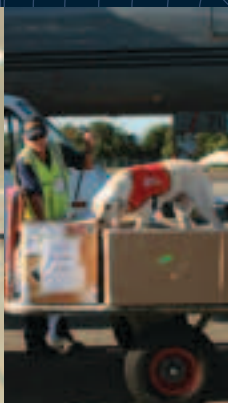




Australian Government
**Australian Customs and
Border Protection Service**

AUSTRALIAN
CUSTOMS
AND BORDER
PROTECTION
SERVICE



ANNUAL
REPORT
2009–10

A week in the life of the Australian Customs and Border Protection Service



Each week on average...

We clear:

- + approximately 250 000 air passengers arriving in Australia on more than 1560 flights
- + about 264 ships arriving in Australian ports from overseas and board approximately 186 of them
- + about 13 overseas small craft arriving at Australian ports
- + approximately 24 000 exports entries, 192 000 air waybills and 45 000 sea cargo manifest lines for imported cargo.

We patrol:

- + nearly three million square nautical miles with air assets to combat multiple maritime threats, including irregular maritime arrivals, illegal activity in protected areas, prohibited imports and exports, compromises to biosecurity, illegal exploitation of natural resources, piracy, maritime terrorism and marine pollution
- + our coastline and seas, including the Southern Ocean and Northern waters
- + airports, sea ports, remote coastlines and mail centres, and use about 66 highly trained detector dogs.

We inspect or examine:

- + nearly 2 000 sea cargo containers
- + nearly 29 000 air cargo consignments
- + approximately 800 000 letters and more than 398 000 parcels from overseas.

We detect or seize:

- + numerous prohibited items including weapons, replica firearms, dangerous goods, protected wildlife, pornography and material involving breaches of copyright
- + about 182 illicit drug imports including performance and image-enhancing drugs.

We collect:

- + approximately \$182 million in revenue from various sources, for Customs and Border Protection and other agencies.

For information on any Customs and Border Protection matters, contact the Customs and Border Protection Information and Support Centre on 1300 363 263, email information@customs.gov.au or browse our website www.customs.gov.au

AUSTRALIAN
CUSTOMS
AND BORDER
PROTECTION
SERVICE

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Published by
Australian Customs and Border Protection Service
Canberra
October 2010
ISSN: 1837-7173

ANNUAL
REPORT
2009–10



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Australian Government
Australian Customs and
Border Protection Service

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The Hon Brendan O'Connor
Minister for Home Affairs
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present to you the Annual Report of the Australian Customs and Border Protection Service (Customs and Border Protection) for the financial year ended 30 June 2010, as required under section 63(1) of the *Public Service Act 1999*.

The report was prepared in accordance with subsection 17(1) of the *Customs Administration Act 1985*, and guidelines approved by the Joint Committee of Public Accounts and Audit referred to in subsection 63(2) and 70(2) of the *Public Service Act 1999*. These guidelines are applied as a matter of policy to prescribed agencies, including Customs and Border Protection, under section 5 of the *Financial Management and Accountability Act 1997*.

Subsection 17(2) of the *Customs Administration Act 1985* requires you to present this Report to each House of Parliament within 15 sitting days of receipt. The guidelines referred to in subsection 70(2) of the *Public Service Act 1999* require that this presentation occurs on or before 31 October 2010.

This report details performance for Customs and Border Protection's five programs and their contribution to the effectiveness of Customs and Border Protection's Outcome.

Yours sincerely

Michael Carmody
Chief Executive Officer

7 October 2010

Corporate profile

The Australian Customs and Border Protection Service (Customs and Border Protection) manages the security and integrity of Australia's borders. We have staff in Australia and overseas, supported by sophisticated surveillance and intelligence systems. We work closely with other government and international agencies to protect Australia.

OUR MISSION

The protection of the safety, security and commercial interests of Australians through border protection designed to support legitimate trade and travel and ensure collection of border-related revenue and trade statistics.

OUR ROLE IS TO:

- + prevent, deter and detect the illegal movement of people across Australia's borders
- + prevent, deter and detect prohibited, harmful and illegal goods from entering Australia
- + investigate suspected breaches of a range of border controls
- + counter civil maritime security threats in Australian waters through Border Protection Command, a joint Customs and Border Protection and Defence authority, located within Customs and Border Protection.
- + facilitate legitimate trade and travel
- + deliver industry assistance, including through Australia's anti-dumping and countervailing and Tariff Concession Schemes
- + collect border-related revenue and statistics.

OUR CORPORATE PRIORITIES ARE TO:

- + deliver on our border protection, facilitation and revenue commitments to Government
- + maintain community confidence in the way we perform our role
- + build for the future, based on a comprehensive and continually refined analysis of future risks to the borders and our future operating environment.

OUR ASPIRATION IS TO BE:

- + accepted as the community's trusted agent for border protection
- + respected by industry for the support we give to legitimate trade and travel
- + valued as a partner by other law enforcement and regulatory agencies.

OUR PEOPLE

At 30 June 2010, we employed 5 805¹ people in offices around Australia and overseas.

OUR BUDGET

Our operating income for this financial year was \$1 102.2 million.

¹ Includes ongoing and non-ongoing staff employed under the *Public Service Act 1999* and those on leave, on higher duties and on loan from other agencies. Figures do not include contractors or flexible employees. The number reflects the actual occupancy (headcount derived from Customs and Border Protection Human Resource Information Systems). Financial statements report on staff numbers by average staffing level.



*Customs and Border Protection executive
From left: Neil Mann, Marion Grant, Michael Carmody and Michael Pezzullo.*

CEO review

Our outcome statement – *the protection of the safety, security and commercial interests of Australians through border protection designed to support legitimate trade and travel, and to ensure collection of border revenue and trade statistics* – encapsulates, in a touch bureaucratically, the important and complex role performed by the Australian Customs and Border Protection Service. This year we continued to meet the challenges of that role.

Part of the complexity and importance of our role derives from the fact that our border protection responsibilities effectively mean that we are required to regulate the movement of all people and goods across Australia's border. As a result we cannot do our job without being sensitive to the potential impact on Australia's economy and international reputation. This year we effectively screened and processed some 26 million international passengers, 2.2 million sea containers, 11 million air cargo consignments and many millions of mail items. The potential damage to Australia's economy and international reputation from managing these responsibilities poorly is substantial. On a more positive note by actively supporting legitimate trade and travel through timely, professional and welcoming approaches we enhance Australia's reputation. This is our approach and the outcomes of our passenger satisfaction surveys and cargo time release studies confirm the advances we have made in delivering on this approach.

A dynamic and challenging environment

As noted, border management in Australia is characterised by the need to balance facilitation and security. Challenging this balance is the growing complexity and growth in movements of people and goods in a rapidly changing and diverse security environment.

The volume of transactions at the border, both cargo and people, is projected to increase markedly notwithstanding the effects of economic cycles. International passenger movements are projected to increase from around 26 million this year to some 40 million, by 2020. Similarly incoming containerised cargo and air cargo consignments are projected to increase from 2.2 million and 11 million to 4.9 million and 21.7 million respectively.

Key trends in the security environment include the continued evolution of the threat of terrorism and the proliferation of weapons of mass destruction (WMD)-related technology and dual-use goods.

Technology will continue to develop rapidly, continuing the current trend of increasing sophistication, power and pervasiveness. The rapid development of technology will enable both advances in border management as well as opportunities for individuals or groups looking to circumvent border management systems.

Transnational organised crime is growing in its reach and sophistication. The high profits associated with illicit drug, precursor and tobacco trafficking ensure that these commodities will continue to attract organised crime involvement. Other activities will have criminal group involvement, including the facilitation of unauthorised movement of people across the border via document and identity fraud.

Our strategic response

Our response to this dynamic environment is threefold – an emphasis on intelligence-led, risk-based interventions, a strengthening of joint intelligence and operational working arrangements with partner agencies and a movement to a risk-based, multi-year planning and budgeting framework.

Our movement towards an intelligence-led, risk-based approach to border management means that people and goods that are assessed as low risk are facilitated while intervention is focussed on high-risk movements. These risk based interventions are backed up by assurance and campaign approaches that are designed to confirm the effectiveness of our interventions and keep us alert to emerging risks.

This approach places an increasing emphasis on working ahead of the border as part of a layered approach to border management.

A refined intelligence-led and risk-based approach to cargo interventions was successfully implemented this year. This has enabled a broadening of coverage and reduced the proportion of known low risk cargo subject to inspection.

A refined risk-based approach to first port boarding of commercial vessels has also been implemented. First port boarding risk assesses vessels and maritime crew to identify high-risk first port vessels. This approach provides an effective use of resources to address the risks in the waterfront environment including those posed by maritime crew arriving on commercial vessels from overseas.

Effective responses to managing the risks to Australia's border requires effective collaboration between government agencies operating across the border. We have sought to take a lead in strengthening this collaborative approach.

We led the development of the Strategic Border Management Plan that guides whole-of-government activity and capability development at the border. We also chair the Border Management Group, a multi-agency group that has responsibility for delivering on the whole-of-government priorities articulated in the Strategic Border Management Plan.

A key example of cross-agency collaboration in action is our lead agency role in co-ordinating the Government's operational response to maritime people smuggling. This involves leading whole-of-government strategy development as well as delivering intelligence, communications, aerial surveillance and on-water response.

A second example is our contribution to Australia's layered approach to aviation and border security through pre-arrival risk assessment of passengers and interventions at the border. Customs and Border Protection operates a 24/7 Passenger Analysis Unit that carries out the pre-arrival risk assessment of passengers. The Unit has a multi-agency focus and includes representatives of the Department of Immigration and Citizenship. This allows a co-ordinated multi-agency approach to be taken to identifying and treating border risks.

Our strategic directions are supported by the movement to a multi-year planning horizon founded on ongoing assessment of border risks. This is designed to inform longer term investment in the capabilities required to respond to the challenges posed by our future operating environment.

Performance highlights

While better positioning ourselves for the future we continued to perform solidly in delivering today's outcomes. Full details are provided in Section 2. Some highlights include the following:

- + we delivered, through Border Protection Command, a highly effective maritime security program that successfully deterred illegal foreign fishing in our northern waters and maintained an effective on-water interception response to maritime people smuggling ventures
- + we prevented an extensive range of prohibited, restricted or regulated goods entering the country, including 9 462 detections of illicit drugs and precursors with a total weight of 1 258 kg and Drug Harm Index value of some \$390 million

- + we prevented 310 707 kg of tobacco and 68 728 000 cigarette sticks being smuggled into Australia
- + we collected border-related tax and duties of \$9.2 billion and supported the collection of border-related GST by the Australian Taxation Office of \$19 billion
- + we delivered industry support including through administration of Australia's anti-dumping and countervailing scheme and the Tariff Concession Scheme (\$1.46 billion in 2009/10)
- + we facilitated travel by processing over 26m international passengers, with an average of 97.9% of inwards passengers processed within 30 minutes of joining the queue
- + we facilitated trade by processing air and sea cargo in internationally competitive release times.

Financial performance

This year we operated within our budget recording a small operating surplus of \$4.5 million. This is an improvement on the \$11.8 million operating deficit incurred in 2008-09. The previous operating deficit was the result of adjustments flowing from a number of major reviews of our balance sheet position conducted during the year. The adjustments were non-cash based and largely one-off in nature.

The year ahead

Our challenge for the year ahead remains to deliver on today's outcomes while building our capability for the future.

On delivering today, maritime people smuggling is an enduring problem and will remain a high priority.

Our response to attempts to bring illicit drugs and precursors into Australia this year was challenged by the resilience and responsiveness of organised criminal networks to law enforcement interventions. The year ahead will see a strengthening of joint intelligence and operational working arrangements with partner agencies and an increased focus on the waterfront.

A key focus for building our intelligence-led, risk-based capability will be the Enhanced Passenger Assessment and Clearance Stage 2 Program. This Program will enhance our ability to identify potential high-risk travellers earlier by ensuring that more timely and better informed decisions can be made about passenger interventions needed before or at the border, from a whole-of-government perspective. Expanding current approaches to passenger risk assessment and information and intelligence sharing will enable integration along the end to end traveller pathway and across the range of government agencies represented at, or with an interest in, the border both at home and overseas.

I commenced this overview by noting the important and complex role performed by the Australian Customs and Border Protection Service. That we have delivered on that role for the community is because of the continuing commitment and energy of Customs and Border Protection officers. I thank them for that.

1

PART ONE:
OVERVIEW

Role and function

2

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1.1 Role and function

Customs and Border Protection is the key agency protecting Australia's borders, performing a vital role in supporting and protecting the safety, security and commercial interests of Australia. Customs and Border Protection facilitates legitimate trade and travel, prevents the illegal movement of people and harmful goods across Australia's borders, and collects border revenue and trade statistics.

1.1.1 Our operating environment

We perform our role in a complex and dynamic environment. We typically have short intervention times to prevent the illegal movement of people and goods, and this requires constant vigilance and continual updates to our strategies. Those people and organisations trying to breach Australia's borders are very responsive to these interventions.

People understand that border protection means there has to be some impact on trade and travel, but there are limits to what is acceptable. We must be sensitive to the needs of the people and organisations we protect, and support the movement of legitimate travellers and goods.

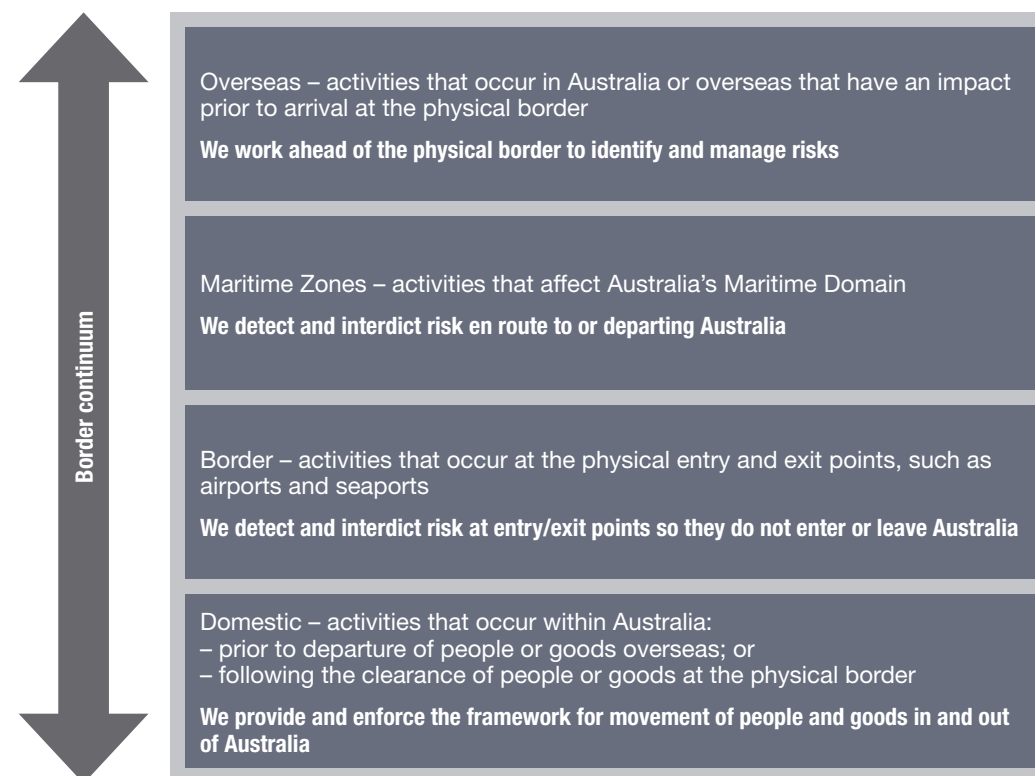
We need to work closely with agencies with an interest in the border, often exercising powers on their behalf, at other times working with them to complement each others' capabilities. We support the World Customs Organization's Framework of Standards, which emphasises cooperation between customs administrations and industry, in managing the whole-of-trade supply chain.

1.1.2 Managing Australia's border

We use a risk-based approach to manage Australia's border. This means that we facilitate legitimate trade and travel and reduce risk to the border by focusing our resources where they are needed most. Our approach is based on strategic and operational intelligence that is supported by assurance programs and campaigns designed to detect, deter and disrupt illicit activity.

We manage the movement of people and goods across Australia's border in four areas (the border continuum — see Figure 1). A number of agencies are involved in addressing the challenges of the four areas of the continuum, and we work together in an integrated way to ensure effective management and protection of all areas. These agencies include several Australian Government departments: Customs and Border Protection; the Department of Immigration and Citizenship; the Biosecurity Services Group of which the Australian Quarantine and Inspection Service is a part, within the Department of Agriculture, Fisheries and Forestry; the Department of Defence; and the Office of Transport Security within the Department of Infrastructure, Transport, Regional Development and Local Government. These agencies are supported by other law enforcement and intelligence agencies.

Figure 1: The border continuum



We have emphasised our efforts ahead of the border and are refining our approach to strategic planning.

We have shifted our strategic focus to strengthen regional engagement, ensuring early identification and mitigation of risks to Australia's border. Customs and Border Protection officers posted overseas work with offshore partner agencies to disrupt and defeat threats to the border before they arrive. We also continue to improve pre-arrival screening for passengers and cargo. We use advanced analytical techniques and tools to analyse advance passenger information and sea and air cargo reports to identify high-risk passengers and cargo prior to arrival.

We conduct a broad program of intervention to prevent, deter and disrupt the illicit movement of goods and people across the border. This program includes targeting and intervention for high-risk goods, people, vessels and aircraft, and conducting campaigns to test, monitor and disrupt known or emerging areas of risk. We monitor the program to inform our risk-based activities and to tell us if our control framework is adequately addressing and identifying border risks.

Our multiyear budgetary and planning framework further supports our capability development and strengthens our strategic planning and governance, so we can plan for the future, while achieving results today. The capability planning process is aligned with the start of the business planning period to ensure business planning is directly informed by the agency's ability and capacity to deliver.

We have strengthened capability throughout the region in governance, cooperation, detection and border security. This improvement is complemented by our capability plans for the areas of Information and Communication Technology (ICT), Workforce, Assets, Property and Operational Technology Assessment. The plans have been developed collaboratively across the agency and identify:

- + the current state of each capability
- + likely future demand for the capability, highlighting significant areas of organisational change and operational requirements
- + a rolling annual strategy to build for the future.

1.2 Organisational structure

Customs and Border Protection is an agency within the Attorney-General's portfolio and is responsible to the Minister for Home Affairs, the Hon Brendan O'Connor, MP.

Customs and Border Protection operates through three programs:

- + passenger and trade facilitation
- + border enforcement
- + corporate operations.

The Chief Executive Officer (CEO) heads Customs and Border Protection with the support of the Chief Operating Officer (COO) and two Deputy Chief Executive Officers (DCEOs), who lead national programs. Senior managers in all Australian states and territories report directly to national program directors or managers. This structure is illustrated in Figure 2.



Michael Carmody
Chief Executive Officer



Michael Pezzullo
Chief Operating Officer

- + Financial Services Division
- + Information Technology Division
- + People and Place Division
- + Law Enforcement Strategy Division
- + Intelligence and Targeting Division
- + Corporate and International Strategy Branch
- + Design Branch and Corporate Project Office
- + Integrity and Professional Standards Branch
- + Legal Services Branch
- + Strategic Projects Branch



Marion Grant
**Deputy Chief Executive Officer
Border Enforcement**

- + Enforcement and Investigations Division
- + Maritime Operations Support Division
- + Border Protection Command



Neil Mann
**Deputy Chief Executive Officer
Passenger and Trade Facilitation**

- + Passengers Division
- + Cargo Division
- + Trade and Compliance Division

Figure 2: Customs and Border Protection organisation chart as at 30 June 2010



1.3 Annual report framework

Our annual reporting framework consists of two main elements:

- + programs as outlined in the Portfolio Budget Statement (PBS)
- + border risks, processes and business support functions as described in our 2009–10 Annual Plan.

1.3.1 Portfolio Budget Statement (outcome and programs)

The PBS sets out our commitments to Government and is one of the key accountability mechanisms between Customs and Border Protection and the Australian Government.

The current outcomes and programs framework was introduced in the 2009–10 Budget as part of the Government's Operation Sunlight reforms. In this framework, the outcome statement explains the purpose of funding appropriation by Parliament and describes the overall benefit the Government expects from Customs and Border Protection.

Our outcome:

The protection of the safety, security and commercial interests of Australians through border protection designed to support legitimate trade and travel, and to ensure collection of border revenue and trade statistics.

Our programs detail how we will achieve this outcome. Program reporting was also introduced this year to supplement the changes made to the outcome statement. As a result, Customs and Border Protection moved from four outputs to a five program structure (Table 1).

Table 1: 2008–09 outputs and 2009–10 programs

2008–09 Budget year	2009–10 Budget year
Output 1 Passenger facilitation	Program 1 Passenger facilitation
Output 2 Trade facilitation and revenue collection	Program 2 Trade facilitation
Output 3 Border enforcement	Program 3 Border protection and enforcement
Output 4 Civil maritime surveillance and response	Program 4 Civil maritime surveillance and response
	Program 5 Border-related revenue collection

We assess and measure our performance and the success of our programs by using performance indicators and deliverables for each program, as well as providing details of non-financial performance.

1.3.2 Annual Plan

To complement the Government expectations outlined in the PBS, our CEO sets out performance expectations in the Annual Plan at the beginning of each financial year. Our Annual Plan describes how we achieve our outcome and how we ensure continual improvement to our activities.

The Annual Plan 2009–10 focuses on our border risk management activities and our business support functions.

