapsley, in cooperation with the Department of Health and Ageing, are currently undertaking an estimation study on the social costs of drug abuse (alcohol, tobacco, illicit drugs) in 1998–99.

difficult to quantify illicit drug activity, policies and practices are based upon available information and market intelligence. Seizure information used by many organisations to estimate trends in supply is limited to the activities undertaken by law enforcement agencies, and does not provide sufficient data for a comprehensive analysis of the market. Information relating to drug users, changes in the patterns of drug use, and the demands placed on health care systems must also be considered.

1.5 Globally, Australia is a minor consumer of illicit drugs, attracting less attention from suppliers, and has no one source of supply. Chains of supply are dominated by highly organised criminal syndicates that are able to base themselves offshore and operate within Australia.⁶ The illicit drug business is dynamic and responds quickly to change.

1.6 The Government has indicated its commitment to protecting Australia's border and relies upon the effectiveness of Customs and other agencies including the Australian Defence Force, the Australian Federal Police (AFP), the Australian Quarantine Inspection Service (AQIS) and the Department of Immigration Multicultural and Indigenous Affairs (DIMIA) to secure and protect our borders.

1.7 Through the National Drug Strategy (NDS) and its forerunner, the National Campaign Against Drug Abuse (commenced in 1985), the Government has implemented strategies designed specifically to reduce the importation and use of illicit drugs in Australia. The NDS identified a broad set of objectives aimed at improving health, social and economic outcomes by preventing the uptake of and reducing the harmful effects of licit and illicit drugs in Australian society.⁷ The Strategy adopts a whole of government approach, in which Customs is actively involved, and is based on:

- the principle of harm minimisation;
- the promotion of partnerships between Commonwealth and the States and Territories, and between health and law-enforcement agencies; and
- a balanced approach between supply-reduction, demand-reduction and harm-reduction strategies.

⁶ NSW Bureau of Crime Statistics and Research, 2001, *Defining the roles of Drug Law Enforcement in Harm Reduction*, National Seminar, 2 November.

⁷ Ministerial Council on Drug Strategy, 1998, *National Drug Strategic Framework 1998–99 to 2002–03: Building Partnerships: A strategy to reduce the harm caused by drugs in our community*, November, p. 19.

Australian Customs Service

1.8 Customs is a regulatory agency with three principal roles:

- to facilitate trade and the movement of people across the Australian border while protecting the community and maintaining appropriate compliance with Australian law;
- to efficiently collect Customs revenue; and
- to administer industry specific schemes and trade measures.⁸

1.9 Customs is organised into six divisions: Border; Coastwatch; Commercial; Financial Management; Office of Business Systems; and Passengers and Information Technology. Several non-aligned branches also provide business support.⁹ Customs has 4 746 officers located in 36 Australian offices in all States and Territories and overseas posts in Bangkok, Brussels, Tokyo and Washington.

1.10 In 2000–2001, Customs processed:

- more than 17.9 million people entering and leaving Australia;
- 1 527 small craft movements; and
- 4.2 million air cargo consignments and over 1.3 million sea cargo consignments.

1.11 Drug detection forms part of Customs' wider role of managing the integrity of Australia's border. Many of Customs' border activities are inter-related and, although not specific to detecting illicit drugs,¹⁰ include drug detection as an important component and objective.

Funding

1.12 Since October 1998, Customs has been responsible to the Minister for Justice and Customs and is part of the Attorney-General's (AG's) portfolio. Customs is funded and reports on one major Outcome and five Outputs. The detection of illicit drugs is funded and reported against under Output One:

*Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports.*¹¹

⁸ Customs' legislative authority is provided through the *Customs Act 1901*, the *Customs Tariff Act 1995* and related legislation. Customs also administers legislation on behalf of other government agencies, in relation to the movement of goods and people across the Australian border.

⁹ Non-aligned Branches are those, which perform business support functions, for example the Intelligence area.

¹⁰ Illicit drugs in the context of this report are those defined as narcotics by the *Customs Act 1901* and Regulations. The more commonly known drugs include heroin, cocaine, cannabis, ecstasy, amphetamines and methylamphetamines. It is these substances that, under the 1987 Ministerial agreement, Customs will pass to the AFP for formal seizure and subsequent investigation.

¹¹ Australian Customs Service, *Annual Report 2000–01*, p. 16.

Prohibited items include *illicit drugs*, weapons, pornography, unsafe products, therapeutic goods, wildlife, quarantine items and items which breach intellectual property rights.¹²

1.13 Customs' total budget allocation for its Outcome in 2001-2002 is \$728.6 million. Of this, Customs allocates \$274.4 million to Output One. The Government has enhanced Customs' drug detection capabilities through additional funding provided by the National Illicit Drug Strategy (NIDS).

National Illicit Drug Strategy funding

1.14 The Prime Minister launched NIDS in November 1997 as a Commonwealth initiative and major component of the Government's National Drug Strategy. NIDS funding is split between demand-reduction strategies,¹³ and supply-reduction strategies.¹⁴ Customs and the AFP are the key agencies engaged in implementing strategies to reduce the supply of illicit drugs entering Australia. The two agencies work collaboratively to detect and intercept the importation of illicit drugs. Intelligence sharing and cooperation underlie Customs' role in detecting illicit drug importations. The AFP's focus is on seizing the drugs and investigating those responsible for the importation.

1.15 Funding under NIDS has provided additional resources to the AFP and Customs for supply-reduction initiatives. Under this initiative, Customs has been allocated an additional \$62 million over the period 1997-98 to 2001-02 for specific drug detection initiatives. Ongoing funding of approximately \$13 million has also been provided annually for the life of the strategy.

Border management

Cargo environment

1.16 The Australian Bureau of Statistics estimates that, in 2000-2001, goods imported into Australia were valued at \$120 billion.¹⁵ Over the past five years, the volume of air cargo in Australia has grown by 59 per cent and sea cargo by 48 per cent. Predictions are that air cargo will increase by a further 37 per cent, and sea cargo by 18 per cent, over the next three years.¹⁶

¹² *ibid.* p.44.

¹³ The Department of Health and Ageing and the Department of Education, Training and Youth Affairs are responsible for the implementation of the demand-reduction strategies under NIDS.

¹⁴ Supply-reduction strategies are being implemented by the Attorney-General's Department, the Australian Federal Police, Customs, AUSTRAC, and the National Crime Authority.

¹⁵ Australian Bureau of Statistics, 2001, *Balance of Payments and International Investment Position*, Australia (5302.0), June Qtr, Table 9.

¹⁶ Customs legislation amendment and repeal (International trade modernisation) Bill 2001, *Import processing charges Bill 2000. Customs depot licensing charges amendment Bill 2000*. Second reading speech, 26 March.

1.17 Although the vast majority of importations are legitimate, a small number of importations contain illicit drugs. Given the sheer volume of cargo importations, it is neither feasible nor practical for Customs to examine every consignment. However, there is an expectation that Customs will prevent illicit drugs and other prohibited goods from entering Australia. To achieve this without impeding the flow of legitimate trade, Customs has adopted a risk management approach, reliant upon the provision of accurate and timely information from industry participants.

1.18 Customs uses risk assessment processes during all stages of its operations, pre-arrival, at arrival, and post clearance. The agency endeavours to ensure that its response is also appropriate to the level of risk. Customs has in place a complex infrastructure and processes for screening, risk assessing, targeting and intercepting illicit drugs that may be concealed in sea and air cargo.

Australia's maritime border

1.19 Australia's offshore maritime area of more than nine million square kilometres presents a considerable risk for Customs. Large quantities of heroin and cocaine have been imported into Australia in recent years by international syndicates using small craft as their means of entry. Customs has strategies and processes for managing compliance and assessing the risks associated with small craft. As part of this strategy, Customs relies on the information and intelligence received from surveillance taskings undertaken by the National Marine Unit (NMU), Coastwatch and the Australian community.

Community participation

1.20 Customs recognises that community participation is an important part of its drug detection strategies. It has developed the Community Participation Programs of *Frontline* and *Customs Watch* that seek to involve the public in monitoring Australia's borders. *Frontline* is a partnership between Customs and international trading and transport industries, formalised through a Memorandum of Understanding (MoU). *Frontline* members are encouraged to notify Customs of suspicious activity and unauthorised, prohibited or restricted goods entering or leaving Australia. *Customs Watch* encompasses the wider Australian community, who are encouraged to report unusual or suspicious land, sea or air activities to Customs.

Customs' illicit drug detections

1.21 Customs reported a number of drug detections in 2000–01. These are outlined in Table 1. The majority of seizures were in the postal and air passenger environments. However, the quantities seized were relatively small. The larger

quantities of drugs were found in sea cargo consignments. There were no seizures in small craft during this period. Appendix 1 gives the details over a five year period (1996–97 to 2000–01) and the year to date of Customs’ drug detections by drug type, weight, seizures, and the mode of importation.

Table 1

Drug detections for 2000–2001 by number and weight

Areas of entry	Cannabis		Cocaine		Heroin		MDMA (ecstasy)	
	Weight kg	Number	Weight kg	Number	Weight kg	Number	Weight kg	Number
Postal	8.26	587	2.1	25	1	5	17.5	79
Air passenger and crew	4.59	321	10.4	26	2.9	12	64.7	51
Air cargo	9.2	5	6.9	5	14.7	8	22.1	15
Sea cargo	48.61	3	319.5	3	199.1	2	237.1	2
Sea passenger and crew	.02	6	-	-	-	-	0 ⁽¹⁾	1
Ship search	.12	3	88.2	1	0 ⁽¹⁾	1	-	-
Small craft	-	-	-	-	-	-	-	-
Aircraft	-	-	-	-	-	-	-	-
Total	70.8	925	427.1	60	217.9	28	341.4	148

Note 1: Trace amount that could not be measured
Source: Australian Customs Service data

1.22 While it is important to put Customs’ drug detections in context, the size of Australia’s drug market and the quantities of illicit drugs imported are unknown. It is therefore difficult to determine what impact these detections may have on the illicit drug market or in reducing the supply of illicit drugs being imported into Australia.

Agency cooperation

1.23 Customs recognises that the key to success in detecting illicit drugs is the development of cooperative information and intelligence exchanges between all law enforcement agencies. Organised crime is multi-faceted and highly complex and there can be a number of different prevention and enforcement

agencies responsible for investigating the various aspects of criminal activity. The effective pooling of agency information, intelligence and resources ensures a better understanding and response to criminal activity and particularly, the importation of illicit drugs.

Beyond the border

1.24 Customs works to build strong relationships with other Customs administrations and international organisations that service the travel and trading communities. Customs involvement includes membership of a number of committees and commissions of the: United Nations; World Trade Organisation; World Customs Organisation; Oceania Customs Organisation; and Asia Pacific Economic Cooperation Sub-committee on Customs Procedures.

1.25 Customs has cooperation agreements with several countries and well-defined procedures for liaising with overseas agencies, including all major Customs administrations. This cooperation provides the broad opportunity for Customs to develop some benchmarks for its own relative performance among peer Customs administrations.

1.26 Customs actively participates with, and assists, other Customs agencies and is in a joint venture with the United States and New Zealand Customs Services to encourage the transfer of information and intelligence between the countries of the Pacific Basin and parts of Asia. Customs has trained and supplied detector dogs to several countries and donated puppies to the USA to be trained in weapons and explosive detection, contributing to the US fight against terrorism. The Customs' Technical Assistance Program in 2000–01 delivered expert study missions to develop and provide technical training to a number of countries.

Audit objective, scope, and methodology

Objective and scope

1.27 The audit objective was to assess the administrative effectiveness of Customs' drug detection strategies for air and containerised sea cargo and small craft activity. These modes of entry offer the greatest potential for importing large quantities of illicit drugs and represent a high risk for Customs. Within the scope of this audit, the following areas were examined:

- intelligence and law enforcement cooperation;
- air and containerised sea cargo;
- cargo examinations and technology;

- small craft activities;
- Customs funding (including funding for NIDS initiatives); and
- governance, including performance reporting.

1.28 The ANAO reviewed Customs' management, systems and processes in the context of detecting illicit drugs. They were not examined from the perspective of Customs' wider border management function. The ANAO did not review the NIDS initiatives being implemented in the Torres Strait as these involve Coastwatch and the NMU. The focus of the audit was directed at non-Torres Strait initiatives.

Methodology

1.29 The methodology adopted was a combination of quantitative and qualitative analysis, file/documentation reviews and interviews with agency officers. The ANAO also consulted with international Customs Administrations, Commonwealth and State law enforcement agencies and other Commonwealth agencies. The audit was conducted in accordance with the ANAO Auditing Standards at a total cost of \$411 000.

Structure of the report

1.30 Figure 1 illustrates the framework used by the ANAO to assess the administrative effectiveness of Customs' drug detection strategies. This framework formed the basis of the structure of the performance audit report.

Figure 1
Structure of ANAO report

<p><u>Chapter One</u> - Background and Context</p> <ul style="list-style-type: none"> • The drug environment • The Australian Customs Service • Border Management 		
<p><u>Chapter Two</u> - Intelligence and Law Enforcement Cooperation</p> <ul style="list-style-type: none"> • Management of intelligence • Intelligence coordination and support • Law enforcement liaison 		
<p><u>Chapter 3</u> Air and Containerised Sea Cargo</p>  <ul style="list-style-type: none"> • Screening and assessment • Target selection 	<p><u>Chapter 4</u> Cargo Examinations and Technology</p>  <ul style="list-style-type: none"> • Undertaking examinations • Technology 	<p><u>Chapter 5</u> Small Craft Activity</p>  <ul style="list-style-type: none"> • Notification of arrival & boarding • High risk vessels • Response operations
<p><u>Chapter Six</u> - Customs and National Illicit Drug Strategy Funding</p> <ul style="list-style-type: none"> • Funding arrangements • NIDS initiatives 		
<p><u>Chapter Seven</u> - Governance including Performance Reporting</p> <ul style="list-style-type: none"> • Corporate governance arrangements • Performance reporting 		

2. Intelligence and Law Enforcement Cooperation

This chapter outlines Customs' systems and processes for collecting, producing and disseminating intelligence. Customs' relationship and information sharing arrangements with Commonwealth and State law enforcement agencies are also discussed.

Introduction

2.1 Customs' ability to successfully detect illicit drugs at the border is dependent, to a large extent, upon its intelligence capability and the arrangements in place for cooperating and collaborating with Commonwealth, State and Territory Law Enforcement Agencies (LEAs). The ANAO reviewed how Customs collects, produces, disseminates and uses intelligence. Customs' relationship and information-sharing arrangements with Commonwealth and State LEAs were also examined. As part of this review, the ANAO included:

- the management of intelligence and use of strategic, operational and tactical intelligence;
- dissemination of intelligence;
- intelligence coordination and support;
- intelligence training; and
- law enforcement liaison and cooperation.

Management of intelligence

2.2 Intelligence functions are primarily undertaken by the Intelligence Branch in National Office, the Regional Intelligence Units (RIUs) and the Border Operations Targeting and Analysis groups. These functions are aligned with Customs three main levels of decision-making: strategic; operational; and tactical.¹⁷

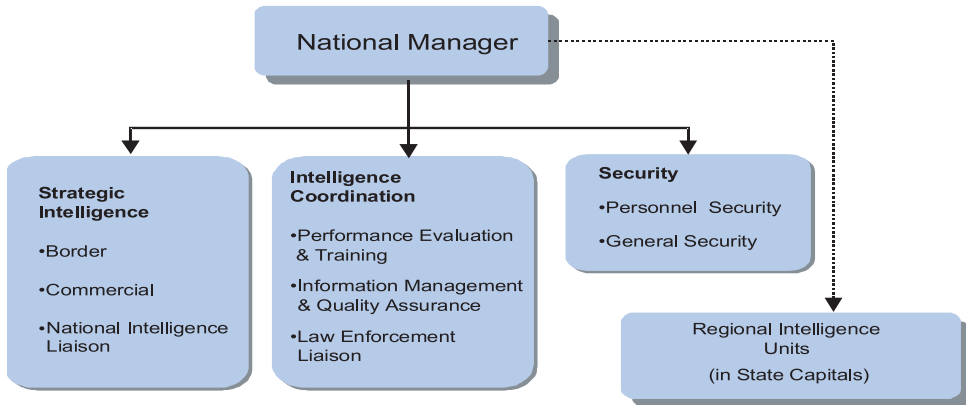
2.3 The Intelligence Branch is the focal point of Customs strategic intelligence, coordination and liaison activities. The Branch is represented in the regions by RIUs, in each State and Territory. The Branch drives the development and use of intelligence through the formulation of intelligence policy and standards, the production and dissemination of strategic assessments and the provision of intelligence training and intelligence-related information services.

¹⁷ Australian Customs Service Intelligence Branch, *Intelligence Doctrine*, April 2000, p. 4.

2.4 The Branch acts as the primary intelligence liaison point between Customs and other law enforcement and national intelligence agencies, and overseas Customs administrations. It also manages Customs personnel and general security issues. These functions are administered by the Strategic Intelligence, Intelligence Coordination, and Security Sections in National Office and the RIUs. Figure 2 illustrates the Intelligence Branch structure.

Figure 2

Intelligence Branch Management Structure



Source: Customs Intelligence Branch

2.5 Customs intelligence principles are outlined in an Intelligence Doctrine. The doctrine outlines the nature of intelligence, for whom it is produced, and why it is needed. Customs intelligence actions, systems and structure are based on these principles. A National Intelligence System (NIS) is the central repository for Customs' intelligence reports and provides data storage, research and data manipulation capabilities.

Strategic intelligence

2.6 The Strategic Intelligence Section is responsible for producing strategic assessments, intelligence updates and periodic reports covering topics of ongoing interest.¹⁸ Strategic assessments are primarily for the use of Customs senior executives. The assessments provide an analysis of issues that have national implications or are of national significance, usually in relation to Customs border or revenue responsibilities. The purpose of an assessment is to assist management decision-making; contribute to policy development; and enhance resource planning. Strategic assessments of ongoing interest are kept current through Intelligence Updates.

¹⁸ Periodic reports include the half-yearly reports relating to: Drugs; Currency; Firearms; and Suspect Illegal Entry Vessels (SIEV).

2.7 Strategic assessment taskings must be approved by the Intelligence Policy Committee.¹⁹ Intelligence guidelines outline the process to be followed by analysts when preparing assessments and an evaluation form requesting feedback on the content, conclusions and timeliness of the assessment accompanies each report. Regional Intelligence Committees²⁰ identify the regional impact of strategic assessments; coordinate regional feedback; and identify issues for possible strategic analysis.

2.8 Forty strategic assessments have been completed since 1996. The ANAO found that assessments covered a range of topics, including a number related to the illicit drug market and drug detection. The ANAO also noted instances where assessments had provided input into policy decisions and operational assessments, for example relating to particular criminal groups and global industry issues.

Review of strategic intelligence

2.9 A self-initiated review of the services provided by the Strategic Intelligence Section was completed in July 2001.²¹ The review found that clients were generally satisfied with the products and services received from the Section and identified areas where improvements could be made. The review put forward a number of recommendations to raise client awareness of the products produced; to reduce the time taken to produce strategic assessments and periodic reports; and to improve the quality of the questionnaire for future client surveys.

2.10 Most of these recommendations have been implemented and the Section has reviewed its products. Recommendations still under review relate to developing a new evaluation sheet and the time constraints that can be associated with developing intelligence products. The timeliness of assessments continues to be examined from a number of perspectives, including product type, information collection, staffing and work priorities. The ANAO supports undertaking a second client survey in 2002 and considers it an opportunity for the Section to evaluate whether its revised products are meeting their objectives of providing timely information and influencing decision-making.

¹⁹ The Committee has across-agency representation with national managers from Border and Commercial areas, Investigations, Planning and International, Coastwatch and the Regional Director New South Wales.

²⁰ The Regional Intelligence Committee has across-agency representation with the Regional Director, RIU Manager, Intelligence Managers of line areas (Border and Commercial) and the Manager Investigations.

²¹ A client satisfaction questionnaire was distributed to 41 clients, all Executive and Senior National and Regional Managers. Results were based on a response rate of 68 per cent (28 responses).

2.11 Customs advise that the development of a new evaluation sheet to accompany its strategic intelligence products is to be part of a broader project.²² The progress of this project has been slow due to higher priority tasks and Customs expects to complete the evaluation sheet by mid-2002. The ANAO considers that the revised evaluation sheet should be completed as soon as possible, as the Section is limited in the feedback it currently receives from its clients. It may also be useful to have client input into the development of the evaluation sheet.

Operational and tactical intelligence

2.12 Operational intelligence supports Customs national and regional managers of line areas, such as Border Operations, to plan and deploy resources to achieve operational objectives. Tactical intelligence supports case-specific action to achieve compliance or enforcement objectives. The distinction between operational and tactical intelligence is less obvious in practice than in theory, with tactical and operational issues often blending into each other.

2.13 Operational and tactical intelligence have been devolved to Customs line areas. They are undertaken by intelligence analysts within the Border Operations Targeting and Analysis groups in each region. The ANAO examined how operational and tactical intelligence are used by Customs in detecting illicit drugs.

Operational intelligence

2.14 Operational intelligence assessments are produced by intelligence analysts to inform and support target development and operational response activity relating to illicit drug operations. Customs has clearly defined and documented procedures for completing operational assessments.²³

2.15 Operational assessments are undertaken to assess the potential risks associated with particular areas of concern. The ANAO found that, although the subjects may vary, all regions produce operational assessments. The latter may address issues such as industry sectors, criminal groups, cargo importations from particular countries, and methods of transportation and concealment. A similar subject, or elements within a subject, may be assessed by more than one region allowing a national comparison. Assessments may also be undertaken jointly with other LEAs, as is currently the case in NSW and Victoria.

²² The project is being undertaken on behalf of the Commonwealth Law Enforcement Intelligence Consultative Committee and includes designing and developing a performance management tool(s) to identify levels of client satisfaction, possible inadequacies and ways of improving products and services.

²³ The Intelligence Doctrine outlines the activities in the intelligence cycle, which includes: intelligence tasking; planning and collection; evaluation; collation; reporting; dissemination; and review.

Tactical intelligence

2.16 Tactical intelligence relates to the activities, capabilities and intentions of specific suspect individuals and businesses. It can be initiated by information provided by other LEAs or developed by Customs' own analysts from a variety of information sources. It is a crucial element in the process of risk assessing and targeting cargo importations and small craft activity. Tactical and operational intelligence are key drivers for developing risk profiles and alerts within the Sea Cargo and Air Cargo Automation Systems.²⁴

2.17 Although there were some variations in process, all regions reviewed by the ANAO record, monitor and review the operational and tactical intelligence work being undertaken. Weekly progress reports are provided to managers and relevant intelligence activity is recorded in NIS.

Conclusion

2.18 Customs has clearly defined the role of strategic, operational and tactical intelligence within the organisation. It has the management framework to ensure that intelligence is collected, produced, analysed and disseminated. Strategic intelligence assessments produced by the Intelligence Branch and the operational and tactical intelligence activities undertaken by the Border Operations Targeting and Analysis groups support Customs' drug detection strategies.

2.19 The Strategic Intelligence Section has revised its strategic intelligence products to provide clients with more focussed and timely intelligence. The current evaluation questionnaire limits the Section's ability to determine the effectiveness of these products and a new evaluation sheet is being developed.

Dissemination of intelligence

2.20 Intelligence is of limited value if it is not available to those who need to know. The ANAO examined how Customs disseminates its intelligence material. Strategic intelligence products are widely distributed to the Executive, all national and regional directors and managers, Customs' representatives overseas and the RIUs.

2.21 Operational and tactical intelligence are disseminated through informal and formal channels such as NIS, which is available to analysts, operational managers and Customs officers who need to know and have the necessary system access.²⁵

²⁴ A profile is a set of generic, non-entity based search criteria such as a country, commodity, or method of concealment used to identify cargo that requires further scrutiny. An alert is a set of entity-based search criteria such as a name or address used to identify consignments for further scrutiny.

²⁵ There are a number of security access levels within NIS and access arrangements for the system are controlled by the Intelligence Branch.

Within regions, intelligence analysts are usually co-located with Target Selection Officers, and in some instances, cargo examiners. Working in close proximity encourages frequent communication. All regions have weekly meetings to discuss projects and provide briefings on specific targets. Analysts working with other LEAs also participate in joint and multi-agency team briefings.

2.22 Communication across regions has not always been effective and was raised as an area of concern at recent Border Targeting and Regional Managers conferences. To encourage information sharing between the regions at the operational level, the Targeting and Analysis groups have dedicated e-mail groups, and from November 2001, hold video conferences every two months. The Border Operations Coordination Unit has also agreed to provide the regions with details of any significant detections immediately following the seizure.

Significant Detection Analyses

2.23 Significant detections are those that meet specific criteria²⁶ and are considered to warrant more detailed analyses, to be set out in a Significant Detection Analysis (SDA) report. The purpose of an SDA is to:

- provide detailed information to analysts for profile development;
- evaluate, in the light of a detection, the context of current operational practices;
- provide senior management with a detailed view of the scope and complexity of illicit activity;
- provide a report suitable for dissemination to other agencies; and
- provide information on Customs' role in joint law enforcement activities.²⁷

2.24 The SDA is to be completed within 30 days of the detection and contain conclusions and recommendations. The ANAO found that SDAs are not always completed within the required timeframe. As a result, the value of the intelligence contained in the report may be diminished.²⁸ The ANAO considers an intelligence summary report outlining pertinent information, disseminated within one week of significant seizures, would be a more timely method of disseminating intelligence. The SDA could then be completed in a more realistic timeframe.

²⁶ The criteria are set out in an Appendix to Customs *Significant Detection Analyses Guidelines*.

²⁷ Australian Customs Service, *Significant Detection Analyses Guidelines*, p. 2.

²⁸ In 2001 the Intelligence Reporting Unit issued unique identification numbers for 27 SDAs and one Post Operational Assessment. At December 2001, nine of the 28 assessments were outstanding (one was only recently issued). Two SDAs for 2000 are still outstanding.

Conclusion

2.25 Customs uses informal and formal communication channels to disseminate intelligence and information. The dissemination of strategic intelligence is effective. The dissemination of operational and tactical intelligence within regions is generally successful but could be improved across regions. Strategies have been developed to encourage information sharing. The effectiveness of SDAs in disseminating intelligence may be diminished through a lack of timeliness.

Recommendation No. 1

2.26 To facilitate the timely dissemination of intelligence following a significant seizure, the ANAO recommends that an intelligence summary report containing pertinent information be distributed to National Office, all Regional Managers and Targeting and Analysis groups within one week of the seizure.

Customs response

2.27 Agree. Border and Passenger Processing have implemented a reporting process (Preliminary Detection Report (PDR)) that ensures information related to significant illicit drug detections is disseminated to targeting officers in all Customs regions within a few hours of the detection occurring. SDA guidelines will be amended to require the input within seven days of a record relating to the detection in the NIS. The messaging facility in NIS will then be utilised to ensure that those that need to know are advised of the existence of the record. This is in addition to the current practice of circulation of a PDR to interested parties as soon as possible after the detection.

Intelligence coordination and support

2.28 The coordination and support of intelligence activities is undertaken by the Intelligence Coordination Section and RIUs. The Section is responsible for developing policy and standards, providing intelligence-related training, servicing information needs and liaising with national and domestic law enforcement agencies and overseas agencies.

2.29 Customs has cooperation agreements with several countries and procedures for liaising with overseas agencies. Liaison is primarily through Customs' overseas posts and the World Customs Organisation Regional Intelligence Liaison Offices global network.²⁹ The Intelligence Reporting Unit

²⁹ Regional Intelligence Liaison Offices (RILO) collect and distribute monthly reports to all WCO members in the Region and collect, analyse and disseminate intelligence, information and other items of interest as they occur.

disseminates publications and information received from local and overseas intelligence sources through summarised *Trend Analysis* and *Points of Interest* reports.

Regional Intelligence Units

2.30 RIUs are the primary coordination point for intelligence activities in each Region. The Units provide advice to line areas, evaluate NIS information reports, undertake intelligence-related activities and liaise with AUSTRAC, LEAs and other government agencies. There are clearly defined and documented national procedures and processes relating to the tasks undertaken by RIU information officers and evaluators. The ANAO found that these procedures and processes were implemented by all regions ensuring a consistent standard across Customs. The role of liaison officers is discussed later in this chapter.

NIS evaluation process

2.31 Customs aims to evaluate all NIS information reports to ensure quality, that associated reports within the system are linked and that the reports are disseminated to the appropriate areas. The evaluation process depends on the level of verification required and time taken to evaluate the report.³⁰

2.32 The volume of information reports has increased considerably in the last five years. The ANAO found that, for some regions, keeping pace with this increase in workload had been difficult, resulting in a substantial number of unevaluated reports in the system (1 332 at November 2001, some of which were created in March 2001).

Review of NIS information report evaluation process

2.33 Customs reviewed the evaluation function in September 2001. The review found that the substantial number of unevaluated information reports in the system was problematic.³¹ The risk to data quality and integrity increases considerably as the number of unevaluated reports increase and, in the ANAO's view may adversely impact on the effectiveness of Customs' intelligence capability. The review put forward a number of recommendations and options aimed at improving the evaluation function. The report is currently being considered within Customs.

³⁰ Evaluation categories - Basic: requires minimal research, entity creation or linking and typically takes less than 20 minutes to complete; Standard: facts need to be verified and a number of entities created/linked and takes approximately 20-90 minutes to complete; and Complex: requires extensive entity verification, creation and linking and takes longer than 90 minutes to complete.

³¹ Australian Customs Service, *Review of NIS Evaluation*, January 2002, p. 12.

Intelligence-related training

2.34 The ANAO also reviewed the training available to intelligence analysts and users of the intelligence system. The Operational Intelligence Analysis Course³² is the major vehicle for training analysts. The course is not a pre-requisite for becoming an intelligence analyst. Almost fifty per cent of officers will undertake the course after commencing work as an analyst. Nine courses were conducted in 2001.

Analyst recruitment and career development

2.35 Due to a considerable number of intelligence analyst vacancies in Sydney and Melbourne, it was recognised by Customs that there needed to be a strategic approach to the recruitment and development of intelligence analysts. In September 2001, a working group prepared a paper outlining the key skills and qualities necessary for intelligence analysts, and a recruitment and development model. The paper also put forward an argument for treating analysts as a specialist area under Customs' Assignment and Career Management Policy.

Customs' Assignment and Career Management Policy

2.36 Under Customs' existing policy, to meet particular recruitment, operational and probity requirements, intelligence analysts positions are generally for a fixed term of three years.³³ The working group argued that the existing policy does not reflect the time required to develop an officer's skills and knowledge to become an effective analyst. It could be between 18 months to two years before an officer is considered competent and Customs gets a return on its training investment. When analysts are moved after three years, they take considerable corporate knowledge and training with them. They may be replaced by officers who do not have the skills and qualities to be effective intelligence analysts. If intelligence analysts are defined as a specialist area under Customs' Assignment and Career Management Policy they would not be subject to periodic re-assignment.

2.37 Customs advised that the NSW region is to undertake a 12 month trial of a number of key proposals put forward by the working group and intends reviewing its outcomes.

³² The focus of the Operational Intelligence Analysis Course is to provide participants with the broad skills needed to undertake analytical research and to produce operational intelligence assessments. It introduces participants to the principles and practices of intelligence and explains the role of intelligence within Customs.

³³ Shorter periods of assignment or extensions of up to two years may be set by the CEO or relevant Regional/National Director having regard to local requirements.

National Intelligence System training

2.38 Customs' *Review of NIS Evaluation* identified the importance of training for NIS users and the lack of a comprehensive training strategy for new system users. It noted that some RIU evaluators had implemented interim training strategies to address this problem. However, this training placed excessive demands on evaluators; resulted in inconsistencies across regions; and was not a solution in the longer-term.

2.39 A recent Joint Strategic Intelligence Group assessment also noted that Customs officers need an ongoing level of training across a broad range of information systems to maintain and develop their skills and to ensure the effective use of intelligence databases. The ANAO was advised that the Intelligence Branch has requested an Intelligence Systems Trainer to support the development and delivery of training packages for NIS, system upgrades and external law enforcement databases.

Conclusion

2.40 Concerns have been raised about the lack of comprehensive training for NIS users and the selection, training and career development of intelligence analysts. These concerns should be addressed if Customs is to gain maximum benefit from its intelligence system and maintain a high quality, motivated intelligence analyst pool. The trial currently being undertaken by the NSW region is a positive initiative and should be evaluated on completion. Consideration should also be given to the way intelligence analyst positions are defined under the existing Assignment and Career Management policy. Options for improving NIS user training should also be addressed as a matter of priority.

Recommendation No. 2

2.41 To help ensure that Customs has suitably qualified, motivated intelligence analysts and gains maximum benefit from its National Intelligence System (NIS), the ANAO recommends that Customs:

- (a) review the recruitment, training and career development of intelligence analysts following the current trial being conducted in the New South Wales region;
- (b) consider defining intelligence analysts as a specialist area under its Assignment and Career Management policy; and
- (c) examine options to improve NIS user training as a matter of priority.

Customs response

2.42 Part (a) Agree. The recruitment and professional development of intelligence analysts is being addressed as part of the overall strategy for the ongoing improvement of Customs intelligence performance. This is a specific area included in considerations for the new Customs organisational arrangements.

Part (b) Agree with qualification. This issue will be considered within the context of Customs new organisational arrangements.

Part (c) Agree. Additional NIS training has already been delivered in both Central Office and all regions as part of the implementation of NIS Phase Two. This has confirmed the need for further training on NIS and a new training package and program for delivery is under development.

Law enforcement liaison

2.43 Customs' relationship and information sharing arrangements with Commonwealth, State and Territory LEAs are key elements for the successful detection of illicit drugs at the border. The ANAO sought to evaluate the effectiveness of the strategies and protocols used by Customs to facilitate cross-agency cooperation and the sharing of intelligence and information.

2.44 In June 1987, the NCA, AFP and Customs entered into a multi-agency agreement with respect to narcotic drug law enforcement. The parties agreed to communicate and give access to all drug information and/or intelligence relating to a possible attempt or actual breach of the Customs barrier. The ANAO found that inter-agency cooperation is supported by a number of other agreements implemented at the national and regional level.³⁴

2.45 The Intelligence Branch has a network of Law Enforcement Liaison Officers, who act as the primary and principal points of contact between Customs, the other Justice Portfolio agencies (AFP, NCA, AUSTRAC) and State and Territory police services. The role of liaison officers is to maximise the flow of information and intelligence to operational units.

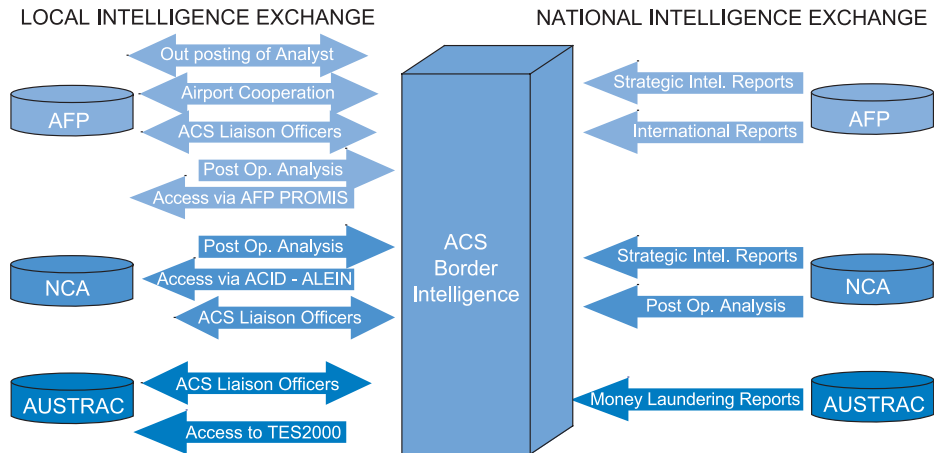
2.46 In addition to having dedicated RIU liaison officers, Customs operational intelligence analysts are outposted or seconded to work within joint agency or multi-agency investigation teams and task forces. AFP officers have also been seconded to Customs for specific operations. AUSTRAC works closely with Customs and provides access to and training for the AUSTRAC financial

³⁴ Ministerial Direction, Memoranda of Understanding, Joint Agency Agreements, Intelligence Partnership Agreements, Joint and Multi-Agency Task Force Agreements outline the specific roles and responsibilities of all parties.

transaction database. Figure 3 illustrates the exchanges of information and intelligence between Customs and the other Justice portfolio agencies.

Figure 3

Information exchange between Justice Portfolio agencies



Source: Joint Strategic Intelligence Group

2.47 The ANAO found that, nationally, and in each region, there are several joint agency committees and forums that hold regular meetings at management and working group levels. Customs is an active participant in these forums. Regular and ad hoc inter-agency operational meetings and briefing are also held. The type of meetings, task forces and make-up of operational teams may vary across regions. However, the general purpose remains the same, that is, inter-agency information sharing, cooperation, liaison and networking.

National Illicit Drug Strategy cooperation initiatives

2.48 Initiatives funded under NIDS have also increased agency cooperation and information sharing. The Joint Strategic Intelligence Group³⁵ was formed as the collective initiative of the NCA, AFP, Customs and AUSTRAC in August 1999. The group operates within the existing intelligence framework of the member agencies and disseminates jointly owned, high-level strategic assessments on issues of common concern. The NIDS IT Shared Access Project enables Customs, the AFP and NCA to electronically access the other agencies' intelligence databases, facilitating the exchange of information and intelligence. An MoU outlines the terms and conditions under which intelligence is shared between these agencies.

³⁵ JSIG reports to a Senior Management Group of the Deputy Heads of the member agencies and receives advice and guidance from an Intelligence Coordination Group comprised of the heads of intelligence from the same member agencies.

Conclusion

2.49 Based on its examination and discussions with other law enforcement agencies, the ANAO considers that Customs has developed and implemented effective strategies and protocols for sharing information and intelligence and maintaining productive working relationships with State and Commonwealth LEAs. These agencies value the cooperation, assistance, and quality of the intelligence provided by Customs.

2.50 Overall, the ANAO considers that Customs approach to intelligence is soundly based, well structured and generally well implemented.

Air cargo shipments



Source: Australian Customs Service

Containerised sea cargo wharf



Source: Australian Customs Service

3. Air and Containerised Sea Cargo

This Chapter outlines Customs' processes for assessing the risks associated with air and containerised sea cargo and highlights the differences in the air and sea cargo environments. The impact of container x-ray technology and the Cargo Management Re-Engineering project are also discussed.

Introduction

3.1 International trade and commerce is an important component of Australia's economy. Each year, approximately four million air cargo consignments and over 1.3 million sea cargo consignments are imported through Australia's international airports³⁶ and container ports.³⁷

3.2 Although the vast majority of importations are legitimate, a small number of air and sea cargo consignments contain illicit drugs. Significant detections of commercial quantities of illicit drugs have been found in sea and air cargo consignments. Although there have been more detections in air cargo, larger quantities of illicit drugs were found in sea cargo containers. Given the sheer volume of cargo imported, it is not feasible or practical for Customs to examine every consignment. Customs adopts a risk management approach that relies upon accurate and timely information being provided by industry participants and its own intelligence sources. Customs assesses if there are any risks associated with the cargo and decides whether the cargo will be cleared or held for further examination.

3.3 The ANAO examined Customs' systems and processes for screening, risk assessing and targeting air and containerised sea cargo. The future impacts of container x-ray technology and the Cargo Management Re-engineering (CMR) project were also examined.

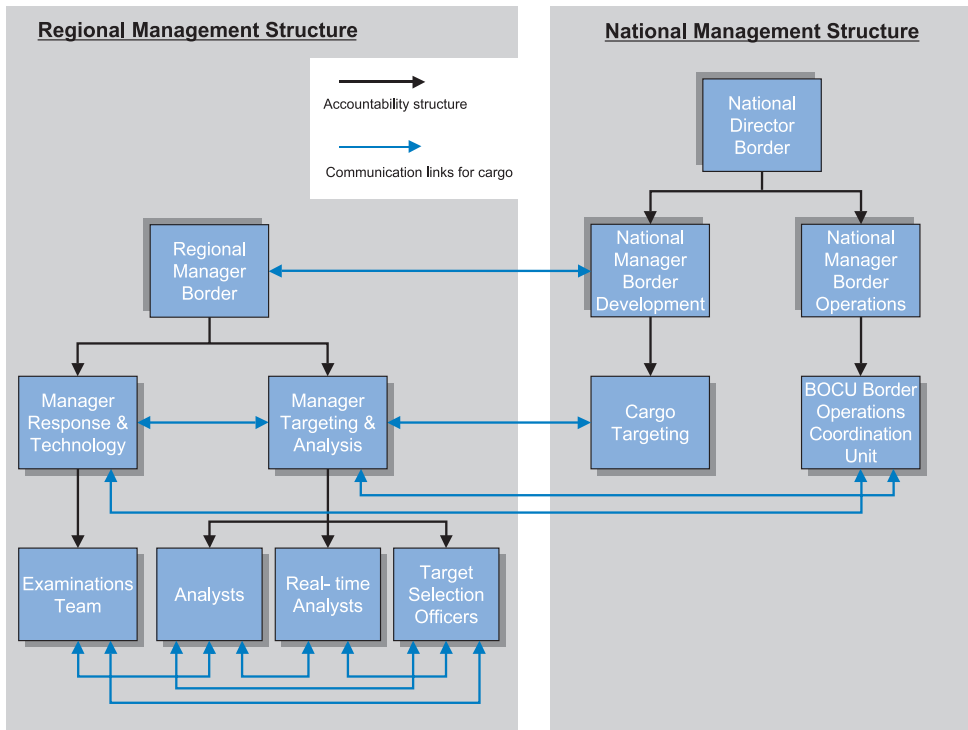
Cargo management framework

3.4 Responsibility for risk assessing imported air and sea cargo rests with the regional Targeting and Analysis groups within Border Operations, supported by areas in National Office. Cargo examinations are carried out by examination teams within the regional Border Operations Response and Technology areas. Figure 4 outlines the management structure for assessing and examining sea and air cargo.

³⁶ Sydney, Melbourne, Brisbane, Perth, Adelaide, Darwin and Cairns.

³⁷ Sydney, Melbourne, Brisbane, Fremantle and Adelaide.

Figure 4
Regional/National Management Structure for assessing and examining cargo



Source: ANAO analysis

Cargo reporting

3.5 By law, industry must give Customs advance notice of cargo being imported into Australia.³⁸ Customs, to meet the commercial imperatives of moving cargo aims to release cargo on arrival of the vessel or aircraft, provided a physical examination is not required.³⁹ To achieve this, Customs requires air cargo to be reported two hours prior to flight arrival and sea cargo 48 hours prior to the vessel's arrival. Cargo reporting takes the form of Air Waybills (AWB) for air cargo and manifest lines for sea cargo. The term 'cargo report' will be used to describe AWBs and manifest lines in this report. Airline and shipping companies submit cargo reports to Customs via the Air Cargo Automation (ACA) and Sea Cargo Automation (SCA) systems. Customs receives over 95 per cent of cargo reports electronically.⁴⁰ These reports contain general information about

³⁸ Section 67A to 67E of the *Customs Act 1901*.

³⁹ Australian Customs Service Standards 2000, p. 2.

⁴⁰ Manual reports are given to Customs Border Compliance areas and then passed to the Targeting and Analysis Groups in Border Operations. With the introduction of Cargo Management Re-Engineering, industry will be legislatively required to report all cargo electronically.

the cargo, including the loading port, the consignor (the supplier), the consignee (the owner or receiver) and description of the cargo.

Cargo screening and assessment process

3.6 The assessment of cargo reports is undertaken by Target Selection Officers (TSOs). TSOs access the reports and, following an assessment process based on a combination of profiles and other risk indicators, decide whether the cargo will be released immediately from Border control or held for further examination.

Risk indicators

3.7 Risk indicators can be information details such as the port of loading, the concealment potential of the cargo, the origin of the consignment or description of the cargo, which alone, or in combination, suggest a consignment is high risk. Risk indicators are dynamic. Intelligence allows Customs to update indicators as necessary. Risk indicators are the building blocks for developing profiles.

Profiles

3.8 A profile is one or a cluster of risk indicators that, when grouped together, present the characteristics of a high risk consignment. Customs groups profiles into two categories: national and regional profiles. These profiles are generic, that is, they are designed to capture general and common risk indicators. Another type of profile is an 'alert', which is entity specific, such as name and address details.

3.9 National profiles are consistent across all ports of entry and are specific to cargo from particular countries of origin, identified as being a potential risk for the importation of illicit drugs. Regions create regional profiles based on research, intelligence or specific information from external sources, such as law enforcement agencies. A regional profile may be cargo that has concealment potential originating from a high risk country of origin or the weight and size of a particular type of cargo.

Risk profile queues

3.10 When Customs receives an electronic cargo report, the data is matched against the national and regional profiles in the ACA and SCA systems.⁴¹ The profiling engine sorts and categorises the cargo reports into three electronic risk

⁴¹ ACA and SCA have separate profile engines. The profiles developed in each system are different to reflect the risks and threats specific to each cargo stream.

groups or queues in SCA: the profile queue,⁴² general queue⁴³ and venom queue.⁴⁴ An automatic hold is placed on cargo in the profile queue and it will not be released until the TSO clears the goods. Cargo in the general and venom queues is automatically cleared for release after 24 hours, unless a hold is placed on the cargo by the TSO. The risk queues are accessed by the TSO, on a priority basis. Priority is given to the profile queue, with the venom and general queues being accessed as resources permit.

3.11 There is only one electronic queue in the ACA system. If a profile match occurs, the system will ‘flag’ that there has been a profile match against the particular cargo report. An automatic hold is placed on all air cargo reports.

3.12 Customs may also receive cargo reports manually. These reports have not been evaluated against the ACA and SCA profile engines and are assessed by the TSO. Figure 5 provides an overview of the air and sea cargo reporting and assessment process.

Target Selection Officer workload

3.13 The Victoria region has estimated that ‘the majority of lines should be assessed and screened within two or three seconds’.⁴⁵ The ANAO conducted an analysis of the workload of air and sea cargo TSOs for 2000–2001. This analysis was based on the total number of cargo reports received and screened and the average number of cargo reports screened by each TSO in each region.

Air cargo reports

3.14 In the time-critical air cargo environment, TSOs screen and assess air cargo reports for both Border and Commercial functions.⁴⁶ All air cargo reports are screened to determine whether:

- the cargo should be held for further examination;
- the goods declared value is less than \$250; and
- there are no impediments such as permit requirements or quarantine issues.

⁴² The *profile* queue consists of national and regional profiles and alerts. The SCA system ‘flags’ when there is a match against a sea cargo report.

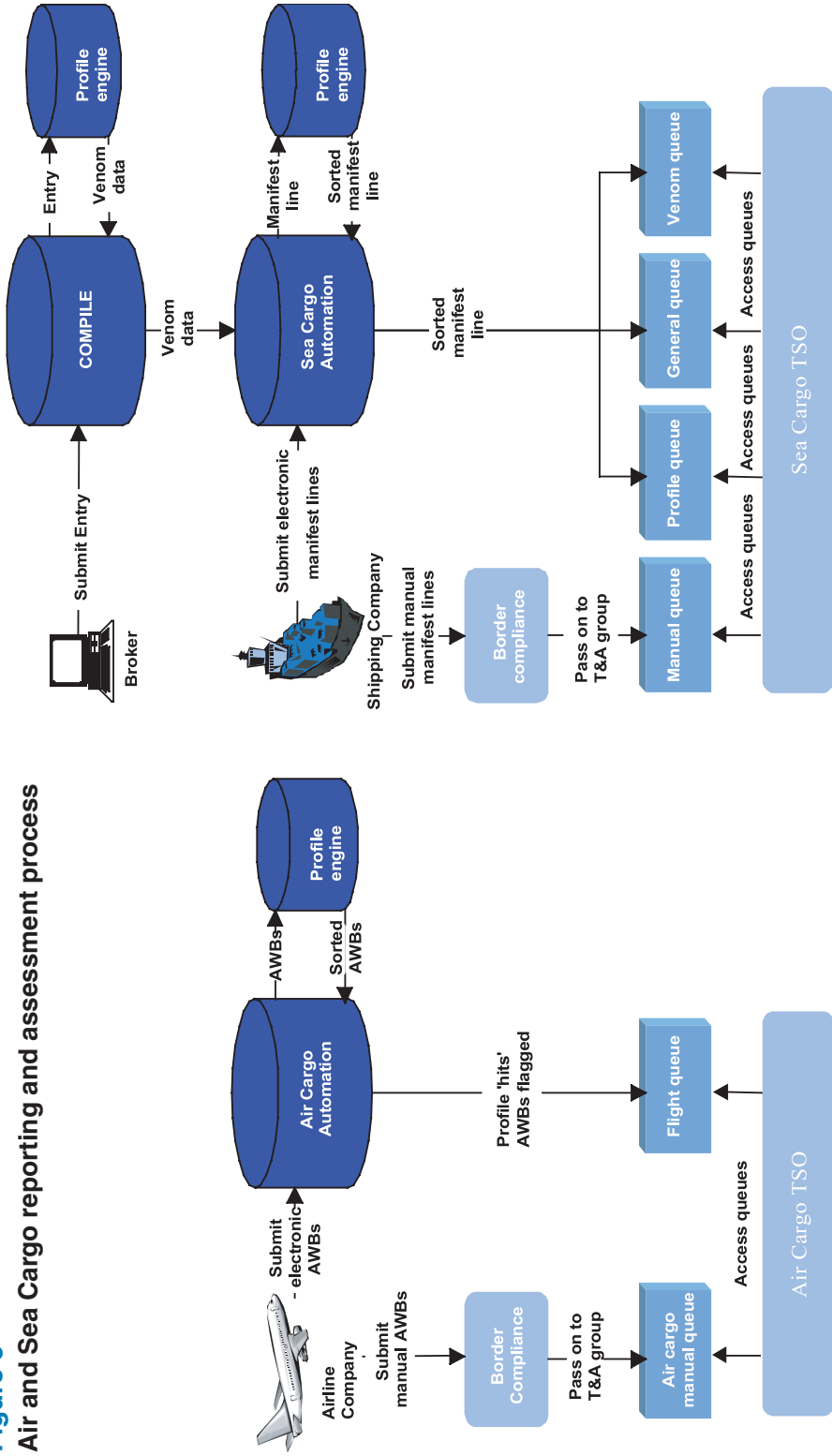
⁴³ The *general* queue consists of all cargo reports that have not matched a profile.

⁴⁴ The *venom* queue is in SCA only and cargo reports displayed in this queue are also displayed in either the *profile* or *general* queues. The venom queue profile contains information relating to importers.

⁴⁵ Australian Customs Service, *An Approach to Sea Cargo Screening in Melbourne*, October 2000, p. 2.

⁴⁶ Border functions facilitate the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports. Commercial functions include the administration of Customs duty, indirect taxes, other border-related revenue collections and import/export statistics.

Figure 5
Air and Sea Cargo reporting and assessment process

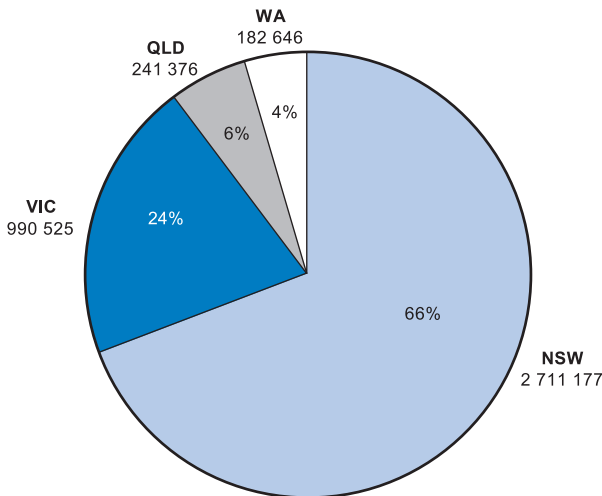


Source: ANAO analysis of Customs data

3.15 Goods that are not held for examination and below the \$250 limit without impediment, will be released from overall Customs control by TSOs to the cargo terminal operator, as required by Customs' Service Standards. Figure 6 shows the total number of air cargo reports Customs received in 2000–2001.

Figure 6

Electronic air cargo reports received and screened in 2000–2001



Source: Australian Customs Service data

Sea cargo reports

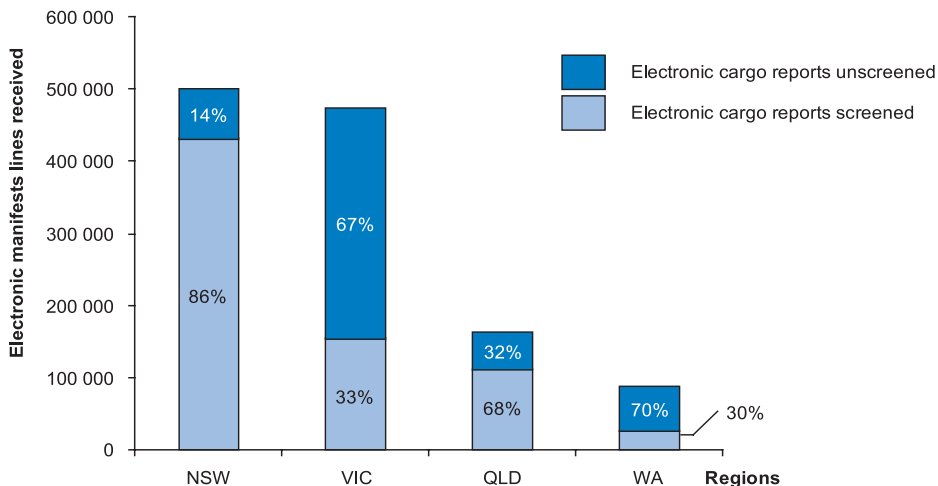
3.16 Unlike air cargo, sea cargo reports are only screened and assessed from a Border perspective.⁴⁷ Sea cargo TSOs do not screen and assess all cargo reports received. All regions focus on the *profile queue*⁴⁸ as their priority and review other queues as resources permit. Unless a hold is placed on the cargo, sea cargo reports are automatically released after 24 hours. Figure 7 details the electronic sea cargo reports received and screened by region for 2000–2001.

⁴⁷ Sea cargo reports are also processed by Customs' Commercial Division to ensure the appropriate duty and/or tax is paid.

⁴⁸ The profile queue consists of national and regional profiles and alerts. The SCA system places an automatic hold on the cargo that is released when the TSO clears the goods.

Figure 7

Electronic sea cargo reports received and screened in 2000–2001



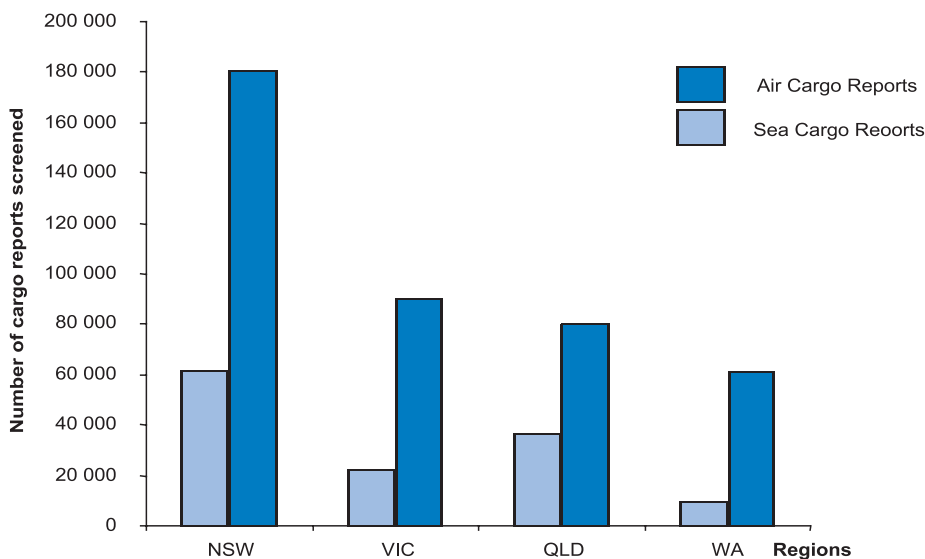
Source: Australian Customs Service data

3.17 The ANAO found large variations between the regions in the percentage of sea cargo reports screened. To further examine these variations, the ANAO undertook an analysis of the productivity levels of each region.

3.18 Figure 8 shows the average number of cargo reports screened by each TSO for air and sea cargo in each region reviewed by the ANAO.

Figure 8

Average number of cargo reports screened per TSO



Source: Australian Customs Service data

3.19 There are wide disparities in the average number of cargo reports that are screened by each TSO. For example, NSW air cargo TSOs, on average, processed 297 per cent more air cargo reports than WA air cargo TSOs. In sea cargo, the difference in processing sea cargo reports is 608 per cent.

3.20 There may be a range of contributing factors for these disparities including: resource constraints; the lack of a real-time analyst to support the TSO, particularly in WA; the type of cargo reports the region receives; the relative experience of TSOs; the particular procedures in place in each region; or they could reflect the productivity levels of the TSOs in each region. These factors could be present in one or all regions and, while they may contribute to variations across regions, the ANAO considers the reasons underlying such variances should be examined more closely by Customs. The ANAO considers that a benchmarking exercise would contribute to a better understanding of the relevant factors and establish realistic standards to be achieved by each region.