- + Border risks — the border risks we manage include:
 - irregular movement of people (by air and by sea)
 - terrorism (aviation and maritime)
 - biosecurity
 - prohibited, restricted or regulated goods (including illicit drugs and precursors, firearms and weapons, illegal movement of money, hazardous goods and consumer safety, goods of counter proliferation concern, and other regulated goods)
 - unlawful activity in our maritime zones (offshore, inshore and onshore)
 - revenue (including tobacco smuggling).

We support the management of border risks and Government expectations with a number of processes, including passenger and crew processing operations, cargo processing operations, and Australia’s anti-dumping and countervailing system. Details of activities in these areas are included in the report on border risks.

- + Business support — the capabilities and functions that enable us to manage border risks and processes are in the areas of:
 - integrity and ethics
 - leadership and workforce
 - corporate governance
 - information and systems
 - infrastructure.

Our annual reporting framework is shown in Figure 3.

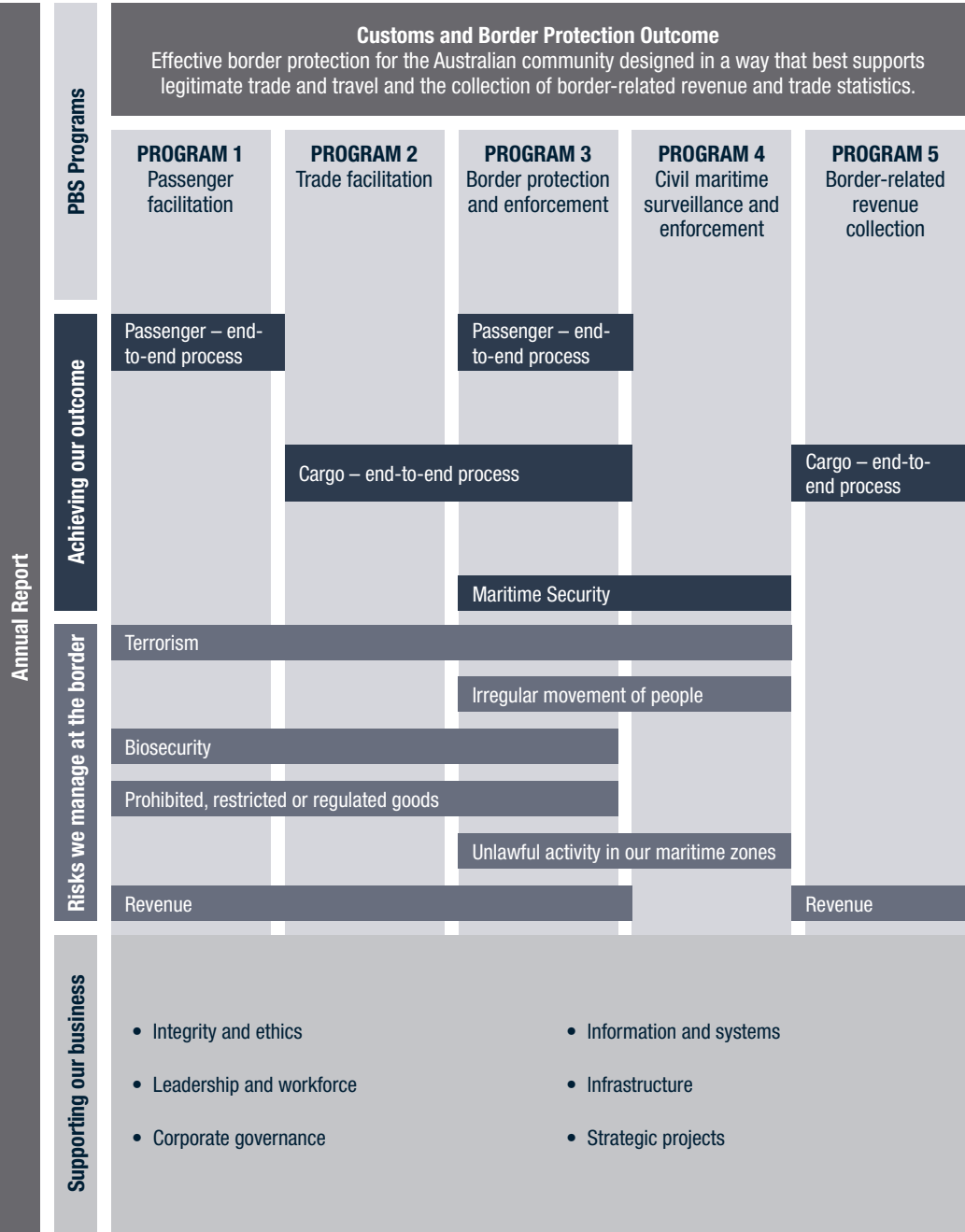
1.3.3 Key priorities for 2009–10

The key priorities to achieve our outcome were to:

- + lead at the border by supporting the development of the Australian Government’s Strategic Border Management Plan, establishing effective partnerships with other border agencies, and ensuring border management requirements are embedded in our service and infrastructure design
- + manage border risks through intelligence-led, risk-based interventions that work at all points of the border continuum
- + support cross-agency activities to deter and detect the illegal movement of people across Australia’s borders, including intelligence analysis, coordinated surveillance and on-water response, and engagement with source and transit countries
- + facilitate legitimate trade and travel by designing our services to optimise the trade and travel experience, and by identifying and developing new business opportunities
- + operate efficiently and effectively to achieve a sustainable three-year budget by setting priorities based on risk assessment and by strengthening our operational capacity
- + ensure that appropriate systems are in place to accurately collect border-related revenue and trade statistics
- + develop and implement new capabilities to adapt to new and emerging threats.

These priorities were supported by a range of improvement priorities outlined in the Annual Plan 2009–10.

Figure 3: 2009–10 Annual reporting framework



2

PART TWO: OUR PERFORMANCE

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Report on performance

Our 2009–10 performance is reported in four sections that reflect the horizontal and vertical elements of our annual reporting framework (see Figure 3).

Section 2.1 reports on performance against our PBS outcomes and targets and Section 2.2 reports on our performance against each of the six risks we manage at the border. Section 3 reports on the performance of the functions that support our business, and Sections 4 and 5 report on our management and financial performance.

Reporting on our border risks and supporting functions highlights how our business areas have worked together and across government to achieve our PBS outcome.

Table 2 shows the budgeted price and appropriations for our outcome and programs for 2009–10, as published in the Portfolio Additional Estimates Statements (PAES).

Table 2: Financial and staffing resources summary

Outcome				
The protection of the safety, security and commercial interests of Australians through border protection designed to support legitimate trade and travel and ensure collection of border revenue and trade statistics	(A) Final estimates 2009–10* \$000	(B) Actual 2009–10 \$000	Variation (column B minus column A) \$000	Budget 2010–11 \$000
Administered revenue				
Taxation	6 509 874	6 452 761	–57 113	7 376 078
Non-taxation	6 362	3 720	–2 642	6 553
Total administered revenue	6 516 236	6 456 481	–59 755	7 382 631
Administered expenses				
Administered expenses	3 547	1 220	–2 327	4 049
Total administered expenses	3 547	1 220	–2 327	4 049
Departmental programs				
Program 1: Passenger facilitation	227 889	230 844	2 955	233 988
Program 2: Trade facilitation	234 549	231 992	–2 557	223 919
Program 3: Border protection and enforcement	275 782	280 371	4 589	265 570
Program 4: Civil maritime surveillance and response	290 065	292 871	2 806	296 536
Program 5: Border-related revenue collection	64 038	61 639	–2 399	64 762
Total price of departmental programs	1 092 323	1 097 717	5 394	1 084 775
Total for outcome (administered expenses and price of departmental programs)	1 095 870	1 098 937	3 067	1 088 824
Average staffing level (no. of staff)	5 500	5489	–11	5 250#

* Data derived from 2009–10 Portfolio Additional Estimates Statements

Published average staffing level (ASL) in the 2010–11 Portfolio Budget Statements. This estimate was subsequently increased to 5 320

2.1 Achieving our outcome

The biggest challenge to delivering our outcome is balancing economic and social needs, through facilitating trade and travel, with enforcing legislation designed to protect the Australian community from the illegal movement of people and the importation of harmful goods.

Our approach to delivering our outcome focuses on supporting the legitimate movement of goods and people across the border. We take an intelligence-led, risk-based intervention approach to protecting our border. It is important for us to identify the key risks that affect the objectives and priorities set out by the Government. Efficient and effective processes help us to do this. Knowing our key border risks positions us as a lead contributor to achieving whole-of-government objectives to manage those risks.

This year, Customs and Border Protection emerged as a central operational agency in the national security sphere. To meet the challenges of border protection, we have improved our cross-agency leadership role, particularly in the areas of intelligence and strategy development. This reflects the reality that border protection is complex and agencies need to share capabilities to achieve the outcomes expected from Government and the Australian community.

The national security community of intelligence, law enforcement, defence, border protection, security and associated agencies have worked together over the past 12 months to improve our partnerships, particularly in addressing maritime people smuggling. We have focused on building strategic partnerships underpinned by mutual trust, confidence and genuine commitment. We have seen a strengthening in international and domestic agency and industry engagement. These partnerships with fellow border agencies allow us to work ahead of the border and build expertise that is critical to ensuring border security.

We have reviewed our international engagement to better align it with the agency's priorities. In addition to collaborating with international counterparts, such as in the United States, China and New Zealand, for facilitating and enforcing effective trade and travel at the border, we seek to strengthen intelligence and border management capabilities with key regional partners, such as Indonesia, Papua New Guinea and Thailand, and influence the agendas and work programs of relevant international organisations including the World Customs Organization (WCO) and Asia-Pacific Economic Cooperation (APEC).

This year, we formalised relationships with key counterpart agencies through the negotiation and signing of international cooperative agreements. These included memoranda of understanding with the UK Border Agency (United Kingdom) and the Belgian Administration of Customs and Excise. We value the opportunity to formalise agreements with key partners, to support the exchange of intelligence and information, share experiences and strengthen our international cooperation.

This year, trade and travel recovered from the global financial crisis and we saw a significant increase in cargo volume and traveller numbers. However, greater economic confidence brings increased criminal activity. We have continued to look for smarter ways of doing business by building on our intelligence-led, risk-based intervention approaches.

Our passenger facilitation performance remained strong, with traveller satisfaction higher than ever. Even more pleasing was the increase in significant drug seizures in our airports, despite a small reduction in intervention levels, demonstrating improvements in our targeting.

Investing in more sophisticated technology has improved our efficiency across a wide range of our activities, including passenger facilitation and cargo processing. For example, through SmartGate, we achieve smarter deployment of technology and resources while improving processing.

Investment in sophisticated technology has also improved our business intelligence capability. For example, sophisticated techniques are used to target high-risk aircraft, vessels, cargo, postal items and travellers. This includes intelligence analysis, computer-based analysis, detector dogs and various other technologies. Our technology allows us to coordinate surveillance and on-water responses, and engage with source and transit countries to deter people smuggling.

We have refined our intervention to increase intelligence-led and risk-based deployment of resources to inspect and examine air and sea cargo. Despite considerably reducing intervention across all streams, we maintained a comparable detection rate to 2008–09, although there was a decline in the overall weight of drugs detected in sea cargo during 2009–10. This is discussed further in Section 2.2.4.

The wide range of daily activities our officers undertake help to protect Australia's border while supporting legitimate trade and travel. We introduced campaign initiatives to refine our approach to border management. These campaigns developed our abilities to assess potential risk and dissuade those considering attempting to breach our borders. Our campaigns assured us that we could protect some identified areas that may be vulnerable and increased our visibility to industry and the community.

How we manage ourselves and how we support our people are key components of our ability to deliver our border protection outcomes for the community. We work to ensure our corporate support areas operate efficiently and effectively to optimise the number of people on the front line of our operations.

One of the important priorities for all agencies involved in border protection and national security is our people — how we recruit and retain our people and provide for their development and training. We aim to build the skills and capabilities required for seamless joint national security operations across agencies. We therefore target training and development to equip our people with the skills needed to meet the growing challenges of successfully managing Australia's border.

Our achievements this year highlight the numerous people strategies and operational plans we implemented to respond to the changing dynamics of border protection. These include:

- + developing the Strategic Border Management Plan — a flagship plan that will enable better coordination of government agencies operating in the border environment
- + forming the International Maritime People Smuggling Intelligence Branch, which successfully integrated with counterpart agencies to develop a wide range of intelligence products to inform operational responses to maritime people smuggling
- + completing the implementation of the Four Ports Initiative — opening new cargo inspection and examination facilities in Launceston, Townsville and Newcastle, and improving detection capability in Darwin. These facilities ensure our enforcement operations can examine high-risk consignments effectively, and can increase our coverage and campaign activity in these important regional ports

- + forming our Trade and Compliance Division to better integrate and reshape our approach to managing risks associated with our revenue and regulated goods responsibilities. The Division provides policy direction and guides border agencies to address future vulnerabilities, respond to threats and prepare for challenges to make the border more resilient
- + commencing work on a high-level, enterprise-wide workforce plan and people capability plan. These plans match workforce to workload as part of an overall approach to planning and managing our business. They inform current and future resource allocations within the agency
- + celebrating 40 years of our detector dog program. From humble beginnings, the program has grown to be an internationally recognised leader in breeding and training dogs to detect drugs, firearms and explosives. The detector dog teams are a highly important and visible part of our capabilities in protecting Australia's borders. The success of the program is a credit to the dedication, high-level skills and expertise of the handlers and their dogs. The high quality of the training program is evident in detection of drugs despite unusual and innovative methods of concealment.

2.1.1 Achievements against our Portfolio Budget Statement

Our achievements against our outcome and PBS reflect how we continually reassess our business to ensure flexibility and responsiveness to new and emerging threats. We ensure the border is effectively and efficiently protected and managed, and we deliver our business today to prepare for tomorrow in an ever-changing environment.

PBS PROGRAM 1: PASSENGER FACILITATION

We experienced higher-than-projected growth in passenger numbers at major Australian airports and seaports this year. The 2009–10 PBS projected target for international air and sea passenger movements was 25.08 million. A total of 26.34 million international air and sea passengers were processed in 2009–10, compared with 24.33 million in 2008–09. This represents an overall increase of 8.3 per cent for air and sea passengers this year. Despite the effects of the global financial crisis, the international aviation industry and tourism market continues to grow.

We continued to meet our facilitation performance targets as agreed with the Government. We processed 97.9 per cent of incoming air passengers within 30 minutes of them joining the inwards queue. Our facilitation performance and other PBS targets are set out in Table 3.

Table 3: Performance against targets set in the 2009–10 Portfolio Budget Statement
Program 1: Passenger facilitation

Deliverables	Target*	Actual
Number of international passengers (air and sea)		
Arrivals	12 736 000^^	13 230 883
Departures	12 342 000^^	13 112 779
Number of international crew (air and sea)		
Arrivals	1 044 000	1 129 623
Departures	1 013 000	1 131 918

Key performance indicators	Target*	Actual
Percentage of passengers processed within 30 minutes of joining the inwards queue	95%	97.9%
Number of arriving international air passenger referrals to the Department of Immigration and Citizenship and to the Department of Health and Ageing	**	477 751
Price	\$227.889m	\$230.844m

* Targets may be performance targets, service level targets or estimates.

^^ Revised forecast provided at portfolio additional estimates.

** Performance cannot be forecast through any reliable statistical or other method.

Passenger flow through international airports

The National Passenger Facilitation Committee continued to work on a range of activities to improve passenger flow through international airports.

The Government in its National Aviation Policy White Paper issued a set of principles and processes that apply for the provision of government services at new international airports. During the year, a public document entitled *Provision of Government Services at New International Airports* was also released to better inform prospective international airport operators about Government expectations when developing new international airports. An additional document was developed to provide guidance to agencies on the new international airport approval process. These guidelines allow more efficient planning and use of new and existing airport infrastructure and resources for border and related agencies.

Trans-Tasman passenger facilitation

We have worked closely with partner Australian and New Zealand agencies to streamline passenger movement between Australia and New Zealand. This year, the automated SmartGate passenger clearance system was rolled out in New Zealand, complementing the automated border processing arrangements in Australia. Other projects included Direct Exit Path (led by BioSecurity Services Group, Department of Agriculture, Fisheries and Forestry) and the transfer of Australian security X-ray images to New Zealand Customs Service (led by the New Zealand Ministry of Agriculture and Forestry).

Automated border processing

SmartGate, the automated border processing facility, was implemented at Gold Coast International Airport in April 2010, making Gold Coast the seventh airport in Australia to use this capability. SmartGate uses ePassport data and face recognition technology to perform customs and immigration checks. Eligible holders of Australian and New Zealand ePassports can self-process on arrival at the SmartGate-enabled airports.

SmartGate kiosks were also implemented in New Zealand airports as part of a range of initiatives to streamline trans-Tasman travel. We provided support to New Zealand for SmartGate implementation at Auckland (implemented in December 2009), Wellington (implemented in June 2010) and Christchurch (scheduled for completion in October 2010) international airports. SmartGate usage and uptake are shown in Figure 4 and Table 4.

Figure 4: SmartGate usage around Australia 2009–10

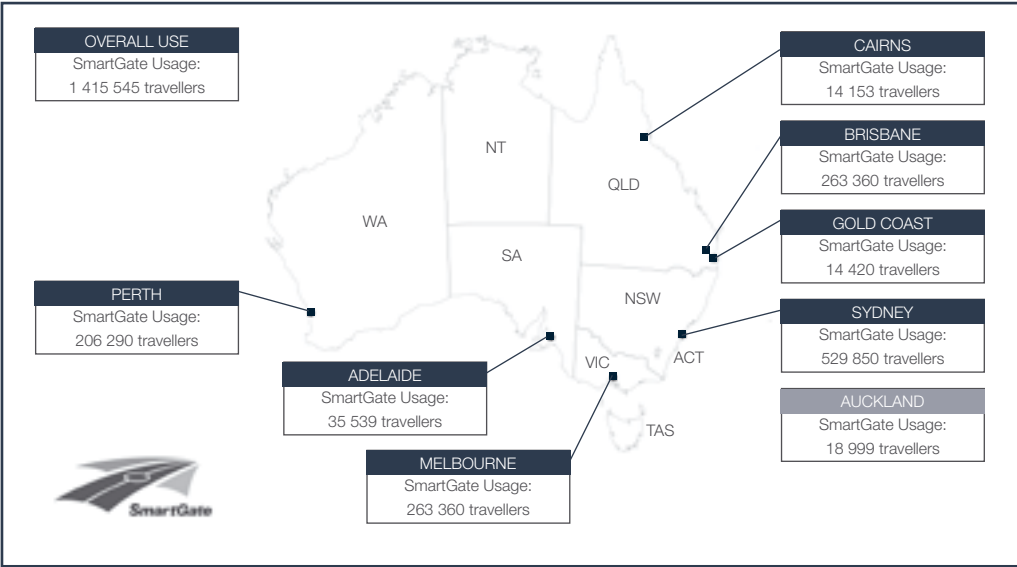


Table 4: SmartGate uptake 2009–10

SmartGate uptake	Number of travellers who presented at a SmartGate kiosk	% of eligible travellers who presented at a SmartGate kiosk	% of total travellers who presented at a SmartGate kiosk
Jul-09	102 002	34.21	8.21
Aug-09	100 622	34.15	8.88
Sep-09	110 450	35.70	9.39
Oct-09	121 400	34.10	8.96
Nov-09	109 204	37.59	9.41
Dec-09	99 927	37.30	7.84
Jan-10	134 932	36.90	8.96
Feb-10	119 200	47.54	9.87
Mar-10	127 225	48.82	10.49
Apr-10	130 287	48.37	10.66
May-10	131 285	51.31	12.32
Jun-10	133 056	49.71	11.86

SmartGate was operational for the full year in all major Australian international airports (except the Gold Coast, which opened in April 2010). SmartGate uptake has increased from 35 per cent of eligible travellers at the beginning of 2009–10 to around 50 per cent at the end of the year. This increase is supported by positive feedback and indicates that travellers are finding SmartGate easy to use and a convenient and simple way to self-process through passport control.

Profile

Matthew O'Connor
Airport Operations



Matt is the Director of Airport Operations at Sydney Airport. He is responsible for the end-to-end passenger and crew border control processing that supports legitimate travel, the interventions needed to prevent the illegal movement of people and goods they may bring across the border, and the collection of associated revenue at Australia's biggest international airport. This financial year, Airport Operations at Sydney Airport cleared over 11.5 million passengers and crew through border control processes. With approximately 570 staff members, Matt manages the single biggest workforce of any Customs and Border Protection work area.

Matt joined us in 1987 after starting his public service career in 1986 in the Personnel Section at the Australian Atomic Energy Commission, now ANSTO. After completing the 'Assistant Customs Officer' (ACO) training program in 1988, he initially joined the Import/Export Branch (as it was then known). Over the next fourteen years Matt worked in a broad range of work areas including Cargo Examinations, Import Audit, Community Protection, Entry Clearance, Import Clearance, Analysis and Assessment, Adjustments, Securities and Refunds Sections.

During 1999 and 2000, Matt lead the 'Olympic Cargo Response Unit' (OCRU). This Unit was responsible for the provision of assisting with the clearance of Olympic related cargo for the Sydney Olympic Games and its various test events. The Unit was an important element in our agency's successful contribution to the Sydney Olympic Games in 2000.