Target selection process

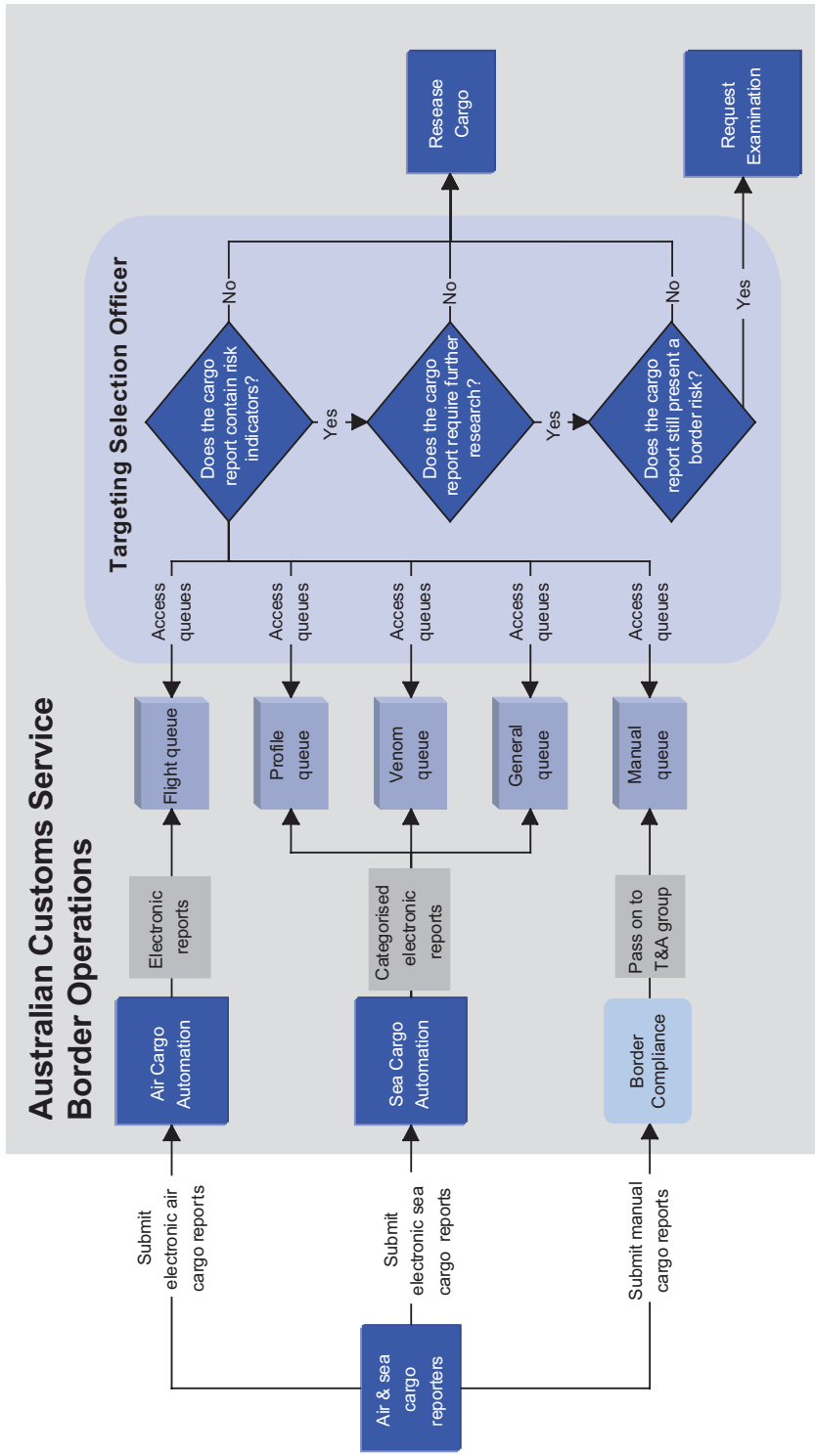
3.21 The TSO's ability to identify the risks associated with cargo reports comes from experience, an understanding of the air and sea cargo environments and up to date knowledge of trends. TSOs assess the cargo reports and may release the cargo immediately or undertake further research before making an assessment of whether the cargo should be held for examination. Depending on the region, this research is carried out by either the TSO or an intelligence analyst.⁴⁹

3.22 If the cargo is to be examined, a hold is placed on the cargo, notifying the cargo reporter not to release the goods.⁵⁰ An advice outlining the reasons why the cargo has been selected for examination and supporting documentation is provided to the examination teams. As there is currently no national system for recording examination requests and results, cargo targeted for examination is recorded in either local registers or databases. Figure 9 outlines the cargo targeting process.

⁴⁹ In some regions, 'real-time' intelligence analysts support TSOs by undertaking any additional research. In other regions the TSO will undertake this research.

⁵⁰ A hold is automatically placed on any cargo report that matches a profile. Sea cargo TSOs need only place a hold on the report if it is part of the general, venom or manual queues.

Figure 9
Cargo Targeting Process



Source: ANAO analysis of Australian Customs Service data

Cargo targeted for examination

3.23 Table 2 shows the number and percentage of air cargo and sea cargo reports targeted for examinations respectively.

Table 2

Air cargo reports targeted for examinations 2000–2001

Region	NSW	VIC	QLD	WA	Total
Electronic AWBs received & screened	2 711 177	990 525	241 376	182 646	4 125 724
TSO resources (FTE) ⁵¹	15	11	3	3	32
AWBs targeted for examination	6 150	3 685	2 299	3 962	16 096
Percentage of AWBs targeted for examination	0.23%	0.37%	0.95%	2.16%	0.39%

Sea cargo reports targeted for examinations 2000–2001

Region	NSW	VIC	QLD	WA	Total
No of electronic manifest lines received	500 401	474 145	163 622	87 949	1 226 117
TSO resources (FTE)	7	7	3	2.6	19.6
No. of electronic manifest lines screened	432 177	154 616	111 963	26 395	725 151
Manifest lines targeted for examination	733	685	144	285	1 847
Per cent of manifest lines targeted for examination	0.17%	0.44%	0.13%	1.08%	0.25%

Source: Australian Customs Service data

3.24 The number of cargo reports targeted for examination is relatively small. For example, Brisbane targeted 0.13 per cent of sea cargo reports (manifest lines) screened. However, given that Brisbane screened 68.4 per cent of cargo reports received, the number targeted for examinations as a total of all reports received was less than 0.09 per cent for 2000–2001. The analysis also shows that WA is targeting a significantly higher percentage of cargo reports than other regions.

⁵¹ Full time equivalent (FTE) TSO resources provided by each individual region.

3.25 Customs 1998 National Review of Targeting identified that a major contributing factor to the number of cargo consignments selected for examination was the capacity of the examinations teams to physically examine the cargo. The report noted that ‘unfortunately, in many regions, TSOs are selecting cargo for examinations based upon how much cargo can be examined rather than by the risks alone’.⁵² The examination teams’ capacity places a ‘ceiling’ on the maximum number of cargo consignments that TSOs will target for examinations.

3.26 The audit supported this view and found that, although the capacity of the examination facility was not the major factor influencing the target selection process, it was a consideration, particularly for sea cargo. The TSOs are aware of the number of sea cargo containers that the examination facility can examine in any one day. If the facility is unable to examine all cargo targeted, the cargo will be prioritised and selected for examination on the basis of highest risk. The capacity to examine sea cargo will increase with the planned introduction of container x-ray technology later this year.

Case Study: Sea Cargo - 131 kg ecstasy and 12.8 kg heroin



In March 2001, Customs officers targeted a sea container from China described as containing cartons of canned pineapple pieces. Some of the cartons were found to have been opened and tins removed. Further inspection by x-ray revealed images consistent with tablets. One tin was opened and found to contain MDMA (ecstasy) tablets. The remainder of the cargo was unpacked revealing a further 15 cartons each containing six 3 kg cans. The final weight of the drugs was 131 kg of MDMA and 12.8 kg of heroin. As a result of information from Australian Customs on this method of concealment, a similar shipment was intercepted on its way into Canada soon afterwards.

Source : Australian Customs Service

Impact of container X-ray technology

3.27 Customs proposes establishing container x-ray facilities in Sydney, Melbourne and Brisbane throughout 2002. Currently, these regions have the capacity to examine between two to four sea cargo containers each day. This capacity will increase substantially to an average per day of 100 containers in

⁵² Australian Customs Service, *National Review of Targeting*, August 1998 p. 3.

Sydney, 100 containers in Melbourne and 60 containers in Brisbane.⁵³ TSOs will need to increase the number of cargo reports targeted for examination to ensure the increased capacity offered by the new technology is utilised. Customs recognises this and has initiated a series of desk top exercises to prepare TSOs for the introduction of the new technology.

Conclusion

3.28 Customs has systems and processes for risk assessing and targeting cargo consignments and these have been implemented across all regions. However, the ANAO found significant variations between regions for the number of sea cargo reports screened and the average number of sea cargo reports screened by individual TSOs. There may be a number of factors that could be influencing these regional variations and these could be present in one or all regions. However, the ANAO does not consider that this is an adequate explanation for the large differences between the regions. In the light of these significant variations, the ANAO considers there would be merit in Customs undertaking a benchmarking exercise to determine the optimum number of reports that should be processed by each region for an effective risk management strategy to operate.

3.29 The number of cargo reports targeted for examination is relatively small in comparison to the number of cargo reports received and screened by TSOs. With the exception of WA (2.16 per cent air cargo and 1.08 per cent sea cargo), the regions targeted less than one per cent of sea and air cargo consignments (refer Table 2). The ANAO recognises that Customs' processes for targeting cargo are based on risk management strategies and methodology. It is also appreciated that there are constraints on the number of sea cargo containers that can be physically examined. However, the ANAO considers that Customs needs to be assured, based on proper sampling methodology, that targeting less than one per cent of cargo reports for examination is an effective application of its risk management strategies for detecting illicit drugs.

3.30 Customs' capacity to examine sea cargo will increase considerably with the planned introduction of container x-ray technology. However, this increased capacity also requires TSOs to increase the number of quality sea cargo reports targeted for examination.

⁵³ This increased capacity will be a combination of import and export containers for both Border and Commercial Divisions. Australian Customs Service, *Containerised x-ray targeting and selection strategy*, September 2001 p. 14.

Recommendation No. 3

3.31 To ensure a consistent standard is applied and that the air and sea cargo screening, risk assessment and target selection processes are optimised, the ANAO recommends that Customs:

- (a) evaluate the reasons for the variations across regions in the number of cargo reports screened and consignments targeted for examination; and
- (b) undertake a benchmarking exercise to determine the optimum number of reports that should be screened and targeted by each region.

Customs Response

3.32 Agree.

National and regional profiles

3.33 As considerable emphasis is placed on profiles in assessing and targeting cargo, the ANAO reviewed Customs' mechanisms for reviewing, updating and assessing the effectiveness of these profiles.

3.34 The number of profiles within the air and sea cargo systems can vary due to operational and tactical intelligence activity. As at 31 October 2001, there were 1 010 sea cargo profiles and 1 239 air cargo profiles. These figures include national and regional profiles.

National (country of origin) profiles

3.35 National (country of origin) profiles identify cargo reports for goods originating from particular countries, identified as a potential risk for the importation of illicit drugs. National air cargo profiles are maintained by the NSW region and sea cargo profiles by Victoria.

3.36 As risk countries of origin may also have significant levels of legitimate trade with Australia, national profiles have the capacity to exclude low risk importers. The purpose of excluding these importers is to prevent the cargo of established and reputable companies from being delayed in the profiling queue.⁵⁴ Currently, due to system limitations, a maximum of 50 importers for each national profile per region can be excluded. Importers to be excluded are determined by the regions.

3.37 The SCA system lists 124 national sea cargo profiles covering 66 high risk countries of origins. Customs reviewed and updated the sea cargo national

⁵⁴ In practice, 'exclusionary profiling' is only used in SCA because all air cargo reports are screened.

profiles in 1999 as part of its Sea Cargo Profiling Review.⁵⁵ At the time of this review, 64 of these countries had not changed since 1994 as no one had responsibility for their maintenance or update.⁵⁶ The review noted the need for the on-going maintenance of national profiles to ensure that exclusions were kept current and the country risk rating updated annually. The ACA system has 61 national profiles and the ANAO was advised that these profiles have not been subject to any review. However, in 1999, all air cargo profiles were extended until 2010.

3.38 A Customs' strategic assessment noted that, for air cargo, there has been a 110 per cent increase in the number of origins where there was a detection of illicit drugs between 1990 and 1999. In sea cargo, there has been an increase of 40 per cent over the same period. Customs predicts that the trend for illicit drugs being sourced from an increasing range of countries will continue.⁵⁷

Regional profiles and alerts

3.39 When a regional profile is created and authorised, it must contain an expiry date. Generally speaking, profiles have a life span of three to six months, dependent on the purpose of the profile. There are no national procedures for reviewing profiles and, as a consequence, the ANAO found considerable variation in the way regions review profiles. In some regions, research is conducted to identify how effective the profile has been for example, analysing which importers have matched against the profile and whether these are high or low risk. In other regions, there is no attempt to evaluate the effectiveness of the profile and the review process consists of asking the originator whether or not they would like to extend the expiry date of the profile.

Profiles under Cargo Management Re-engineering

3.40 The ACA and SCA systems are to be replaced by the Integrated Cargo System (ICS), the information technology component of the CMR project. Customs advise that, with ICS, profiles will be the only mechanism used to identify high risk cargo reports. If the quality of the profile data to be migrated from the ACA and SCA systems to ICS is poor, the value of the ICS investment and the effectiveness of its ability to target high risk cargo reports will be undermined. To address this risk, Customs should have mechanisms in place that will ensure profiles are adequately reviewed, properly maintained and based on current intelligence.

⁵⁵ The Sea Cargo Profiling Review updated and modified the national profiles and where appropriate, added exclusions to the maximum capability of SCA. Australian Customs Service, *Sea Cargo Profiling*, May 1999.

⁵⁶ Australian Customs Service (WA), *Sea Cargo Targeting in Fremantle* p. 9.

⁵⁷ Australian Customs Service, *Strategic Assessment: Cargo Origin as a Risk Indicator*, April 2000 pp. 5-7.

Conclusion

3.41 The mechanisms for reviewing, updating and assessing the effectiveness of profiles vary in quality across regions. The regime for reviewing national (country of origin) profiles does not adequately address the changing risks associated with the illicit drug market. If national profiles do not align with current risks their value as a risk indicator will diminish over time. Developing and implementing national guidelines for reviewing regional profiles would help to ensure a consistent quality and standard across regions. The ANAO is concerned that, despite the transfer to the new ICS system, which is designed to improve targeting, the quality of data and Customs' risk management capability may be compromised.

Recommendation No. 4

3.42 To be confident that national and regional profiles are based on current intelligence and assessment of risks, the ANAO recommends that Customs:

- (a) review national country of origin profiles at least on an annual basis and, as part of the review process, request regions to re-assess the low risk importers that are to be excluded; and
- (b) develop national guidelines for reviewing regional profiles to ensure a consistent quality and standard across all regions.

Customs response

3.43 Agree.

Reviewing profiles from a national perspective

3.44 While the regions are required to review and maintain regional profiles, the ANAO found that, historically, there has been little evaluation of profiles from a national Australia-wide perspective. Contributing factors to this lack of evaluation are the current difficulty in extracting the relevant data from the ACA and SCA systems and the lack of a national system to record profiles. Each region has developed its own system to record profiles, making regional comparison difficult.⁵⁸

3.45 Customs advised that it investigated a national platform for an alert and profile register, but determined that the costs involved did not justify the anticipated benefit, considering the planned implementation of ICS. Customs has recently arranged the downloading of alert and profile data into an Access

⁵⁸ Systems include databases, spreadsheets, 'electronic card' index and manual registers.

database. Although this data will need to be updated regularly, it will allow some limited analysis and evaluation of profiles and improve Customs' capacity to manage profiles nationally until ICS is fully operational. ICS will not be operational until 2003 at the earliest.

3.46 Customs advised that ICS will include a national profile system with research and analytical capabilities, providing the capacity to properly evaluate profiles. The new Examinations Data Management System (EXAMS), which will be the interface between the Targeting and Analysis areas and the new container x-ray facilities will also support profile review and is expected to be fully operational for air and sea cargo by mid-2002. EXAMS is a national system that will record the profile numbers associated with the cargo targeted for examination, enabling analysis of the number of examinations and the results associated with each profile number. This will allow Customs to evaluate the effectiveness of profiles from a national and regional perspective as well as providing feedback to intelligence analysts and TSOs on profiles and target selection.

Reviews of cargo assessment and targeting

3.47 Customs has undertaken several reviews of the Targeting and Analysis function between 1998 and 2001, at a national and regional level. Issues that had national implications included TSO selection and training, information systems and industry reporting compliance. Issues relating to information systems and industry reporting compliance will be addressed with the implementation of the Cargo Management Re-engineering project discussed later in this chapter.

TSO selection and training

3.48 Several regional and national reviews have highlighted selection of and high turnover rates for TSOs as an area of concern. For example, Melbourne noted in 2000 that 'with high staff turn-over... levels of competency and confidence don't have a chance of reaching a level of solid grounding'.⁵⁹ The 1998 National Review of Targeting noted that:

...staff are rotated in and out of work areas without apparent regard to their skills or the skills required of the work. The result is that experienced staff are lost, and the quality of target selections markedly effected.⁶⁰

3.49 In April 2000, the NSW Border Operations Branch commissioned a project to develop a recruitment profile for TSOs.⁶¹ The subsequent report contained a

⁵⁹ Australian Customs Service (Melbourne), *An Approach to Sea Cargo Screening in Melbourne*, October 2000 p. 5.

⁶⁰ Australian Customs Service, *National Review of Targeting*, August 1998, p. 6.

⁶¹ Australian Customs Service (NSW), *Target Selection Project Stages 1 & 2*, p. 3.

recruitment profile for TSOs and a list of interview questions designed to assess whether [candidates] possess the knowledge, skills and abilities to effectively perform the duties of a TSO.⁶² All regions, including NSW, advised the ANAO that they do not apply specific selection criteria when recruiting TSOs.

3.50 The reviews consistently criticised the lack of formal training for TSOs. To address these criticisms, Customs introduced the *Target Selection Officers Course* in August 2001. The aim of the course is to outline the principles of risk assessment and to develop an understanding of the factors that impact on the cargo environment. The course has also recently been extended to include profile training.

3.51 The ANAO found that Customs has operational manuals and training material relating to the cargo assessment and targeting process that have not been updated for several years. As a consequence, the regions have developed their own Standard Operating Procedures (SOPs) and guidelines, introducing the risk that inconsistencies in standards and practice could develop.

Conclusion

3.52 As TSOs play an important role in Customs' drug detection strategies, the ANAO considers that it is important that these officers have the qualities, ability and knowledge to properly undertake this function. There are currently no criteria for selecting the most appropriate candidate for a TSO position. As the NSW region has already developed a recruitment profile, the ANAO suggests that Customs build on this work by evaluating the profile, and if suitable, apply the criteria nationally to select TSOs. This could be done within Customs' existing Assignment Policy parameters, which are discussed in para 2.36 of the *Intelligence and Law Enforcement Cooperation* chapter. The ANAO considers the risk of inconsistent standards and practices developing would be reduced if SOPs are consistent with, and support, the TSO training course. A regular review of SOPs would help to ensure consistency with national principles.

Impact of Cargo Management Re-engineering

3.53 In April 1997, Customs released the Cargo Management Strategy, which recommended Customs: develop tailored agreements with clients; integrate the cargo systems; increase coordination with other government agencies; and form closer working relationships with industry.

3.54 CMR is designed to improve the speed and efficiency with which Customs clears cargo. CMR will involve changes to the way industry reports cargo and how Customs risk assesses cargo, manages data and treats its clients. CMR will

⁶² *ibid.*, p. 17.

also replace the existing disparate cargo management systems (including ACA and SCA) with ICS. The ICS will support new Customs' business processes; have greater research and analytical capacity; and provide improved capabilities for risk assessing cargo reports.

3.55 The ICS will be introduced in three releases. Release one, scheduled for December 2002, will provide ICS infrastructure and business functionality for the processing of express carrier document reports. Release two, scheduled for March 2003, will allow for processing of exports. All import functionality will be included in release three, which is scheduled for May 2003. Customs has developed a progressive industry roll-out strategy based on these releases and the implementation of new legislation. Customs expects the new arrangements to be fully operational by mid-2004.

Industry reporting compliance

3.56 The effectiveness of the TSO to risk assess and target sea and air cargo is dependent on the accuracy of the information reported by industry. Several of Customs' reviews have reported that the data provided in cargo reports is too often incomplete or inaccurate. Industry misreporting can be due to error, misunderstanding or incomplete information at the time of reporting. However, the extent of the inaccuracies can undermine the targeting process.⁶³

3.57 Historically, there has been little incentive for industry to report cargo details accurately due to the lack of a legislative regime of escalating penalties for misreporting or non-reporting of cargo. The introduction of the *Customs Legislation Amendment and Repeal (International Trade Modernisation) Act 2001* empowers Customs to apply escalating penalties for failure to produce documents or records and for making false or misleading statements in cargo reports.

3.58 The new legislation and the Accredited Client Program⁶⁴ to be introduced with CMR should provide a more flexible framework for Customs to reward companies that are compliant in their reporting requirements and penalise those who are recalcitrant in line with Customs' regulatory philosophy and compliance strategies. The ANAO encourages Customs to use these new powers and incentives to maintain an effective compliance regime and ensure that industry reports accurate and timely information.

⁶³ Australian Customs Service, *National Review of Targeting*, August 1998, p. 10.

⁶⁴ Customs Accredited Clients program is designed to streamline the reporting process for low risk customers. An Accredited Client will have their goods cleared with minimal intervention and provide minimal information at the time of importing or exporting. Accredited Clients will need to provide Customs with an audit report prepared by a qualified and independent auditor that includes a 12 month history of compliance.

4. Cargo Examinations and Technology

This chapter outlines the processes and technology used by Customs to examine sea and air cargo. The impact of the proposed container x-ray technology is also discussed.

Introduction

4.1 Concealing illicit drugs in cargo is a recognised *modus operandi* used by highly organised drug syndicates. In recent years, significant detections of commercial quantities of illicit drugs have been found in sea and air cargo consignments. Although there have been more detections in the air cargo environment, they are generally of smaller quantities.

4.2 As outlined in Chapter Three, Target Selection Officers (TSOs) within the Border Operations Targeting and Analysis Groups review cargo reports to assess the risk of drugs being concealed in cargo consignments and, if considered necessary, will request the cargo be examined. The physical examination of cargo consignments is undertaken by examination teams in the Border Operations Response and Technology area. The teams work closely with the Targeting and Analysis Groups as the success of the examination is based on the quality of the risk assessment process that targeted the cargo.

4.3 Air cargo examinations involve small teams working in shifts to meet the deadlines imposed for air cargo delivery. Sea cargo examinations require larger teams of six to eight officers and are far more physically demanding. Customs has invested in a range of technologies to improve the effectiveness of cargo examinations and to reduce the large staffing commitment required to physically examine cargo. The planned introduction of new container x-ray technology will increase Customs' capacity to examine sea cargo containers.

4.4 The ANAO reviewed the processes and technologies Customs uses for examining sea and air cargo and the impact of the proposed container x-ray technology.

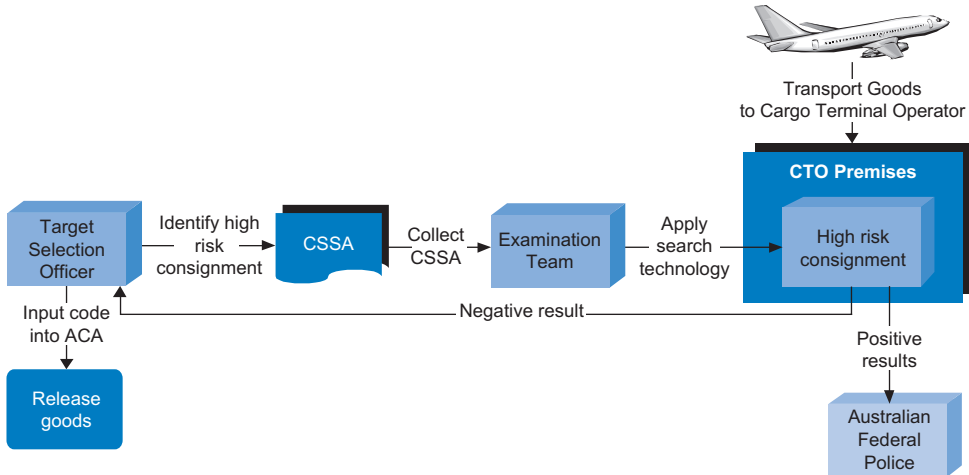
Process for undertaking examinations

4.5 TSOs will nominate for examination consignments that have been identified as presenting a high risk of containing illicit drugs. The examination teams are provided with details of the consignments, including the reasons for the consignment being targeted, via a Cargo Selection and Screening Advice (CSSA).

Air cargo examinations

4.6 Air cargo examinations are generally undertaken at the Cargo Terminal Operator’s premises using mobile x-ray equipment and detector dog teams. Figure 10 outlines the air cargo examination process.

Figure 10
Air Cargo Examination Process



Source: ANAO interpretation of Customs data

4.7 Table 3 shows the number of targeted air cargo examinations completed for 2000–2001. The completion rate for the examination of targeted air cargo consignments has been between 90 and 99 per cent nationally. Cargo that is not examined, because it is either unavailable or Customs does not have the capacity to do so, must still be released by TSOs.

Table 3
Air cargo consignments targeted and examined for period 2000–2001

Air Cargo	NSW	QLD	VIC	WA	Total
Consignments targeted for examination	6 150	2 299	3 685	3 962	16 096
Consignments examined	5 576	2 080	3 609	3 957	15 222
Percentage of targeted cargo examined	91%	90%	98%	99%	94%

Source: Customs Border Statistics

Case Study: Air Cargo - 115 kg Black Cocaine

A known method of concealment is the alteration of the physical characteristics of a drug in recognition of the significant risk of law enforcement detection.

On 21 January 2000, Customs made Australia's largest ever detection of black cocaine (and second largest in the world) when officers examined an air cargo consignment from Brazil, described as 'Arganick [sic] Seasoner'. Examination revealed 115 kg of a substance resembling lumps of dirt, which tested positive to Customs ionscan tests for cocaine. Two people were later charged with a number of drug offences.