In late 2002, Matt joined Passengers Branch at Sydney Airport (now called Airport Operations Sydney) as a Manager and took over the Director's role in 2005. Over his time as the Director, Matt has seen the number of passengers significantly increase and has overseen a range of business improvements in the work area designed to deliver effective border control outcomes at Sydney Airport. During the last three years, Matt has worked closely with Sydney Airport Corporation Ltd (SACL) and the other border agencies on the major infrastructure works recently completed at Sydney Airport. These works undertaken by the airport operator have delivered a new centralised departure hall, a reconfigured Secondary Examination Area and increased baggage carousel capacity. The works also provided the opportunity for Customs and Border Protection to install the new national design primary line modules and SmartGate into Sydney Airport, as well as improve closed circuit television (CCTV) coverage, provide new flexible electronic signage and the installation of examination benches in the departures area over the last financial year.

Matt says 'Working in such a dynamic environment at Sydney Airport with a great team of staff is a career highlight. Each day you can go home knowing you have contributed to Australia's border protection'.

Passenger risk assessment

To support our approach to passenger risk assessment, we made arrangements to maintain access to relevant airline passenger data, in keeping with Australian and international law. Under the terms of the Australia–European Union (EU) Passenger Name Record (PNR) Agreement (2008), we established the capability to collect, store, use and manage PNR data processed in the EU for the purposes of risk assessment and border protection.

To further this work, particularly in support of aviation security, we received \$23.7 million in the 2010–11 Budget for four years to improve our passenger risk assessment capability by accessing more advanced passenger information earlier, bringing together the work of partner agencies, and applying more sophisticated analytical tools.

The foundation for this work, the Enhanced Passenger Assessment and Clearance Stage 1 Program, progressed during 2009–10. All remaining core deliverables for this program are scheduled to be implemented by the end of the second quarter of 2010–11.

Airport planning system tool

The Customs and Border Protection airport planning system (CAPS) was implemented in Australian airports in August 2009. CAPS delivers core airport resource planning and deployment capabilities. The system supports effective and efficient whole-of-airport planning to ensure that airport resources are allocated according to expected workload and risk. The success of this system was recognised with an Australia Day Award in January 2010.

Quality assurance

Passengers Division has completed a significant amount of work this year on refining internal instruction and guideline documents to support Customs and Border Protection officers in the conduct of their duties. This body of work is already improving national consistency.

A complementary initiative is the Passengers Division assurance framework. The assurance framework is a key part of the broader assurance program that focuses on the quality of our services, value for money and strategic direction. The assurance program proposes a four-year work schedule, which will review major passenger-related business processes and practices.

Cruise ships

We are continuing to develop a ‘future state’ business process map to deliver agreed activities for intelligence, targeting and intervention of high-risk sea passengers and crew.

To address an increase in cruise ship arrivals and departures, we have:

- + established a sea passenger team focused solely on cruise ships
- + developed a series of cruise ship processing instruction and guidelines
- + provided advice to agents outlining our requirements for en route clearance work
- + created and implemented a specialised cruise database
- + developed a workforce supplementation strategy for flexible resource deployment during peak periods.

Profile

Angela Black
Passenger Analysis Unit



Angela joined Customs and Border Protection in New South Wales in 2000 working in finance, human resources and at Sydney International Airport. Some of the highlights of her career include the opportunity to be involved in the recruitment of many Customs and Border Protection trainees, successful interventions resulting in significant drug detections and managing border clearance of dignitaries during the Asia-Pacific Economic Cooperation (APEC) forum in 2007. Angela moved to Canberra in late 2007 as Director of Passenger Policy. In 2008, she took on responsibility for the Passenger Analysis Unit (PAU).

As the Director of the PAU in Canberra she is responsible for a team of Customs and Border Protection officers who use advanced passenger information and data to undertake risk assessment to identify high-risk travellers pre-arrival. This work supports a range of internal and external clients, and drives Customs and Border Protection’s operational response activity at airports.

Angela had a major involvement with the implementation of a passenger data transfer solution for the European Union sourced Passenger Name Record (PNR) data. Now she is turning her attention to the Enhanced Passenger Assessment and Clearance (EPAC 2) PNR Enhanced Risk Assessment Project which will result in significant improvement to the passenger risk assessment regime. These projects will combine to enhance the Government’s ability to identify high-risk travellers earlier in the traveller journey and contribute to whole-of-government response activities, including those conducted offshore.

Angela says that the PAU’s work is always interesting and often challenging. She is focused on the challenges of building a whole-of-government capability for the early assessment and identification of persons of interest before they travel to Australia. This work supports that being undertaken by other border, law enforcement and intelligence agencies.

Angela especially enjoys working with a team that contributes to outcomes at the border and for other law enforcement activity beyond the border. With the changes to business that are occurring she is also building the workforce that can deliver into the future.

With more than 26 million passenger movements and passenger numbers increasing every year, Angela is confident that the PAU can meet the high expectations. The PAU will continue to make a significant contribution to the intelligence-led, risk-based approach, supporting the facilitation of legitimate travellers and increasing the community’s confidence that we are intervening with only the highest risk travellers across the border continuum.

The National Sea Passengers Facilitation Committee (NSPFC) had its inaugural meeting in October 2009. The NSPFC includes Senior Executive Level representation from Australian Government agencies, international cruise ship operators, peak industry bodies and shipping agents. The chair of the committee is National Director, Enforcement and Investigations, Australian Customs and Border Protection Service.

The NSPFC will examine issues associated with the increasing number of cruise ships that are interested in visiting non-proclaimed (under the *Customs Act 1901* [Customs Act]) ports; explore the feasibility of producing a handbook outlining the requirements of all Australian Government agencies in relation to cruise ship passengers; and improve onboard passenger clearances.

International engagement

Customs and Border Protection continues to actively participate in the International Civil Aviation Organization (ICAO) forums on machine-readable travel documents and broader facilitation issues. A Customs and Border Protection representative attended the biennial ICAO Facilitation Panel meeting in May 2010.

Customs and Border Protection also co-chairs the International Air Transport Association (IATA) Passenger Facilitation Working Group, along with the UK Border Agency. Through this and other forums, Customs and Border Protection influences international aviation industry standards and recommended practices.

In 2009, we signed a Memorandum of Understanding (MOU) with the United States (US) El Paso Intelligence Centre (EPIC). As a result, EPIC intelligence holdings are now routinely accessed to facilitate intelligence exchange and enhance small craft risk assessment and targeting activities. EPIC holds data from numerous US Government agencies, including the Drug Enforcement Administration, Immigration and Customs Enforcement, Customs and Border Protection, the Federal Bureau of Investigation and the US Coastguard. We also strengthened our relationship with the Joint Interagency Task Force West in an effort to combat trans-national trafficking in the Pacific region.

PBS PROGRAM 2: TRADE FACILITATION

This year, we implemented the Cargo Intervention Strategy, resulting in a move from mass screening to an intelligence-led, risk-based approach to intervention. Despite considerably reduced intervention across all streams, we maintained a comparable detection rate against 2008–09 detections, although there was a decline in the overall weight of drugs detected in sea cargo during 2009–10.

All Cargo Program 2 PBS deliverables were achieved, with the exception of air cargo and Integrated Cargo System (ICS) performance targets (Table 5) where actual performance was slightly below targeted levels. The international mail PBS deliverable for the number of parcels/express mail system/registered mail items inspected was substantially exceeded in response to growth in mail from high-risk countries.

Table 5: Performance against targets set in the 2009–10 Portfolio Budget Statement
Program 2: Trade facilitation

Deliverables	Target*	Actual
Number of Customs import declarations finalised	2 850 000	3 182 761
Number of export declarations finalised	1 280 000	1 251 461
Number of imported air cargo consignments reported	9 100 000	11 228 156
Number of imported sea cargo manifest lines reported	2 130 000	2 358 496
Volume of cargo subject to inspection and examination: [^]		
+ Sea cargo		
– number of TEUs inspected ^{<}	101 500	101 822
– number of TEUs examined ^{<<}	14 000	14 175
+ Air cargo		
– number of consignments inspected ^{<}	1 500 000	1 492 762
– number of consignments examined ^{<<}	**	66 821
+ Mail		
– number of parcels/express mail system/registered items inspected ^{<}	18 000 000	20 696 957
– number of letter class mail items inspected ^{<}	40 000 000	41 512 725
– number of mail items examined ^{<<}	**	202 858
Licensing of customs brokers and depots	**	156
Number of tariff advices, valuation advices and rules of origin advices completed	**	4 118
Number of reviews of tariff decisions completed	**	79
Number of reviews of valuation decisions and origin decisions completed	**	3
Number of anti-dumping/countervailing investigations, reviews, reinvestigations, continuations and duty assessments:		
+ brought forward from 2008–09	**	13
+ received	**	44
+ finalised	**	32
+ carried forward to 2010–11	**	25
Number of applications for judicial review of anti-dumping/countervailing decisions ^{>}	**	2
Number of import declaration lines assessed ⁺	6 000	6 217

Key performance indicators	Target*	Actual
Availability of electronic cargo systems to Customs and Border Protection clients (excluding scheduled outages)	99.70%	98.92%
Proportion of electronically lodged cargo documents where a response message is transmitted within five minutes	98%	97.95%
Proportion of external appeals against Customs and Border Protection decisions on tariff advices, valuations advices, rules of origin, and refund and drawback applications where a Customs and Border Protection decision was overturned	**∞	7.1%
Proportion of anti-dumping/countervailing investigations, reviews, continuations and duty assessments completed within 155 days ⁺⁺	100%	78.57%
Number of non-compliance and penalty records created	**	NCR 828 PR 390
Proportion of applications for judicial review of anti-dumping/countervailing decisions remitted for reconsideration	**	0%
Percentage of cargo (total bills) reported in line with legislated timeframes:		
+ Sea cargo	**	90.3%
+ Air cargo	**	94.6%
Percentage of licensed depots subject to compliance visits/checks	60%	61.7%
Proportion of depot licence applications processed in accordance with client service standards	100%	99.4%
Import declarations lines assessed — percentage of lines where significant control errors were found	**	5%
Price	\$234.549m	\$231.992m

NCR = non-compliance record; PR = penalty record; TEU = twenty-foot equivalent units

* Targets may be performance targets, service level targets or estimates.

^ All cargo is risk assessed.

< Inspection may include the use of X-ray technology, detector dogs or physical examination.

<< Examination means physically opened by Customs and Border Protection.

** Performance cannot be forecast through any reliable statistical or other method.

> The number of appeals for judicial review are based on case type and country.

+ This measure appears in both Program 2 and Program 5 as a minimum of 6 000 lines are assessed concurrently for both revenue and control errors.

++ The Minister may approve an extension of the time in which an investigation must be completed.

∞ In 2009–10, there were 14 external appeals against Customs and Border Protection decisions on tariff advices, valuations advices, rules of origin, and refund and drawback applications. An external review body overturned the Customs and Border Protection decision in 1 of those appeals, which represents 7.1% of the total number of appeals. The number of successful appeals against Customs and Border Protection decisions represents 0.001% of all relevant decisions.

There was a shortfall of 0.48 per cent in the expected number of air cargo consignments inspected this year. This shortfall partly reflects the challenges of deploying our inspection resources across a wider range of industry premises than in the past; a higher workload arising from an increase in the number of consignments examined; and a progressive settling-in of revised working arrangements during the first half of the year.

The PBS service levels for ICS availability and performance were not met due to a number of unscheduled ICS outages towards the end of 2009–10. These outages related to a range of infrastructure components in the environments that support the ICS and the Customs Connect Facility. The causes of each outage have been investigated and corrective action has been taken.

International mail

Customs and Border Protection is present at the four Australian international mail gateways in Sydney, Melbourne, Brisbane and Perth.

A new MOU between Customs and Border Protection, Australia Post and the Australian Quarantine and Inspection Service (AQIS) was signed in August 2009. The MOU supports the relationship between the parties and aims to improve the operational response of each party through cooperation, coordination and communication. It will assist the border agencies by improving opportunities for risk-based intervention, which is expected to deliver more effective border protection.

Complementing the MOU is the recently adopted International Mail Strategic Direction 2010–2015. This document supports international mail strategic planning and details strategic priorities that international mail will work towards over the next five years.

The international mail PBS deliverable for the number of parcels/express mail system/registered mail items inspected was exceeded by approximately 15 per cent. This was mostly attributed to the volume growth this year in mail from high-risk countries that required intervention.



The MOU signing. In the photo (R to L) are Michael Carmody, CEO of Customs and Border Protection, Graham John, Managing Director of Australia Post, and Tim Chapman, Executive Manager of AQIS.

Cargo

Customs and Border Protection regulates and facilitates legitimate trade and undertakes risk-based interventions to prevent the illegal movement of goods across the border.

This year, we refined intervention approaches in air and sea cargo following a review of the effectiveness of our previous model. The refinements achieve a greater focus on intelligence-led and risk-based deployment of resources for the inspection and examination of air and sea cargo, and reduce the proportion of known low-risk cargo inspected. All air and sea cargo continues to be risk assessed electronically and all cargo identified as high-risk is subject to physical examination.

Overall, the refined approach delivers greater flexibility, scalability and unpredictability in our interventions. This approach provides broader coverage across the cargo environment outside the traditional high-volume cargo handlers to detect, deter and disrupt the illicit movement of goods across the border.

We expanded our regional cargo examination capabilities by upgrading our existing facility in Darwin and establishing new examination facilities in Newcastle, Townsville and Launceston. This work completes implementation measures announced in the 2008–09 Budget to expand sea cargo inspection capacity at regional ports.

Profile

Fred Kilroy
International Mail Gateway Melbourne



Fred is a Team Leader at International Mail in Melbourne and has responsibility for day-to-day operational activity at the Melbourne Gateway Facility. Fred plays a vital role in the interdiction of restricted and prohibited items arriving through international mail. His responsibilities include mentoring, risk assessment and leadership.

Through his liaison with Intelligence and Targeting, Fred has ensured that staff are continually briefed on the latest trends and issues involved in the clearance of mail. He has also ensured a healthy tripartite relationship with our border agency partners, AQIS and Australia Post.

Fred joined Customs and Border Protection in 1996 and was initially placed in Airport Operations, where he worked successfully in the Cold Targeting Team. Fred has also worked in Air Cargo and now most recently in International Mail.

In 2008, Fred was one of five staff selected to participate in an exchange program with the New Zealand Customs Service. He took this opportunity to investigate practices employed in the New Zealand international mail environment that could be utilised at the Australian gateways. It was during this posting that Fred became aware of the huge impact that pseudoephedrine was having upon their operations, something that we are now experiencing in Australia. He recommended strategies that are now having an effect in Australia.

Fred has also been instrumental in limiting the flow and number of restricted and prohibited supplements sent to Australia via mail. In conjunction with the Director of International Mail he wrote to numerous overseas online supplement suppliers, resulting in a large reduction in the volume of prohibited and restricted items that are being sent to Australia by mail and saving importers the problem of having their goods seized or restricted.

Fred is a pivotal member of the Melbourne Gateway Facility, one of four in Australia that performs such a vital border protection role by intercepting illicit mail items from overseas.

Enhanced Trade Solutions

In 2009–10, we released the Enhanced Trade Solutions 2015 paper and a work program that focuses on refining our cargo intervention strategy and improving risk management capabilities. It supports our aim to continue working with industry, other government agencies and international forums to address challenges and opportunities in the trade environment where clear business cases are identified.

Key achievements in the work program this year include:

- + implementation of a refined cargo intervention approach
- + delivery of Time Release Study (TRS) reports for 2008 and 2009, and the conduct of a trans-Tasman TRS

- + commencement of joint work with industry representatives to examine arrangements for reporting cargo; paying customs duty, indirect taxes and charges at the border; and moving uncleared goods as well as whether changes in these areas would address vulnerabilities or deliver earlier border clearance outcomes.

During 2009–10, a work program was developed for entity-based risk management (EBRM) in cargo processing. It provided a high-level framework to improve current risk assessment methods. The program identified key steps required to advance the EBRM concept and sets priorities for the work to produce a proof of concept model.

The Enhanced Trade Solutions work program will continue in 2010–11.

Time Release Studies

The Cargo Division published TRS reports for 2008 and 2009. The studies showed ongoing improvement in trade facilitation outcomes delivered through improvements in Customs and Border Protection and Biosecurity Services Group activities, in partnership with earlier reporting by industry.

TRS measurements continue to show that border agency processing is not an impediment to international trade.

The 2009 TRS report shows improved trade facilitation due to faster cargo clearance in both air and sea freight, with the most notable changes for sea freight. This occurred at a time when global markets were beginning to recover following the global financial crisis. The introduction of refined approaches to cargo intervention by Customs and Border Protection and Biosecurity Services Group reduced the incidence of interventions in 2009.

The 2009 TRS results highlight the advantages of early reporting by industry. Early industry reporting means most import cargo is fully risk assessed and released before it is physically available for collection. More than 80 per cent of sea cargo is fully reported (irrespective of the day of week) and has a 'customs unimpeded' status within 24 hours of arrival. Figures 5 and 6 show the improvements in clearance performance achieved over the past two years.

Figure 5: Sea cargo status at arrival 2007–09

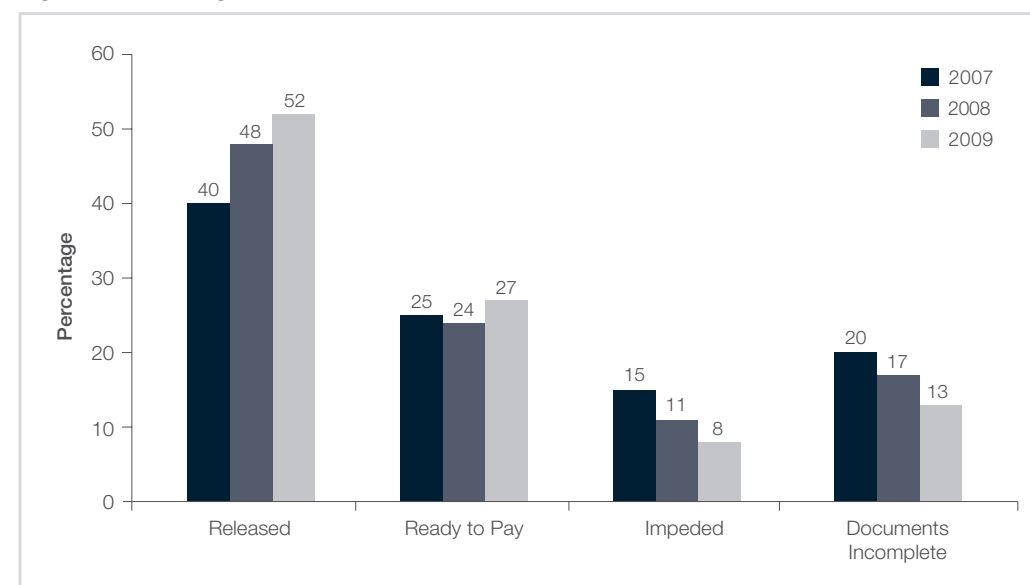
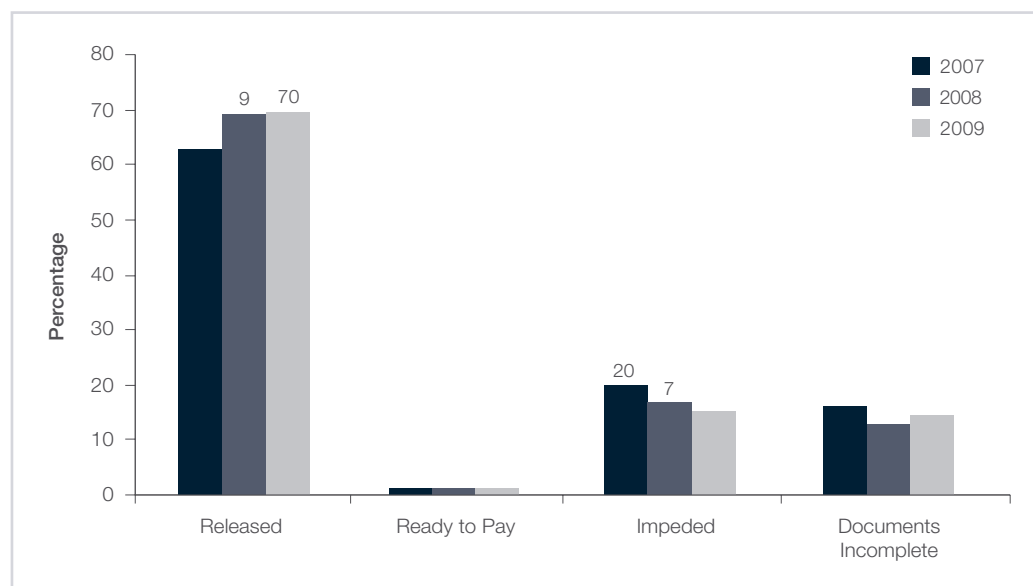


Figure 6: Air cargo status at arrival 2007–09



Client engagement

We provide ICS users with timely and efficient support through our call centre, client service counters, information and training sessions, and the information on our website.

During the year, we attended and presented at the Import Export Show on the Road events. These events were held in Sydney, Melbourne and Brisbane, and aimed to provide information to newcomers to the import and export industry, as well as to better inform current industry members. We also presented at a number of industry conventions and representative forums. These are an ideal opportunity to identify and discuss current and emerging issues, and to build on the excellent working relationship we currently enjoy with industry.

In 2010, the cargo support website² was reviewed. The website was established in 2007 to provide information to industry about the ICS, as well as a medium for regular communication about system functionality. In May 2010, an online survey and one-on-one interviews with industry users were conducted to gather feedback on the website. A report outlining the findings, recommendations and a forward work plan is close to finalisation and will be considered in early 2010–11.

Establishment of Regulated Goods Group

This year, we reviewed the treatment of regulated goods in end-to-end cargo processing. We identified that efficiencies and improved expertise could be delivered by establishing a dedicated internal Regulated Goods Group (RGG). The RGG cell will be located in the Cargo Services section in Victoria.

² www.cargosupport.gov.au

Campaign

Firearm officers hit the target

Customs and Border Protection plays an important role in the facilitation of a number of international firearms events that take place in Australia. In November 2009, the 31st FITASC (Federation Internationale de Tir Aux Sportives de Chasse) World Sporting Clay Target Championships were held at the Laang sporting range in Warrnambool. The event was organised by the Field and Game Federation of Australia Inc and is a significant event on the international sports shooting calendar. The event attracted over 600 competitors with approximately 230 international visitors travelling from overseas to attend.

As with any shooting event of this size, the facilitation of the international competitors and their equipment posed significant challenges for Customs and Border Protection officers. The facilitation showcased the professional cooperation and 'can-do' attitude that Customs and Border Protection is renowned for. The vast majority of overseas competitors arrived in the country 10 days prior to the event. All passengers were facilitated upon arrival and cleared without any major difficulties.

In order to minimise any potential problems and bottlenecks at departure, Customs and Border Protection arranged with the event organisers to provide an export verification service onsite on the last day of the event. This exercise resulted in significantly reduced departure processing times.

Six officers attended the event to complete the export procedures. After travelling from Melbourne, the officers arrived at the venue and proceeded to process over 200 international competitors. The feedback received from all competitors and the event organisers was overwhelmingly positive.



The Clearance Crew (L-R) — Colin Boldt, Cath Stanley, Mimi Lau, Matt Burton, Steve Williams, Emma Howgate.

Profile

Geoff Harrison
Firearms and Detained Goods Management,
Victoria



Geoff is Manager Firearms and Detained Goods Management in Melbourne. In this role Geoff:

- + oversees the activities of the Victorian Firearms Cell and Detained Goods Store.
- + provides support for the Detained Goods Management National Lead activities.

Geoff deferred his university studies to join Customs and Border Protection in 1980. He has worked in a range of different Customs and Border Protection work areas including Air Cargo Screening, International Mail, Boarding, Compliance, Cargo Control and Accounting, Cargo Examinations and the

Detector Dog Unit. A career highlight was Geoff's involvement in the Melbourne 2006 Commonwealth Games Project Team.

Geoff highlights the people he works with, the variety of work, and the interaction with clients and industry as aspects of the job that he particularly enjoys. This year he has had a focus on developing enhanced destruction procedures for detained goods, including:

- + developing new processes and obtaining the equipment required to perform them.
- + writing the procedures and educating and coaching staff about them.
- + liaising with relevant external service providers regarding the new processes.
- + reviewing and refining the processes.

The new procedures provide greater security of goods from the time they are removed from their location in the Detained Goods store until they are disposed. They also provide greater accountability for all Detained Goods staff associated with the Detained Goods store and involved in destruction procedures.

Profile

Anthony Keating
Air Cargo Operations



Anthony is the National Deployment and Planning Supervisor, Air Cargo Operations based in Sydney. Anthony's role includes:

- + ensuring that Air Cargo's operational activities are directed at treating identified risk in the national air cargo environment.
- + liaising with Intelligence and Targeting and other stakeholders to ensure timely response to identified and emerging risk.
- + developing plans and achieving performance targets.

Anthony joined Customs and Border Protection in December 1987 following his university studies and previous work as an Insurance Clerk. He was attracted to Customs and Border Protection due to a particular interest in working in the Detector Dog Unit.

Anthony has wide experience in Customs and Border Protection, having worked in the Detector Dog Unit, Passengers, Intelligence and Targeting, Exports and the Coffs Harbour District Office. Anthony nominates working as District Manager in Coffs Harbour as a particular highlight given the breadth of Customs and Border Protection work and responsibilities that the role encompassed.

In his current role, Anthony has been integral to the implementation of the refined Air Cargo Intervention Strategy (CIS), which commenced on 1 July 2009. Anthony's work with Regional Planners and Intelligence and Targeting has been crucial to implementing the CIS operational model and ensuring that it is risk based and easily adjustable for identifying new risk and responding to emerging risk.

National Customs Brokers Licensing Advisory Committee

The National Customs Brokers Licensing Advisory Committee (NCBLAC) investigates and reports to the CEO of Customs and Border Protection on all applications for broker licences. NCBLAC comprises a Chairperson, an industry representative and a member to represent the Commonwealth. Ms Elspeth Hallows was the chairperson of NCBLAC from October 2001 until February 2010. Customs and Border Protection undertook a recruitment process to appoint a new Chairperson. Mr Stephen Skehill was appointed as chair. He brings to the role extensive experience in the government sector having held senior public sector management positions.

Infringement Notice Scheme

The Infringement Notice Scheme (INS) provides options for us to deal with non-compliance in the importing and exporting community before considering prosecution. This year, 828 non-compliance records and 390 penalty records were issued. In total, we served 93 infringement notices, mostly for the offence of moving, altering or interfering with goods subject to Customs and Border Protection control without authority.

Dumping and subsidies

Dumping occurs when an overseas supplier exports a good to Australia at a price below its normal value. The normal value will usually be based on the domestic price of the goods in the exporting country. A subsidy is any financial assistance paid by a foreign government that benefits an exporter of goods to Australia, either directly or indirectly.

While these are not prohibited practices under international trade agreements, if the effect of dumping or subsidisation of exports to Australia causes or threatens material injury to an Australian industry, remedial action may be taken.

There has been an increase in Australian anti-dumping and countervailing (subsidy) activity throughout 2009–10. There was an 80 per cent increase in the number of dumping and countervailing investigations this year, and we are currently conducting 25 anti-dumping and countervailing investigations, inquiries, reviews and duty assessments. Other inquiries increased by 137 per cent this year.

The increased activity was managed using risk-based sampling, monitoring, flexible staff deployment and engagement of independent experts. Where necessary, extensions to the statutory investigation time frame (155 days) were sought.

We support cross-agency cooperation and developing effective working relationships between investigating authorities. This year, with the Department of Foreign Affairs and Trade, we participated in bilateral trade remedies discussions hosted by the People's Republic of China. We also hosted a visit by a delegation from the EU to discuss our respective experience in dealing with administrative and technical issues commonly faced by investigating authorities.

Review of Australia's anti-dumping and countervailing system

In May 2010, the report of the Productivity Commission's independent review of Australia's anti-dumping and countervailing system was released. The Commission recommended that Australia's anti-dumping and countervailing system be retained and continue to be administered by Customs and Border Protection. It also recommended a number of improvements. The Government indicated it will also consider further changes outside the focus of the commission's recommendations that might be required to improve the system.

We chair an interdepartmental committee tasked with considering the commission's recommendations, consulting with stakeholders, and developing advice to Government on its response, which will be considered in the 2011–12 Budget process.

We are also participating in the interdepartmental committee established to consider the Pulp and Paper Industry Strategy Group's report, released in April 2010, which contained several recommendations relating to Australia's anti-dumping and countervailing system.

Improving public awareness

We have used key awareness initiatives, such as an electronic public record and a communication strategy, to improve transparency and stakeholder access to the anti-dumping and countervailing system. These initiatives, along with the Productivity Commission's review, the Pulp and Paper Industry Strategy Group's report and regional impacts of anti-dumping cases, have resulted in increased public and media interest in the outcomes of these complex and sensitive investigations.

Further measures to increase awareness of the system are planned to accompany the Government's response to the Productivity Commission's report.

Tariffs

The tariff advice system provides formal and informal tariff advice and information to other government agencies, industry and the public. The system also provides internal reviews of formal tariff advices and management of external review by courts and tribunals.

We provide tariff advice services to help collect accurate trade information and statistics, monitor controlled goods, collect revenue, ensure industry compliance with tariff laws and effectively implement industry assistance schemes such as tariff concession orders. Australia is also a party to an increasing number of multilateral and bilateral treaties that require formal tariff advices.

In consultation with industry and staff, we examined the working arrangements and business processes of the tariff advice system to determine if there was any scope for improvement. The review concluded that the tariff advice system is working reasonably well, but there are opportunities to deliver a more efficient and effective service.

The system will be reformed to establish tariff advice centres of excellence in Melbourne and Sydney. The transition to centres of excellence will occur in 2010–11.

Consolidation of tariff advice functions in Sydney and Melbourne, together with other improvement strategies from the review, should improve the existing tariff advice system in a way that is sustainable for the long term.

Tariff and origin advice request

The volume of tariff advice requests is slightly down on the previous financial year. A noticeable trend is that the percentage of advice applications concerning eligibility for Tariff Concession Orders continues to increase. The number of requests for origin advice fluctuates with increases generally occurring in response to the implementation of new Free Trade Agreements (FTAs).

External appeals

In an Administrative Appeals Tribunal matter, the parties have the opportunity to file additional information beyond what is provided to the decision maker in Customs and Border Protection. This year, the decisions overturned related to three applicants, with one applicant comprising the majority of outcomes.

HS 2012

Australia is a signatory to the International Harmonized System Convention and, since 1988, its commodity classifications for traded goods have been based on the Harmonized System (HS). Nearly all countries in the world have adopted the HS.

The WCO reviews the HS every five years. We anticipate that the WCO will finalise its fourth review of the HS by the end of 2010 and that Australia will implement the changes by 1 January 2012. Implementation of the HS 2012 changes will require legislative amendments and will affect tariff classifications, tariff concession orders, statistical codes, tariff advices and FTAs. We have established a project team for the implementation of HS 2012 and have started preparatory work.

We will continue to provide industry with timely information about the HS 2012 changes.

PBS PROGRAM 3: BORDER PROTECTION AND ENFORCEMENT

The Border Protection and Enforcement program prevents, detects and deters prohibited, harmful or illegal goods or people entering Australia or operating illegally in the Australian Exclusive Economic Zone (AEEZ). The program responds to threats and suspected breaches at the border through:

- + land-based surveillance of the coastline, seaports and waterfronts
- + processing of apprehended foreign fishers
- + risk assessment, boarding, compliance and search activities in relation to passengers, crew, ships and craft entering and departing Australia
- + operational activity responding to threats and suspected breaches
- + investigations and prosecutions related to breaches of the border involving non-narcotic prohibited goods, import fraud and duty evasion and proceeds of crime under the Customs Act and other relevant Commonwealth legislation
- + joint operations with other law enforcement agency partners to counter serious and organised crime syndicates
- + evaluation and deployment of a range of detection technologies
- + working with other government agencies to develop strategies across a range of border protection-related topics that affect our activities at the border.

Our performance against PBS targets is shown in Table 6.

Table 6: Performance against targets set in the 2009–10 Portfolio Budget Statement
Program 3: Border protection and enforcement

Key performance indicators	Target*	Actual
Number of illegal foreign fishers apprehended and processed	540	141
Percentage of cases accepted for investigation ⁺	18–25%	28%
Percentage of prosecution briefs completed that resulted in a conviction [^]	85–98%	95%
Number of commercial vessels boarded at the first port ^{>}	6 450	6 586
Illicit Drug detections, including PIEDs + Number + Weight	**	9462 detections 1,258.18kg
Price	\$275.782m	\$280.371m

PIED = performance and image-enhancing drug

* Targets may be performance targets, service level targets or estimates.

+ Investigations of suspected breaches of Australia's border controls identified by, or referred to, the Investigations Branch.

[^] This measure refers to prosecution briefs prepared by the Investigations Branch and dealt with by the courts. 'Convictions' includes guilty verdicts where no conviction is recorded.

[>] Target based on revised 2009–10 figures.

** Performance targets cannot be estimated through any reliable statistical or other method.

Illegal foreign fishing

Over recent years, the comprehensive response to illegal foreign fishing has had a positive effect, demonstrated by the decreasing numbers of apprehensions of illegal foreign fishers. This year, performance is 74 per cent below the forecast. Due to the deterrence effect of our air and sea presence in northern waters, foreign fishing vessels (FFVs) have retreated from, but remain just outside of, Australian waters.

Investigations

Investigations performance measures for this year were met or exceeded by the Investigations Branch.

Of note there was both an increase in the number of referrals and prosecutions completed and while the 753 referrals accepted for further investigation was a decrease on previous years this figure still remains above target.

The percentage of successfully prosecuted cases was also at the upper end of the target range, with 211 cases out of 222 resulting in a conviction. In addition, 325 warrant actions were conducted, 235 seizure notices and warning letters were issued and 510 convictions were recorded, with penalties, fines and costs awarded totalling \$1.4 million.

Table 7: Summary of investigations

	2007–08	2008–09	2009–10
Referrals received	2 224	2 368	2 713
Cases adopted	903	834	753
Cases completed*			
+ with prosecution (through courts)	172	203	222
+ without prosecution	669	654	562
Cases where prosecution briefs completed*	196	222	201

* Includes cases adopted in previous years.

In September 2009 Investigations Branch deployed a new case management system, the Case Referral and Investigation Management System (CRIMS). CRIMS provides a national standard for investigations case management and improves upon the ability to handle and manage the diverse nature of threats to Australia's border and trade facilitation. CRIMS also enhances information sharing and tasking between investigation offices and provision of valuable reports and information to both internal and external stakeholders.

Profile

Rod Daniels
Investigations



Rod currently works within the Investigations Branch in South Australia. Rod first joined Customs and Border Protection in Melbourne working within waterfront and airport environments before joining the Detector Dog Program. After five years in Melbourne, a transfer to Darwin with the Dog Program saw Rod have five challenging and enjoyable years in the Northern Territory. A range of operations regularly required deployment of the dog team across the top end from Broome to Groote Eylandt and down to Alice Springs, and Rod thoroughly enjoyed his time in the Northern Territory, describing it as a career highlight and a great learning experience.

Staying with the Detector Dog Program, Rod moved to Canberra, taking up an Instructors role with the Detector Dog Training Centre. Rod describes progressing through the Dog Program to Chief Instructor as a very satisfying part of his career. Rod found that working with highly motivated officers within the Detector Dog Program and developing the regional Detector Dog Units as a consistent source of narcotic detections for Customs and Border Protection and partner law enforcement agencies was hugely satisfying.

Since arriving in Adelaide in 2002, Rod has worked as the Manager, Airport Operations, Manager Corporate, Cargo and Trade, Manager Enforcement Operations and Container Examination Facilities, illustrating the excellent variety of challenges the organisation can offer. With the launch of Operational Safety Training across specific areas in 2005, Rod carried the project implementation role across South Australia, prior to moving to the Investigations Branch.

Continued next page

A targeted effort against specific criminal syndicates importing pseudoephedrine for the purposes of amphetamine production has seen the Investigations team in Adelaide working at a very high tempo for the past two years, however they are seeing solid results in terms of initial arrests, lengthy remand periods for offenders and now progressing through the lengthy and complex court proceedings. Rod states that the experiences shared amongst the Investigations team in Adelaide is one of the key elements that built the existing solid and enjoyable team environment that the team now has.

The attached photo shows some of the past months pseudoephedrine seizures for Adelaide. Examples include the raw pseudoephedrine powder, (India), ContacNT (China) and pharmaceutical products ex Canada, being the cold/flu tablets. All were seized by Customs destined for clandestine laboratories and subsequent methamphetamines production here in SA, then distributed around the country.

First port boarding

The target for first port boarding was exceeded by 2 per cent, with 6586 vessels boarded within the first hour of their arrival in Australia. We continued to risk assess all vessels and crew before arrival and all boarded vessels with a risk rating of high or medium within the first hour of their arrival.

Vessels were also boarded after the first hour of arrival for a range of reasons, including specific concerns about the migration status of a crew member or the administration of other agency requirements.

Patrol

Customs and Border Protection's inshore patrol programs in all regional and district offices are based on risk factors such as historical trends, intelligence on proven and alleged illicit activities, proximity to infrastructure, access routes and areas of isolation. We are improving our patrol capabilities by streamlining procurement to replace ageing or unsuitable assets, using the combined acquisition expertise of the Maritime Operations Support Division and the operator expertise of the Enforcement and Investigations Division.

Joint operations

Customs and Border Protection works closely with partner Australian law enforcement agencies including the Australian Federal Police (AFP), State and Territory police and the Australian Crime Commission (ACC), to specifically address a range of issues including criminality at the waterfront. At any one time Customs and Border Protection would be involved in as many as 40 to 50 joint operations.

Operational capability

An important part of this program is to support our operations by ensuring Customs and Border Protection officers are trained for their role and that operational technology is suitable and functioning well.

Training

Specific areas of capability development include vessel search operations, vessel boarding operations and operational safety, including the use of force. These capabilities are delivered within our operational command framework.

A package of 12 capability development exercises has been developed to enable Customs and Border Protection officers to improve their responsive and investigative skills. They are designed as one–two hour activities that can be conducted in local work areas and cover skills such as responding to CCTV observations on vessels, radio communications, questioning people on the waterfront and safe vehicle stop practices.

There are 768 Customs and Border Protection officers trained in use of force and certified to carry personal defensive equipment. In addition, 235 officers were trained in boarding, access and search functions during 2009–10.

Technology

Technology research and acquisition is undertaken on an ongoing basis. This year, a range of operational technology was replaced or upgraded, including X-ray equipment (for small parcels to shipping containers), substance identification equipment, radiation detectors and identifiers, airport and seaport CCTV networks, computer forensics equipment and radio and satellite communications.

We also developed the CCTV Strategic Outlook 2020 for all gazetted airports and seaports. This assessed existing capability and operational risks through extensive consultation and provides a blueprint to meet future business requirements. In May 2010, the strategy was presented to the border management group for consideration.

Detector dog program

The program aims to identify and achieve world's best practice in the breeding, development, training and deployment of detector dogs.

The program has three arms:

- + the National Breeding and Development Centre in Victoria
- + the Detector Dog Training Centre, temporarily based in Brisbane and Melbourne
- + eight regional units in Adelaide, Brisbane, Cairns, Darwin, Hobart, Melbourne, Perth and Sydney.

All Customs and Border Protection detector dogs are bred and developed by the breeding centre and trained with their handlers at the training centre. A detector dog team is generally one dog and one handler. There are a total of 66 teams around Australia, including 48 narcotic detector dog teams and 18 firearm and explosive detector dog teams.

This year, the program attended 28 900 tasks and had 384 detections, including 366 narcotic detections with a combined weight of 108.1kg.

Work has begun on a National Detector Dog Program Facility in Melbourne. The Detector Dog Program is a core operational capability and the co-location of the breeding and training programs will realise a number of efficiencies. Melbourne has been chosen for the new facility due to the extensive network of puppy walkers linked to the breeding facility and ease of access to operational environments for handlers and dogs during training programs.

The facility will include a range of training resources and be operational in December 2011. It will provide kennel space for up to 250 dogs and accommodation for up to 65 staff.

Profile

Julie Turner
Australian Capital Territory
District Office



Julie is the District Manager of the ACT District Office located on the plaza level of Customs House in Canberra. Julie joined the ACT District Office seven months ago and leads a team of four officers. As with most district offices there is a wide range of responsibilities including, Passenger Processing of itinerant, military, Government and Guest of Government flights, Cargo Examinations, Client Service and the most resource intensive, Diplomatic and Consular work. With over 95 Embassies and 334 Consulates/Honourary consulates in Australia, the District Office staff are kept busy recording Diplomatic arrivals and departures and processing and recording approvals for the privileged individuals to purchase duty free vehicles, cigarettes, alcohol and gifts.

The ACT District Office is one of 35 enforcement locations around Australia and reports to the NSW/ACT Enforcement Directorate located in Sydney.

Julie joined us in 1986, after completing her Assistant Customs Officer training in Brisbane and in 1987 moved to the Cairns District Office where she worked in a variety of positions for 17 years. Julie moved to Canberra in 2004 on a temporary transfer to work in the Passenger Analysis Unit for two years but fell in love with the city and decided to take up a permanent position.

Career highlights for Julie include operational positions she has held such as radar observer in the Coastwatch Nomads, operational intelligence in the Cairns District Office, surveillance operations in the Cairns area working alongside a number of law enforcement agencies and as an Operational Command Trainer in Canberra.

Other achievements include a long-term appointment as acting as the Manager of Detector Dog Program Regional Operations, working closely with the detector dog units located around the country.

Julie is thoroughly enjoying her new role as the ACT District Manager because of the variety of work and the interesting people she meets every day either at the front counter or when clearing flights at the airport.

PBS PROGRAM 4: CIVIL MARITIME SURVEILLANCE AND RESPONSE

Aerial surveillance and vessel availability remained close to target levels. However, the increased focus on managing threats in Australia's north-west necessitated surveillance in more distant offshore areas and therefore lengthier aircraft transits. This reduced the total area of surveillance coverage, but provided a high level of maritime domain awareness of critical threats. This focus also required redeploying assets into inshore surveillance activities on Australia's east coast. We also experienced constraints in the use of aerial surveillance assets due to reliability issues with certain aerial platforms, and higher than expected requests by the Australian Maritime Safety Authority to re-task assets to Search and Rescue operations.

We increased our patrol days in our northern waters to respond to the increase in people smuggling activities. We have maintained a high level of detections and interceptions for suspected irregular entry vessels.

Illegal fishing is another target area for surveillance, and the number of apprehensions of FFVs continues to decrease, demonstrating the successful deterrent effect of enforcement efforts over the last two years.

Our performance against PBS targets is shown in Table 8.