Bag - Cocaine



Black Cocaine



White Cocaine



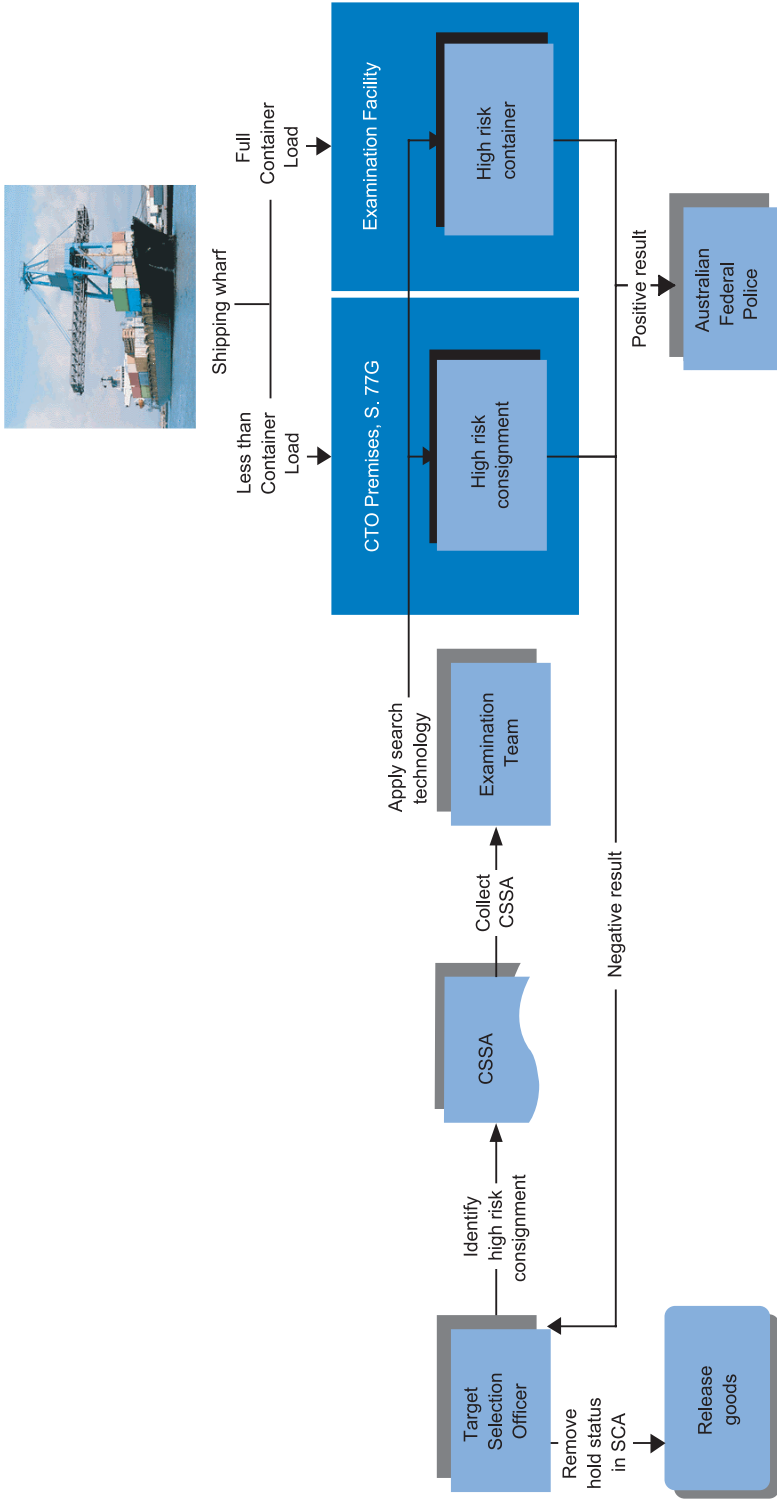
Source: Australian Customs Service

Containerised sea cargo examinations

4.8 The logistics of the sea transport industry means that predicting container availability for examination may be difficult, and can result in fluctuations in the workload of the examinations area. Containerised sea cargo is categorised as either a Full Container Load (FCL), when the entire contents of the container represent a transaction between one consignee and one consignor or Less than Container Load (LCL), when several unrelated consignments are consolidated into one container for economy of shipping. FCL containers are usually examined at Customs' examination facilities and LCL sea cargo off-site at Customs' licensed premises, where the container is unpacked.⁶⁵ Figure 11 outlines the sea cargo examination process.

⁶⁵ Licensed under s77g *Customs Act 1901* to pack, unpack and store goods prior to release from Customs' control.

Figure 11
Sea Cargo Examination Process



Source: ANAO interpretation of Customs data

4.9 Customs records the volume of sea cargo reports (manifest lines) targeted and the number of FCL and LCL examinations completed. Using these measures, it is difficult to determine a completion rate for the examination of sea cargo consignments. The number of manifest lines targeted is not directly comparable to the number of FCL and LCL consignments examined. For example, one manifest line can represent more than one FCL container.⁶⁶ Customs has advised that when the Examinations Data Management (EXAMS) system is implemented in mid-2002, sea cargo to be examined will be recorded and reported at container level.

4.10 Discussions with examiners and Targeting and Analysis staff suggested that the completion rate is lower for sea cargo examinations than air cargo. This lower rate could be attributed to a number of factors including the difficulty in predicting the availability of targeted containers and the physically challenging and time consuming nature of examining the cargo.

⁶⁶ An example would be a large organisation importing a considerable quantity of goods, which are recorded on one manifest line but packed into a number of sea cargo containers.

Case Study: Sea Cargo—184 kg of heroin and 79 kg of ‘ice’

Following Customs targeting of containers from China in December 2000, officers in Sydney discovered 79 kilograms of crystalline methylamphetamine (called ice) concealed in the construction of two containers of plastic modular storage units.



Further analysis of suspect consignments led to another three containers being identified that were subsequently found to contain 184kg of heroin.

The detection resulted in one of the most complex drug operations ever run in Australia, with officers from the Joint Asian Crime Group, which includes the AFP’s Drug Strike Teams, NSW Police, Customs, the National Crime Authority and the NSW Crime

Commission, arresting two men in Sydney in connection with the illegal importations. Hong Kong authorities also arrested a Chinese national, alleged to be the principal behind the importation, at a border crossing between Hong Kong and China.

The detection began with Customs cargo targeting and analysis identifying a consignment as representing a high risk, and requiring close inspection. Post-detection, police had to keep under surveillance five separate shipping containers, loaded with massive quantities of illicit drugs. They then had to monitor the movements of people of interest in respect to these consignments both in Australia and overseas. It is believed that the operation not only prevented these drugs from reaching our streets but also disrupted an extensive drug importation and distribution network.

Source: Australian Customs Service

Reporting examination results

4.11 There is no national examination system to record the details or results of cargo examinations. As a consequence, each region maintains its own unique system for recording consignments targeted and the outcome of examinations. The main driver for establishing these systems was the need to track whether examinations had been completed on the targeted consignments, although this information is not reported nationally. Some of these systems⁶⁷ include the capacity to analyse cargo examination outcomes. However, the ANAO found that there is no evaluation undertaken at the national level, across regions or in some regions.

⁶⁷ These systems varied from spreadsheets and card index systems to Access databases.

Examination data management project

4.12 The EXAMS system will be the interface between the Targeting and Analysis area and the new container x-ray facility. It is a national system that will provide, with greater accuracy, notification of cargo targeted for examination and record the results of these examinations. Customs envisage that the system will be operating nationally by mid-2002 for both air and sea cargo.⁶⁸

Conclusion

4.13 Customs has processes and procedures for examining cargo targeted as a potential risk. The audit found these procedures and processes are being implemented by the regions. The completion rate for targeted air cargo examinations is reasonably high but current measures do not allow an assessment of the completion rate for sea cargo examinations.

4.14 The implementation of the EXAMS system is expected to provide a national system to record cargo examination details and results. When implemented, the EXAMS system will allow Customs to analyse these results from both a regional and national perspective and provide feedback to TSOs and intelligence analysts regarding the effectiveness of cargo profiles and target selections.

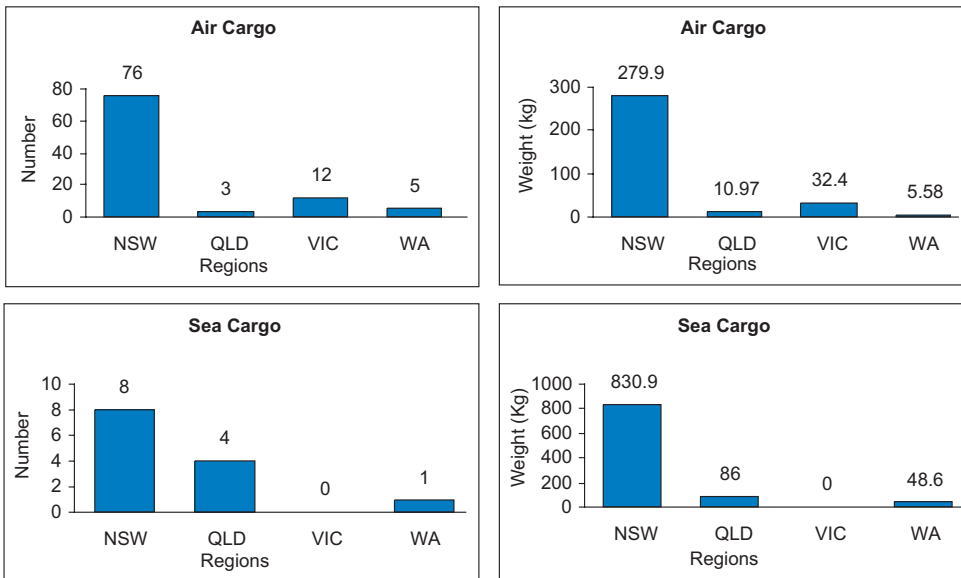
Detection of illicit drugs in sea and air cargo

4.15 Customs has had a number of illicit drug detections in air and sea cargo in the last three years. Figure 12, outlines the total number of detections reported by Customs and quantities seized in each region for air and sea cargo respectively.

⁶⁸ The system prototype will be developed for the new container x-ray facilities. The system will then be rolled out nationally.

Figure 12

Total detections and quantities of illicit drugs seized in air and sea cargo for the period July 1998–June 2001



Note: There were no seizures in Victoria for this period for sea cargo

Source: Australian Customs Service Druglan

4.16 The ANAO is unable to evaluate how effective these detections have been in reducing the supply of illicit drugs being imported into Australia or the impact these seizures may have had on the illicit drug market. There are no reliable estimates the ANAO could use as a comparison for the quantities of drugs being imported, the size of Australia’s illicit drug market or the quantities of drugs that may have gone undetected.

4.17 There were no detections of illicit drugs in sea cargo in Victoria for this period. In October 2000, the region completed a review of its sea cargo screening processes because of the lack of positive results and put forward a number of suggestions to improve targeting processes. The region has also put in place a number of strategies to strengthen its information and intelligence sharing arrangements with other law enforcement agencies. In August 2001, the region was responsible for a significant detection of illicit drugs.

Action taken when illicit drugs are detected

4.18 The AFP, in accordance with its legislative powers, has responsibility for all decisions in respect of narcotic drug seizures and arrests effected at the border, as well as prosecutions that arise out of such drug seizures. The NCA has similar responsibilities in relation to its investigations in so far as they involve organised

crime. Customs is responsible for liaising with, and informing, the AFP and NCA, as the case may be, in respect of drug related matters arising at the border.

4.19 Customs has Standard Operating Guidelines for Narcotic Interception, including a formal transfer document, outlining the procedures to be carried out should illicit drugs be detected. These guidelines were developed in conjunction with the AFP. The ANAO found that officers were aware of these procedures and, in the cargo operations reviewed, had complied with the procedures.

Post detection reporting procedures

4.20 When illicit drugs have been detected, all pertinent information relating to the seizure is to be recorded in the NIS and reported in the form of a B513 report. The B513 is used for the comprehensive reporting of seizures. Its purpose is to provide senior and executive management with immediate advice related to significant detections. For larger operations, a post operation report is prepared and for smaller operations a briefing paper may be adequate. Ongoing situation reports are provided to senior management throughout any operation. These reports had been completed in the cargo operations reviewed by the ANAO.

4.21 If the seizure is considered to be a significant detection,⁶⁹ a Significant Detection Analysis (SDA) report addressing the intelligence aspects of the seizure is also to be completed. However, as discussed in Chapter Two *Intelligence and Law Enforcement Cooperation*, SDAs are not always completed within the required 30 day reporting period.

Conclusion

4.22 The ANAO found that the procedures surrounding the detection of illicit drugs in sea and air cargo are generally effective. Formal agreements outline the respective roles and responsibilities. Customs reporting procedures have been implemented across regions, although there have been delays in producing some SDA reports.

Technology used in examinations

4.23 Customs uses a range of technologies as part of its drug detection strategies.⁷⁰ A full description of these technologies is outlined in Appendix 2. To ensure consistency in the use and training of this technology, the ANAO reviewed the training methods adopted by Customs.

⁶⁹ Significant detections are those that meet specific criteria, which are set out in an Appendix to Customs Significant Detection Analyses Guidelines.

⁷⁰ Technology encompasses any equipment that aids the detection, search, examination or surveillance of ships, aircraft, goods or persons entering or departing Australia.

4.24 Customs advise that it consults widely on technology advances with a range of law enforcement partner agencies both in Australia and overseas. There is particularly close cooperation with Customs administrations in the United States, United Kingdom and Canada with respect to sharing information and evaluation data for detection technology.

Training and accreditation in the use of technology

4.25 Customs has adopted the Competency Assessment Training Officer (CATO) System to ensure officers are properly trained when using the various types of technology. Under this system, trained CATO officers in each region deliver initial training, conduct assessments and oversee the various Border Technology training programs. The officers are also responsible for collecting statistical data, quality assurance and providing advice to clients and other stakeholders. CATO officers are selected primarily on their technical knowledge and ability and must be recertified every 12 months. The CATO program is used for the Ionscan and x-ray systems.⁷¹

Detector Dog Program

4.26 Customs' Detector Dog Program plays an important role in detecting illicit drugs. The dog teams are used to examine cargo containers, parcels, baggage, vessels, aircraft, luggage and people. In 2000–2001, the detector dogs were responsible for 1 768 seizures⁷² across all areas of Customs.

4.27 Customs completed a Canine Utilisation Review in May 2001 following concerns that detector dog teams were not being used effectively. The review put forward a number of proposals for improving client knowledge and tasking processes. In November 2001, Customs decided that the highest priority for the program was the proper tasking of detector dog teams. As a consequence, an education package is being developed. A review of the utilisation of the detector dogs and their relationship with Customs' targeting strategies is also being conducted.

Container x-ray project

4.28 Container x-ray technology will significantly increase Customs' capacity to examine sea cargo containers. Container x-ray equipment is to be installed in Sydney, Melbourne and Brisbane in 2002. Initial capital expenditure is \$16 million

⁷¹ The x-ray training units include cabinet (baggage type), pallet, and portable x-ray systems in addition to a generic unit on the scientific principles of x-ray technology. The CATO system will also be used for the new container x-ray technology training.

⁷² This figure includes all drug types in all areas of Customs.

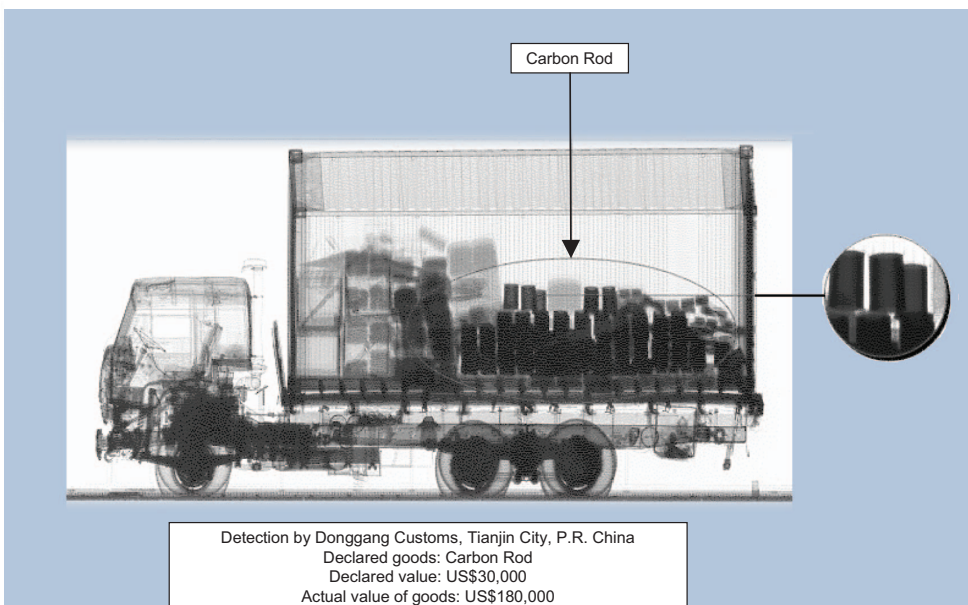
with ongoing operating expenses of \$41.5 million.⁷⁴ Customs anticipates that the new facilities will provide the following benefits:

- an increase in Customs' ability to detect prohibited and illicit goods concealed within sea cargo;
- an increase in revenue due to more frequent detections of misreported consignments, revenue evasion and tobacco smuggling;
- an increase in the level of voluntary compliance as a result of improved education and marketing of Customs' requirements;
- reduction in the time consignments remain under Customs control; and
- an increase in the total number of sea containers inspected.

4.29 The container x-ray facilities are designed to scan a truck carrying fully laden shipping containers. The x-ray inspection takes place within a scanning hall that houses the unit, consisting of the x-ray imaging sub-system and associated mechanical and electromechanical components. Figure 13 illustrates. Containers will also be subject to physical examination should the initial x-ray process suggest this is necessary.

Figure 13

Illustration of container x-ray technology



Source: Australian Customs Service

⁷⁴ Operating expenses include: \$6.5 million employee costs; \$30 million supplier costs; and \$5 million property.

4.30 Officers have already undertaken training with the manufacturer and a training program and national guidelines are being developed. The Targeting and Analysis groups have also initiated a series of desk-top training exercises to ensure that the increase in examination capacity will be supported by quality target selection. These exercises are discussed in Chapter Three *Air and Containerised Sea Cargo*.

Conclusion

4.31 Customs uses a range of technologies to examine cargo and liaises with other law enforcement agencies and Customs administrations in evaluating detection technology. The CATO training system ensures officers have the qualifications to use this technology effectively. As well, the re-certification process ensures expertise is maintained. The container x-ray technology will enhance Customs' capacity to examine sea cargo and its drug detection capabilities.

5. Small Craft Activities

*This chapter reviews Customs' strategies, procedures and processes for assessing the risks associated with small craft and Customs' response to the detection and interception of illicit drugs involving small craft. For the purposes of this report, small craft are identified as 'vessels powered by sail and/or motor that are primarily used for pleasure cruising but not engaged in the carriage of people or legitimate cargo for financial gain.'*⁷⁴

Introduction

5.1 The large-scale importation of drugs by small craft poses a high risk to Australia's border. In recent years, international syndicates have used small craft to import significant quantities of heroin and cocaine.

5.2 Small craft arriving in Australia are required to notify Customs of arrival. Customs has processes in place for boarding and risk assessing these vessels. A greater risk is posed by those vessels that do not provide notification of impending arrival and may off-load illicit drugs prior to reporting to Customs. Recognising the risks posed by small craft, Customs initiated the Small craft Targeting and Reporting Strategy (STARS) project in October 2000.

5.3 The STARS project team identified that a greater focus needed to be applied to gathering intelligence and information in order to effectively target risk vessels. There needed to be a major shift from boarding vessels for administration purposes to attending the vessel with the main purpose of gathering information related to risk indicators. Although there have been several attempts to introduce a national approach to targeting and reporting, it has never been implemented. The project team put forward a number of recommendations to improve the effectiveness of Customs' small craft targeting strategies and to introduce a measure of consistency in processes and procedures across regions and district offices.

5.4 The ANAO examined Customs' strategies and processes for assessing the risks associated with small craft and Customs' response to the detection and interception of illicit drugs. The following areas were included in this review:

- assessment of small craft following notification of arrival;
- identifying and assessing high risk vessels; and
- response operations for intercepting illicit drugs.

The implementation status of the STARS report recommendations was also reviewed.

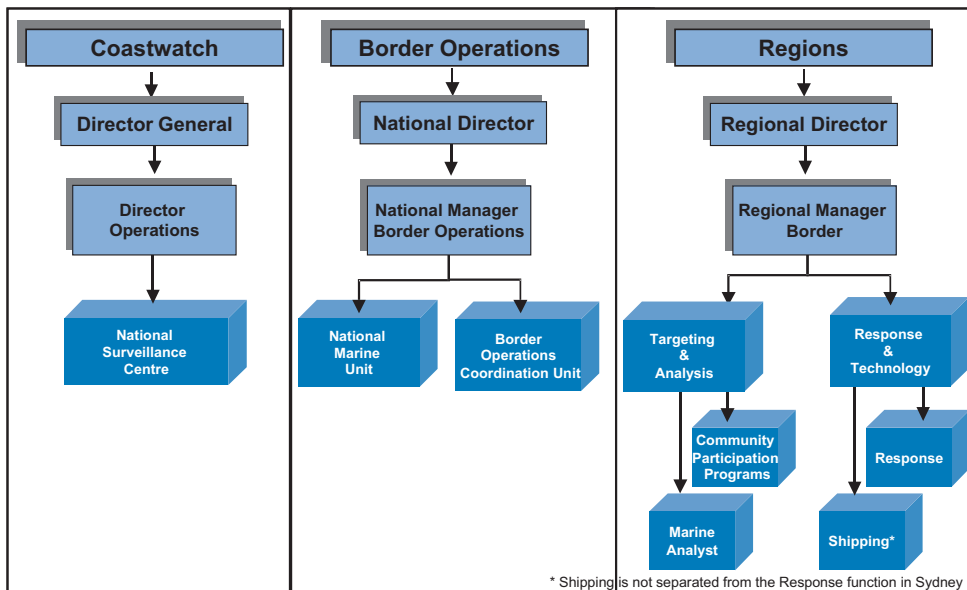
⁷⁴ Australian Customs Service, *Small craft Targeting and Reporting Strategy Report*, October 2001, p. 11.

Management structure

5.5 Customs is empowered under the Customs Act to assess vessels, people and goods entering Australia.⁷⁵ Customs' strategies and processes for managing compliance and assessing the risks associated with small craft are undertaken by a number of areas within Customs. Figure 14 outlines Customs' management structure at the National and Regional levels. The Border Operations Coordination Unit (BOCU) coordinates activities between the Regions, National Office, Coastwatch and the National Marine Unit (NMU).

Figure 14

National and Regional Management Structure for Small Craft Activity



Source: ANAO analysis of Customs data

Notification of arrival

5.6 Customs' processes are designed to gather information regarding small craft arrivals in Australia. From July 2000 to June 2001, there were 784 small craft direct arrivals⁷⁶ entering Australia.

5.7 The STARS project found that there was no formal network in place either within, or outside, Customs to collect or share information relating to small craft arrivals. While it was recognised that a major threat is those vessels that have no intention of reporting, the STARS team believed that, by identifying

⁷⁵ *Customs Act 1901*—No.6 of 1901—Consolidated to 16 August 2001. Including Sections 15, 33, 49A, 58, 64, 65, 66, 67, 167, 187, 190, 195.

⁷⁶ The first port of call arrival refers to the first port that a vessel arrives at when entering Australia from overseas. Australia has 35 ports of entry.

legitimate small craft movements, Customs would be better positioned to target illegitimate movements. To improve the reporting process, it recommended: formalising agreements with those countries that have the highest volume of last port clearance to Australia; distributing information packages; developing an electronic reporting capability; and enhancing the small craft reporting system.

Overseas agencies reporting

5.8 Ninety five per cent of all reported small craft arrivals depart from six countries: New Caledonia; Vanuatu; New Zealand; Papua New Guinea; Solomon Islands; and Fiji. Formal agreements for information sharing are in place with the New Zealand and Indonesian Customs administrations. These administrations provide expected arrival notification to Customs when vessels depart their country for the stated destination of Australia. Customs is pursuing initiatives to obtain further information on the pending arrival of small craft on established sailing routes to Australia. Customs is also formalising current arrangements with New Caledonia.

5.9 Customs is participating in a joint venture with the United States and New Zealand Customs Services to encourage the transfer of information and intelligence between the countries of the Pacific Basin and parts of Asia. To achieve this, an internationally accessed Internet-based messaging and information storage system, the Customs Asia Pacific Enforcement Report System has been developed. The system, formalised through an MoU, is being trialed for two years (from October 2000) and involves 14 selected regional countries.⁷⁷

Additional information sources for arrival notification advice

5.10 Other State or Commonwealth Departments, such as the Australian Quarantine and Inspection Service (AQIS), may receive notification of a small craft arrival. Local arrangements are in place for AQIS to advise Customs of any impending small craft arrival and attendance at the vessel is then coordinated.

5.11 When volunteer coastguard and marine-band radio organisations encounter a small craft arriving in Australia from overseas, they will generally advise Customs or provide the small craft with Customs' contact details.

Small craft boarding process

5.12 Customs has adopted a two-stage approach for assessing the risks associated with small craft, prior to boarding the vessel and when on board the vessel.

⁷⁷ Thailand, Japan, Guam, Saipan, Palau, Fiji, Tonga, Samoa, Canada, French Polynesia, New Caledonia, Aruba, Martinique, Trinidad and Tobago.

5.13 Prior to boarding a vessel, information received is checked against internal and external data sources including the National Intelligence System (NIS), and INTERCEPT, an electronic shipping database system. If further research and analysis are required, the vessel will be referred to the marine intelligence analyst or the Targeting and Analysis area. Should the vessel be considered a high-risk, a decision is then taken on how Customs will respond to boarding the vessel and whether additional technology and/or law enforcement agencies need to be involved in any response activity. Customs' response capabilities are discussed later in this chapter.

5.14 Boarding officers complete all necessary documentation and undertake an on-board risk assessment, monitoring the crew, and scanning the craft for anything unusual or out of place. The ANAO found that, although there is some variation in process due to resources and workload, all regions and district offices complete pre-boarding checks, board and assess first port of call vessels. The procedures adopted by the region/district offices are reasonably consistent.

Training of boarding officers

5.15 The STARS report noted that there had been no formal training program for targeting and risk assessing small craft and that, with the change of focus to the assessment of risk, the ability to identify risk indicators would need to come from in-depth training and guidelines. Officers interviewed by the ANAO frequently commented on a lack of specific training for small craft boarding officers.

5.16 The Border Search Training Centre has developed a National Pleasure Craft Search training course for Level 1 and 2 Customs officers. The course was piloted in December 2001, repeated in February 2002, and has eight learning outcomes.⁷⁸ Although the lack of training for small craft officers will be addressed in part by this training course, there is no component in the course that addresses risk indicators or risk assessment strategies. The ANAO considers a module covering risk assessment strategies and risk indicators should be included in the course to address the shift in focus to assessing the risks associated with small craft.

5.17 The ANAO found that regions and district offices rarely use the national procedural manuals. Some have developed their own Standard Operating Procedures (SOPs) and guidelines. However, the focus of these SOPs is on the boarding process rather than the gathering of intelligence and risk assessment. Multiple SOPs also introduce the risk of inconsistent practices developing across

⁷⁸ The learning outcomes include: terminology, craft layout and configuration; basic OH&S requirements; identification of the various log books, charts and navigational equipment; understanding the equipment and technology options available; understanding the use of, additional personnel and equipment; completion of a pleasure craft assessment form; understanding the areas of concern and monitor the atmosphere with a gas monitor; and conducting a vessel of interest, pleasure craft search, ascertaining the need for additional intelligence and/or expert advice.

region/district offices. The ANAO supports the STARS report recommendation to publish a simplified guide to assist boarding officers.

Implementation of STARS project recommendations

5.18 The STARS report made 28 recommendations. To date nine recommendations have been implemented; nine are partially implemented; eight have not been implemented; and two are no longer relevant. Appendix Three provides details of the STARS recommendations and Customs' progress in implementing these recommendations. The departure of the STARS team leader resulted in a lack of impetus in implementing outstanding recommendations. Customs has advised that a new team leader has been appointed and the STARS project team is to reconvene this year.

Conclusion

5.19 Customs has initiated a number of improvements to the notification of arrival process and is re-focusing the boarding process to assessing risks. These processes could be further improved if the small craft officer National Pleasure Craft Training course included modules covering risk assessment strategies and risk indicators. The ANAO considers that the risk of inconsistent standards and practices developing would be reduced if SOPs are consistent with, and support, the training course. A regular review of SOPs would help to ensure consistency with national principles. Publishing a simplified guide would further assist boarding officers.

5.20 The ANAO recognises that Customs is continuing to implement the STARS recommendations. However, the ANAO considers a follow-up review of the STARS project should be undertaken within the next 12–18 months to provide assurance that all recommendations, where still appropriate, are implemented and to monitor the ongoing effectiveness of its current strategies and processes.

Recommendation No. 5

5.21 To help ensure the continued effectiveness of its small craft risk assessment and targeting strategies the ANAO recommends that Customs:

- (a) undertake a follow-up review of the STARS Project within the next 12–18 months;
- (b) incorporate a module outlining risk indicators and risk assessment strategies into the National Pleasure Craft Search Training Course; and
- (c) publish a simplified guide to assist boarding officers.

Customs response

5.22 Agree.

Identifying and assessing high risk vessels

5.23 To identify high risk vessels, Customs relies on information and intelligence from a variety of sources. These include Government agencies, volunteer coastal organisations, LEAs and, particularly, its Community Participation Program (CPP) contacts and the surveillance undertaken by Coastwatch and the NMU. Customs uses this information and intelligence to target a vessel prior to, or on, arrival in Australia.

Community Participation Program—Customs Watch

5.24 The Community Participation Program, Customs Watch, commenced in July 1995 and is designed to encourage the general public to report any unusual or suspicious activity in their local area. Each region has a CPP Coordinator who is responsible for identifying contacts and liaising with members in their local communities. The ANAO found that the management and coordination of the CPP varied across region/district offices. Some coordinators are more thorough in their analysis of the participants' information, as well as assessing its relevance and importance.

5.25 The ANAO was advised that there is no national training package for the Customs Watch program. We found coordinators were often frustrated by a lack of training. The STARS report also noted that staff were not trained in public speaking or presentation skills, and that presentation material was outdated. It recommended a 'speakers pack' be developed.

Proposed initiatives for CPP

5.26 The CPP is currently being reviewed because Customs has identified the need to refocus and more accurately target and report on the program's activities. The proposed changes are designed to more carefully target contacts and improve the quality of the information received. Customs advised that the future priorities for the CPP would include developing a training package for coordinators and a national presentation framework that can be adapted to incorporate local requirements. The ANAO supports the proposed initiatives. We consider it important that the concerns raised about training, and the lack of a nationally consistent presentation package, be addressed as a matter of priority.

Case Study: Small craft—412 kg of amphetamine-type substances

Information from the public through the Customs Watch program and significant analytical and surveillance work by Customs and the AFP resulted in the detection of a small craft, the *Zen* at Queensland's Sunshine Coast. The boat was being used in the attempted importation of a record amount of methylamphetamines.



At the conclusion of the joint operation with the AFP over 400 kg of various amphetamine-type substances had been seized.

The seizure included a record detection of 'ice' (152kg) and the largest ever seizure of methylamphetamine in tablet form (almost 260kg). Over 1.5kg of ecstasy was also seized.

Source: Australian Customs Service

Civil surveillance taskings

5.27 To gather further information relating to small craft activity around Australia's coastline, BOCU coordinates requests for Coastwatch and the NMU to undertake strategic⁷⁹ and tactical⁸⁰ surveillance. The information received from this surveillance activity needs to be analysed by intelligence analysts and district officers in the context of their knowledge of small craft activity in their local environment in order to detect anomalous movements or vessels.

5.28 During the period 2000–2001, Coastwatch received 31 strategic and 256 tactical taskings from BOCU. Eighty seven per cent of strategic and 83 per cent of tactical taskings were met. During the same period, the NMU received 215 strategic tasking and 26 tactical taskings requests from BOCU. Seventy-six per cent of the strategic and 100 per cent of tactical taskings were met.

5.29 The NMU and BOCU advised that there is a lack of understanding of the capabilities of Coastwatch and the NMU assets across regions and district offices. This lack of understanding can impact on the quality of the tasking process. The NMU is developing a tasking guide. However, this is unlikely to be promulgated before mid-2002. To ensure a better understanding about the capabilities and realities of using Coastwatch and NMU assets, a team of Coastwatch, BOCU

⁷⁹ Strategic taskings reflect medium to long-term requirements, are client-generated, and based on generic client intelligence.

⁸⁰ Tactical taskings are those which require a priority response and relate to specific incidents or events where a particular outcome is to be achieved.

and NMU officers will visit all region and district offices during 2002 as part of an education and training strategy.

Review of surveillance taskings

5.30 Customs has not reviewed strategic taskings to ensure that they correlate with the risks posed by small craft. Customs advise that Coastwatch has agreed to undertake an assessment and mapping of the small craft routes into Australia. Coastwatch will use this assessment to integrate Border Operations requirements into its strategic flying plan. Customs has also advised that it will undertake a review of all Coastwatch strategic surveillance tasking requests to ensure that these taskings are focussed on the high-risk corridors. The ANAO considers a similar review should be conducted of the NMU taskings.

National coastal risk assessment

5.31 Customs has recently initiated a national coastal risk assessment project aimed at risk assessing the Australian coastline. At the time of writing this report, the project had not been scoped or the objectives clearly defined. The ANAO considers such an assessment, when completed, will be helpful in coordinating strategic taskings across regions and directing them to the areas of greatest risk.

Conclusion

5.32 The strategic and tactical surveillance undertaken by Coastwatch and the NMU increases Customs' capacity to detect high-risk vessels. Although not all taskings are met due to operational imperatives, a high proportion are. It is important that the capabilities of Coastwatch and NMU assets are understood and taskings meet expectations and requirements. The proposed tasking guide and training should improve the quality of the tasking process. The Coastwatch assessment and mapping of small craft routes and focussing surveillance taskings on high-risk corridors should further increase Customs' ability to identify the risks posed by small craft.

National Small Craft Targeting Strategy

5.33 One of the main aims of the STARS project was to implement a national targeting strategy. Customs has recently initiated the development of a National Small Craft Targeting Strategy. The proposed strategy, to be developed in consultation with regional managers, will include: the implementation of the STARS report recommendations; international liaison; Coastwatch and NMU surveillance taskings; port intelligence activities; and a small craft coordinator.

5.34 The ANAO supports a well defined and documented National Small Craft Targeting Strategy that will provide a consistent approach to assessing and treating the risks associated with small craft. The national coastal assessment project should also provide valuable input into any national strategy and provide baseline data for an ongoing assessment of risk in relation to Australia's coastline and associated small craft activities.

Response operations for detecting and intercepting illicit drugs

5.35 Customs' response to small craft activity is dictated by the level of risk and circumstances at the time and may involve a Customs-only response or a joint or multi-agency response with other law enforcement agencies. Customs may respond in a number of ways, with response capabilities escalating as the circumstance demands. The ANAO reviewed Customs' response operational command structure and training.

Customs' response operations

5.36 Where initial research or intelligence indicates a high level of risk associated with a small craft, a project⁸¹ or operation⁸² is initiated, with projects often moving to an operational conclusion. Operations may run for a relatively short period of time or be extended over many months.⁸³ LEAs, particularly the AFP, are advised of any pending Customs operations and provided with regular intelligence briefings.

5.37 Where a Customs-only response operation results in the detection of illicit drugs, the AFP will immediately be notified and take control of the narcotics and subsequent investigation. Generally, operations involving small craft have been undertaken in conjunction with other LEAs. Table 4 outlines Customs' significant drug detections involving small craft operations in the four regions examined by the ANAO for the period July 1998 to July 2001.

⁸¹ Customs defines a project as the collection and analysis of information in relation to a particular target or generic target group involved in a suspected serious breach of Customs or Customs related legislation.

⁸² Customs defines an operation as planning in relation to and mobilisation of resources, outside the normal work environment or in greater numbers than normal, for the interception of a particular target involved in a suspected serious breach of Customs or Customs related legislation.

⁸³ BOCU assigns the operation and project names and maintains a current work-in-progress operational and project activity status report.

Table No. 4

Significant detections involving small craft for period July 1998 to July 2001

Region	Heroin quantity Kg	Cocaine quantity Kg	Cannabis quantity Kg	Ecstasy quantity Kg	Other quantity Kg	Total number of detections
NSW	390	727	0	0	0	3
QLD	0	88	0	1.5	411	3
VIC	0	0	0	0	0	0
WA	0	938	0	0	0	1

Source: Australian Customs Service

5.38 Customs had seven successful operations during this three-year period with a significant quantity of illicit drugs being seized, particularly cocaine. The ANAO is unable to evaluate how effective Customs' detections have been in reducing the importation of illicit drugs by small craft. It is not known what quantities of illicit drugs were imported into Australia by small craft during this period. The STARS report noted that, although there have been a number of successful detections by Customs since 1972, a significant number of incursions were not detected.⁸⁴ The report stated:

The quantity of drugs seized and the quantity that has been successfully imported by this method is staggering and far exceeds all other methods of importation combined.⁸⁵

Customs' operational command framework

5.39 All Customs' operations are conducted using operational command principles and a formal command structure with clearly defined roles and responsibilities.⁸⁶ For joint agency operations, an agreement is developed outlining the respective roles and responsibilities of the agencies specific to the operation. This agreement provides a framework for each agency to develop operational orders. A lead agency will be nominated, usually based upon the agency originating the operation or originally sourcing the information leading to the operation.

⁸⁴ Customs research has identified a total of 115 drug incursions since 1972. Fifty of these are known incursions and the other 65 are highly suspected. Research is based on Customs and AFP electronic and paper records.

⁸⁵ Small craft Targeting and Reporting Strategy Report, op. cit., p. 15.

⁸⁶ Australian Customs Service, *Operational Command Handbook*, 1994, p. 1.

Case Study: Small craft—500 kg Cocaine



On 1 February 2000, Australia's then largest seizure of cocaine was made from a yacht, the *Ngairi Wha*, which had arrived from South America via New Zealand. Acting on intelligence, a Coastwatch Dash-8 aircraft searched the waters east of Australia looking for a single yacht.



Once located, the yacht was shadowed covertly for a number of days. The Customs vessel 'Holdfast Bay' and three high-speed small craft subsequently intercepted the vessel prior to its arrival at Broken Bay on the New South Wales central coast. Over 500 kilograms of cocaine were located in the cabin of the yacht. The AFP arrested six people associated with the importation.

Source: Australian Customs Service

Post operation reporting and evaluation

5.40 The ANAO reviewed operations involving small craft in NSW, WA and Qld. All regions had applied the operational command principles and structure. Joint agency agreements were developed, post operation command and control reports completed and Customs-specific and joint agency debriefs conducted. Regions had completed action plans for implementing any recommendations included in post operation reports. The operations reviewed by the ANAO experienced problems with communications, lack of trained officers and across agency coordination. These issues were raised in debriefings and post operation reports. Evaluations and effective steps are being taken by Customs to address them. A number of regions suggested that it might be helpful if BOCU could disseminate the lessons learned as well as any better practice examples resulting from operations.

5.41 Significant Detection Analysis (SDA) reports addressing the intelligence aspects of these operations were not always completed within the required timeframe of 30 days. SDAs are discussed in Chapter Two *Intelligence and Law Enforcement Cooperation*.

Conclusion

5.42 The ANAO considers that Customs has an effective operational command management framework in all regions reviewed. The ANAO agrees that, if on completion of an operation, BOCU disseminated to all regions a summary report identifying lessons to be learnt and better practice examples, the latter could be applied in future operations and training exercises.

Operational command training

5.43 One of the key factors in the success of any operation is the competence of the upper operational command structure, specifically the operation commander and group commanders. Customs has conducted no operational command training⁸⁷ for over 12 months, due to commitments to the Sydney 2000 Olympic Games.

Training review

5.44 Customs initiated a review of operational command training that was completed in June 2001. The review put forward a number of recommendations relating to access to training; establishing a national program of simulation exercises; assigning responsibility in each region; and BOCU assuming a more active role.

5.45 Customs advised that a revised training program is being developed. However, there have been delays in completing this program, as resources were required for higher priority tasks. It is envisaged that the new program will be completed by mid-2002. The review argued that there was a critical need for Customs to pursue continuous improvement in its operational readiness through a systematic program of regular training exercises. This recommendation is supported by the ANAO.

5.46 Customs has conducted a number of training exercises in the last few years that have been considered very useful by participants. The exercises also identified areas where improvements could be made.⁸⁸ The exercises were initiated by regions on an ad-hoc basis, rather than as part of a coordinated program of regular training exercises, as recommended by the training review.

5.47 The ANAO recognises that training exercises, whilst being of considerable benefit in maintaining operational readiness and providing an opportunity to

⁸⁷ Training courses include: one Operation Chief course every two years; one Operation Commander course every year; and two Group Commander courses every year.

⁸⁸ Examples include Operation *Exile* 96 and 98—a joint agency exercise conducted in Queensland and more recently Exercise *Samoan Sunset* (Oct 2001) and Operation *Jilliby* in South Australia in November 2001.

work with other agencies, have a cost in terms of time and resources, particularly when involving Coastwatch and NMU assets. The operations *Exile 96* and *Exile 98* undertaken in Queensland cost between \$14 000 and \$20 000. Desktop/discussion exercises are a less costly alternative and still expose officers to specific '*what if*' scenarios and test response capabilities. The ANAO considers that an exercise program could be a combination of field and desktop/discussion exercises, targeted at obtaining maximum benefits.

Conclusion

5.48 If Customs' operational command structure is to remain effective, the ANAO considers, a strong, nationally coordinated program of regular training exercises must underpin it. The ANAO recognises there is a cost in terms of time and resources to implementing a training exercise program. However, the benefits to be gained from this program include a skilled and practiced workforce, with costs recovered through improved effectiveness. The program coordinated by the Operational Command Training Unit, could include as a minimum, desktop exercises in each region annually. Depending on Customs' priorities and the availability of funding and resources, a major field exercise could also be conducted annually and rotated between those regions that have not been involved in an operation for more than three years.

Recommendation No. 6

5.49 To maintain a high standard of operational readiness and response capability for operations involving serious breaches of Customs' legislation, the ANAO recommends that Customs consider establishing a national program of operational training exercises, coordinated by the Operational Command Training Unit, that includes:

- (a) one desktop/discussion exercise being conducted annually in each region; and
- (b) depending on Customs' priorities and the availability of resources and funding, a major field exercise conducted annually and rotated between those regions that have not been involved in an operation for more than three years.

Customs response

5.50 Agree.

Remote area dossiers

5.51 To ensure operational readiness, response teams are required to maintain Remote Area Dossiers (RADs) covering coastal and inland areas within the boundaries of the district offices. The dossiers contain information such as maps, photographs, contact registers, and reconnaissance reports collected through remote area activity, patrols, operations and Customs Watch visits. The purpose of the dossiers is to assess risk and to assist in the planning of operations, patrols and other activities. There is no national system for storing this data and, as a consequence, regions have adopted a variety of data storage systems.⁸⁹ The ANAO found considerable variation in how the region/district offices maintain and update their dossiers. Some regions conduct annual assessments to regularly update their dossiers, whereas others have not been updated for several years.

5.52 A working group was formed in April 2000 to review existing RAD dossiers and to develop a National Electronic Remote Area Data System (NERADS). The system will allow staff to input, update, search and report on contacts and other operational data including information available from public authorities and commercial suppliers.⁹⁰ The ANAO considers that such information would be particularly useful where districts have not been able to undertake regular assessments or where there are significant resourcing costs in terms of time and travel associated with remote activity. Customs advises that a submission is being prepared for its Information Technology Policy Committee requesting funding and approval to implement the NERAD system.

⁸⁹ Data storage systems including spreadsheets, databases, card index systems and paper files.

⁹⁰ Examples include information from AUSLIG, local councils such as boat ramp access or the data provided by the Royal Flying Doctor Service on the condition of remote airstrips.

6. Customs and National Illicit Drug Strategy Funding

This chapter outlines Customs' funding allocations and the additional funding provided by the National Illicit Drug Strategy (NIDS) for specific initiatives relating to the detection of illicit drugs. The implementation of the NIDS initiatives and Customs' role and reporting responsibilities within the NIDS framework are also discussed.

Introduction

6.1 Customs' role in relation to drug detection forms part of its wider border management role in intercepting the prohibited movements of goods across the border. As indicated in earlier chapters, many activities are not specific to detecting illicit drugs but have drug detection as an important component and objective.

6.2 Customs' activities support the Government's commitment to combat the importation and use of illicit drugs and are underpinned by provisions in the Customs' legislation. Customs received additional funding for specific drug detection initiatives as part of the Government's National Illicit Drug Strategy (NIDS).

6.3 The ANAO sought to determine the resources allocated to Customs' border activities and the detection of illicit drugs. The additional funding provided for NIDS initiatives, the implementation of these initiatives, and Customs' role and reporting responsibilities within the NIDS framework, were also examined.

Customs' budget appropriation

6.4 Customs has one Outcome:

Effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics.⁹¹

6.5 The 2001–2002 budget allocation for this outcome is \$728 606 000. There are five outputs supporting this outcome. Customs has identified Output One as the major output relating to the detection of illicit drugs:

Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports.

⁹¹ Appropriation Bill (No 1).

Figure 15 outlines the resource allocation for Customs' Outcome and Output One.

Figure 15
Australian Customs Service appropriations

2001–2002 Appropriations and other revenue for <i>Outcome One</i>			
Outcome One	Annual Appropriation	Revenue from other sources	Total
Effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics.	\$ 509 849 000	\$ 218 756 000	\$ 728 605 000
2001–2002 Departmental appropriations and other revenue for <i>Output One</i>			
Output One—Resourcing other sources	Departmental Appropriation	Revenue from other sources	Total
Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports. ⁹²	\$ 272 063 000	\$ 2 366 000	\$ 274 429 000

Source: Agency Budget Statements — Australian Customs Service
Portfolio Additional Estimates 2001–2002 Attorney-General's Portfolio

6.6 Output One covers the processing of goods across the border, including:

- risk assessment of vessels, aircraft, cargo, mail, sea passengers and baggage;
- intelligence, targeting and search activities;
- surveillance of international airports, waterfront and international mail centres; and
- land-based surveillance of the coast line, and aerial/marine surveillance and response for specific operations.

⁹² Prohibited and restricted items include illicit drugs, weapons, pornography, unsafe products, therapeutic goods, wildlife, quarantine items and intellectual property rights and breaches. This output also covers the investigation and prosecution of non-narcotic prohibited import and export offences.

Border funding

6.7 Output One covers a broad range of inter-related activities. Customs is unable to identify what proportion of the Output allocation is directed specifically at drug detection activities. In attempting to quantify the resources directed to drug detection activities, consideration was given to using Customs' Activity Dictionary (CAD). The CAD defines the functions or 'activities' performed by Customs in the delivery of its Outputs and allows the measurement of effort and staff costs by activity.⁹³ Analysing drug detection effort by activity was found to be impractical as drug detection is not a discreet activity. As such, analysis of activities such as air cargo, sea cargo and small craft would not provide an accurate reflection of the resources allocated to drug detection.

6.8 As the focus of this audit was primarily concentrated on border activities, the ANAO sought the proportion of overall funding that was allocated to the Border Operations areas in National Office and the regions. Table 5 outlines these allocations as at 31 December 2001. The total allocations represent 53 per cent of the total budget allocation (\$728 605 000) of Customs' outcome.

Table 5

National and regional resource allocations for Border activities as at 31 December 2001

Regional Resource Allocations			
Region	Total resource allocation \$m	Border operations resource allocation \$m	% of Total allocation
National Office ⁽¹⁾	176 133 344	43 857 082	24.9
Northern Territory	9 864 190	2 624 780	26.6
Tasmania	2 636 459	1 309 635	49.7
South Australia	9 919 145	3 204 000	32.3
Victoria	45 929 304	8 490 650	18.5
Queensland	41 077 603	12 803 420	31.2
Western Australia	25 078 749	5 765 644	22.9
New South Wales	76 328 199	19 878 619	26.0
TOTAL	386 966 993	97 933 830	25.3

Source: Australian Customs Service data

Note (1): National Office allocation includes National Office Border Division and ACT funding.

⁹³ The full costing of activity effort also requires the inclusion of supplier expenses and overhead expenses, which requires a separate allocation process.

6.9 Table 5 provides an indication of the level of funding directed towards border activities Australia-wide. The total regional allocations do not reconcile to the total Customs' allocation as funds are held nationally for specific initiatives such as the Increased Quarantine Interventions. There are also different funding arrangements within regions due to the varied structure and roles of Border Operations between regions.

The National Illicit Drug Strategy

6.10 The Government has sought to enhance Customs' existing drug detection capabilities through a range of specific initiatives funded by NIDS. The Prime Minister launched the *National Illicit Drug Strategy* in November 1997 as a Commonwealth initiative, and a major phase of the National Drug Strategy (NDS).

6.11 The NDS identified a broad set of objectives aimed at improving health, social and economic outcomes, by preventing the uptake of and reducing the harmful effects of licit and illicit drugs in Australian society.⁹⁴ A whole-of-Government approach has been adopted for the NDS. The Ministerial Council on Drug Strategy (MCDS) oversees the implementation of the National Drug Strategic Framework (NDSF). The Framework maintains the policy principles of the previous phases of the NDS. It brings together Commonwealth, State and Territory Ministers responsible for health and law enforcement to collectively determine national policies and programs to reduce the harm caused by drugs in Australia. The MCDS is supported by the Intergovernmental Committee on Drugs, a Commonwealth, State and Territory Government forum, of which Customs is a member. The MCDS is also supported by the Australian National Council on Drugs, which consists of government, non-government and community representatives.

NIDS funding arrangements

6.12 Funding for NIDS is split between demand-reduction strategies, and supply-reduction strategies. Since 1998, \$516 million has been allocated under NIDS to Commonwealth and State agencies, with \$303 million to demand-reduction activities and \$213 million for supply-reduction activities.

6.13 Customs and the AFP are the key agencies in implementing strategies to reduce the supply of illicit drugs entering Australia. The two agencies work collaboratively to prevent, detect and intercept the importation of illicit drugs (both before and at the border). Intelligence sharing and cooperation between

⁹⁵ Ministerial Council on Drug Strategy, *National Drug Strategic Framework 1998–99 to 2002–03: Building Partnerships: A strategy to reduce the harm caused by drugs in our community*, November 1998, p. 19.

the two agencies and other law enforcement and regulatory agencies underlie Customs' role in detecting illicit drug importations. The AFP's focus is on seizing the drugs and investigating those responsible for the importation. Funding through NIDS has provided additional resources to Customs for supply-reduction initiatives.

6.14 Under NIDS, Customs has been allocated over the period 1997–98 to 2001–02 \$62 million for the following initiatives:

- increased surveillance in the Torres Strait (\$7.8m);
- cargo profiling and examination (\$4.3m);
- cargo examination facility (\$6.2m);
- communication and IT capabilities (\$9.2m);
- additional intelligence analysts (\$6.9m); and
- increased search capacity (\$27.6m).⁹⁵

6.15 As the focus of this audit is directed at the non-Torres Strait initiatives, the increased surveillance initiatives in the Torres Strait involving the NMU and Coastwatch have not been included in our review of Customs' implementation of NIDS initiatives. Table 6 outlines the non-Torres Strait initiatives and the additional funding (\$54.35m) provided for these initiatives for the period 1997–98 to 2001–02.

⁹⁵ Increased search capacity incorporates funding for x-ray technology including container x-ray facilities, mobile search teams and marine crew.

Table 6**Customs National Illicit Drug Strategy funding allocations**

	1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m	2001-02 \$m	Totals \$m
NIDS 1 - November 1997						
Cargo profiling and examinations	0.000	2.770	0.630	0.450	0.450	4.3
Cargo examinations facility	0.600	2.345	1.100	1.100	1.100	6.245
Communications and IT capability	0.865	4.171	2.010	1.088	1.069	9.203
Intelligence analysts	0.060	0.625	0.625	0.625	0.625	2.56
Total Customs	1.525	9.911	4.365	3.263	3.244	22.308
NIDS 2 - March 1998						
Analysts	0	0.959	1.039	1.197	1.197	4.392
NIDS 3 - May 1999						
Increased search capacity ⁽¹⁾	0	0	3.313	7.158	7.837	18.308
Capital expenditure	0	0	6.975	2.369	0	9.344
Total Customs	1.525	10.87	15.692	13.987	12.278	54.352

Source: ANAO analysis based on information provided by Customs

Note (1): Incorporates funding for x-ray technology including container x-ray facilities, mobile search teams and marine crew.

6.16 The additional funding of \$12.278 million provided by NIDS for 2001–2002 will augment the funding allocated to Border Operations activities outlined in para 6.8. This funding is ongoing,⁹⁶ and provided annually, for the life of the strategy, (which is yet to be specified), and is specifically directed towards activities aimed at detecting and reducing the supply of illicit drugs.

Customs' Illicit Drugs Unit

6.17 The Illicit Drugs Unit (IDU) was established in January 1998 to oversee Customs' policy in relation to the interdiction of illicit drugs. It also supports the objectives of the NDSF through involvement with national and international forums and other agencies.⁹⁷ The IDU provides advice about illicit substances and Customs' legislation and policy in relation to drugs. The Unit has close

⁹⁶ Customs advise that the ongoing funding allocation of approximately \$13 million annually is based on 1997–98 prices.

⁹⁷ Australian Customs Service, *Annual Report 1997–98*, p. 74.

working relationships with government agencies included in the NDSF and non-government drug policy and research organisations. The specific IDU role in relation to the implementation of the NIDS initiatives is the coordination of the status reports that are periodically provided to the Attorney-General's Department by portfolio agencies. The IDU does not have responsibility for the operational implementation of the initiatives.

Implementation of NIDS initiatives

6.18 As part of the audit, the ANAO reviewed Customs' implementation of the NIDS initiatives and the arrangements for reporting and evaluating these initiatives.

Additional intelligence analysts

6.19 Under NIDS, Customs has been allocated \$6.9 million to recruit, train and deploy 18 additional intelligence analysts.⁹⁸ Most of these analysts are working in the air and sea cargo environments. The additional resources have facilitated the undertaking of wider and more complex intelligence analyses. The analysts provide support to TSOs; undertake target development work; and may be seconded to other law enforcement agencies.

Cargo profiling and examination initiative

6.20 The Cargo Profiling and Examination initiative was to allow Customs direct access to information contained in individual Express Carrier's systems. Discussions during the development phase revealed that the best way to proceed with the project was for industry participants to provide this information directly to Customs. In February 2000, the project was incorporated into the CMR project and will now be implemented as part of the ICS in 2003.

Cargo examination facility

6.21 Customs was allocated an additional \$6.2 million to improve facilities for examining containerised sea cargo in the Sydney region. Funding allocations have also been used to engage external consultants to provide advice on how to improve operations at the facility and to purchase x-ray systems.⁹⁹

⁹⁸ This increased the total number of intelligence analysts within Customs to 53—(Border Operations 42 and Intelligence Branch 11).

⁹⁹ Customs purchased an open top x-ray system, a refurbished trailer mounted machine and a pallet-sized x-ray machine to improve its x-ray capability.

Increased search capacity

6.22 Under the 'Increased Search Capacity' initiative, Customs is building facilities in Sydney and Melbourne to incorporate container x-ray technology. The first facility is expected to be operational by July 2002. The management of this project and implementation details are discussed in Chapter Four *Cargo Examinations and Technology*.

Communications and information technology capability

6.23 Customs has been allocated funding of \$9.2 million under NIDS to coordinate various Information Technology (IT) initiatives to improve Commonwealth law enforcement agencies' communication and IT capabilities. The AFP, NCA, and Customs were provided with funding to enhance the electronic sharing of information and intelligence resources. Participating agencies jointly decide on how the funds are to be spent.

6.24 Proposed projects, supported by a business case, are submitted to a joint senior management working group and assessed for their contribution to intelligence sharing and collaboration and cross-agency impact and benefits. A number of projects have been completed such as the Shared Access Project, which has provided on-line access to each agencies' intelligence database. Other projects include enhancements to Customs' NIS and a proposed secure e-mail facility that will enable secure intelligence exchanges and operational collaboration between AFP, Customs and NCA analysts and front line officers.

Reporting and evaluation of NIDS initiatives

Reporting of NIDS initiatives

6.25 Reporting on the implementation of Customs-specific NIDS initiatives is provided to Customs' Executive through weekly Executive Group notes and the fortnightly project reports. In addition, where particular regions have carriage of initiatives, reports are provided to Regional Directors and Managers. For example, as the cargo examination facility initiative related to improving facilities in Sydney, details of progress in implementation were reported to the NSW Regional Director.

6.26 All NIDS IT projects are reported on both within Customs and to the joint working group. A monthly report provides details on the status of projects, budget, and key milestones. The IT initiatives are also included in the Customs fortnightly project report. In addition, there is a capacity to keep the Executive informed of emerging significant issues, activities, or updates through the weekly Executive Group notes.

6.27 A status report that includes a description and the current status of the initiative is provided to the Attorney General's Department bi-annually or on request. The ANAO considers the information contained in the status report and the various Customs reports is useful in so far as it reports on the progress of the NIDS initiatives. However, it does not provide sufficient information to enable an assessment of the effectiveness of the initiatives in detecting or reducing the supply of illicit drugs.

Evaluation of NIDS initiatives

6.28 The ANAO recognises that funding for these initiatives represents only a small component of the overall Border funding allocation.¹⁰⁰ However, the allocation to date of \$62 million and ongoing funding of approximately \$13 million annually for the life of the strategy is still substantial. The ANAO sought to ascertain the extent to which Customs was able to provide assurance that the expected benefits from the NIDS initiatives are in fact being achieved.

6.29 Although there has been no formal evaluation of the NIDS initiatives, Customs considers that the initiatives have enhanced its drug detection capabilities. The number of detections and quantity of drugs seized have increased considerably since NIDS was launched in November 1997. Appendix 1 outlines the number of detections and quantities seized for the period 1997–98 to 2000–01 and the year to date. The increase in detections has mainly been in passenger processing and postal operations, with smaller quantities of drugs being seized. Larger quantities were seized in the air and sea cargo and small craft environments, although there have been fewer detections. However, the ANAO notes that the number of drug detections and the quantity of drugs seized does not necessarily measure the effectiveness of the individual NIDS initiatives.

6.30 The ANAO acknowledges that there are no outputs or outcomes specified within NIDS that Customs is required to achieve. There is also no requirement for Customs to evaluate the effectiveness of its NIDS initiatives. However, the ANAO suggests that, for its own operational requirements, it is important for Customs to determine that the initiatives are contributing to its objectives. As well, the agency should also be able to show that the additional funding has been targeted to the areas of highest risk and need. An evaluation of the initiatives would also provide necessary direction when allocating ongoing funding.