Table 8: Performance against targets set in the 2009–10 Portfolio Budget Statement
Program 4: Civil maritime surveillance and response

Deliverables	Target*	Actual
Aerial surveillance coverage (square nautical miles)		
+ Customs and Border Protection contracted aircraft and RAAF assets*	153m ⁺⁺	142.11m
+ Commercial contracted satellite	5.5m	10.87m
Southern Ocean vessel surveillance (patrol days)	280 [^]	297
Northern waters surveillance ACV <i>Triton</i> (patrol days)	240	264
ACV <i>Ashmore Guardian</i> (station and steaming days) ^{^^}	330	326
Customs and Border Protection Marine Unit (patrol days)	2 400	2372
Key performance indicators	Target*	Actual
Number of illegal, unregulated and unreported vessels sighted and identified in Australia's exclusive economic zone in the Southern Ocean	**	3
Number of illegal, unregulated and unreported vessels boarded in the Southern Ocean	**	0
Number of illegal, unregulated and unreported vessels apprehended in the Southern Ocean	**	0
Trends in sightings of potentially illegal foreign vessels in Australian northern waters (including illegal foreign fishing vessels)	>	2006–07 to 2007–08 decline by 63.38% 2007–08 to 2008–09 increase by 288.6% 2008–09 to 2009–10 increase by 44.46% ^{>>}

Key performance indicators	Target*	Actual
Number of detections and interceptions of suspect irregular entry vessels	**	117
Number of potential irregular immigrants intercepted at sea (including ships' crew)	**	5627
Number of apprehensions of illegal foreign fishing vessels~	60	23***
Price	\$290.065m	\$292.871m

ACV = Australian Customs and Border Protection vessel; RAAF = Royal Australian Air Force

* Targets may be performance targets, service level targets or estimates.

+ This target is based on the contribution made by both Customs and Border Protection and Australian Defence Force (ADF) assets to the civil maritime surveillance and response program.

^^ *Ashmore Guardian* is deployed near-permanently at the Ashmore Reef National Reserve and Cartier Island Marine Reserve.

** Performance targets cannot be estimated through any reliable statistical or other method.

++ Target based on 130m square nautical miles for 2008–09, and an additional 23m square nautical miles for 2009–10 and 2010–11, based on an additional 2215 surveillance hours funded for two years as part of one of the 2009–10 package of measures to strengthen border protection and to respond to the rise in people smuggling.

^ An additional 80 patrol days per year for 2009–10 and 2010–11 included as a part of the package of measures to respond to the rise in people smuggling.

> Sightings are generated from reports by Border Protection Command surveillance units, including Customs and Border Protection and ADF. The number of sightings cannot be forecast through any reliable statistical or other method.

>> Total sightings include Indonesian vessels which can legitimately fish for non-sedentary species in this area. After excluding these vessels, there was a 49.2% decline from 2008–09.

~ Total number of apprehensions by Customs and Border Protection and ADF assets.

*** There is a significant downward trend in the number of apprehensions of illegal foreign fishing since 2005–06. This reduced level of apprehensions has occurred because of a commensurate decrease in illegal foreign fishing vessel activity within the Australian Exclusive Economic Zone.

PBS PROGRAM 5: BORDER-RELATED REVENUE COLLECTION

A shortfall of \$398.9 million between the actual collection of significant duty (\$8713.8 million) and the 2009–10 forecast (\$9112.7 million) can be attributed to the stronger-than-expected performance of the Australian dollar throughout 2009–10. A stronger Australian dollar decreases the customs value of imports, with a corresponding decline in the value of the duty on those imports. The reduction in tariff rates on certain items from 1 January 2010 also contributed to lower significant duty collections compared to the 2009–10 target (Table 9).

Revenue from the Passenger Movement Charge (PMC) in 2009–10 was \$571.3 million, an increase of \$37.8 million above the target. This result is due to stronger-than-expected outbound passenger numbers throughout the year. The increase in PMC collections is also attributable to the volatility of the Australian dollar (particularly against the US dollar), which makes travel less expensive, and discounted airfares from major carriers that promote international travel.

Table 9: Performance against targets set in the 2009–10 Portfolio Budget Statement
Program 5: Border-related revenue collection

Deliverables	Target*	Actual
Collection of revenue associated with passenger movements	\$533.5m	\$571.3m
Significant revenues collected (including customs duty and GST)	\$9 112.7m	\$8 713.8m
Duty concessions:		
+ Tariff Concessions System	\$1 350– \$1 500m	\$1 466.5m
+ all other concession schemes+	\$493–\$582m	\$353.2m
Administration of the Tourist Refund Scheme:		
+ number of processed claims	459 457	444 411
+ value of processed claims	\$77.06m	\$68.7m
+ number of approved claims	447 971	435 399
+ value of refunds processed	\$75.11m	\$68.29m
Licensing of Customs warehouses	**	65
Number of import declaration lines assessed++	6 000	6 217
Key performance indicators	Target*	Actual
Proportion of drawbacks delivered in accordance with standards	90%	95.87%
Proportion of refunds delivered in accordance with standards	100%	99.77%
Proportion of concessional arrangements for importers and exporters delivered in accordance with standards	100%	100%
Number of drawback applications	5 500	4 855
Number of refund applications	55 000	91 796
Number of external appeals against decisions:		
+ granting of Tariff Concessions Orders	**∞	14
+ eligibility for 4th Schedule By-law	**	0
Revenue and compliance assurance activity:		
+ imports — percentage of revenue-targeted audits where revenue was adjusted by \$1000 or more^^	55%	56%
+ exports — percentage of audits where free on board was adjusted by \$5000 or more	75%	69.2%
+ imports — company audit activity^^	218	218
+ exports — company audit activity^^	26	26

Deliverables	Target*	Actual
Revenue variations identified from compliance activity, audit overstatements and understatements: non audit overstatements and understatements	**	Audit overs \$1 193 250.40 Audit unders \$6 079 100.71 Non-audit overs \$3 282 927.67 Non-audit unders \$1 653 765.21
Proportion of warehouse licence applications processed in accordance with client service standards	100%	97.95%
Percentage of licensed warehouses subject to compliance visits/checks	60%	61.7%
Import declaration lines assessed — percentage of lines where significant revenue errors were found^^	**	4%
Price	\$64.038m	\$61.639m

GST = goods and services tax; m=million

* Targets may be performance targets, service level targets or estimates.

+ Significant revenue and duty concessions are adjusted for the Automotive Competitiveness and Investment Scheme credits, which are treated by Customs and Border Protection as duty revenue and as an expense by the Department of Innovation, Industry, Science and Research.

** Performance targets cannot be estimated through any reliable statistical or other method.

++ This measure appears in both Program 2 and Program 5 as a minimum of 6000 lines are assessed concurrently for both revenue and control errors.

^^ Revised forecast provided at Portfolio Additional Estimates.

∞ External review applications initiated during the year

Post-transaction verification

This year, we conducted 218 import audits, dealing with goods with a customs value of approximately \$4.3 billion. This represents 1.8 per cent of the total value of imports.

This year, 55 per cent of all revenue-targeted audits resulted in a minimum revenue adjustment of \$1000, meeting the PBS target. The net value of all customs duty and goods and services tax (GST) recovered through audit was \$7 million.

A mid-year assessment of our progress against PBS targets indicated that we were not on track to meet the target for adjustments to export audits. We revised our export audit selection and made a number of changes to the audit program, improving our performance against this target.

During 2009–10, we focused on refining our audit case selection methodology to more effectively identify high-value targets. We also reviewed our audit practices and applied recommendations to promote consistency across the audit teams in advance of the implementation of the *Enhanced Compliance Assurance Approach to Revenue Risk*.

Licensed depots and warehouses

In our licensed depots and warehouses program, we visited 61.7 per cent of establishments during the year, exceeding the target of 60 per cent. Over \$7 million in evaded revenue was recovered from warehouse visits. The visits also identified over 100 possible breaches of Customs and Border Protection controls in the air and sea environments.

National Refunds Centre

This year, the National Refunds Centre assessed a total of 91 796 applications, nearly 70 per cent above the forecast number. Despite the high number of applications lodged, the National Refunds Centre continued to achieve a high service standard.

Excise equivalent goods transfer

In September 2008, the Productivity Commission released its *Annual Review of Regulatory Burdens on Business: Manufacturing and Distributive Trades*. In response to the review, we worked jointly with the Australian Taxation Office (ATO) to develop options to minimise duplication of revenue administration and compliance costs for excise equivalent goods. We provided a report to the Minister for Home Affairs and the Assistant Treasurer in October 2009.

In November 2009, the Government announced that the ATO would take over the administration of warehoused excise equivalent goods. A process for staff transfer and training was established and was implemented on 1 July 2010. An MOU governing the ongoing administration commenced on 1 July 2010.

Tariff concession order reform

In September 2009, the Government announced new guidelines for import duty concession schemes to improve fairness for Australian industry. Following an extensive consultation process, the Government agreed to pursue a range of reforms, including tighter guidelines for the tariff concession system.

As a result, we amended the approved form for tariff concession order applications, which had been unchanged since 2001. Applicants must now provide more evidence to establish that no Australian manufacturer is able to produce substitutable goods.

We placed the revised form on our website to provide industry with advance notice of the new requirements before they took effect in March 2010.

Review of Free Trade Agreements

The Productivity Commission began a review of bilateral and regional trade agreements, commonly referred to as Free Trade Agreements (FTA).

We provided input to this review about our activities when a new FTA comes into force, the nature of our role in the ongoing administration of FTAs, and the costs we incur through implementing various aspects of FTAs.

Easier access to trade services

In March 2010, we introduced electronic lodgement of duty drawback claims using the Customs Interactive facility. The functionality includes the ability to search, lodge, amend and withdraw drawback claims, providing industry with a more efficient and streamlined process.

These enhancements delivered further benefits to industry including faster payment of claims, savings by reducing paper-based transactions and the ability for industry to monitor the progress of the transaction via the ICS.

2.2 Border risks

One of the key responsibilities of Customs and Border Protection is the management of border risks that threaten Australian trade, health or welfare. We continually assess the risks to our border to ensure that we target our activities appropriately and effectively. We currently address six risks in our programs and have developed an integrated network of activities to manage these risks across the border continuum.

2.2.1 Terrorism

Terrorism has become an increasing threat over the last decade, and Customs and Border Protection has participated in a number of initiatives to protect Australia and Australian interests from terrorists and terrorism-related goods.

COUNTERTERRORISM TARGETING

We monitor the entry and exit of passengers, cargo and vessels to support whole-of-government efforts to identify people and goods that could pose a terrorism threat. In close collaboration with the Australian Security Intelligence Organisation (ASIO), we refined our procedures to identify international air passengers of potential concern. We also enhanced our operational arrangements with the Australian Federal Police (AFP) and ASIO to support the collection and sharing of intelligence at the border.

In an important move forward in information management, we developed a counterterrorism portal, which is a repository of counterterrorism information that is readily accessible to all officers. The portal provides increased access to relevant materials, and supports national security linkages and increased situational awareness. The portal enables us to meet our commitments to the Australian Government counterterrorism framework.

GOVERNMENT POLICY

We contributed to the Government's Counter-Terrorism White Paper, which articulates the Government's response to terrorism and its ongoing commitment to counterterrorism. We also contributed to the revised *National Counter-Terrorism Handbook* and subsequently rewrote our own strategy, plans and procedures to reflect these policy documents.

We continue to participate in whole-of-government forums in counterterrorism and national security, including the Secretaries Committee on National Security, the Homeland and Border Security Policy Coordination Group and the Australian Government Counter-Terrorism Committee.

We also participated in whole-of-government forums and exercises designed to progress the new 'all-hazards' crisis management framework of the Australian Government. An all-hazards model provides a central flexible crisis management structure that provides guidance in applying policy, plans and capabilities to respond to a specific crisis. This differs from the current approach, which convenes a hazard-specific committee in response to a crisis. We evaluated the potential benefits available to the agency by aligning existing internal crisis management frameworks to the proposed all-hazards model. We identified that the model would be beneficial to the agency and would deliver improved situational awareness, collaborative planning and communication ability.

COUNTERTERRORISM EXERCISES

The National Counter-Terrorism Committee's *Mercury* series of multijurisdictional exercises is designed to develop the capability of Australian, state and territory governments to prevent, prepare for, respond to and recover from multiple threats or acts of terrorism against Australians and Australian interests.

Customs and Border Protection has contributed to the planning of *Mercury 10*, and contributed to relevant control documentation and participate in the exercise, focusing on internal coordination arrangements.

AVIATION ACTIVITIES

The Review of Aviation Security Screening led by the Department of Infrastructure, Transport, Regional Development and local government was completed in September 2009 and provided a whole-of-government assessment of Australia's aviation security. The review proposed a number of recommendations to improve the preventive security framework over the aviation sector. The review informed the development of the National Aviation Policy White Paper that the Government released in December 2009.

Customs and Border Protection provided submissions to the review and contributed to developing the White Paper. This included an analysis of threats, risks and vulnerabilities in the air cargo supply chain; the Customs and Border Protection measures that mitigate these threats; and a detailed description of Customs and Border Protection's role in cargo security and how this complements cargo security initiatives undertaken by the Office of Transport Security and other border agencies. Customs and Border Protection also provided feedback on the review's proposals and recommendations that had implications for Customs and Border Protection operations.

In February 2010, the Government announced a package of measures to strengthen Australia's international and domestic aviation and security regime against emerging threats. This includes investing in the second stage of the Enhanced Passenger Assessment Clearance Program (EPAC 2). This initiative will strengthen passenger and air security measures by ensuring that timelier and better informed decisions can be made about interventions needed before the border and at the border.

In 2010–11, we will continue to work with the Office of Transport Security to implement the White Paper recommendations.

MARITIME ACTIVITIES

This year, Border Protection Command (BPC) continued to develop its partnerships with industry stakeholders. This improves BPC's maritime domain awareness through understanding of the industry, enhancing industry participation, and interfacing with industry and government stakeholders.

BPC has also worked closely with other agencies and departments to further refine counterterrorism arrangements. As well as supporting the development of the Counter-Terrorism White Paper and the review of the *National Counter-Terrorism Handbook*, BPC has published the *Australian Maritime Counter-Terrorism Response Manual*.

INTERNATIONAL ENGAGEMENT

We work with key regional partners to deliver effective trade and travel facilitation and enforcement at the border.

Southeast Asia Border Security Program

The Southeast Asia Border Security Program provides funding for counterterrorism capacity building activities in southeast Asia from 2009 to 2013. The program's objective is to address threats posed by the movement of people and goods before they reach Australia, with a focus on strengthening security in the region. It aims to do this by increasing the capacity of regional border management and law enforcement agencies in Indonesia, Malaysia, Thailand and the Philippines to effectively identify, target and mitigate terrorist and other security threats.

We conducted a number of projects along three streams of activity.

- + Enhancing border processes — we conducted a series of four X-ray technology training workshops in Thailand.
- + Interagency cooperation — in conjunction with the WCO Asia-Pacific Regional Office for Capacity Building (ROCB AP) and the Regional Intelligence Liaison Office for Asia and the Pacific (RILO A/P), we delivered a series of four pilot border intelligence workshops in Thailand, Indonesia, Malaysia and the Philippines. The workshops contributed to intelligence capability development in the region, positively influenced Customs and Border Protection's relationship with the ROCB and promoted increased flows of useable data to RILO A/P.
- + Enhancing screening and detection capability— we delivered five trace detection and radio communications technology-based projects at key locations in Southeast Asia to disrupt the movement of people, money and goods associated with terrorist activity.

Profile

Denis Graham
International Programs



Denis works within the International Programs Section of Corporate and International Strategy Branch as Supervisor International Capacity Building. Denis's role involves providing technical assistance and training to overseas law enforcement agencies in Southeast Asia as part of the agency's Southeast Asia Border Security Program. This program delivers counterterrorism capacity building projects in key regional countries, including Indonesia, Thailand, Malaysia and the Philippines. Improving screening and detection capabilities at borders in Southeast Asia is critical to disrupting the movement of people, money and goods associated with terrorist activity.

Denis began his career in Customs and Border Protection in 1990 in Sydney, working in Waterfront Operations, at Sydney International Airport and at the Container Examination Facility (CEF). Working at the CEF from its inception in 2003 is a career highlight for Denis, as he had the opportunity to use the state of the art search facility and provide the officer training to use the new systems and processes. He fondly recalls the strong team work in finetuning the procedures to ensure the new state of the art facility operated smoothly.

The opportunity to play a part in protecting the community encouraged Denis to join the organisation and, 20 years on, still motivates Denis in his present role. The delivery of trace detection and other border technology capability to countries in Southeast Asia strengthens our overseas counterparts' ability to deter and detect risks before they reach Australia's border. It also ensures that Customs and Border Protection and regional partner agencies are well placed to respond to changing border risks.

Campaign

Strengthening capacity in the Pacific

This year, we increased our engagement with customs administrations in the Pacific by finalising a four-year, \$2.46 million funding agreement with the Oceania Customs Organisation (OCO), which will contribute to the OCO's long-term financial viability. As the primary regional customs body in the Pacific, the OCO plays a major part in representing a range of Pacific Island customs administrations and is a key vehicle in improving customs capability across the Pacific. The joint AusAID and Customs and Border Protection funding provides for core organisation funding, as well as funding for agreed projects between the OCO and Customs and Border Protection.



Attendees from OCO member administrations attending the 2010 OCO Annual Conference, 3–7 May 2010, Apia, Samoa.

We also maintained our contribution to regional capacity building efforts through our contribution to the Regional Assistance Mission to Solomon Islands (RAMSI): the Customs Modernisation Program continued to provide a range of technical, policy and operational assistance to the Solomon Islands Customs and Excise Division (SICED) aimed at strengthening governance, planning and revenue collection capabilities.

Highlights of assistance provided in 2009–10 included:

- + leading a five month cargo examination taskforce, resulting in a 39 per cent increase in revenue collection;
- + deploying a Human Resources adviser to mentor and coach corporate areas within SICED;
- + revising the Solomon Islands *Customs Valuations and Customs Offences Act*, which has been approved by Solomon Islands Government;
- + collaborating with the Asian Development Bank in preparation for the review and revision of the Solomon Islands *Customs and Excise Act*;
- + delivering valuation training to a range of SICED officers in preparation for implementation of new legislation;
- + developing an investigations capability within SICED to minimise revenue leakage; and
- + delivering training to establish a post-clearance audit function within SICED to improve importer compliance.



Customs and Border Protection officer, Kamal Dutta, with a Solomon Islands Customs and Excise Division officer undertaking a post-clearance audit as part of the Customs Modernisation Program.

International cargo security developments

We continued to engage with various international forums regarding developments in relation to supply chain security and international requirements for the mass screening of air and sea cargo. This included participating in the WCO SAFE Working Group, the facilitation and security panels of the ICAO, the APEC Subcommittee on Customs Procedures and the Border Five Group. We also engaged with the US Customs and Border Protection and the Department of Homeland Security in relation to these issues.

Our objective in these international forums is to achieve practical measures to mitigate a range of potential threats and vulnerabilities in global cargo supply chains. In the coming year, we will aim to support international peak industry bodies who are seeking to standardise supply chain security standards and measures.

2.2.2 Irregular movement of people

We play a key role in maintaining immigration controls for people arriving and departing Australia. We perform the primary immigration clearance for all arriving and departing travellers on behalf of the Department of Immigration and Citizenship.

We contribute to managing immigration risk by collaborating with other border protection, law enforcement and intelligence agencies to increase our certainty of the relative risk that a traveller presents, and to support timely, risk-based intervention and resource deployment decisions from a whole-of-government perspective.

MARITIME PEOPLE SMUGGLING

This year has seen an increase in the arrival of suspected irregular entry vessels (SIEVs) facilitated by overseas-based people smuggling syndicates. The Australian Government has made it a high priority to deter, disrupt and detect maritime people smuggling activity, and we have taken a substantial role in responding to this priority.

We lead the whole-of-government operational response to maritime people smuggling, including coordinating the whole-of-government operational strategy, and delivering intelligence, operational and communications outcomes. We work closely with other government agencies to achieve this, including the:

- + Australian Federal Police
- + Department of Defence
- + Department of the Prime Minister and Cabinet
- + Department of Immigration and Citizenship
- + Department of Foreign Affairs and Trade
- + Attorney-General's Department
- + Australian Agency for International Development
- + Australian intelligence community.

We are responsible for coordinating contributions from the Australian intelligence community, law enforcement agencies and relevant regulatory agencies to develop whole-of-government intelligence assessments relating to maritime people smuggling. Agencies involved in preparing this intelligence are co-located in a dedicated intelligence hub that provides intelligence assessments in support of operational action.

We are also responsible for coordinating intelligence collection from Christmas Island through the Joint Intelligence Group (JIG), which is jointly staffed with the AFP. This year,

the JIG provided agency intelligence reports in relation to each SIEV after its arrival at Christmas Island. This whole-of-government intelligence assessment and collection capability helped to successfully disrupt a number of people smuggling ventures and criminal syndicates.

This year, eight Customs and Border Protection officers were sworn into a specialised AFP taskforce responsible for investigating and prosecuting people smuggling organisers in Australia and overseas. These officers, located in Sydney, Melbourne and Canberra, can exercise police powers such as entry, arrest, search and seizure, with or without a warrant, in relation to *Migration Act 1958* offences.

We are leading the implementation of counter people smuggling communications campaigns in key source and transit countries. These campaigns aim to dissuade and deter potential irregular immigrants (PIIs) from migrating to Australia. Campaigns are currently underway or planned in Indonesia, Sri Lanka, Malaysia, Pakistan and Afghanistan. We are also funding a campaign within Australia which is being delivered by the Department of Immigration and Citizenship. Early results from the research phases of these campaigns have provided useful information about the motivations and drivers of PIIs and people smugglers. This provides a solid base for engagement strategies and policy development.