¹⁰⁰ NIDS funding is \$62 million over the period 1997–98 to 2001–02. Customs resource allocation for Output One for 2001–02 was \$274 429 000.

Performance information

6.31 Customs' existing performance measures do not assess the effectiveness of the NIDS initiatives. There is also no performance data relating to the initiatives currently collected. The ANAO considers that quantitative and qualitative measures should be included in the evaluation process, allowing a comparison between pre- and post-NIDS. This would demonstrate it has gained maximum return for the additional NIDS funding and enhanced its capacity to detect illicit drugs.

6.32 Indicators that Customs might consider include, for example, quantifying the number of cargo container examinations carried out prior to the new cargo facility being opened in Sydney, and the number of containers currently being examined. A further example might be to measure whether the quality of the examinations has improved with the purchase of additional x-ray equipment. As well, are examinations being done more effectively and delivering better results?

6.33 A similar process could be applied when the new container x-ray facilities in Melbourne and Sydney are operational. The number of containers subject to examination will increase, however, will this also translate into a corresponding increase in detections. Further, what is the new technology's impact on the quantity and quality of the physical examinations being carried out after the containers have been subject to x-ray? Are these examinations better targeted and with a higher success rate as a consequence of the new technology?

6.34 The ANAO recognises that it is difficult to develop effectiveness indicators for intelligence activity. Customs may consider evaluating the benefits derived from the additional intelligence analysts in the Targeting and Analysis groups by appraising the operational assessments they have completed. For example, have more operational assessments been completed and are they more relevant and timely. Also, has there been a marked improvement in target development, resulting in more detections, either illicit drugs or other prohibited goods?

6.35 Any evaluation of the initiatives, in terms of meeting the overall NIDS objective to reduce the supply of illicit drugs, would need to be in the context of Customs' overall performance. As two of the NIDS initiatives will not be operational for some months (container x-ray facilities from July 2002 and cargo profiling and examination initiative during 2003), Customs is in the advantageous position of being able to develop performance measures from the outset.

Conclusion

6.36 Fifty-three per cent of the total funding of Customs' Outcome was allocated to border activities as at 31 December 2001. Illicit drugs are only one of the prohibited and restricted imports that Customs intercepts at the border. It was

not possible to determine what proportion of the resources allocated for Output One (\$274 429 000) is specific to the detection of illicit drugs.

6.37 Apart from the 'Increased Search Capacity' (container x-ray facilities) and Cargo Profiling and Examination initiatives, the various NIDS initiatives have been implemented. Customs' Executive and the Attorney-General's Department are provided with regular reports outlining the status of these projects. Customs is not required to report on the effectiveness of these initiatives in enhancing its drug detection capabilities and reducing the supply of illicit drugs.

6.38 Although Customs is not required under NIDS to evaluate its initiatives, the ANAO considers that an evaluation of these initiatives would provide assurance that they are well targeted and contributing to Customs' drug detection capabilities. It would also provide direction for ongoing funding allocations and ensure that Customs is well placed to participate in any overall review of the Government's supply reduction strategies.

6.39 Any evaluation process would be difficult for Customs at the present time as it does not capture performance data relating to its NIDS initiatives. To capture this information, qualitative and quantitative performance measures would need to be developed and designed to monitor the ongoing effectiveness of existing and future initiatives.

Recommendation No.7

6.40 To gain assurance that the NIDS initiatives are targeting the areas of highest risk and need, providing value for money and contributing to Customs' drug detection capabilities, the ANAO recommends that Customs consider:

- (a) developing performance measures to evaluate the effectiveness of its NIDS initiatives; and
- (b) monitoring the ongoing effectiveness of its existing and future NIDS initiatives.

Customs response

6.41 Agree.

7. Governance including Performance Reporting

This chapter discusses Customs' corporate governance framework including its corporate planning, risk management and performance monitoring and reporting processes with regard to the detection of illicit drugs. The adequacy of Customs' performance measures and those used, or being developed, by other Customs administrations and law enforcement agencies is also discussed as part of that framework.

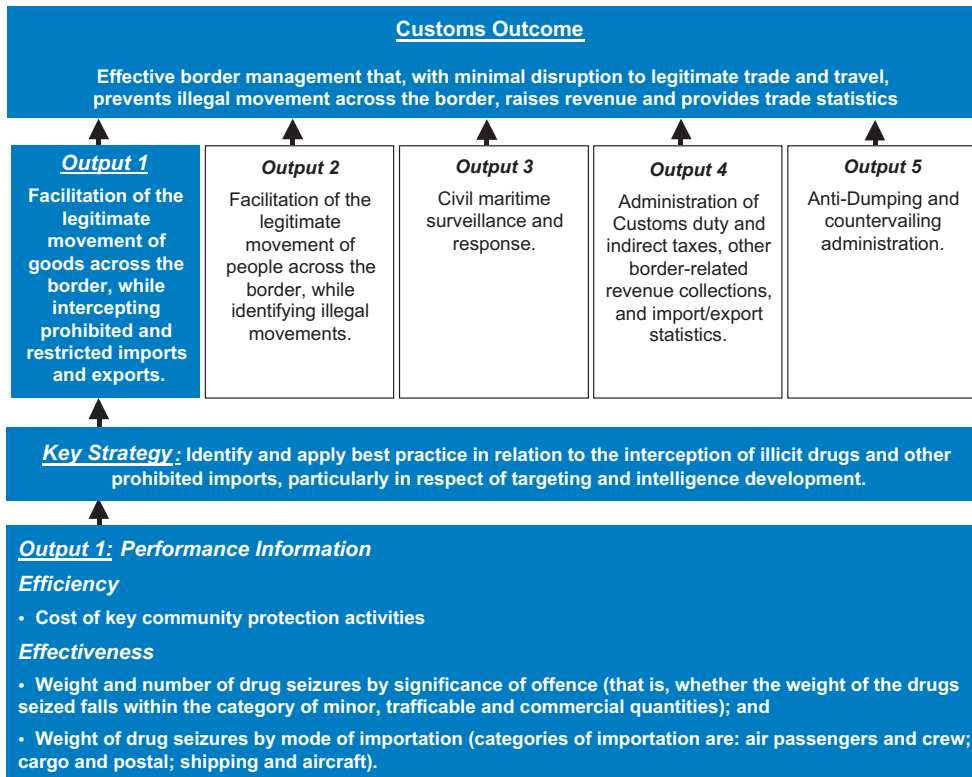
Introduction

7.1 If implemented effectively, a corporate governance framework provides the integrated strategic management necessary to achieve the outcome and output performance required to fulfil organisational objectives, and to discharge accountability obligations.

7.2 Performance reporting is undertaken within the Government's accrual-based outcomes and outputs framework. This framework is aimed at improving how the work of government is measured (through the application of accrual-based budgeting and reporting), and also what is measured (through specifying outcomes, administered items and outputs). Relevant performance information must be identified for outcomes, outputs and administered items.¹⁰¹ Figure 16, details Customs outcome and outputs framework. Output One is relevant to the detection of illicit drugs.

¹⁰¹ Australian National Audit Office Audit Report No.46 2000–01, *ATO Performance Reporting under the Outcomes and Outputs Framework*, p. 9.

Figure 16
Customs Outcome and Output Framework



Note: Shaded section represents elements of the outcome/output arrangements relevant to the detection of illicit drugs

Source: Australian Customs Service

7.3 In examining Customs’ governance and performance reporting framework, the ANAO reviewed Customs’ corporate planning, resource allocation, risk management and performance monitoring and reporting processes with regard to the detection of illicit drugs. The adequacy of Customs’ performance information to measure the effectiveness of its drug detection strategies and activities was also examined as part of that framework.

Corporate planning processes

7.4 Customs’ planning process consists of hierarchically organised plans that include: a Corporate Plan; Working Corporate Plan; Divisional Branch Plans; Work Area Plans; and Individual Performance Agreements. These plans form the basis for planning and performance reports.

7.5 Customs' 2001–2004 Corporate Plan¹⁰² is the first Corporate Plan to reflect Customs move to an accrual outcome/output framework. The Plan is a high level strategic document outlining Customs' role, its business and direction. Customs' specific focus for each year is then detailed in an annual Corporate Priorities Statement, which in turn forms the basis of the National Resource Allocation (NRA) process, discussed later in this chapter. The Corporate Plan provides an adequate framework for the development of suitable strategies in relation to the detection of drugs. In particular, Output One covers the processing of goods, including illicit drugs, across the border.

7.6 The Working Corporate Plan (WCP) is an internal document, derived directly from the Corporate Plan. It describes in more extensive detail: the objectives Customs plans to achieve; the strategies for achieving them; and how Customs will measure their performance under its outcome and outputs framework. It also sets out the key measures that are related to the various strategies.

7.7 Division and Branch Action Plans outline the purpose of the Division and Branch, and the objectives and strategies that will be pursued to meet relevant responsibilities under the corporate outputs. These plans also take into account the risks identified in the Corporate Strategic Risk Profile (CSRP) and detail the strategies adopted to control or mitigate these risks. The plans highlight ongoing tasks or core business and identify key actions to be performed during the period, together with key performance measures.

7.8 The ANAO reviewed the action plans and work areas plans for Border Operations Targeting and Analysis groups and Response areas. All regions had completed plans and all plans outlined: the work area objectives and strategies; key tasks; responsible officer; due date; and performance measures. It was evident from discussions with officers that these plans had been developed in consultation with staff and formed the basis for individual performance agreements.

7.9 Performance agreements for individual officers focus explicitly on achieving the outputs necessary to achieve the work area plans, demonstrating a clear line of accountability to the staff who carry out the functions of the organisation. The ANAO has not examined individual performance agreements, but, from discussions with Customs officers, understands that performance agreements were derived from work area plans.

¹⁰² The Corporate Plan sets out Customs: vision; purpose; clients and commitment; regulatory philosophy; future direction and staff; outcomes and outputs; planning processes; and authority and legislation.

Conclusion

7.10 The ANAO considers that the corporate planning processes operating within Customs are generally well designed and have been implemented satisfactorily at all levels across the organisation. The plans provide a good basis for accountability, and are subject to review and regular update to ensure their continuing relevance.

National Resource Allocation (NRA) process

7.11 Customs has developed its NRA process as a mechanism for allocating resources to its various activities. The NRA is prepared as part of the annual allocation process and tests existing funding allocations in the context of workload, risk assessment and performance targets. Proposals for variations are developed by the relevant area and must be accompanied by a risk assessment in respect of the funding being sought. Financial Management Branch examines the proposals in the light of the identified risks, the funding sources, performance data and any other relevant information.

7.12 NRA submissions from Border Division and the Regions included detailed descriptions of the proposals for changes to expenditure. The proposals generally included: costing according to the accrual accounting framework; consideration of alternatives; broad cost-benefit consideration; and risk analysis relating particularly to the approved Customs outcome and outputs. The NIDS initiatives were also included in the NRA process.

Conclusion

7.13 The ANAO found that the Regions complied with the NRA procedures and included risk assessments. The NRA also provides evidence that the processes focus attention on value for money assessments in relation to the various proposals being considered.

Risk management

7.14 Customs has had a risk management policy since 1996. Its risk management philosophy recognises that risk management must be effective across all levels in the organisation.

7.15 The CSRP identifies and ranks strategic risks with the greatest potential to impact on Customs. Treatments for strategic risks identified in the document are contained in corporate planning documents. Similarly, any review or monitoring of treatments is to occur within the corporate planning cycle. In practice, the CSRP provides the opportunity for consultation between the

Executive and senior management about corporate directions. The CSRP provides a mechanism to integrate corporate planning and strategic risk management. From its examination of the CSRP, the ANAO is satisfied that:

- the links with the corporate planning process are clear;
- the range of risks considered is comprehensive and relevant to a strategic view for the organisation;
- it clearly identifies the level of risk for each item identified; and
- it is consistent with the Customs' risk management methodology.

Customs' risk management review

7.16 In 1999, Customs initiated an internal review of its implementation of risk management. The review found that considerable progress had been made in individual areas in Customs, but found that risk management had not been fully integrated into organisational planning and the allocation of resources. The review made recommendations aimed at improving risk management processes and proposed a strategy to assist in implementing risk management throughout Customs. The Executive Management Group of Customs approved the recommendations and proposed strategy in April 2000.

7.17 Following the review, Customs established the Risk Management Coordination Unit (RMCU) to coordinate and provide advice on risk management and to develop a consistent policy and strategy for implementing risk management. Line areas retain responsibility for the specific application of the policy and strategy in their functional area. The RMCU provides assistance in developing risk management plans and linking these plans with other planning processes.

7.18 Customs has recognised the need for better integration between its WCP, NRA process and the CSRP. The Chief Executive Officer has requested a number of senior executive managers to review the processes for integrating risk management into the corporate planning process. The ANAO was advised that this review is ongoing and has been delayed due to higher priority tasks. Customs is also reviewing the Corporate Planning Guide to incorporate risk management, including a step-by-step guide to assist in developing a risk management plan. The ANAO considers this will be particularly useful for operational work areas.

7.19 The ANAO found that all Divisions have a risk management plan. However, not all regions had completed risk management plans. Although plans had been completed by some regional work areas, the work area risk management plans are generally still in the early stages of development. The RMCU is facilitating the development of these plans and has indicated they will be completed throughout 2002.

7.20 The ANAO also sought to determine how emerging and changing risks are identified and integrated into the risk management and corporate planning processes. Intelligence information (strategic, operational and tactical) provides a structure for emerging risks to be identified and escalated to the appropriate level.

Conclusion

7.21 The ANAO considers that Customs' risk management framework is generally sound and has been implemented at the strategic level. However, at the operational level, it has yet to be fully and effectively extended into risk management practice. Work has commenced to ensure that risk management is integrated with corporate planning processes. The risk management processes are subject to ongoing review. There is also evidence that Customs is active in addressing its shortcomings in implementation.

Performance reporting

7.22 The ANAO found that Customs has in place a performance monitoring and reporting regime that allows its Executive, the Minister, Parliament and the public to analyse Customs' performance against the outputs that contribute to Customs' outcome. The annual report and Portfolio Budget Statements are the principal external reports produced by Customs to report on its performance and to demonstrate accountability for its expenditure of public monies. Customs' Executive and senior managers are advised of performance through a range of reporting mechanisms within the agency.

Adequacy of performance information

7.23 Performance information should enable Customs to assess the effectiveness and impact of its drug detection strategies. It should also allow Customs to: assess its progress; prioritise its direction; provide feedback to staff; and provide assurance to Government that stated objectives are being achieved. Customs' performance measures in relation to illicit drugs are the weight and number of drug detections by significance of offence and mode of importation (refer Figure 16). Customs does not set targets for drug detections, but provides a comparison across three years.

Comparison with other Customs administrations

7.24 In reviewing Customs' performance information, the ANAO sought details of the performance measures used by other Customs administrations to determine the effectiveness of their drug detection strategies. The Customs' administrations of the United Kingdom (UK), the United States of America

(USA), Canada, New Zealand (NZ), Sweden and the Netherlands¹⁰³ were requested to provide corporate plans, risk management plans, details of performance measures used, and data collected in their Customs equivalent of Border Operations. Where the requested information was not provided, the ANAO sourced it from annual reports and other publicly available information.

7.25 The ANAO recognises that the social, political and legislative circumstances of the various countries vary widely. For example, some countries combined the activities of their Customs and Taxation offices; legislative powers varied considerably¹⁰⁴ providing different sets of normative issues for each agency. Each country is different. For example, Canada and the USA share a border while Australia has a vast coastline to monitor. However, collecting this data allowed the ANAO to undertake a comparison of performance measures used by a number of major world-wide Customs administrations. In part, this information is contained in Appendix 4.

7.26 The ANAO analysis found that Canada's Customs and Revenue Agency is a relatively new agency and did not have specific measures relating to drug detections. Canada acknowledged statistical weaknesses in its current measures and the need for improved performance measures and data capture. New Zealand estimated numerical targets for priority categories of investigations relating to border offences. The quality of these investigations are measured against an estimated annual percentage to be achieved, making useful long-term comparison difficult.

7.27 Sweden measured its success through the number and quantity of drug seizures and is attempting to measure the value to society of its drug detection methods.¹⁰⁵ To gauge the total economic value, that is, the benefit society derives from Customs seizures, the efficiency of Customs activities is assessed against the public costs of drug abuse. For example, it has been determined that the seizure of one gram of heroin by Customs at the border generates a value for society of 6000 Swedish crowns.¹⁰⁶

¹⁰³ Information from the Netherlands was excluded, from this analysis. Their targets included *ambulatory controls and mobile goods inspection and physical luggage inspection* and these measurements were considered to be of limited value.

¹⁰⁴ Her Majesty's Customs and Excise Department has powers similar to that of the Australian Customs Service and the Australian Federal Police combined.

¹⁰⁵ The Swedish Customs Service advised that in 1999 it undertook a project with the National Alcohol Inspection, the National Institute of Public Health and the National Police Board called *Benefiting the Public* to find methods that could be used to measure: public expenditure for drugs illegally brought in; the reduction in the amount of taxes levied caused by the smuggling of alcohol, tobacco products and mineral oils; and the actual amount of illegally imported drugs, alcohol and tobacco products.

¹⁰⁶ 6 000 Swedish crowns equates to approximately AUS \$1 100.

7.28 Of the countries reviewed, only the UK and USA applied quantitative performance measures to drug detection activities, for example a target for the amount of heroin to be detected. Her Majesty's Customs and Excise (HMCE) also measured against dismantling or significantly disrupting the number of smuggling organisations and the number of persons sentenced for drug smuggling.¹⁰⁷ HMCE has set targets for the weight and monetary value of drugs detected. The USA targeted, and measured, the weights of drugs detected.

7.29 When reviewing the work being done by overseas agencies, it was apparent that agencies had difficulties in measuring performance. This difficulty was also recognised in the audits relating to drug detections undertaken by the UK's National Audit Office (NAO) and the USA's General Accounting Office (GAO).

7.30 The 1998 NAO report *The Prevention of Drug Smuggling* assessed HMCE performance indicators, reporting that initial data of seizure, weight and the disruption of drug smuggling organisations is of limited value. The accuracy of the figure is reliant upon available data and the experience of the investigator. Despite the subjective nature of the measurement, the NAO found that, if the measures were used consistently over time they would show a valid comparison of the effectiveness of the department's investigations. However, the report went on to say that the performance indicators do not show the extent to which the Department have any overall impact on the illegal drugs market within the United Kingdom either in the short or long term.'

7.31 The GAO noted that traditional measures (weight, value, seizures) track activity not outcome or effectiveness and suggested a number of non-traditional measures, which included the following:

- ratio of seizures to examinations conducted for cargo and passengers;
- shift in smuggling trends;
- identification of new targets from source countries;
- an increase in foreign country seizures;
- impact on smuggling organisations; and
- an increase in narcotics interdictions based upon expanded exchanges.¹⁰⁸

¹⁰⁷ National Audit Office (July 1998), HM Customs and Excise: *The Prevention of Drug Smuggling* HC854 1997/98.

¹⁰⁸ United States General Accounting Office (September 1996), *Customs Service: Drug Interdiction Efforts* GAO/GGD-96-189BR.

Conclusion

7.32 The UK and USA use quantitative measures and set targets. Australia aligns with these measures, although it does not set targets. Sweden attempts to measure the economic value to society of its drug seizures. All jurisdictions acknowledge that the traditional measures of drug detections, seizures and weights track activity only and are of limited use. It is recognised that measuring the effectiveness of drug detection activities can be difficult and that no agency has found a satisfactory measure.

Performance measures being considered by other agencies

7.33 The ANAO reviewed the work being done by a number of other agencies in relation to measuring illicit drug activity including international and national law enforcement agencies, the National Drug Strategic Framework (NDSF), Australian Bureau of Criminal Intelligence, United Nations Office for Drug Control and Crime Prevention, NSW Bureau of Crime Statistics and Research and the National Drug and Alcohol Research Centre.

Measuring illicit drug activity

7.34 The review undertaken by the ANAO demonstrated the complexity and difficulty agencies have in developing sound performance indicators to measure illicit drug activity. It is generally agreed that a range of performance measures should be used, traditional supply side indicators of the illicit drug market (price, purity and availability) need to be combined with demand side indicators (health assistance to drug users and drug related overdoses and deaths). The following points summarise the ANAO's analysis:

- It is not possible to accurately assess the quantity of illicit drugs entering Australia or the drug market overall. As it is extremely difficult to quantify illicit drug activity, policies and practices are based upon available information and market intelligence.
- Traditional supply-side measurements of seizures and quantities are flawed indicators of effectiveness, reflecting levels of law enforcement activity and cannot be used as indicators of the effectiveness of agencies in reducing the supply of illegal drugs.
- No one measure can be regarded as definitive and the use of multiple indicators reduces the risk of error in identifying trends. It is better to establish indicators for the outputs of supply such as price, purity and availability and for those outputs related to demand such as health care system assistance to drug users, or changes to the nature of drug related

deaths. Trends are likely to be the result of a number of factors inside and outside Australia.

- Data available for analysis in Australia includes law enforcement activities, drug seizures, and the arrests of offenders by volume, type of drugs and offender characteristics. Other data includes market data, price, availability and purity of drugs. Information relating to drug users, patterns of drug use and health and education programs is also available. The AFP integrates international information from its liaison personnel, and the drug enforcement and intelligence agencies of other countries.
- Performance information needs to be collected across agencies to give a cross-jurisdictional comparability. This can be difficult and has the potential to create a number of problems including the need to develop a set of joint methodologies and definitions across agencies, to ensure that the same data is not double counted.
- Measures need to show outcomes, that is, what has been achieved, and the effectiveness of the action taken. The readily accessible quantitative supply side data needs to be analysed in conjunction with quantitative and qualitative demand side information. An in-depth statistical analysis needs to be undertaken to ensure that the information relates to the work that has been undertaken. With quantitative performance measures, it would then be possible to compare achievements across periods of time and benchmark the activities involved.

Australian Federal Police

7.35 The AFP has recently trialed an innovative economic evaluation noting that the results of a 'properly conducted economic evaluation allow the Government and the community to quantify in economic terms the returns they receive for funding the AFP'.¹⁰⁹ This evaluation measured the return on investment (ROI) from fraud and drug investigations.¹¹⁰ Costs included all overheads attributed to the benefit, for example the time spent by each officer who was engaged in the investigation. The main benefit to be derived from successful drug investigations is a reduction of supply of illicit drugs to the community and an associated reduction in the cost that society bears as a result of drug abuse. The AFP advised the ANAO that the economic evaluation model is being reviewed and refined. Customs is examining options for its involvement in the AFP's economic evaluation.

¹⁰⁹ McFadden M. & Mwesigye S, December 2001, 'Estimating the economic value of the AFP fraud and drug investigations', *The Journal of the Australian Federal Police Platypus Magazine*, no. 73. pp 11–14.

¹¹⁰ Using *Net Present Value* and *Return on Investment* calculations. ROI is the ratio of total benefits from a program (i.e. drug investigation) to the total investment.

Customs' proposed initiatives relating to performance measurement

7.36 In November 2001, the Intergovernmental Committee on Drugs Monitoring and Evaluation Coordination Committee (MECC),¹¹² proposed the establishment of a new working group to review the current performance indicators for the National Drug Strategy objectives and the appropriateness of the current data sets. Customs will be working with other agencies, including the AFP and Attorney-General's Department to develop a broader range of indicators.

7.37 Customs will also be working with the National Drug Law Enforcement Research Fund (NDLERF). Under NDLERF's umbrella project, *The Structure and Dynamics of Illicit Drug Markets*,¹¹³ two sub-projects were proposed and supported by Customs and accepted by the NDLERF Board: *Heroin: Price, Composition and Influences*; and *Cocaine Usage*. A third project to be sponsored by Customs on the illicit methamphetamine market has also been proposed.

7.38 Customs is represented on the Heads of Commonwealth Operational Law Enforcement Agencies performance measurement network. Customs advise that the Committee's focus will be on, among other issues, drug law enforcement measurement, which it sees as a key priority.

7.39 Customs has advised that the work it intends progressing this calendar year includes:

- a scoping paper that will outline the current issues surrounding drug law enforcement measures;
- a comparative international study that will provide a critical review of existing international strategies and the measures and indicators supporting them. This study is to be the basis of a performance indicators paper that will include an analysis of current measures being developed by research organisations; and
- a 'green paper' on drug law enforcement performance measurement that will examine Customs' position in the law enforcement framework.

¹¹² The committee comprises of representatives from: Drugs and Alcohol Services Council; Attorney General's Department; the Australian Federal Police; and Australian Customs Service.

¹¹³ 'The Structure and Dynamics of Illicit Drug Markets' Project Steering Committee consists of representatives of Customs, AFP, Attorney Generals, ACT Police, NSW Police, QLD Police and has also supported State Police proposals for research on benzodiazepines and the ecstasy market, making a total of four sub-projects.

Conclusion

7.40 The traditional measures currently used by Customs track activity only, that is drug detections and quantities of drugs seized. They do not measure the impact or effectiveness of Customs' drug detection efforts. The ANAO recognises the difficulties and challenge facing Customs in trying to measure its drug detection activities. We also acknowledge the work Customs is undertaking within the NDSF and other forums in relation to performance measurement. This work will be particularly useful in assisting Customs to develop its own performance measures.

7.41 However, the ANAO considers it is important, particularly in the long-term, that Customs take steps to review its existing performance measures and develop measures that can: be statistically analysed; add value to the drug detection initiatives being undertaken; be a tool for comparison and improvement; and provide future direction. Measuring the effectiveness and impact of its drug detection initiatives will allow Customs to assess its strategies and ultimately the policy that the strategies, processes, systems and procedures underpin.

7.42 It is important that measurements are developed with the realisation that reliance on any one indicator is of limited value. Rather, it is necessary to establish a range of quantitative and qualitative indicators, for example, from the intermediate supply side of price, purity and availability and factor in demand side data such as drug use estimates and drug overdoses. The ANAO also recognises that mechanisms would need to be put in place to identify and capture the performance data collected by other agencies and that this will not be an easy task. It is also appreciated that any performance measurement framework would need to take account of Customs' relationship and working arrangements with other agencies. The work being done by Customs within the NDSF forums is an initial step in this process.

7.43 Consideration could be given to the type of data collated by the ABCI and other agencies. This performance information could, for example, be integrated into Customs' development and analysis of performance indicators. Should Customs find that additional data is required when developing performance measurements, a possible avenue of capturing such information may be to approach these agencies and request that specific information be collected.

Recommendation No. 8

7.44 The ANAO recommends that Customs build on its ongoing work within the National Drug Strategic Framework and other forums to review its performance measures for detecting illicit drugs; and to move towards developing a range of performance indicators that will:

- (a) more accurately assess the effectiveness and impact of the drug detection initiatives being undertaken; and
- (b) include internal and, where necessary, across-agency quantitative and qualitative data to ensure reliability and consistency.

Customs response

7.45 Agree. This recommendation recognises the difficulties in drug interception performance measurement and the proactive work Customs is already undertaking in many forums. Customs will continue to commit itself to the development of an effective and reliable performance measurement framework for drug law enforcement.