MARITIME IRREGULAR MOVEMENT OF PEOPLE

BPC uses surveillance and response assets from Customs and Border Protection, the Australian Defence Force (ADF), the Australian Maritime Safety Authority and contractors to coordinate offshore surveillance and on-water responses to maritime security threats.

This year, BPC used Customs and Border Protection and ADF assets to maintain effective and visible awareness and response activities, such as aerial surveillance and surface vessel presence and response, particularly at the boundaries of the Australian Exclusive Economic Zone (AEEZ) and in the waterfront environment. This included apprehending irregular maritime arrivals before they reach mainland Australia and maintaining a surge capacity.

The number of SIEV arrivals increased to 117³ this year, compared to 23 last year. There was also a related increase in the number of PIIs, from 985 in 2008–09 to 5327⁴ in 2009–10 (Table 10).

Table 10: Irregular vessel and immigrant arrivals 2007–10

SIEV summary	2007–08	2008–09	2009–10
Undetected			
Onshore irregular maritime arrival — vessels	0	1	0
Offshore irregular maritime arrival — vessels	3	1	5
Detected	0	21	112
Total	3	23	117

³ This does not include the Safety of Life At Sea (SOLAS) actions on 17 October 2009, when the *ACV Oceanic Viking* assisted a vessel in distress in the Indonesian Search and Rescue region by taking the passengers onboard. The passengers voluntarily disembarked *ACV Oceanic Viking* into the care of Indonesian authorities in November 2009.

⁴ This includes 12 people considered lost at sea after a vessel was reported as capsized approximately 350 nautical miles northwest of Cocos Island on 1 November 2009. Merchant vessel *LNG Pioneer* assisted with the recovery of passengers from the vessel in distress and transferred the passengers to Christmas Island onshore authorities for processing.

PII summary	2007–08	2008–09	2009–10
Onshore irregular maritime arrivals	0	12	0
Offshore irregular maritime arrivals	25	38*	246
Detected	0	935	5 081**
Total	25	985	5 327
Crew	0	53	300

PII = potential irregular immigrant; SIEV = suspected irregular entry vessel

* This does not include four arrivals on 28 April 2009 on Deliverance Island, one arrival on 8 May 2009 on Saibai Island in the Torres Strait, and the two people rescued on 19 January 2009 from a fishing esky.

** This includes 12 people considered lost at sea after their vessel was reported as capsized 350 nautical miles northwest of Cocos Island on 1 November 2009.

Outcomes of the SIEV 36 coronial inquest

The apprehension of SIEV 36 off Ashmore Island on 16 April 2009 and the subsequent tragic boat explosion required an immediate response by BPC and both Navy and Customs and Border Protection Marine Unit officers to provide assistance and urgent medical support. The apprehension of SIEV 36 and the events following were subject to a coronial inquest this year.

On 17 March 2010, the Northern Territory (NT) Coroner released his report into the SIEV 36 incident. He concluded that ‘the explosion was caused when a passenger or passengers deliberately ignited petrol which had collected in the bilge area below the deck of SIEV 36’. The NT Coroner’s findings are now being assessed by the Commonwealth Director of Public Prosecutions.

The NT Coroner also noted that ‘where appropriate, the recommendations [of Defence’s Inquiry Officer’s report⁵] have been acted upon or are to be acted upon. I am satisfied that with the action taken and pursued at training and operational level, an incident such as occurred on SIEV 36 is unlikely to occur again.’

While the coroner’s report did not make any formal recommendations, it referred to the Defence’s Inquiry Officer’s report, which was commissioned by Defence in June 2009. The coroner’s report and Defence’s Inquiry Officer’s report have been assessed for potential implications for Customs and Border Protection operations. Customs and Border Protection and the ADF have already identified a number of areas in orders, instructions and publications that could be strengthened to improve procedures and to ensure consistency across Defence and Customs and Border Protection operations for civil maritime surveillance and response. This work is being managed in 2010–11 through close cooperation between Customs and Border Protection and the ADF.

INTERNATIONAL ENGAGEMENT

In response to the recent increase in maritime people smuggling, Customs and Border Protection has strengthened our engagement with key source and transit countries throughout the region. Specifically, we have increased our representation in Indonesia by establishing a senior executive position to oversee activity, and also established a new presence in Kuala Lumpur, Malaysia and Colombo, Sri Lanka. Our existing representation in Bangkok, Thailand, has also expanded its role to undertake the lead coordination for whole-of-government maritime people smuggling activities at the post.

This increased engagement has improved regional information sharing, coordinated capacity building efforts and supported operational coordination. Capacity building has included satellite imagery analysis training, planning for the implementation of global maritime distress safety service equipment to improve coastal radio communications and computer forensics training.

Engagement with source and transit countries at both policy and diplomatic levels has also increased significantly, with Customs and Border Protection playing a lead role in ministerial and senior official visits to countries including Indonesia, Malaysia, Sri Lanka and Pakistan.

BPC continued to develop maritime security partnerships with foreign governments and their agencies to strengthen maritime security in the region, and to participate in maritime exercises to ensure our continued operational readiness.

2.2.3 Biosecurity

Existing and emerging pests and disease syndromes that are not present in Australia and that may cross our borders are a threat to our health and industry. Supporting Australian Quarantine Inspection Service (AQIS) in the identification and management of biosecurity risks is therefore an important part of our border security role.

RISK-BASED PASSENGER AND CARGO INTERVENTION

Following recommendations from the 2008 review of Australia’s quarantine and biosecurity arrangements led by Mr Roger Beale AO (Officer of the Order of Australia), AQIS is adopting a risk–return approach to direct resources to areas of greatest return from a risk management perspective. To support the implementation of recommendations from the review, we have worked closely with AQIS to explore options for improving access to data for pre-arrival risk assessment of passengers, and to support the development and trial of new approaches to passenger and cargo intervention.

During the year, AQIS trialled different methods for risk-based streaming of passengers based on assessing available information to identify which passengers were more likely to be carrying biosecurity risk material. We are collaborating with AQIS to support the pre-arrival risk assessment of air travellers who may present a biosecurity risk. A trial of AQIS staff in the Passenger Analysis Unit (PAU) was undertaken in 2009 to increase understanding of the profiles of biosecurity risk passengers.

Customs and Border Protection officers also work closely with AQIS in the sea, air and international mail environments and provide cross-referrals where potential breaches of legislation are suspected.

GIANT AFRICAN SNAILS

Customs and Border Protection worked with the Department of Agriculture, Fisheries and Forestry (DAFF) and the stevedoring industry to improve the way industry is notified of the risk posed by giant African snails. We developed an interface to the ICS to place automatic holds on cargo from high-risk snail-origin countries. AQIS officers will be able to lift the hold from the wharf or other remote locations.

This function was added to the ICS and successfully trialled in May 2010 using selected vessels. The trial involved participants from Customs and Border Protection, DAFF, shipping companies and stevedores. A full rollout of the new function is scheduled for 2011.

⁵ www.defence.gov.au/coi/index.htm

2.2.4 Prohibited, restricted or regulated goods

This risk covers a wide range of prohibited and restricted goods that we manage on behalf of other agencies. It includes items such as objectionable material, goods that present a significant threat to human health and safety, or that could be used in weapons of mass destruction (WMD) programs.

Legitimate trade is supported through a permit system based on voluntary compliance and disclosure, and a range of compliance assurance activities. Information from policy agencies, risk assessments and responses to community protection questions are used to assure compliance with regulatory requirements and detect illicit movement of these goods.

We mitigate this border risk by:

- + detecting, deterring and disrupting the movement of prohibited, restricted and illicit goods across the border
- + effectively administering and coordinating the prohibited import and export regime to control the movement of restricted and prohibited goods
- + providing a system of border controls that protects the rights of intellectual property (IP) rights holders through the Notice of Objection Scheme
- + co-designing effective whole-of-government responses to implementing border controls in collaboration with other policy and regulatory agencies
- + providing the ICS capability to support the management of prohibited, restricted and regulated goods.

APPLYING RISK ASSESSMENT TO DESIGN BETTER BORDER STRATEGIES

We hosted a permit issuing agency and stakeholder forum in November 2009 to design and review governance arrangements to improve the management and effectiveness of existing border controls. Partner agencies are supportive of a differentiated risk treatment approach for prohibited, restricted and regulated goods. The forum is a valuable opportunity to gauge satisfaction across the key agencies.

Since then, we have begun a systematic review to assess the current border controls on prohibited, restricted and regulated goods, and the vulnerabilities that might be exploited in relation to prohibited and restricted goods such as drugs and precursors. We have worked with key partner agencies to determine how we can improve our approach. The scope of the review covers permission regimes, intervention activities and post-border compliance activities currently employed to detect these goods. The review has examined current risk strategies with a view to developing differentiated risk treatments based on the type of goods and the risk posed to the community. A range of mitigation strategies were identified and we are continuing to work towards their implementation.

Work is progressing on designing border controls, from policy establishment through pre-border to border intervention and post-border activity. These models are being designed in conjunction with permit issuing and other policy agencies to develop closer working relationships in the long term to effectively manage these border risks. Future intervention programs will be driven by enhancing intelligence gathered in cooperation with our partner agencies.

This new approach to border controls will be governed by shared responsibility agreements between Customs and Border Protection and our partner agencies. Over 40 shared responsibility agreements may need to be established, along with a significant number of new MOUs.

ILLICIT DRUGS AND PRECURSORS

Illicit drugs are substances listed under international drug control conventions and Australian federal, state and territory legislation, in which they are defined as prohibited or controlled substances. Some are completely prohibited, such as heroin and cannabis, while for others, the term 'illicit' applies to the circumstances in which they are produced, distributed or diverted for the purposes of non-medical or non-scientific use.

Precursors are a range of substances frequently used in the manufacture of illicit drugs, including essential chemicals, reagents, solvents and catalysts.

Many illicit drugs and precursors are widely available within Australia, with significant levels of use.

The costs of illicit drug and precursor use to the Australian community include:

- + welfare costs that stem from family break-ups or an inability to work
- + health costs involving both medical treatment and rehabilitation
- + law enforcement costs comprising investigation, prosecution and detention costs for illicit drugs and for associated crimes, such as theft and assault
- + environmental costs resulting from the illegal dumping of precursor chemicals used in the manufacture of illicit drugs and the impact of clandestine laboratories.

The AFP Drug Harm Index represents the dollar value of harm that would have ensued had the seized drugs seized by Customs and Border Protection reached the community (Table 11).

Table 11: Australian Federal Police drug harm index

Drug	2009–10 (\$m)
Opioids (heroin)	64.63
Cocaine	112.16
Stimulants (ATS and MDMA)	21.15
Precursors	191.81
Total	389.75

ATS = amphetamine-type stimulants; MDMA = 3,4-methylenedioxymethamphetamine (ecstasy)

Risk mitigation

Customs and Border Protection is a major contributor to supply-reduction outcomes under the National Drug Strategy.

We adopt a risk management approach to facilitate legitimate trade and movement, while intercepting illicit drugs and precursors. We collect information from law enforcement agencies, industry (via the FRONTLINE program) and the broader community (via the HOTLINE program). We also monitor the permit regime for precursor chemicals. The information is analysed and used to develop targeted profiles and alerts for high-risk cargo, people and postal articles. We use sophisticated drug-detection technology such as ion mobility spectroscopy, X-rays and detector dogs to conduct physical examinations. We also use the surveillance capabilities of our Marine Unit and Aviation Unit to detect unreported arrivals, including those that are drug related. In addition to domestically focused efforts, we also work beyond the border with neighbouring countries, where our intelligence-sharing and capacity building efforts reduce the supply of drugs on Australian streets.

The Customs and Border Protection Drug and Precursor Coordination Committee (DPCC) facilitates information exchange, and coordinates and monitors the drug and precursor risk at the border. The DPCC meets four times per year and consists of senior officers whose programs involve drug interdiction. This year, the DPCC agreed that the improvement priorities for drugs and precursors interdiction activities identified in the Annual Plan would form the basis for its work program. This included regulating tablet presses and developing cooperative arrangements with the Indian and Chinese Customs administrations.

In addition to reducing the supply of illicit drugs and precursors, we sought to reduce the supply of associated equipment. Tablet presses, which are used to manufacture methamphetamine and ecstasy, were listed as a prohibited import. Legitimate users of tablet presses are now required to apply for an import permit. Previously, this permit was issued by the AGD, but from 1 July 2010 this responsibility transferred to Customs and Border Protection. We also contributed to developing government policy on drug issues at the domestic and international level. We made submissions to a number of Australian councils, committees and working groups including the Ministerial Council on Drug Strategy; Intergovernmental Committee on Drugs; Expert Advisory Committee on Drugs for the Pacific Region; and the National Precursor Working Group. We also participated in the Amphetamine Type Stimulants Working Group under the Organised Crime Strategy. Internationally, we were members of the Australian delegation to the 53rd Commission of Narcotic Drugs in Vienna, at which 16 resolutions were adopted, including the monitoring and controlling of emerging substances of abuse such as amyl nitrates and synthetic cannabinoids, control of precursor chemicals and the seizure of assets for drug-related crime.

Illicit drug and precursor detections

We continue to make significant detections of drugs and precursor chemicals at the border by using information from law enforcement agencies, industry and the community to develop targeting rules and alerts to select cargo, postal articles and people for physical examination. Our examinations were conducted using a range of methods including x-ray, trace detection technology and detector dogs.

There has been an increase in the number of illicit drug and precursor detections this year compared to 2008–09. There was however, a marked reduction in the weight of detected drugs and precursors. Annual weight detection results vary widely and are typically impacted by large sea cargo seizures that are the result of joint intelligence and investigation operations with partner agencies. Here we are also typically dealing with organised criminal networks that are characteristically resilient and responsive to law enforcement interventions.

We continue to assess and renew our operational methods. This year we have acted to further strengthen joint intelligence and operational working arrangements with partner agencies and increase our focus on the waterfront. We also conducted a review of our intelligence and targeting function and in 2010–11 will implement a number of recommendations, including ways to enhance our joint focus on criminal entities.

This year, there were:

- + 1258.2kg of drugs and precursors seized in 2009–10, compared with 5 377.9kg in 2008–09
- + 9462 detections in 2009–10, compared with 6193 detections in 2008–09. The detections comprised amphetamine-type stimulants (ATS), cocaine, heroin, MDMA (ecstasy), cannabis, performance and image-enhancing drugs (PIED) and chemical precursors.

Significant detections by weight during the year included:

- + 240kg of cocaine
- + 10kg of cocaine
- + 8kg of cocaine
- + 7.9kg of heroin
- + 6.8kg of heroin
- + 22.8kg of pseudoephedrine
- + 18kg of pseudoephedrine
- + 15kg of pseudoephedrine
- + 8.3kg of pseudoephedrine in liquid form

Summaries of illicit drug and precursor detections are provided in tables 12–16 and figures 7–12.

Table 12: Drug detections by mode of importation

	Detections*			Weight (kg)^		
	2007–08	2008–09	2009–10	2007–08	2008–09	2009–10
Air passengers and crew						
Cannabis	39	44	42	1.72	0.72	1.77
Cocaine	31	28	21	30.53	21.09	35.24
Heroin	49	60	45	30.16	48.95	35.65
MDMA (ecstasy)	5	8	4	0.16	6.84	1.15
ATS	16	17	22	3.17	11.61	12.52
Precursors##	69	34	46	7.23	5.44	24.67
PIEDs	155	136	202	..	..	..
Other**	105	97	76	..	..	..
Cargo and postal#						
Cannabis	606	995	1 408	49.30	7.87	16.83
Cocaine	595	329	269	619.71	482.11	350.53
Heroin	237	190	204	74.93	91.85	81.60
MDMA (ecstasy)	109	46	40	172.72	5.01	4.97
ATS	547	374	649	260.16	334.34	54.14
Precursors##	487	361	643	1 126.26	4 353.96	631.76
PIEDs	1 668	1 743	2 493	..	..	..
Other**	1 848	1 717	3 289	..	..	..

	Detections*			Weight (kg)^		
	2007–08	2008–09	2009–10	2007–08	2008–09	2009–10
Shipping and aircraft*						
Cannabis	10	6	4	2.43	0.01	1.04
Cocaine	1	2	1	5.70	2.07	1.00
Heroin	–	–	1	–	–	0.27
MDMA (ecstasy)	2	–	–	40.00	–	–
ATS	1	–	1	0.00	–	0.03
Precursors##	–	2	1	–	6.00	5.00
PIEDs	1	2	1	..	..	..
Other**	4	2	–	..	..	..
Total						
Cannabis	655	1 045	1 454	53.45	8.60	19.64
Cocaine	627	359	291	655.94	505.27	386.78
Heroin	286	250	250	105.09	140.79	117.52
MDMA (Ecstasy)	116	54	44	212.88	11.85	6.12
ATS	564	391	672	263.33	345.95	66.69
Precursors##	556	397	690	1 133.49	4 365.40	661.43
PIEDs	1 824	1 881	2 696	..	..	..
Other**	1 957	1 816	3 365	..	..	..

ATS = amphetamine-type stimulants (includes methamphetamine and amphetamine but excludes MDMA (ecstasy)); PIEDs = performance and image-enhancing drugs (including steroids, DHEA (dehydroepiandrosterone/ prasterone) and hormones);

Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from the Australian Federal Police.

* Drug detections subject to ongoing investigation may not appear.

^ Weight shown may be the confirmed weight (if available) or the gross, net or estimated weight. Where weight of detections of ATS, MDMA (ecstasy) and precursors was not available, an estimate of 0.29g per tablet was used. Estimated weight values for performance and image-enhancing drugs and 'Other' drugs are not shown as there is no consistent unit of measure available. Items in these categories can be measured in grams, volume, dose unit or capsules.

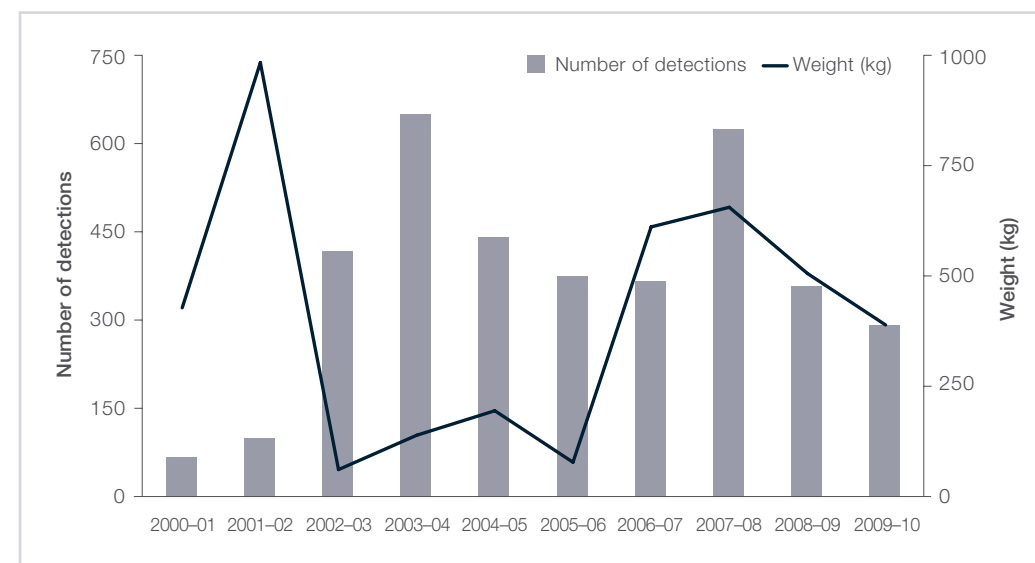
Precursor figures refer to detections of chemical substances that are prohibited imports/exports which may be used in the manufacture of illicit drugs. Some precursors detected were likely not intended for the manufacture of illicit drugs, but were active ingredients in health supplements, cold and flu preparations, herbal medicines and weight-loss products purchased on the internet.

*** Other' drug detections refer to stimulants other than cocaine or ATS, narcotics/analgesics other than heroin, psychotropics/hallucinogens other than MDMA (ecstasy) or cannabis products, and all depressants and sedatives. Excludes precursors.

Includes detections made from air cargo, sea cargo and international post.

+ Includes detections made from searches of sea passengers and crew, vessels and aircraft.

Figure 7: Number and weight of cocaine detections



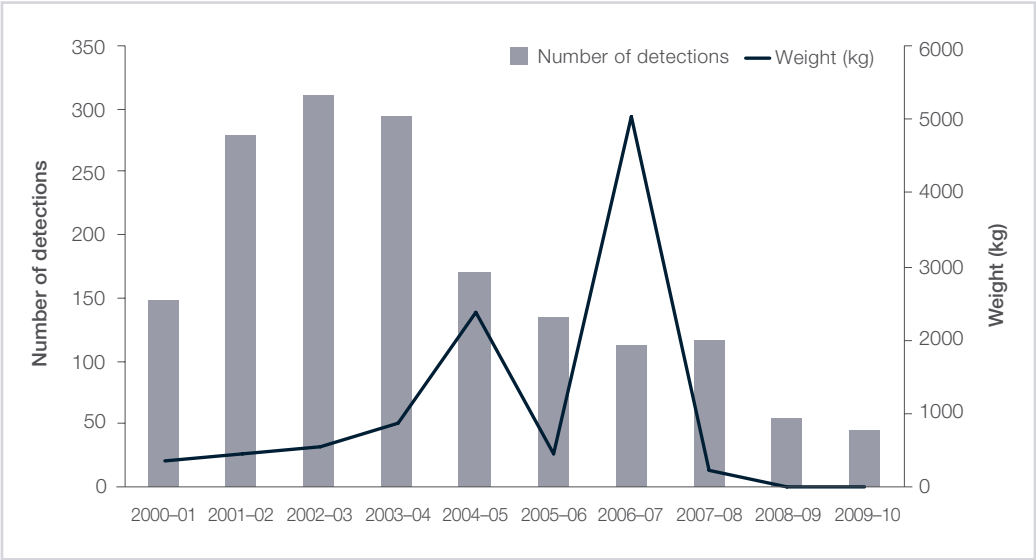
The total weight of cocaine detected in 2009–10 was 386.78kg, a decrease from the 505.27kg detected in 2008–09 (Figure 7). Although there was a significant increase in the weight of cocaine seized in the air passengers and crew stream, the bulk of cocaine is imported via the cargo and international mail stream. This stream saw a decrease in both the number and weight of detections, although there was one significant detection of 240kg, concealed in pavers from Mexico.

Figure 8: Number and weight of heroin detections



There was a slight decrease in both the number of detections and the weight of heroin seized in 2009–10 compared to 2008–09 (Figure 8). The total weight of heroin detected this year was 117.52 kg and is consistent with that seized in recent years. The weight of heroin seized was almost equal in the air passengers and crew stream, and the cargo and international mail stream.

Figure 9: Number and weight of MDMA (ecstasy) detections



There was a decrease in both the number of detections and the weight of MDMA (ecstasy) seized (Figure 9). However, detections have been historically low, with the exception of a few years between 2003 and 2006. The total weight of MDMA detected was 6.12kg, a decrease from the 11 85kg detected in 2008–09.

Table 13: Amphetamine-type stimulants and crystalline methamphetamine (ice) detections by weight

	Detections^			Weight (kg)*		
	2007–08	2008–09	2009–10	2007–08	2008–09	2009–10
Amphetamine-type stimulants#	488	364	584	38.50	230.61	30.91
Crystalline methamphetamine (ice)^^	76	27	88	224.83	115.35	35.79

Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from the Australian Federal Police.

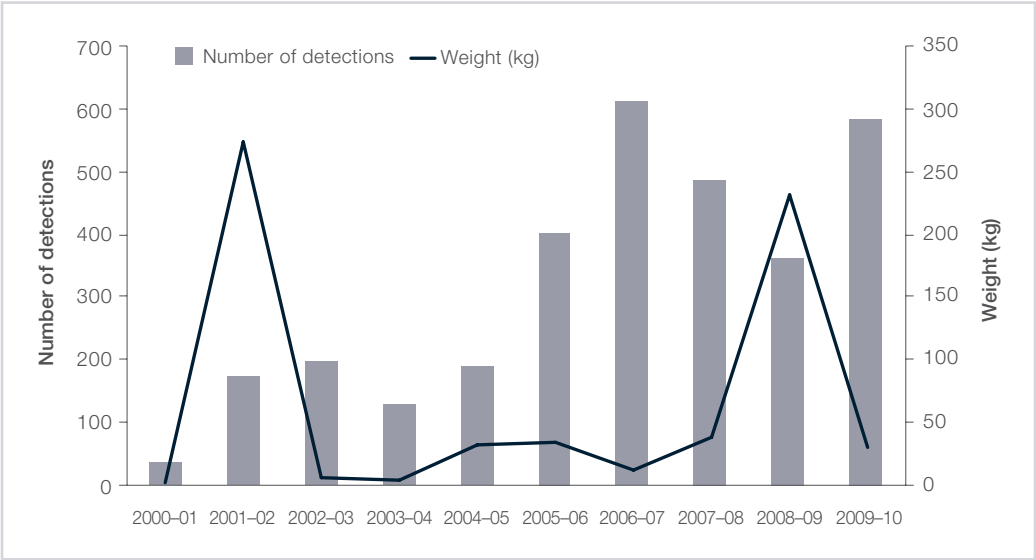
^ Detections subject to ongoing investigation (including controlled deliveries) may not appear.

* Weight shown is an estimation, calculated using 0.29g per tablet where a weight was not available. Some small quantity shipments of amphetamine-type stimulants do not have weight recorded, so these weight figures are a slight under estimate.

Amphetamine-type stimulants include amphetamines and methamphetamines in liquid, capsule, paste, powder or tablet form. It does not include MDMA (ecstasy) or the crystalline variety of methamphetamine called 'ice'.

^^ Crystalline methamphetamine is shown separately, but would usually be included in figures for amphetamine-type stimulants in other publications.

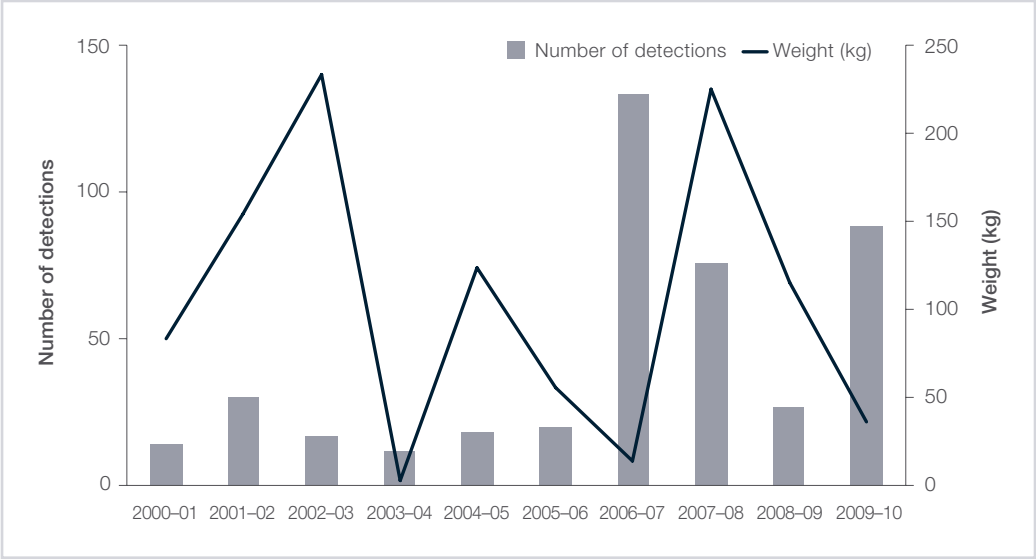
Figure 10: Number and weight of amphetamine-type stimulant detections



Note: amphetamine-type stimulant does not include the crystalline variety of methamphetamine called 'ice'. Excludes MDMA (ecstasy).

The number and weight of detections of ATS increased in the air passengers and crew stream (Figure 10). Similarly, the number of detections increased in the cargo and international mail stream, but the weight of ATS seized fell substantially.

Figure 11: Number and weight of crystalline methamphetamine detections



Note: includes only the crystalline variety of methamphetamine called 'ice'. Excludes other forms of methamphetamines and MDMA (ecstasy).

The number of crystalline methamphetamine detections increased, but the weight seized fell substantially (Figure 11). The majority of detections occurred in international mail, involving relatively small quantities. The weight of seizures has varied widely over the years reflecting the changing patterns in detections between international mail and cargo.

Table 14: Interceptions of precursor type drugs

Precursor drug*	Detections			Weight (kg)		
	2007–08	2008–09	2009–10	2007–08	2008–09	2009–10
Air passengers and crew						
Precursor for amphetamine-type stimulant [^]	68	33	43	7.20	5.44	22.80
Precursor for LSD [~] (acid)	1	–	–	0.03	–	–
Precursor for GHB (fantasy) ⁺	–	–	1	–	–	0.00
Precursor for MDMA (ecstasy) ^{<}	–	–	–	–	–	–
Other	–	1	2	–	0.00	1.86
Cargo and postal^{**}						
Precursor for amphetamine-type stimulant [^]	428	325	589	1 068.38	2 086.00	539.06
Precursor for LSD [~]	2	2	3	0.04	0.00	0.01
Precursor for GHB (fantasy) ⁺	27	24	43	45.12	2 266.48	86.42
Precursor for MDMA (ecstasy) ^{<}	8	2	1	0.51	0.58	0.10
Other	26	8	7	12.20	0.90	6.16
Other^{^^}						
Precursor for amphetamine-type stimulant [^]	–	2	–	–	6.00	–
Precursor for LSD [~]	–	–	–	–	–	–
Precursor for GHB (fantasy) ⁺	–	–	–	–	–	–
Precursor for MDMA (ecstasy) ^{<}	–	–	1	–	–	5.00
Other	–	–	–	–	–	–
Total						
Precursor for amphetamine-type stimulant [^]	496	360	632	1 075.59	2 097.44	561.86
Precursor for LSD [~]	3	2	3	0.07	0.00	0.01
Precursor for GHB (fantasy) ⁺	27	24	44	45.12	2 266.48	86.42
Precursor for MDMA (ecstasy) ^{<}	8	2	2	0.51	0.58	5.10
Other	26	9	9	12.20	0.90	8.03

Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from the Australian Federal Police. Detections subject to ongoing investigation (including controlled deliveries) may not appear.

* Precursor figures refer to detections of chemical substances that are prohibited imports/exports which may be used in the manufacture of illicit drugs. Some of the precursors detected were likely not intended for the manufacture of illicit drugs, but were active ingredients in health supplements, cold and flu preparations, herbal medicines and weight-loss products purchased on the internet.

[^] Precursors for amphetamine-type stimulants include ephedrine, ma huang/ephedra, phenyl-2-propane (P-2-P), phenylactic acid, phenylpropanolamine/norephedrine, and pseudoephedrine.

[~] Precursors for LSD include ergometrine and ergotamine.

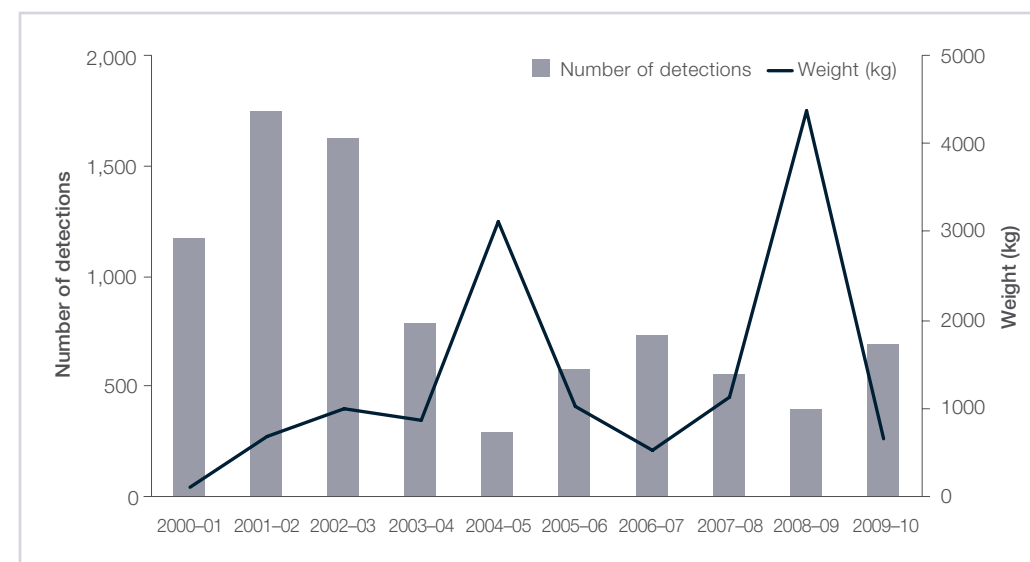
⁺ Precursors for GHB (fantasy) include gammabutyrolactone (GBL). However, GBL is also subject to abuse in its own right, and is treated as a narcotic substance under Customs legislation.

[<] Precursors for MDMA (ecstasy) may also be precursors for related drugs such as MDA or MDEA, and includes piperonal, safrole, isosafrole, and methylenedioxyphenyl-2-propanone (3,4-MDP-2-P).

^{**} Includes detections made from air cargo, sea cargo and international post.

^{^^} Includes detections made from searches of sea passengers and crew, vessels and aircraft.

Figure 12: Number and weight of precursor detections



The number of precursor chemical detections increased from 2008–09, while the weight of detections fell from 4 365.40kg in 2008–09 to 661.43kg in 2009–10 (Figure 12). The majority of precursor chemicals detected were imported in cargo consignments and were precursors used in ATS manufacture. A smaller but still significant quantity detected were precursors used to manufacture GHB (fantasy). There was an increase in the number and weight of seizures in the air passengers and crew stream.

Table 15: Interceptions of performance and image-enhancing drugs

	Number of interceptions		
	2007–08	2008–09	2009–10
Air passengers and crew			
Steroids	124	116	178
DHEA	19	8	10
Hormones [#]	12	12	14
Cargo and postal[*]			
Steroids	1 334	1 184	2 086
DHEA	175	232	129
Hormones [#]	159	327	278
Other[^]			
Steroids	–	2	1
DHEA	–	–	–
Hormones [#]	–	–	–
Total			
Steroids	1 458	1 302	2 265
DHEA	194	240	139
Hormones [#]	171	339	292

DHEA = dehydroepiandrosterone/prasterone

Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from the Australian Federal Police. Detentions subject to ongoing investigation (including controlled deliveries) may not appear.

[#] Detentions of erythropoietin (EPO), darbepoetin alpha and natural and manufactured gonadotrophins are included in the figures for hormones.

^{*} Includes detentions made from air cargo, sea cargo and international post.

[^] Includes importations via sea passengers and crew, vessels, aircraft and detentions arising from post-border operations.

Table 16: Drug detentions and significance of offence

	Detentions			Weight (kg) [*]		
	2007–08	2008–09	2009–10	2007–08	2008–09	2009–10
Commercial						
Cannabis	–	–	–	–	–	–
Cocaine	22	14	19	591.56	446.15	322.04
Heroin	10	20	18	48.04	77.00	57.15
MDMA (ecstasy)	5	6	3	208.49	10.73	2.15
ATS	14	14	15	252.50	337.47	41.30
Marketable						
Cannabis	2	4	8	25.52	0.16	0.33
Cocaine	532	311	254	64.32	59.09	64.72
Heroin	263	226	230	57.04	63.80	60.37
MDMA (Ecstasy)	105	41	39	4.39	1.12	3.97
ATS	407	292	610	10.70	8.40	25.36
Less than marketable						
Cannabis	653	1 041	1 446	27.93	8.44	19.30
Cocaine	73	34	18	0.06	0.04	0.02
Heroin	13	4	2	0.00	0.00	0.00
MDMA (ecstasy)	6	7	2	0.00	0.00	0.00
ATS	143	85	47	0.13	0.08	0.04
Total						
Cannabis	655	1 045	1 454	53.45	8.60	19.64
Cocaine	627	359	291	655.94	505.27	386.78
Heroin	286	250	250	105.09	140.79	117.52
MDMA (ecstasy)	116	54	44	212.88	11.85	6.12
ATS	564	391	672	263.33	345.95	66.69

ATS = amphetamine-type stimulant. Includes methamphetamine and amphetamine but excludes MDMA (ecstasy). Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from the Australian Federal Police. Detentions subject to ongoing investigation (including controlled deliveries) may not appear. Commonwealth legislation specifying commercial quantities of amphetamine and methamphetamine (and other narcotic substances) took effect on 10 December 2004.

^{*} Weight may be confirmed weight (if available) or gross, net or estimated weight. Where detentions of ATS and MDMA (ecstasy) was not available, an estimate of 0.29g per tablet was used.

Note: Categories as per Customs Act

FIREARMS AND WEAPONS

We are responsible for ensuring that appropriate permissions are in place when firearms are imported to and exported from Australia. Firearms are imported and exported for a wide range of legitimate reasons including law enforcement, security and sporting purposes. This year, 83 483 firearms were legitimately imported and exported from Australia, up from 71 416 in 2008–09 (Table 17).

We also detected 5 798 undeclared firearms, parts and accessories in 2009–10, up from 4748 in 2008–09 (Table 18).

Table 17: Number of firearms imported and exported

	Rifles	Hand-guns	Shot-guns	Military firearms	Air firearms	Other	Total
Commercial importations	51 144	8 604	13 371	582	6461	–	80 192
Commercial exportations	947	1 276	981	5	82	–	3 291

Table 18: Number of undeclared detections of firearms and disposals

	Firearms, parts and accessories	Airguns, parts and accessories
Detections of undeclared items	2 937	2 861
Disposals	810	2299

Weapons review

The Firearms Policy Working Group (FPWG) is a key forum for the exchange of information on intelligence, analysis and investigations relating to firearms, and for national policy development. We are an active member of the working group.

We are working with our state and territory partners to develop a proposal for a national firearms identification database to help our front-line officers identify specific characteristics of regulated firearms. The development and implementation of this database is expected to take a number of years, and we will be working closely with CrimTrac as the lead agency to deliver the database.

The import and export of a wide variety of weapons, including warfare goods, some bladed weapons, martial arts and anti-riot equipment, is subject to border control. We processed 1 328 applications to import weapons, a slight decrease from 2008–09. We gave permission for the importation of over 2.3 million controlled weapons. The vast majority of these items were for law enforcement or military use.

In November 2009, the Ministerial Council on Police and Emergency Management — Police agreed to a proposal to expand the terms of reference of the Working Group to include weapons policy matters. We will continue to work with our Australian, state and territory government partners to design and implement a nationally consistent approach to weapons controls. This activity will continue into 2010–11.

OTHER REGULATED GOODS

Laser pointers

High-intensity laser pointers can cause temporary or permanent blindness and disorientation if the beam is pointed directly at the eyes. In a number of cases, these lasers have been used to target pilots of commercial and police aircraft. Under the *Customs (Prohibited Imports) Regulations 1956* (the Regulations), the importation of handheld laser pointers with an emission level greater than one milliwatt is prohibited unless prior written permission has been granted.

This year, there was a marked increase in the detection of laser pointers imported through international mail and air cargo, with 22 051 laser pointers detected this year, compared to 12 457 in 2008–09.

To highlight the importance of this issue, the Minister for Home Affairs raised awareness at a media event on 24 January 2010. In June 2010, media attention focused on the overseas availability of a high-powered ‘light sabre’ laser. This one-watt laser is designed to look like a toy based on the *Star Wars* films and is powerful enough to blind a person. We used this media coverage to emphasise the dangers of laser pointers and the import controls that are in place.

Asbestos

Asbestos imported in a variety of goods represents an ongoing challenge. Under the Regulations, it is an offence to bring goods containing asbestos into Australia without permission.

Following extensive work with policy agencies, in August 2009 we amended the Regulations governing the importation of low-risk vessels constructed before 2005 that contain in-situ asbestos. The new arrangements are based on a requirement that asbestos on these vessels be managed under domestic workplace legislation. We are monitoring the new control arrangements.

In February 2010, we became aware of the presence of fibrous tremolite thought to be in an asbestos form, in a sample of decorative wall tiles imported from China. Based on a review of importations of this nature and monitoring of imports of tiles from China, we detained all suspect consignments to enable them to be checked by appropriate State authorities. We worked closely with the Australian Competition and Consumer Commission (ACCC) as well as domestic regulatory and work safety agencies to highlight the issue to importers and the public.

In March 2010, in response to allegations that imported gaskets contained in machinery destined for use in Australia's resource exploration and development industry contained asbestos, we implemented a national approach to ensure consistent identification of other, similar consignments arriving at the border, at risk of containing asbestos. Due to the sizeable nature of the operation, our investigation into the inspection of equipment and testing of suspect shipments will continue into 2010–11. We are also working with appropriate experts to ensure that health and safety measures are in place at affected locations.

We will continue to work in cooperation with overseas, domestic regulatory and work safety agencies to reduce the risk of further importations of contaminated goods, to manage a coordinated response to existing complaints, and to conduct industry outreach to improve future compliance and prevent contaminated goods being exported to Australia.

Objectionable material

We are responsible for preventing imports of objectionable material. The standard for determining what is objectionable mirrors the ‘refused classification’ standard under the national classification guidelines and includes, materials depicting child pornography, sexualised violence or materials that incite terrorism.

This year, we worked with the AGD to develop new penalty provisions for importing or exporting commercial quantities of objectionable material, which came into effect on 16 December 2009. In addition to the existing fines of up to \$110 000, penalties for offences involving commercial quantities of objectionable material now include up to five years’ imprisonment.

We also raised awareness of the controls on objectionable material. Since 16 December 2009, an automated message has been included in the ICS to remind importers of publications about their classification obligations at the time of importation.

In response to an increasing number of pornography seizures by Customs and Border Protection, particularly from incoming passengers, an amendment was made to question one of the incoming passenger card (IPC) to ask passengers to declare any ‘Goods that may be prohibited or subject to restriction, such as ‘pornography’. Due to some initial confusion about whether all forms of pornography needed to be declared, the wording will be revised to make it clear that the question is intended to target illegal pornography.

We made 1 110 detections of objectionable material this year: 45 cases were prosecuted, including 39 cases involving child pornography. All but three of these cases were successful. Penalties ranged between \$500 and \$20 000, sentences included good behaviour bonds ranging from five months to two years, and imprisonment ranged from six days (time served) to two years.

Illegally logged timber

We have been involved in developing several new Australian Government environmental initiatives. We worked closely with DAFF to develop options for implementing a ban on illegally logged timber and timber products. We have also been involved in developing the National Waste Policy and the Product Stewardship Scheme. These initiatives are aimed at introducing a new, coherent, efficient and environmentally responsible approach to waste management in Australia. The product stewardship scheme will address the health and safety risks of specified manufactured products and materials through their life cycle, and customs-related import information will form an important part of the management arrangements for the scheme.

Intellectual property rights

Counterfeit and pirated goods can directly affect business, tax revenue and consumer safety. Internationally, the manufacture and marketing of counterfeit goods has also been connected to wider criminal activity.