Canberra ACT
6 June 2002



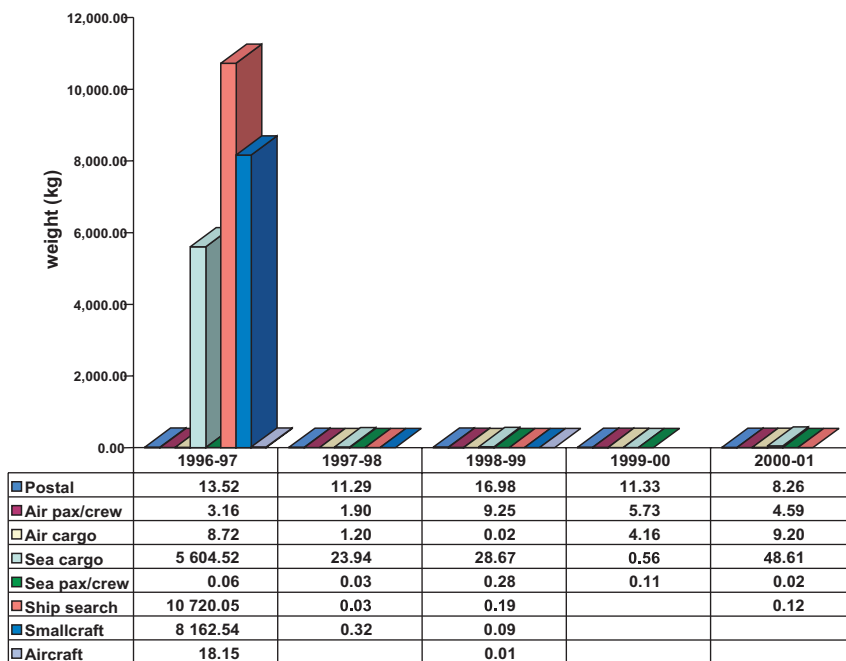
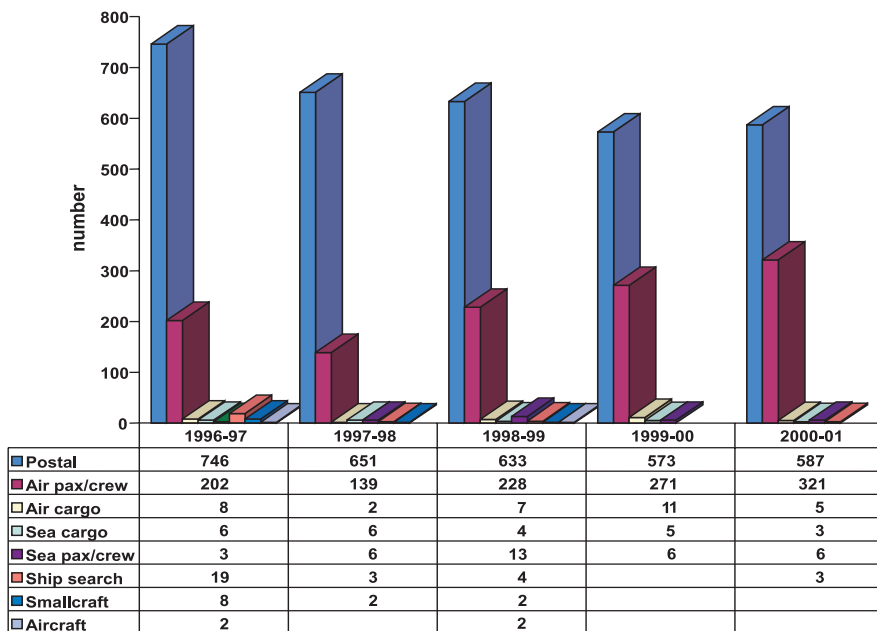
P. J. Barrett
Auditor-General

Appendices

Appendix 1

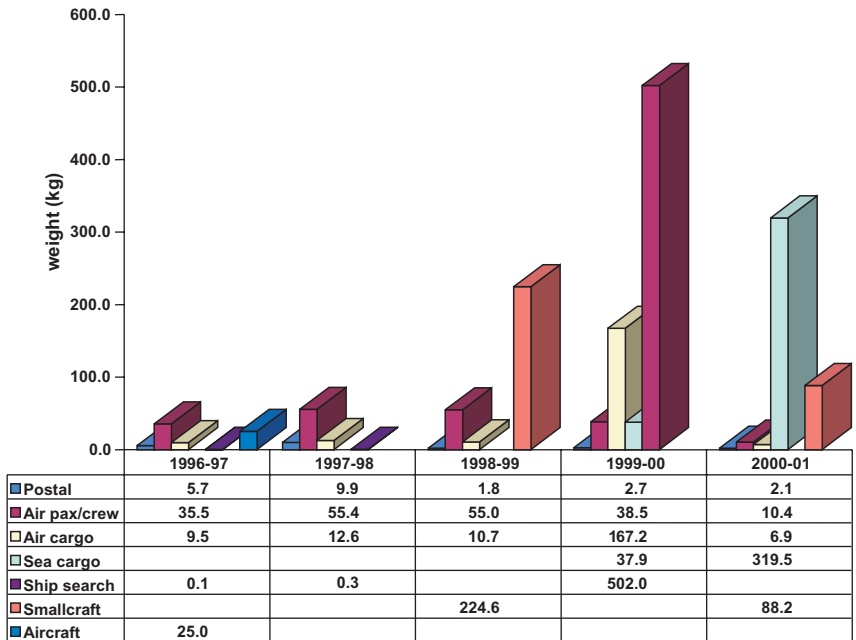
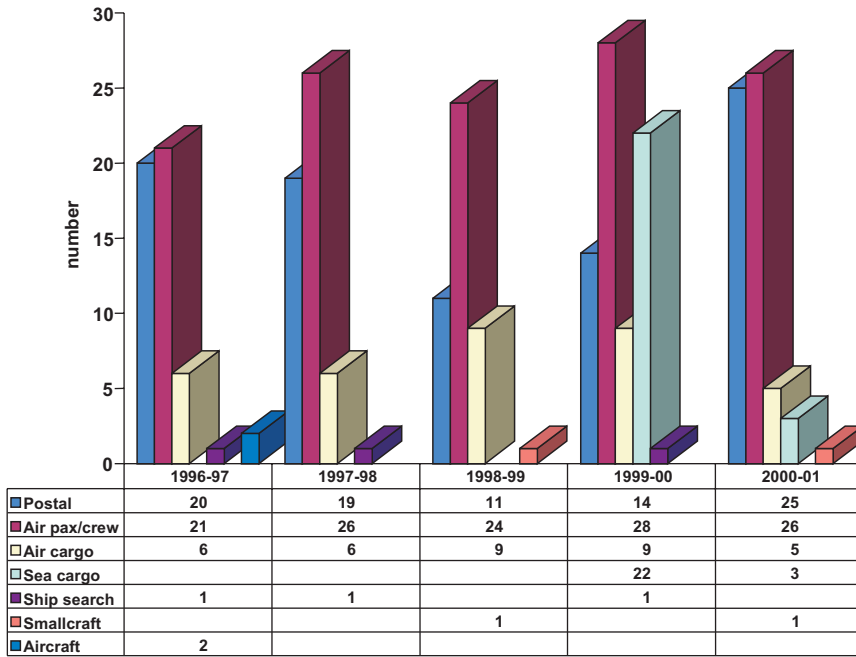
Drug Detections for Period 1996–1997 to 2000–2001 and Year to Date

Seizures by number, weight and by means of entry for Cannabis from 1996–97 to 2000–01



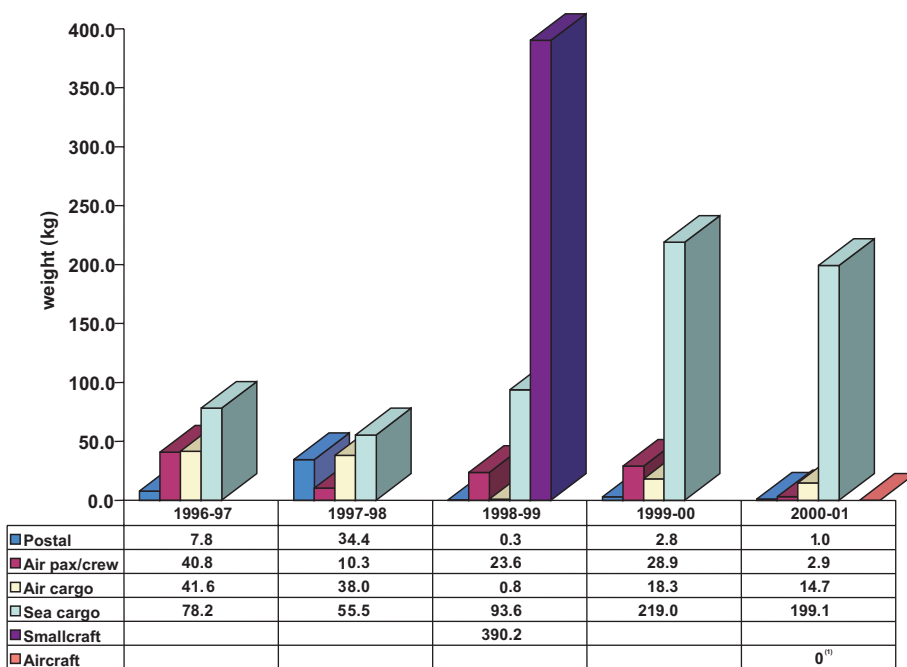
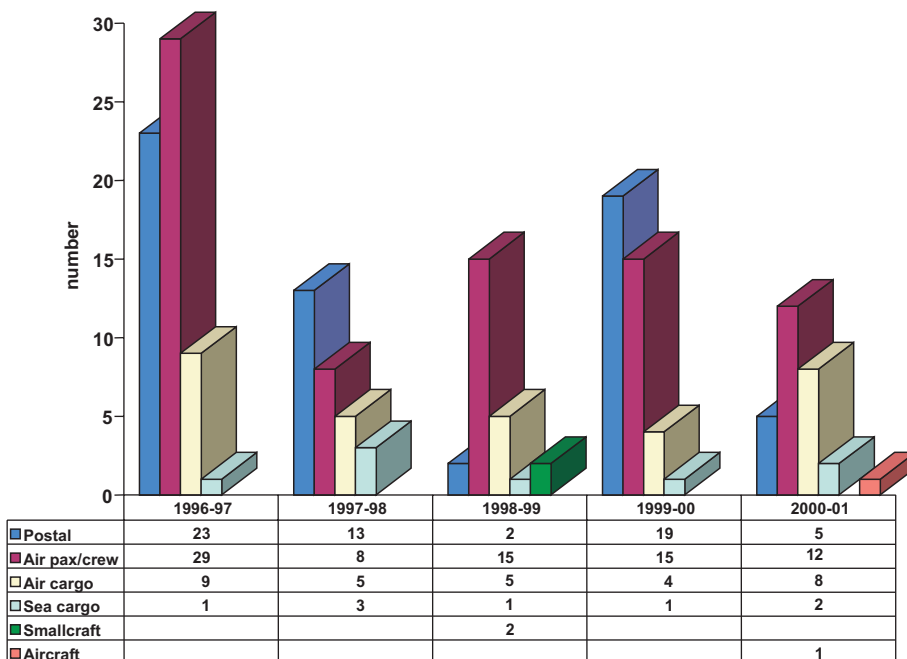
Source: Australian Customs Service

Seizures by number, weight and by means of entry for Cocaine from 1996–97 to 2000–01



Source: Australian Customs Service

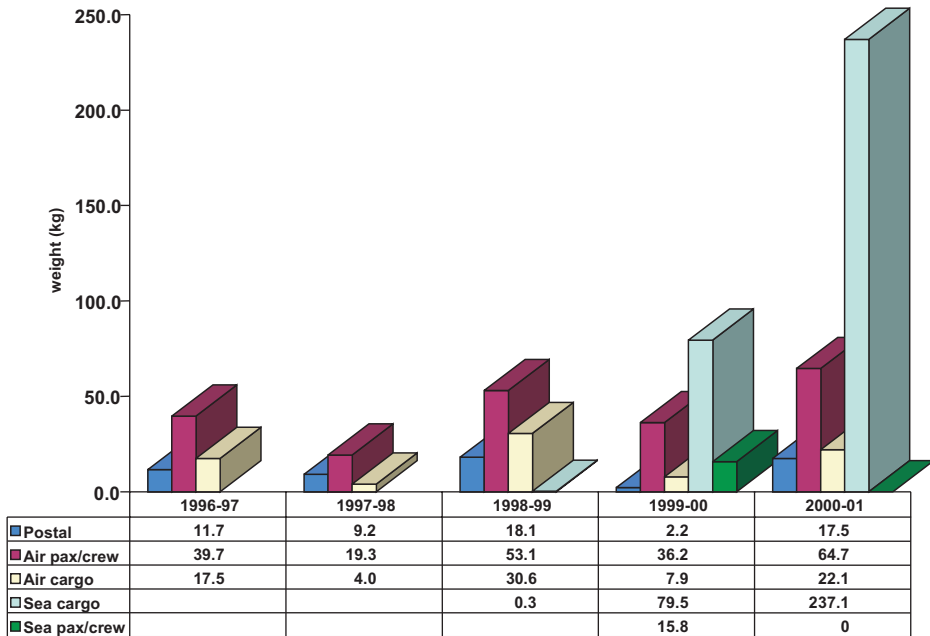
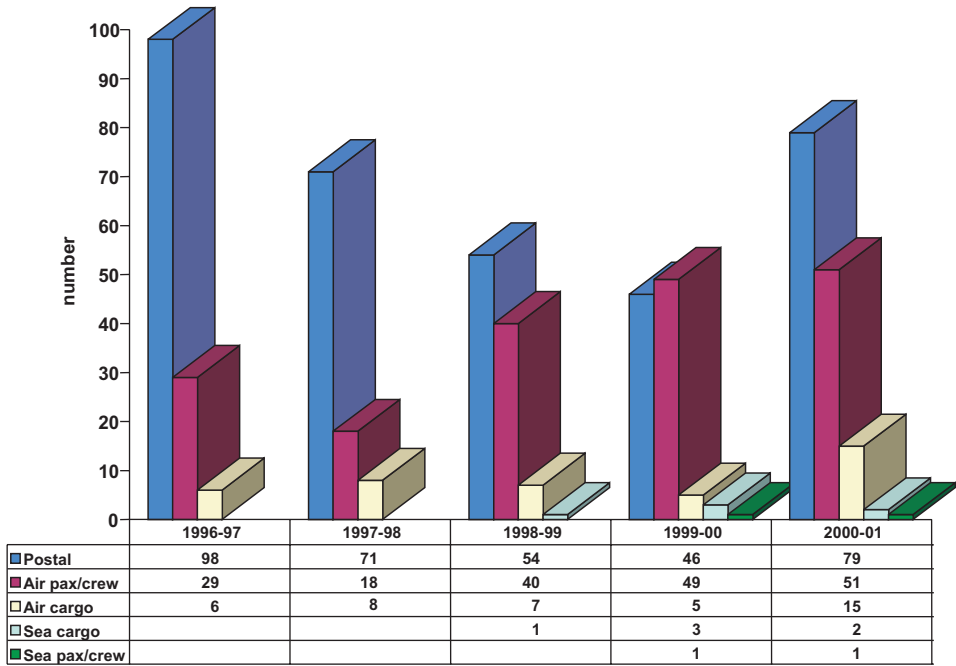
Seizures by number, weight and by means of entry for Heroin from 1996–97 to 2000–01



Note(1): Zero weight equates to a trace amount that could not be measured.

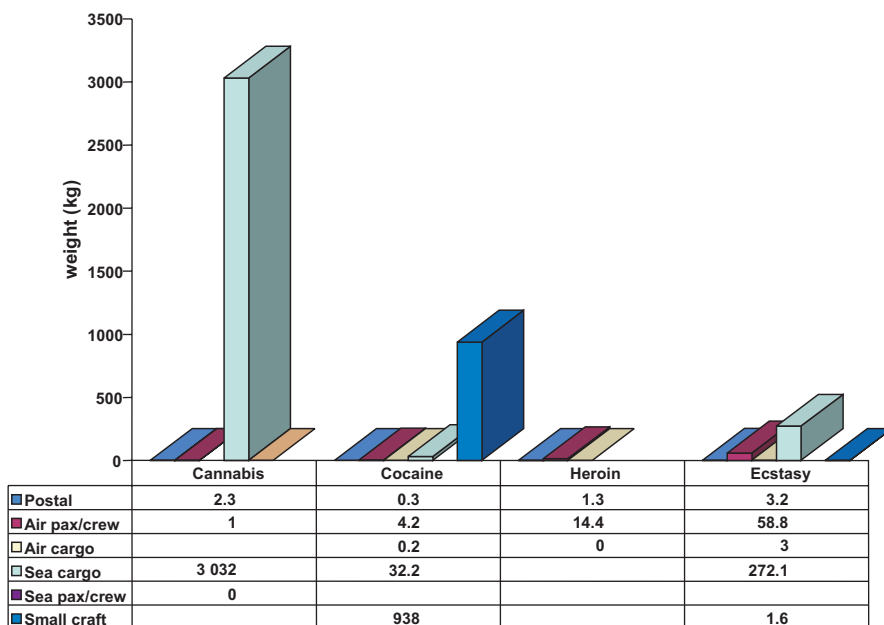
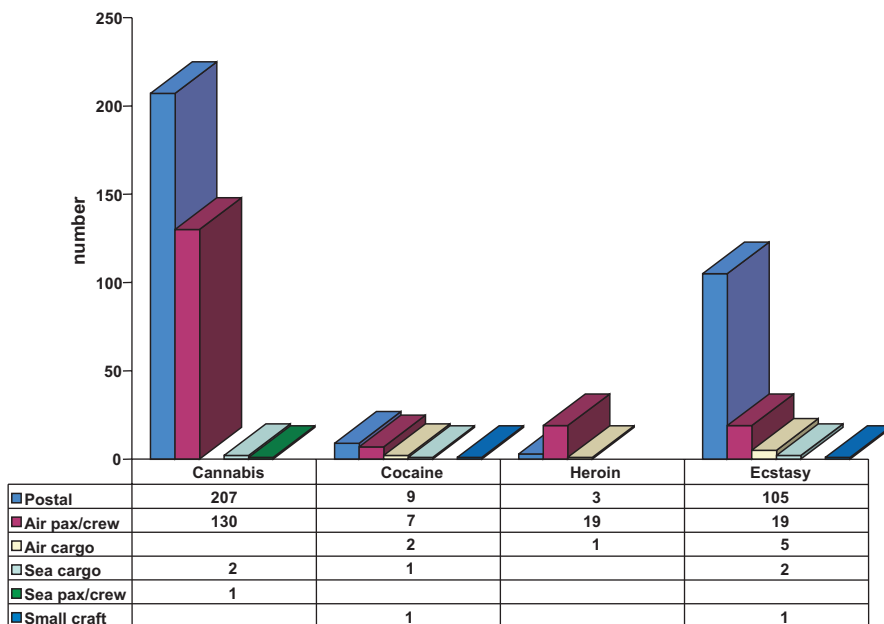
Source: Australian Customs Service

Seizures by number, weight and by means of entry for Ecstasy from 1996-97 to 2000-01



Source: Australian Customs Service

Year to date: Seizures by number, weight and by means of entry for Cannabis, Cocaine, Heroin and Ecstasy for the six month period July 2001 to December 2001



Source: Australian Customs Service

Appendix 2

Technology used in Examinations

Customs uses a number of different technologies for border enforcement and regulatory purposes, these are summarised below.

National Waterfront Closed Circuit Television (CCTV)

The National CCTV system is currently being implemented and is expected to be fully on-line by mid-2002. It comprises of cameras installed in 56 separate port locations, which can be monitored from 23 Customs Houses. The cameras can be monitored and manoeuvred from the local Customs House, a regional monitoring centre or the national monitoring centre. This provides Customs with the ability to:

- detect unlawful waterfront activity that represents a threat to the Australian border;
- respond to illegal activities in the monitored area;
- obtain information so that the risks associated with different waterfront areas can be analysed; and
- collect evidentiary material to assist in the prosecution of border offences.

Customs advise the cameras are operated in accordance with the Privacy Act 1988 and disclosure of information is in accordance with Section 16 of the *Customs Administration Act 1985*; *Freedom of Information Act 1982*; and Section 70 of the *Crimes Act*. The network can also be tasked by the Australian Quarantine and Inspection Service to help detect and prevent quarantine risk goods entering Australia. The manufacturer will provide initial training on both technical and administrative aspects of the network upon installation to all ports.

Detector Dog Program (DDP)

The DDP commenced in 1969 and currently over 40 detector dog teams operate nationally. The dogs are bred and trained specifically to meet Customs needs, for example to detect odours such as heroin, cocaine and cannabis. The dogs are trained to respond passively or actively to the location of drugs. Passive dogs are largely used in the airport environment to detect drugs hidden on people. Active dogs are trained to search: sea and air cargo; aircraft baggage; international mail; vessels and crew; vehicles and aircraft. Customs are currently trialing multi-purpose response dogs, which can be deployed in all environments and react either passively or actively, as required.

In 2000–2001 detector dogs were responsible for almost 1 768 seizures. This included finding cocaine dissolved in shampoo and heroin hidden internally in a passenger. The dog teams work in conjunction with Commonwealth and State Police Services and government agencies.

Ionscan

An Ionscan is a trace particle detector (based on the principles of Ion Mobility Spectrum) and is used to find traces of narcotics, within the low nanogram range.¹¹³ The particles are collected by either vacuuming or wiping surfaces with a specially treated filter or cloth and inserting them into the Ionscan for analysis. Analysis takes eight seconds and results are presented as a graph (plasmagram) on a computer screen. Customs currently have 51 ionscan units located throughout Australia. The Ionscan may be used in conjunction with other detection methods (DDU and X-ray equipment). Customs' Ionscan technology is also used to provide assistance to the Australian Federal Police, the National Crime Authority and State and Territory Police forces.

K910B Buster

The Buster is a hand held gamma backscatter device that detects the differences in density behind a solid surface. Items of low density allow the beam to pass through and disperse, higher densities will reflect the beam back. Significant changes to density will trigger an audible alarm. The Buster is very effective in the examination of vehicles, ships' cabins and container walls.

X-ray

Customs have 57 x-ray units in operation in different types of configurations that include static x-ray and mobile x-ray units. These machines have the same capability to penetrate objects, generating between 120–140keV (120 000–140 000 electron volts). Static x-ray units are used for passengers' baggage and also for sea and air cargo and mail. Their layout will depend on their purpose, for example, belts low to the floor for baggage to prevent excessive manual handling, open top units for large cargo items such as furniture. Mobile x-ray units are mounted in vans and are most commonly used in airports and air cargo areas. They also provide the capability to utilise x-ray away from fixed sites such as at licensed warehouses.

¹¹³ A nanogram is 1 billionth of a gram.

Customs has a portable x-ray unit that can be deployed in environments such as vessels and smaller District Offices, which do not have enough work for the larger x-ray systems. Customs will install two dual-view pallet x-rays with a penetration of 450keV in Sydney and Melbourne in 2002. These are capable of penetrating a pallet load of cargo without the need to break the consolidation down into individual boxes. Customs is also acquiring container x-ray capabilities.

Systems capable of x-raying fully laden sea containers typically run at 5–9 MeV (million volts). Due to these high levels of energy the systems have to be fixed site installations to provide for sufficient radiation shielding. Containers are examined on the transport truck, which is pulled through a shielded tunnel (minus driver) where the x-ray is generated. This system provides a horizontal view of the container.

Appendix 3

Small Craft Targeting and Reporting Strategy Recommendations

No	Task	Customs Comment	ANAO comment
1.1	<p>Mail group—It is recommended that a dedicated STARS mail group (managed by BOCU) be created to enable a single point of contact.</p> <p><i>Timeframe 0-3 mths</i></p>	Implemented	Implemented
1.2	<p>Production of newsletter—It is recommended that a national newsletter be introduced as per the draft newsletter to include:</p> <ul style="list-style-type: none"> ◆ event calendar (events impacting on vessel traffic); ◆ overseas seizures and trends; ◆ regional contacts; and ◆ STARS information medium. <p><i>Timeframe Ongoing</i></p>	<p>Not yet implemented due to higher priority tasks. Relevant information is passed on an ad-hoc basis.</p>	Not Implemented
1.3	<p>MoU with overseas agencies—It is recommended that:</p> <ul style="list-style-type: none"> ◆ Agreements are formalised with key countries that supply clearances to Australia. The team has prioritised the countries in order of volume and these should be addressed in this order; and ◆ the MOU with Indonesia be revised. <p><i>Timeframe 0-6 mths</i></p>	<p>The instigation, negotiation and revision of MoUs with foreign Customs services is not the purview of BOCU but of Customs as a whole. Political realities dictate which countries are pursued. An MoU is nearing finalisation with France (which will formalise current arrangements with New Caledonia).</p> <p>The CAPERS MoU allows such exchanges of information in accordance with s16 of the Customs Administration Act. As more administrations come on line and sign the MoU, CAPERS will be a valuable medium in which to exchange information.</p>	<p>Partially Implemented</p> <p>Agreements with New Zealand and Indonesia. Other countries are either not possible at this stage or are being addressed. Information is being received from Vanuatu and Papua New Guinea and negotiations are underway with New Caledonia.</p>

No	Task	Customs Comment	ANAO comment
1.4	<p>External Agencies—It is recommended that:</p> <ul style="list-style-type: none"> ◆ contact with the liaison officers in external agencies be maintained to ensure that they are abreast of information needs regarding small craft; ◆ officer participation continues in joint agency waterfront meetings and operational officers in other agencies; and ◆ Indian Ocean Territories, Norfolk Island and Lord Howe Island are involved in implementation of relevant recommendations. <p><i>Timeframe ongoing</i></p>	<ul style="list-style-type: none"> ◆ National and regional liaison is maintained with agencies such as AQIS and DIMIA. Regional officers participate in joint agency committees as appropriate. ◆ Implemented. See also 2.2. 	Implemented
1.5	<p>Community Participation Programs (Customs Watch/Frontline)—It is recommended that the CPPs be enhanced by:</p> <ul style="list-style-type: none"> ◆ specific targeting of marine industry; <p><i>Timeframe 6–12mths</i></p> <ul style="list-style-type: none"> ◆ including Customs Watch information in Small Craft booklet; <p><i>Timeframe 3–6mths</i></p> <ul style="list-style-type: none"> ◆ expanding Customs watch hand out material to include nautical orientated items; <p><i>Timeframe Ongoing</i></p> <ul style="list-style-type: none"> ◆ a speakers pack being tailored to small craft identification; and <p><i>Timeframe 6–12mths</i></p> <ul style="list-style-type: none"> ◆ consideration being given to assisting those organisations that have access to vital small craft information. <p><i>Timeframe 3–6mths</i></p>	<ul style="list-style-type: none"> ◆ For further discussion and consideration now that the aims and objectives of the CPPs have been revised. ◆ Customs Watch information is included in the small craft packages rather than further expanding the booklet. 	Partially Implemented See Chapter Five—Small Craft Activities

No	Task	Customs Comment	ANAO comment
1.6	<p>Production of risk assessment guidelines—it is recommended that:</p> <ul style="list-style-type: none"> ◆ Border officers and managers agree that a shift in focus from compliance boarding to information gathering is required and that the change is supported and implemented; and <p><i>Timeframe Immediate/ Ongoing</i></p> <ul style="list-style-type: none"> ◆ a small craft training package be created and implemented in each Region to develop skills in information gathering, risk assessment and search. <p><i>Timeframe 3–6 mths</i></p>	<p>The National Pleasure Craft Search Training Course commenced in December 2001 at the Border Search Training Centre.</p>	<p>Partially Implemented</p> <p>See Chapter Five—<i>Small Craft Activities</i></p>
1.7	<p>Coastwatch—It is recommended that:</p> <ul style="list-style-type: none"> ◆ The Standard Operation Procedures be forwarded to Coastwatch to assist with the reporting of small craft movements; <p><i>Timeframe 0–3 mths</i></p> <ul style="list-style-type: none"> ◆ Suggested questions for 1800 calls relating to small craft be developed jointly with Coastwatch to enhance the gathering of relevant information; and <p><i>Timeframe 0–3 mths</i></p> <ul style="list-style-type: none"> ◆ An approach be made to Coastwatch on how Border can improve the quality of taskings. <p><i>Timeframe 0–3mths</i></p>	<ul style="list-style-type: none"> ◆ Coastwatch distributes a record of all small craft sightings to the national small craft reporting address. ◆ See also 1.10. Coastwatch no longer has responsibility for the 1800 number, it having been transferred to the National Monitoring Centre. ◆ BOCU works with all interested parties in improving tasking quality. 	<p>Partially Implemented</p> <p>Tasking guidelines are being developed and representatives from BOCU, NMU and Coastwatch intend visiting regions/districts as part of an education and training strategy in 2002.</p>

No	Task	Customs Comment	ANAO comment
1.8	<p>National Marine Unit—It is recommended that:</p> <ul style="list-style-type: none"> Standard Operating Procedures be forwarded to the National Marine Unit (NMU) to provide procedures for the reporting of small craft movements through Ashmore Reef (arriving /departing); <p><i>Timeframe 0–3 mths</i></p> <ul style="list-style-type: none"> BOCU Canberra be the central contact point for distribution of arrival/departure details to the relevant Regional STARS contact; and <p><i>Timeframe ongoing</i></p> <ul style="list-style-type: none"> all first port arrivals encountered by NMU vessels, be boarded with the view of conducting a risk assessment. NMU agree to distributing "Welcome to Australia" packages. <p><i>Timeframe 0–3 mths</i></p>	<ul style="list-style-type: none"> Little to no small craft traffic through Ashmore Reef—Suspect Illegal Entry Vessel only. BOCU is central point of contact for all details, not just any received from the NMU. Boarding is dependent on other operational requirements of the vessels. All carry the small craft information packages. 	<p>Overtaken by current events</p> <p>Implemented</p> <p>Implemented</p>
1.9	<p>Mapping of small craft routes—it is recommended that:</p> <ul style="list-style-type: none"> Each region undertakes approach corridor information gathering exercises for a specific time period from small craft owners to establish routes taken on legitimate voyages; and <p><i>Timeframe 0-6 mths</i></p> <ul style="list-style-type: none"> An electronic system be developed to track known small craft routes into Australia and this information be held as a benchmark for future risk assessments on arriving small craft. <p><i>Timeframe 6-12 mths</i></p>	<p>Not commenced nationally</p>	<p>Not Implemented</p> <p>Not Implemented</p>

No	Task	Customs Comment	ANAO comment
1.10	<p>◆ National Communication Centre—it is recommended that SOPs be adopted by the NCC for the reporting of small craft movements. <i>Timeframe 0–3 mths</i></p>	<p>◆ Now known as the National Monitoring Centre (NMC). Superseded with publication of information package, which details phone, fax and radio contacts for all ports as well as the website address.</p> <p>◆ NMC handling of information on suspicious small craft is detailed at Annexes 2, 8 & 11 of the Procedures for the National Monitoring Centre.</p>	<p>Over taken by events</p>
1.11	<p>Post Seizure. Post Operation Reports and Significant Detection Advices (SDA)—it is recommended that:</p> <ul style="list-style-type: none"> ◆ the current guidelines be reinforced and reissued by BOCU, and ◆ an analyst in BOCU review all reports with the view of implementation of relevant recommendations. <p><i>Timeframe 0–3 mths</i> <i>Timeframe ongoing</i></p>	<p>◆ All reports are being examined with a view to further dissemination if warranted.</p> <p>◆ Recommendations will be critically examined for decisions on national or regional specific implementation.</p>	<p>Implemented</p> <ul style="list-style-type: none"> ◆ Guidelines are reinforced through the Intranet. ◆ Commenced—A BOCU analyst has been tasked to review all reports.
1.12	<p>CAPERS—it is recommended that:</p> <ul style="list-style-type: none"> ◆ the ACS become a significant user and supporter of the CAPERS system; and ◆ further access be granted to each region. <p><i>Timeframe ongoing</i> <i>Timeframe ongoing</i></p>	<p>◆ Australia is the current Chair. Participation is limited to 17 countries during the pilot phase but will be significantly expanded at end of the pilot in October 2002.</p> <p>◆ Regional access is actively encouraged by Central Office and is available on request.</p>	<p>Implemented</p> <p>At the time of writing 114 Customs Officers had access to the CAPERS network.</p>
2.1	<p>Overseas agencies—it is recommended that an agreement be formalised with those countries that have the highest volume of last port clearances to Australia to facilitate and increase the exchange of information. The Agreement should include the provision for departure information, intelligence holdings and distribution of information packages. <i>Timeframe 0–3mths</i></p>	<p>See 1.3 and 2.3.</p> <p>Departure information is provided constantly by NZ, New Caledonia and Vanuatu.</p>	<p>Implemented</p>

No	Task	Customs Comment	ANAO comment
2.2	<p>Territories and Protectorates—It is recommended that contact be made with Lord Howe, Norfolk, Christmas and Cocos-Keeling Islands to seek agreement on the exchange of information relating to small craft movements.</p> <p><i>Timeframe 0–3mths</i></p>	<p>Christmas Island is now staffed by Customs officers who are abreast of all requirements. The AFP Officer on Cocos Island reports all craft in and out. Contact is maintained with Norfolk Island and Lord Howe Island and relevant information is exchanged.</p>	<p>Implemented</p>
2.3	<p>Information Packages—It is recommended that Information Packages be made available to the highest last port countries for distribution along with Embassies to provide information regarding ACS requirements.</p> <p><i>Timeframe 0–3mths</i></p>	<p>Distribution of the information packages is undertaken currently by the Customs administrations of NZ, New Caledonia and Vanuatu. The package has also been sent to the Solomon Islands but its political and fiscal realities results in a very tenuous link. Fiji is yet to be approached. Initial contact has been made with PNG and this will be developed in the coming year.</p> <p>The package is also available on Customs' Internet site.</p>	<p>Partially Implemented</p> <p>The information package has been made available to the Customs authorities as noted. However links with the various embassies have not at this time been made.</p>
2.4	<p>Electronic Reporting—It is recommended that a Small Craft Web Site be developed to allow for electronic lodgement of pre-arrival forms.</p> <p><i>Timeframe 0–3mths</i></p>	<p>Implemented.</p> <p>Thirty-nine pre-arrival notifications have been received since May 2000. This is dependent on the craft having Internet access, one notification has been received from an internet café and some vessels have also reported on behalf of others without access.</p>	<p>Implemented</p>
2.5	<p>Forms—It is recommended that the revised Small Craft Reporting Form be forwarded to the CEO for approval.</p> <p><i>Timeframe 0–3mths</i></p>	<p>Implemented.</p> <p>The form is available in the information packages, and from all Customs' offices and the Customs' Internet site.</p>	<p>Implemented</p>
2.6	<p>Small Craft Reporting System—It is recommended that a working group be formed in the ACS to identify electronic small craft needs.</p> <p><i>Timeframe 3–6mths</i></p>	<p>Not progressed.</p>	<p>Not implemented</p>

No	Task	Customs Comment	ANAO comment
2.7	<p>INTERCEPT—It is recommended that members of the STARS Project Team be involved in the replacement/upgrade of INTERCEPT as part of the Commercial Vessel Review. <i>Timeframe 0–3mths</i></p>	<p>CMR requirements have since dictated that INTERCEPT be redeveloped and rehosted. This will be a longer-term project than the stated timeframe. The expertise of STARS participants will be fully utilised over the various stages.</p>	<p>Overtaken by events</p>
3.1	<p>Training Video—It is recommended that a training video be produced to assist with the identification of risk indicators. <i>Timeframe 6–12 mths</i></p>	<p>Not progressed</p>	<p>Not Implemented</p>
3.2	<p>Training Package—It is recommended that a two-day training package be developed for delivery to all officers involved in attending small craft. <i>Timeframe 6–12mths</i></p>	<p>Not progressed</p>	<p>Partially Implemented National Pleasure Craft Training course</p>
3.3	<p>Vessel Information Guide—It is recommended that the draft Guide be completed and provided to all District Officers, National Marine Unit and Coastwatch. <i>Timeframe 0–3mths</i></p>	<p>Nearing completion. Other high priority tasks have intervened.</p>	<p>Partially Implemented</p>
3.4	<p>Guidelines for Attending Small Craft Vessels—It is recommended that a simplified guide be produced as a prompt for officers attending small craft. <i>Timeframe 0–3mths</i></p>	<p>Not progressed</p>	<p>Not Implemented</p>
4.1	<p>District Office Risk Management Plans—It is recommended that the Queensland District Office Plans be used as a model for other District Offices in other regions. <i>Timeframe 6–12mths</i></p>	<p>Customs is developing a National Targeting Strategy that will look at all Risk Management Issues. A National Coastal Risk Assessment project has also been initiated by BOCU.</p>	<p>Partially Implemented</p>

No	Task	Customs Comment	ANAO comment
4.2	<p>National Small Craft Risk Management Plan—It is recommended that a National Plan be drafted to cover the risks that small craft present nationally. The Plan will form an overlay on the Regional Plans. <i>Timeframe 6–12mths</i></p>	To be progressed in 2002	Not Implemented
4.3	<p>Operational Intelligence Assessment—It is recommended that an Operational Intelligence Assessment be produced by the STARS team to provide a detailed analysis of the current environment. <i>Timeframe 3–6mths</i></p>	To be progressed in 2002	Not Implemented
5.1	<p>Defence—It is recommended that Coastwatch provide the conduit between Border and Defence on technology for detecting arriving small craft. <i>Timeframe ongoing</i></p>	Not progressed formally	Not Implemented
5.2	<p>Technology—It is recommended that Border Technology be tasked to research emerging and current technologies for the detection of illicit goods on small craft. <i>Timeframe ongoing</i></p>	Not progressed formally, however Border Technology's charter is to investigate technologies of use across the range of Customs' border activities.	Partially Implemented

Appendix 4

Performance Information used by Customs Administrations

Australia

Source: Australian Customs Services Annual Report 2000–2001

Mission/Role: The vision of the Australian Customs Service (Customs) is to be a world leader in Customs administration, delivering high-quality service to the community, industry and commerce. Customs has three principle roles:

- to facilitate trade and the movement of people across the border while protecting the community and maintaining appropriate compliance with Australian Law;
- to efficiently collect Customs revenue; and
- to administer industry specific schemes and trade measures.

Strategy: Outcome: Effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics.

Expectation: Output 1: Facilitation of the legitimate movement of good across the border, while intercepting prohibited and restricted imports and exports.

Quality/Quantity Performance measures	Target	Actual
Weight and number of drugs seizures by significance of offence.	No targets set	Weight and Seizures increased from 1999–00 to 2000–01
Weight and number of drugs seizures by mode of importation.	No targets set	
Number of detections and/or seizures of other prohibited imports.	No targets set	

United Kingdom

Source: Her Majesty's Customs & Excise Spring 2001 Departmental Report (two reports issued per year)

Mission/Role: The Department's new Public Service Agreement runs from 1st April 2001 for three years. It contains three major objectives:

- to collect the right revenue at the right time from indirect taxes;
- to reduce crime and drug dependency by detecting and deterring the smuggling of illegal drugs and other prohibited and restricted goods; and
- to reduce the costs of international trade and improve the level of compliance with Customs and statistical requirements.

Strategy: Objective 2: To detect and deter the smuggling of drugs and other prohibited goods as a major contribution to the Government's aim of minimising illicit activity, such as drug misuse.

Expectation: The Department will achieve targets set in consultation with the UK anti-drugs coordinator, for reducing the availability of drugs in the UK.

Goal	Target for year	Actual for first six months
Value of heroin, cocaine and other Class A drugs ¹¹⁴ prevented from entering the UK.	£1 320m	£811m On course
Number of smuggling organisations trafficking in Class A drugs disrupted or dismantled.	47	23 On course
Value of amounts realised against confiscation orders and of forfeiture orders made by the courts.	£6.6m	£3.2m On course

¹¹⁴ Class A drugs include heroin, cocaine and ecstasy.

United States of America

Source: United States Customs Service (USCS) accountability report Fiscal Year 2000.

Mission/Role: USCS performs a dual mission, one of law enforcement and one of regulating commercial activities. Within its mission Customs has significant responsibilities for ensuring that all goods and persons entering and exiting the United States do so legally.

Strategy: Strategic objectives of Enforcement Systems: Reduce the flow of drugs across the U.S. Border and disrupt and dismantle Drug Smuggling Organisations through unified intelligence, interdiction, and investigative efforts.

Goal:	Measured Results Customs seized or assisted in the domestic seizure of:
Seize 172 000 pounds of cocaine	150 036 pounds of cocaine
1 900 pounds of heroin	2 555 pounds of heroin
1 300 000 pounds of marijuana	1 291 487 pounds of marijuana

Canada

Source: Canada Customs and Revenue Agency (CCRA) Annual Report 2000–2001(first report).

Mission/Role: CCRA has been established as an agency since November 11, 1999. Its core mission is to promote compliance with Canada’s trade, and border legislation and contribute to the social and economic well being of Canadians. CCRA’s Corporate business plan outcomes include: Canadians comply with tax; trade; and border legislation, which constitutes day to day core business.

Strategy: Canadians’ health, safety, security and business interests are protected and Canada’s competitiveness is facilitated through our borders.

Expectation: Expected Outcome 1: Canadians comply with tax, trade, and border legislation.

<p style="text-align: center;">Anticipated result 3: Canadians' Health and safety, security, and business interests are protected, and Canada's competitiveness is facilitated through our borders.</p>	<p style="text-align: center;">Canada's Conclusion</p>
<p>Improved level of service to travellers and traders to satisfy their needs and encourage their voluntary compliance with trade and border laws.</p>	<p>We believe we met expectations to respond promptly to health safety and security risk, but we need to improve collaboration with our partners to establish clearer priorities, performance expectations, and specific targets for risk management.</p> <p><i>(Note: CCRA charts rates of travellers, compliance and type of seizures as a percentage of 100. CCRA notes that they need to significantly improve their ability to measure performance and frameworks for post release verifications)</i></p>
<p>Responsible border management that minimises the compliance burden, while preserving the integrity of the program.</p>	
<p>Prompt response to health, safety and security risks through effective intelligence and collaboration with other enforcement and health partners.</p>	
<p>Certainty and consistency for exporters and Canadians travelling abroad. A knowledgeable and skilled workforce.</p>	

New Zealand

Source: New Zealand Customs Service (NZCS) Annual Report 2000–2001

Mission/Role: NZCS mission is to protect and enhance the interests of the NZ community by: Minimising the risks to the country arising from international trade and travel; Facilitating legitimate movement of people and goods across our borders; and Collecting Customs and Excise revenue.

Strategy: Output Class 7 - Investigation of Offences. Under this output the NZCS is to provide a proactive and reactive investigative responses to (amongst others) cross border traffic in controlled drugs.

Quantity		
	<i>Estimates</i>	<i>Actual</i>
Priority 1 files completed ¹¹⁶	270	243
Priority 2 files completed	118	300
Priority 3 files completed	222	207
Quality		
	<i>Estimates</i>	<i>Actual</i>
Cases meeting priority 1 criteria completed/closed off within 12 months of initiation	Min 70%	94.9%
Cases meeting priority 1 criteria investigation to completion	Min 80%	88.4%
Implementation of case management and legal review procedures for each category of investigation	Yes	Yes
Cost		
The cost to which these measures relate was \$NZ 5.905 million exclusive of GST. Estimated cost \$NZ 5.917 million exclusive of GST.		

¹¹⁶ There are three priority categories of investigation (one, two and three, with one being the most serious). The priority categories are specific to the particular type of investigation, such as drugs or fraud.

Sweden

Source: Tax and Customs Annual Report 2000

Mission/Role: Anti-smuggling efforts must enable legal trade to be conducted without being exposed to unfair competition and also to minimising the risks of citizens' lives and health being exposed to danger caused by large-scale criminality or by substances that are a danger to health.

Strategy: The challenge is to develop and establish the context for drug seizures. Sweden has developed a model called *Benefiting the Public*, which attempts to measure the economic value to society of the seizures of drugs achieved by Customs.

Expectation: By means of ongoing evaluation and further development of working and selection methods the choice of control objects will be improved and the risk of interruptions to the legal goods flows and free movements of persons be minimise. Anti smuggling has clear directions in order to create societal benefits.

Performance Measures		
Hit Percentage, measures the effectiveness of anti smuggling process and calculates the percentage of hits.		
Benefiting the public, measures how much Customs operations benefits the national public economy through: <ul style="list-style-type: none">• public expenditure;• the reduction of amount of taxes levies caused by smuggling; and• the actual amount of illegally imported drugs.		
Seizures 2000		
<i>Drug</i>	<i>Number</i>	<i>Quantity (Kg)</i>
Amphetamine	113	39
Cannabis	11 851	882
Heroin	38	17
Cocaine	42	34

Index

A

- Air Cargo Automation System 42
- Air cargo profiles 19, 66, 67
- Assignment and Career Management Policy 24, 46, 47
- AUSTRAC 32, 45, 48, 49
- Australian Defence Force 12, 30
- Australian Quarantine Inspection Service (AQIS) 12, 30, 86, 134,

B

- Border Operations 17, 21, 22, 38, 41, 42, 43, 53, 54, 69, 72, 85, 91, 100, 101, 103, 104, 111, 115
- Border Operations Coordination Unit (BOCU) 17, 21, 43, 85, 90, 92, 94, 95, 133, 135, 136, 137, 139
- Border Operations Response and Technology 53, 72
- Budget allocation 12, 32, 98, 100
- Budget appropriation 98

C

- Canada 64, 81, 86, 115, 144
- Cargo examination facility 102, 104, 105
- Cargo Management Re-engineering (CMR) 53, 54, 67, 69, 70, 71, 104, 139
- Cargo screening 18, 20, 25, 55, 58, 66, 69, 79

- Coastwatch 13, 14, 15, 21, 22, 31, 33, 36, 40, 85, 89, 90, 91, 96, 102, 135, 139, 140

- Community Participation Program (CPP) 13, 21, 33, 89, 134

- Competency Assessment Training Officer (CATO) 81, 83

- Corporate Plan 23, 109, 110, 111, 112, 113, 114, 115

- Corporate Strategic Risk Profile (CSRP) 23, 111, 112, 113

- Country of origin 25, 55, 66, 68

- Customs administrations 20, 35, 36, 39, 81, 83, 86, 109, 114, 115, 141

- Customs Asia Pacific Enforcement Report System (CAPERS) 86, 133, 137

- Customs Watch 21, 33, 89, 90, 97, 134

D

- Demand Reduction 13, 30, 32, 101

- Desktop/discussion exercises 96

- Detector Dog Program 81, 130

- Drug detections 23, 33, 34, 44, 78, 92, 106, 114, 115, 116, 117, 120, 125

E

- Examinations Data Management System (EXAMS) 19, 20, 69, 76, 78

F

Full Container Load (FCL) 74, 76

G

General Accounting Office (GAO) 116

General queue 56, 62

Governance arrangements 14

H

Her Majesty's Customs and Excise (HMCE) 115, 116

High risk targets 15

I

Illicit Drugs Unit (IDU) 103, 104

Industry participants 33, 53, 104

Intelligence Branch 17, 38, 39, 42, 47, 48, 104

L

Less than container load (LCL) 74

M

Memorandum of Understanding (MoU) 33, 49, 86, 133

Ministerial Council on Drug Strategy (MCDS) 30, 101

N

National Audit Office (NAO) 109, 116, 116

National Crime Authority (NCA) 32, 77, 131

National Drug Strategic Framework (NDSF) 30, 101, 117, 121

National Electronic Remote Area Data System (NERADS) 97

National Illicit Drug Strategy (NIDS) 12, 22, 26, 32, 49, 98, 101, 103

National Marine Unit (NMU) 13, 21, 33, 85, 136

National Pleasure Craft Training course 21, 88

National profiles 19, 55, 66, 67, 68

National Resource Allocation (NRA) 23, 111, 112

New Zealand (NZ) 20, 35, 86, 94, 115, 133, 137, 138, 145

O

Operational assessments 40, 41, 107

Operational intelligence 41, 42, 46, 48

Outcome 12, 20, 22, 30, 31, 32, 46, 77, 87, 90, 98, 99, 100, 101, 106, 107, 109, 110, 111, 112, 114, 116, 118, 141, 144

Output One 12, 22, 31, 32, 98, 99, 100, 106, 108, 109, 111

P

Performance information 107, 109, 110, 114, 118, 120, 141

Performance measures 15, 23, 26, 107, 108, 109, 111, 114, 115, 116, 117, 118, 120, 121, 141, 146

Performance reporting 14, 23, 36, 109, 109, 110, 113, 114

Profile queue 55, 56, 59, 62

Profiles 15, 19, 25, 42, 55, 56, 59, 66, 67, 68, 69, 78

Q

Queensland 11, 29, 90, 95, 96, 100, 139

R

Recommendations 15, 24, 40, 43, 45, 84, 88, 91, 94, 95, 113, 133, 134, 137

Regional Intelligence Unit (RIU) 38, 45

Remote Area Dossiers (RADs) 97

Risk assessment 13, 14, 15, 21, 25, 33, 66, 70, 72, 87, 88, 91, 99, 112, 135, 136

Risk indicators 15, 19, 21, 25, 55, 84, 87, 88

Risk management 13, 15, 18, 23, 33, 53, 65, 68, 109, 110, 112, 113, 114, 115, 144

Risk Management Coordination Unit (RMCU) 23, 113

Risk profiles 15, 42

S

Sea Cargo Automation system

Sea cargo profiles 19, 66

Seizures 17, 33, 34, 43, 79, 80, 81, 110, 115, 116, 117, 118, 125, 126, 127, 128, 129, 131, 133, 141, 144, 146

Significant Detection Analysis (SDA) 17, 43, 80, 94

Small craft activity 13, 14, 22, 35, 42, 85, 90, 92

Small craft Targeting and Reporting Strategy (STARS) 15, 25, 84, 93, 133,

Standard Operating Procedures (SOP's) 70, 87, 136

Strategic assessments 38, 39, 40, 49

Strategic Intelligence 17, 38, 39, 40, 41, 42, 44, 47, 49

Sweden 115, 117, 146

T

Tactical intelligence 17, 38, 41, 42, 44, 66

Target Selection Officers (TSOs) 18, 43, 55, 70, 72

Targeting and Analysis groups 17, 24, 38, 41, 42, 43, 44, 53, 54, 72, 83, 107, 111

Tasking 21, 22, 33, 40, 41, 81, 90, 91, 135

Training exercise program 96

Training package 21, 47, 48, 89, 135

Training review 22, 95

U

United Kingdom (UK) 81, 114, 116, 142

United States of America (USA) 114, 143,

V

Venom queue 56, 62

W

Working Corporate Plan (WCP) 23, 110, 111

World Customs Organisation 35, 44

X

X-ray technology 14, 15, 53, 64, 65,
72, 81, 82, 83, 102, 103, 105

Series Titles

Audit Report No.53 Assurance and Control Assessment Audit
Goods and Services Tax Administration by Commonwealth Organisations

Audit Report No.52 Financial Control and Administration Audit
Internal Budgeting

Audit Report No.51 Performance Audit
Research Project Management
Commonwealth Scientific and Industrial Research Organisation (CSIRO)

Audit Report No.50
A Preliminary Examination into the Allocation of Grant Funding for the Co-Location of National General Practice Organisations

Audit Report No.49 Performance Audit
*The Management of Commonwealth National Parks and Reserves
'Conserving our Country'*
Department of the Environment and Heritage

Audit Report No.48 Performance Audit
Regional Assistance Programme
Department of Transport and Regional Services

Audit Report No.47 Performance Audit
Administration of the 30 Per Cent Private Health Insurance Rebate
Department of Health and Ageing, Health Insurance Commission, Australian Taxation Office, Department of Finance and Administration, Department of the Treasury

Audit Report No.46 Performance Audit
Management of an IT Outsourcing Contract
Department of Veterans' Affairs

Audit Report No.45 Assurance and Control Assessment Audit
Recordkeeping

Audit Report No.44 Performance Audit
Australian Defence Force Fuel Management
Department of Defence

Audit Report No.43 Performance Audit
Indigenous Education Strategies
Department of Education, Science and Training

Audit Report No.42 Performance Audit
Integrity of the Electoral Roll
Australian Electoral Commission

Audit Report No.41 Performance Audit
Transactional Banking Practices in Selected Agencies

Audit Report No.40 Performance Audit
Corporate Governance in the Australian Broadcasting Corporation
Australian Broadcasting Corporation

Audit Report No.39 Performance Audit
Management of the Provision of Information to Job Seekers
Department of Employment and Workplace Relations

Audit Report No.38 Performance Audit
Management of Australian Defence Force Deployments to East Timor
Department of Defence

Audit Report No.37 Performance Audit
Purchase of Hospital Services from State Governments—Follow Up Audit
Department of Veterans' Affairs

Audit Report No.36 Benchmarking Study
Benchmarking Implementation and Production Costs of Financial Management Information Systems

Audit Report No.35 Performance Audit
ATO Progress in Addressing the Cash Economy
Australian Taxation Office

Audit Report No.34 Assurance and Control Assessment Audit
Management of Travel—Use of Taxis

Audit Report No.33 Assurance and Control Assessment Audit
Senate Order of 20 June 2001 (February 2002)

Audit Report No.32 Performance Audit
Home and Community Care Follow-up Audit
Department of Health and Ageing

Audit Report No.31 Performance Audit
Audit Activity Report: July to December 2001
Summary of Outcomes

Audit Report No.30 Performance Audit
Test and Evaluation of Major Defence Equipment Acquisitions
Department of Defence

Audit Report No.29 Financial Statement Audit
Audits of the Financial Statements of Commonwealth Entities for the Period Ended 30 June 2001

Audit Report No.28 Information Support Services
An Analysis of the Chief Financial Officer Function in Commonwealth Organisations
Benchmark Study

Audit Report No.27 Assurance and Control Assessment Audit
Agency Management of Software Licensing

Audit Report No.26 Performance Audit
Management of Fraud and Incorrect Payment in Centrelink

Audit Report No.25 Assurance and Control Assessment Audit
Accounts Receivable

Audit Report No.24 Performance Audit
Status Reporting of Major Defence Acquisition Projects
Department of Defence

Audit Report No.23 Performance Audit
Broadcasting Planning and Licensing
The Australian Broadcasting Authority

Audit Report No.22 Protective Security Audit
Personnel Security—Management of Security Clearances

Audit Report No.21 Performance Audit
Developing Policy Advice
Department of Education, Training and Youth Affairs, Department of Employment,
Workplace Relations and Small Business, Department of Family and Community Services

Audit Report No.20 Performance Audit
*Fraud Control Arrangements in the Department of Agriculture, Fisheries and Forestry—
Australia (AFFA)*
Department of Agriculture, Fisheries and Forestry—Australia

Audit Report No.19 Assurance and Control Assessment Audit
Payroll Management

Audit Report No.18 Performance Audit
Performance Information in Portfolio Budget Statements

Audit Report No.17 Performance Audit
Administration of Petroleum Excise Collections
Australian Taxation Office

Audit Report No.16 Performance Audit
Defence Reform Program Management and Outcomes
Department of Defence

Audit Report No.15 Performance Audit
Agencies' Oversight of Works Australia Client Advances

Audit Report No.14 Performance Audit
Client Service Initiatives Follow-up Audit
Australian Trade Commission (Austrade)

Audit Report No.13 Performance Audit
Internet Security within Commonwealth Government Agencies

Audit Report No.12 Financial Control and Administration Audit
*Selection, Implementation and Management of Financial Management Information
Systems in Commonwealth Agencies*

Audit Report No.11 Performance Audit
Administration of the Federation Fund Programme

Audit Report No.10 Assurance and Control Assessment Audit
Management of Bank Accounts by Agencies

Audit Report No.9 Performance Audit
Learning for Skills and Knowledge—Customer Service Officers
Centrelink

Audit Report No.8 Assurance and Control Assessment Audit
Disposal of Infrastructure, Plant and Equipment

Audit Report No.7 Audit Activity Report
Audit Activity Report: January to June 2001
Summary of Outcomes

Audit Report No.6 Performance Audit
Commonwealth Fisheries Management: Follow-up Audit
Australian Fisheries Management Authority

Audit Report No.5 Performance Audit
Parliamentarians' Entitlements: 1999–2000

Audit Report No.4 Performance Audit
Commonwealth Estate Property Sales
Department of Finance and Administration

Audit Report No.3 Performance Audit
The Australian Taxation Office's Administration of Taxation Rulings
Australian Taxation Office

Audit Report No.2 Performance Audit
Examination of Allegations Relating to Sales Tax Fraud
Australian Taxation Office

Audit Report No.1 Financial Statement Audit
Control Structures as part of the Audits of the Financial Statements of Major Commonwealth Entities for the Year Ended 30 June 2001

Better Practice Guides

Performance Information in Portfolio Budget Statements	May 2002
Administration of Grants	May 2002
Life-Cycle Costing	Dec 2001
Some Better Practice Principles for Developing Policy Advice	Nov 2001
Rehabilitation: Managing Return to Work	Jun 2001
Internet Delivery Decisions	Apr 2001
Planning for the Workforce of the Future	Mar 2001
Contract Management	Feb 2001
AMODEL Illustrative Financial Statements 2001	May 2001
Business Continuity Management	Jan 2000
Building a Better Financial Management Framework	Nov 1999
Building Better Financial Management Support	Nov 1999
Managing APS Staff Reductions (in Audit Report No.49 1998–99)	Jun 1999
Commonwealth Agency Energy Management	Jun 1999
Corporate Governance in Commonwealth Authorities and Companies—Principles and Better Practices	Jun 1999
Managing Parliamentary Workflow	Jun 1999
Cash Management	Mar 1999
Management of Occupational Stress in Commonwealth Agencies	Dec 1998
Security and Control for SAP R/3	Oct 1998
Selecting Suppliers: Managing the Risk	Oct 1998
New Directions in Internal Audit	Jul 1998
Controlling Performance and Outcomes	Dec 1997
Management of Accounts Receivable	Dec 1997
Protective Security Principles (in Audit Report No.21 1997–98)	Dec 1997
Public Sector Travel	Dec 1997

Audit Committees	Jul 1997
Core Public Sector Corporate Governance (includes Applying Principles and Practice of Corporate Governance in Budget Funded Agencies)	Jun 1997
Administration of Grants	May 1997
Management of Corporate Sponsorship	Apr 1997
Telephone Call Centres	Dec 1996
Telephone Call Centres Handbook	Dec 1996
Paying Accounts	Nov 1996
Performance Information Principles	Nov 1996
Asset Management	Jun 1996
Asset Management Handbook	Jun 1996
Managing APS Staff Reductions	Jun 1996