We administer the system that protects registered IP rights holders under the Notice of Objection Scheme, which is the primary mechanism for protecting IP rights at the border. The number of rights holders notifying their rights has continued to steadily increase (Table 19).

This year, we made 3775 seizures of suspected counterfeit or pirated goods, up from 2 158 in 2008–09. A total of 906 527 items were seized, with a total retail value of over \$37 million. A noticeable trend this year was the significant amount of counterfeit beer detected.

Table 19: Intellectual property notices of objection in force

	2007–08	2008–09	2009–10
Trademarks	287	339	395
Copyright	36	48	60
Olympic insignia protection	1	1	1
Total	324	388	456

Counterfeit car parts

In mid-2009, we conducted a four-week campaign to assess the scale of importation of counterfeit car parts into Australia, including identifying high-risk countries of origin, suppliers, companies and individuals who might be involved in the illegal trade in counterfeit car parts.

The campaign was intentionally limited to assessing whether car parts claiming to be genuine were indeed genuine or not, and did not seek to make an assessment as to the safety of those parts. However, the ACCC, the AFP and the Vehicle Safety Standards Branch of the Department of Infrastructure, Transport, Regional Development and local government were advised in advance of the campaign, in case any obvious safety issues with car parts were identified during the campaign period. No issues or items were referred.

The campaign resulted in several seizures under the *Trade Marks Act 1995* and the identification of a number of breaches of commerce labelling requirements under the *Commerce (Trade Descriptions) Act 1905*. However, based on the limited sample size of the campaign, the number of seizures represented only a small percentage of the total number of car parts imported during the campaign period.

Illegal movement of money

In October 2009, Customs and Border Protection participated in Operation ATLAS. The operation came from a recommendation of the 2nd WCO/Interpol conference on cash couriers. Globally, the operation seized more than \$3.5 million in cash and identified \$24 million in undeclared currency at ports of entry around the world.

Dangerous toys

In October 2009, we conducted a successful joint operation in Victoria targeting high-risk importation consignments of toys suspected of containing excessive levels of lead. In Operation SAFEC09, numerous consignments were targeted for examination, covering several suppliers and importers. As a result, 4918 toys destined for sale in discount variety shops, local market stalls, and for inclusion in carnival and exhibition show bags were seized as prohibited imports.

The operation received widespread positive media coverage and highlighted the close working relationship between the agencies involved.

Traditional medicines involving endangered species

We participated in Operation TRAM, an Interpol operation targeting the illegal movement of traditional medicines covered by the Convention on the International Trade in Endangered Species. This operation resulted in approximately 30 seizures per week for the duration of the operation. Ongoing compliance and enforcement action is being

undertaken as a joint initiative by Customs and Border Protection and the Department of the Environment, Water, Heritage and the Arts.

GOODS OF COUNTER PROLIFERATION CONCERN

The *Weapons of Mass Destruction (Prevention of Proliferation) Act 1995* (WMD Act) allows the Minister for Defence to prohibit the export of technology and services, not otherwise regulated, where the Minister has reason to believe or suspect that the goods would or might be used in a WMD program. The WMD Act is administered by Defence and enforced at the border by Customs and Border Protection.

On occasion, the Minister for Defence has asked Customs and Border Protection to prevent the export of dual-use goods while the Minister considered the possible use of the WMD Act. Before making a decision to use the WMD Act, the Minister for Defence gives the affected company an opportunity to provide information to be factored into his considerations.

An improved whole-of-government effort to identify and stop goods of proliferation concern being exported from Australia has led to increased use of the WMD Act.

KEY PARTNERSHIPS

We established a pilot process with Food Standards Australia New Zealand (FSANZ), and state and territory food safety authorities to inform these agencies of potential food safety risks identified in seized counterfeit goods. This process will be extended to other goods in 2010–11.

FSANZ has given in-principle agreement to formalised arrangements for the exchange of Customs and Border Protection data relating to potential risks identified by FSANZ. We have instituted a pilot operational management process for food safety issues. This work will proceed through the permit issuing agency and stakeholder forum, and shared responsibility agreements will be developed with partner agencies.

We also work closely with brand owners and other government agencies such as the Therapeutic Goods Administration, the National Industrial Chemicals Notification and Assessment Scheme, and the ACCC to deal with the tracking and testing of goods identified as a safety or health risk.

Illicit drugs and precursors

We strengthened our working relationships with a number of government agencies and private sector partners in the area of illicit drugs and precursors, in line with the Drug and Precursor Strategy 2008–10. We continued our analytical and intelligence-sharing efforts with the Australian Crime Commission and the AFP. Approximately 80 per cent of targeted operational activities were undertaken with state or Australian Government partner agencies. Our objective was to maximise the disruption of criminal activity at the border.

The Drug and Precursor Strategy 2008–10 also includes active and targeted engagement with foreign agencies. We worked with a number of international partners to increase intelligence sharing. These partners included the WCO Regional Office for Capacity Building, with whom we developed and delivered four international intelligence capacity building workshops in Indonesia, Malaysia, Philippines and Thailand.

We worked on developing our information-sharing relationships with partner administrations within the Asia-Pacific region. In particular, we continued to establish processes to allow greater information sharing in relation to the importation and

exportation of precursor chemicals. Our information-sharing arrangements with China to improve our ability to detect illicit drugs at the border have progressed steadily over the past year. We have also started to develop similar information-sharing arrangements with India. These activities, undertaken in line with our legislative obligations and Government policy, have proven valuable to both administrations and are likely to further increase our detection abilities.

We also participated in Operation PILA under the International Narcotics Control Board's (INCB) Project PRISM. Operation PILA was an international operation to monitor the legitimate trade in precursor chemicals and to seize those destined for illicit drug manufacture of methamphetamine and MDMA. We also participated in the INCB's pre-export notification (PEN) system, used to verify the legitimacy of individual lawful precursor importations. Close monitoring of the PEN system proved successful in 2009, when Australian authorities arrested an individual for importing illicit precursors.

2.2.5 Unlawful activity in our maritime zone

Our objective is to protect our marine resources and ensure that the movement of people and goods within Australian waters and seaports is regulated and safe. We protect Australia's national interests by enforcing legislation in the offshore, inshore and onshore maritime environment, and by progressing international cooperation and engagement activities to strengthen maritime security in the region. We use surveillance and response assets to combat the eight maritime security threats: illegal activity in protected areas; illegal exploitation of natural resources; marine pollution; prohibited imports and exports; maritime terrorism; irregular maritime arrivals; compromise to biosecurity; and piracy, robbery and violence at sea.

Offshore

VESSELS

Our Maritime Operations Support Division has provided BPC, Enforcement and Investigations Division and client agencies with eight *Bay Class* vessels for 2372 patrol days. This is 28 days (1 per cent) less than planned. Five-yearly vessel compliance inspections were planned, which reduced the overall vessel availability, however, fewer patrol days were achieved due to unscheduled repairs to the vessels and a requirement to stand down *Bay Class* patrols to provide crew for long-haul operations.

We also deployed three contracted vessels with Customs and Border Protection Maritime Enforcement Officers aboard: *ACV Oceanic Viking*, which undertook 297 patrol days, 17 days (6 per cent) more than planned; the *Triton*, which undertook 264 patrol days, 24 days (10 per cent) more than planned; and the *Ashmore Guardian*, which undertook 326 patrol days, four days (1 per cent) less than planned. The extra patrol days in 2009–10 were in response to the rise in people smuggling.

In the Southern Ocean, the *Oceanic Viking* undertook three patrols, completing 118 patrol days. We continued to work with French authorities on surveillance and on-water response for infringements in the AEEZ around Heard and MacDonald Islands and the adjacent French economic exclusion zone (EEZ) around the Kerguelen Islands, as well as in waters outside the Australian and French EEZs, as regulated by the Commission for the Conservation of Antarctic Marine and Living Resources (CCAMLR). This year, the *Oceanic Viking* also collected and submitted evidence to CCAMLR against a number of illegal, unreported and unregulated fishing vessels detected in CCAMLR-regulated areas.

In response to the people smuggling threat in Australia's northern waters, we increased our on-water response capability this year with funding for an additional 80 days, and redeployed the *Oceanic Viking*. This increased our ability to transport people to Christmas Island for processing by Australian Government officials, while maintaining effective border patrols. This year the *Oceanic Viking* undertook 179 patrol days in Australia's northern waters, including a period in Indonesian waters after responding to a reported safety of life at sea incident (see below).

The *Ashmore Guardian* patrolled for fewer days than planned due to mechanical faults. However, when the *Ashmore Guardian* was not on station, our *Bay Class* vessels were able to provide a continuous presence at the Ashmore Reef National Nature Reserve. The *Ashmore Guardian* also played a critical role in combating people smuggling activities during 2009–10.

Maritime Operations Support provided skilled officers to the 11 *Bay Class* and contracted ACVs, and continued to recruit and train new officers. The operational tempo this year saw a number of crew changes successfully conducted away from the Australian mainland for the first time, including in Indonesia and at Christmas Island.

New tenders were delivered to support the *Ashmore Guardian*, the *Triton* and the *Oceanic Viking*.

ACV *Oceanic Viking* search and rescue near Indonesia

On 17 October 2009, following a report of a safety of life at sea incident, Border Protection Command responded to a vessel in distress off the Indonesian coast and within the Indonesian search and rescue zone.

This involved the rescue at sea, by Customs and Border Protection and the ADF, of 78 PILs, who were transferred to the ACV *Oceanic Viking*. Arising from the humanitarian circumstances concerning the vessel in distress, and the particular concerns about a child who at that stage was reported to be ill on that vessel, the Indonesians agreed to provide for that vessel to go ashore in Indonesia.

Due to the extended duration of the ACV *Oceanic Viking* in Indonesian waters, additional food, water and other basic items were required for both the crew and for the PILs, and a crew changeover was necessary.

The officers on the ACV *Oceanic Viking* were widely praised for discharging their responsibilities professionally and with the greatest skill, tact and humanity in very difficult circumstances when transporting the rescued passengers to Indonesia. Tensions were managed through close consultation, a demonstrated concern for the welfare of the PIL, and even some Australia versus Sri Lanka indoor cricket.

Profile

Michael Muhamad
Customs and Border Protection Marine Unit



Michael is a highly regarded and longstanding Customs and Border Protection Marine Unit Officer, currently serving onboard the ACV *Botany Bay*.

Michael has worked for Customs and Border Protection for 23 years, commencing under the Indigenous program on Thursday Island in 1987 as an administration officer and general purpose hand on the ACV stationed there.

Michael transferred to Brisbane as an Assistant Customs Officer and undertook an intensive 12-month training program that included an attachment to each division/program and graduated in 1988 as a Customs Officer Band 1. Michael then

served on the ACV *Sir William Lyne* in Brisbane before returning to Thursday Island as a boarding officer and general purpose hand on the ACV *WT Turner*.

Michael has also worked in various areas within the Cairns District office. Whilst based in Cairns, Michael was seconded by the Marine Unit to do patrols on an ad hoc basis, working on various ACVs. In 1997, Michael transferred permanently to the newly established National Marine Unit, which is now called the Customs and Border Protection Marine Unit. Michael has subsequently been promoted to Customs Level 2.

Michael has played a significant role in coordination of recruitment campaigns for Aboriginal and Torres Strait Islander Trainees and is a mentor for Indigenous Officers.

Michael received the Marine Unit's Casley Award in 2008, which is presented annually in recognition of qualities epitomised by former Marine Unit officer John Casley who passed away onboard the ACV *Dame Roma Mitchell* in 2000. Since 2001, the award has been presented to officers who display integrity, respect, leadership, team work and pride.

Michael's contribution within the Marine Unit forms part of Customs and Border Protection's vital role of deterring and responding to offshore maritime security risks in Australia's Exclusive Economic Zone.

Maritime capability

Maritime capability analysis and development this year has focused on our maritime patrol and response assets. Significant work has been done to ensure that we are positioned to protect our maritime borders well into the future.

Customs and Border Protection's *Bay Class* vessels are reaching the end of their planned operating life. During 2009–10, we researched replacement options. This research identified that we require vessels that are larger and more capable than the existing *Bay Class* vessels in order to conduct sustained operations at the edge of the mainland AEEZ. Preparation for a tender process to select the *Bay Class* replacement vessels is complete. The replacement vessels will be referred to as the *Cape Class* vessels, and are expected to be delivered in 2013 to 2016.

We acquired an initial tranche of nine *Port* Class 6.5 metre vessels in 2008–09. The existing rigid inflatable vessels were coming to the end of their lives and, in some cases, were failing to meet survey requirements. In April 2010, we signed a contract amendment with the manufacturer, Stabi-Craft Marine Limited, to provide an additional eight vessels. These vessels will strengthen inshore operations in identified ports, including strengthening capability at Thursday Island and Christmas Island.

In conjunction with the Department of Defence and other agencies we are developing a Future Civil Maritime Security Operational Concept that will run to 2025. This will include an analysis of emerging capabilities across Government to support Australian maritime security.

Profile | ACV *Ocean Protector*



The threat to the Southern Ocean from illegal fishing remains and this has led to the selection of a new ship, the *ACV Ocean Protector*, to undertake Southern Ocean patrols through to 2014. A contract was signed on 3 March 2010 with Seaforce Pty Ltd to provide this ship.

From 2004 to 2010, the *ACV Oceanic Viking* performed these Southern Ocean patrols admirably.

The 106m long *ACV Ocean Protector* is very fuel efficient, meets stringent environmental requirements, will have a range of 16 000 nautical miles and has a maximum speed of 16 knots. While not an ice-breaker, the *ACV Ocean Protector* has a significant capability to operate in sea ice.

In addition to operations in the extreme conditions of the Southern Ocean, the *ACV Ocean Protector* will be capable of conducting patrol and response operations in other priority areas throughout the Australian maritime domain, with the capacity to safely transport large numbers of persons to designated facilities, where required. It has the potential to benefit other government agencies through its multi-purpose, multi-environment abilities.

From July to September 2010, the *ACV Ocean Protector* will be modified to allow the launch and recovery of Response Tenders, a kitting and preparation area for Customs and Border Protection Marine Enforcement Officers, a medical facility and accommodation for PIs.

AUSTRALIAN MARITIME IDENTIFICATION SYSTEM

The Australian Maritime Identification System (AMIS) is the whole-of-government tool for fusing maritime intelligence and track data to support the range of agencies with interests in the maritime environment. AMIS operates on a continuous basis and detects, identifies and assesses the potential threats from the thousands of vessels approaching or operating near Australia. This analysis is undertaken by the Australian Maritime Information Fusion Cell (AMIFC).

The first phases of AMIS were successfully completed in early 2010, including data feeds, development of threat assessment rules, data analysis and automated system workflows. The final stage of planned development is due for completion in June 2011. This will include improved planning, command and control tools; optimised threat profiling; and a business continuity capacity.

AMIS has been described as the world's leading maritime intelligence system, and was also recognised as a highly successful project through the following Australian Institute of Project Management 2009 awards: ACT Information Technology Project of the Year, ACT Project of the Year, ACT Program Manager of the Year and the National ICT Project of the Year. AMIS also won the Australian Information Industry Association ACT e-Government Award 2009 and received a commendation in the 2008 Prime Minister's Awards for Excellence in Public Sector Administration.

Profile | Ian Polson Australian Maritime Information System Project



Ian is the Manager of the Australian Maritime Information Fusion Cell (AMIFC), part of Border Protection Command that utilises the Australian Maritime Identification System (AMIS). His responsibilities involve guiding and overseeing the recruitment and training of AMIFC staff, the development of all associated business policies, procedures and processes involved with the operation of AMIS capability and the delivery of AMIFC services to client agencies.

Ian joined Customs and Border Protection in 1975 as a Preventative Officer in Sydney, and has been working with Customs for 35 years in diverse areas, such as Border

Enforcement, Maritime Enforcement (as crew of a J-Class patrol boat), Import Policy and Intelligence. He has also worked on the Business Reengineering Project, Integrated Cargo System Project and in Human Resource Development.

In 1994 he was posted to Brussels where he worked closely with the World Customs Organisation and Interpol on a variety of enforcement issues. This has been one of the many highlights of his career. Another is when his team in Broome apprehended a large number of Indonesian boats and their crews fishing illegally in the Australian waters on Christmas Day in 1990.

Ian was attracted to Customs and Border Protection due to the diversity of roles within the organisation. Even after 35 years with Customs and Border Protection he still holds the passion for the job, a job that gives him satisfaction and a sense of doing something worthwhile at the end of every day.

SURVEILLANCE INFORMATION MANAGEMENT SYSTEM

The Aviation Unit provisionally accepted Phase 2 of the Sentinel Program, which included integrating the Surveillance Information Management (SIM) system into the entire fleet of the ten Dash 8 aircraft contracted from Cobham. SIM has been integrated into the Australian Maritime Security Operations Centre within BPC and automatically sends identification system information through to AMIS while the aircraft are on BPC missions. The integration of SIM provides aircrew with comprehensive maritime domain awareness. It also provides the ability to send a range of video, photography and electronic data, and other aerial surveillance products, to BPC in near real-time.

SIM is also expected to be integrated into Customs and Border Protection contracted helicopters by September 2010, which is the last major milestone for full SIM integration.

The provision and management of SIM is the responsibility of Cobham Flight Operations, the contracted aerial surveillance provider, and is being built by the Italian-based subcontractor, Selex-Galileo.

PACIFIC MARITIME SECURITY

This year, we commenced a project to identify possible options for replacing the Pacific patrol boats, with a follow-on program beyond 2018, when these vessels reach the end of their planned life. The Pacific patrol boats are managed by the Department of Defence and are based in Pacific Island countries. This program involves Customs and Border Protection leadership of a whole-of-government initiative to improve Pacific maritime security. Engagement with Pacific Island countries and regional forums has commenced to ensure analysis is suitably targeted.

Vital elements to improving maritime security in the Pacific are the exchange of fisheries law enforcement data, cross-vesting of enforcement powers and the use of fisheries data for other law enforcement activities. Pacific Island leaders have called for strengthened mechanisms to protect regional fisheries via new multilateral Pacific regional arrangements to achieve these elements.

In July 2010, Australia hosted a meeting of Pacific Island ministers responsible for fisheries, law enforcement and justice. Agreement was sought on the form of new legal arrangements to be negotiated and on a roadmap for the negotiation process. Leaders were able to endorse proposals put forward by these ministers, which allowed formal negotiations on the details to begin.

Customs and Border Protection engagement with key stakeholders, including our Quadrilateral Defence Partners (the US, France and New Zealand) and Pacific Island countries, will be important in 2010–11 to improve maritime security in the Pacific.

ILLEGAL FOREIGN FISHING

This year, illegal foreign fishing within the AEEZ remained low. Foreign Fishing Vessel (FFV) sightings within the AEEZ in our northern waters this year reached 4 782. This is an increase on last year's levels; however, the trend from last year continues, with the majority of sightings (approximately 94 per cent) operating legally north of the Provisional Fisheries Surveillance and Enforcement Line. This is an area where Australia has jurisdiction over the seabed and Indonesia has jurisdiction over the water column, therefore Indonesian fishing vessels can legitimately fish for non-sedentary species from the water column in this area.

Profile

David Jones
Australian Maritime Security Operation Centre



David is the Manager of the Australian Maritime Security Operation Centre (AMSOC). The AMSOC is located within Border Protection Command in Canberra and is a 24 hour operations centre managing the surveillance program utilising a range of Customs and Border Protection and ADF air and surface assets. The AMSOC carries out this task in association with the Australian Defence Force on behalf of a range of Client agencies such as the AQIS, AFMA, DIAC and Customs and Border Protection.

David is responsible for supervising approximately 18 staff and ensuring that the surveillance assets are being used effectively and managing response activity on behalf of the client agencies.

David has been with Customs and Border Protection for 20 years, starting as Customs and Border Protection officer working at Perth Airport. He has worked in various roles ranging from the airport to Waterfront Operations and has had the opportunity to work in two district offices in Carnarvon and Broome.

Customs and Border Protection attracted David as an organisation that provides many experiences and a variety of duties, each with their own challenges and rewards.

David's role requires a good understanding of how other stakeholder agencies interact with Customs and Border Protection. Ideally, you will be a team player, quick to think on your feet, flexible and have the ability to prioritise your changing workload. An ability to smile and a sense of humour also helps.

The number of apprehensions of FFVs continues to show a downward trend. This year, a total of 23 FFVs were apprehended, down from a peak of 367 apprehensions in 2005–06. This is part of a longer term trend, with 216 apprehensions in 2006–07, 156 apprehensions in 2007–08, and 27 apprehensions in 2008–09 (Table 20).

The deterrent effect of enforcement efforts over the last two years has seen illegal fishing activity in Australia's northern waters retreat from within the AEEZ to the point where large concentrations of vessels sit just beyond the AEEZ boundary, with shallow incursions into Australian waters.

BPC led the development of an agreement between the Government of Australia and the Government of the Republic of Indonesia on cooperation and assistance relating to fisheries surveillance and law enforcement measures. The Letter of Intent was signed in July 2009 by the Minister for Home Affairs and the Indonesian Minister for Marine Affairs and Fisheries in Darwin.

Table 20: Border Protection Command surveillance and response to foreign fishing vessel activity

	2007–08	2008–09	2009–10
Boardings*			
Foreign fishing vessels	701	647	691
Other^	54	97	45
Apprehensions	156	27	23
Legislative forfeiture#	13	9	0

* Includes boardings made by eight Bay Class and contracted ACVs *Triton*, *Ashmore Guardian* and *Oceanic Viking*

^ Includes merchant vessels, Australian fishing vessels and other small craft boarded by Australian Customs and Border Protection officers.

Legislative forfeiture (catch and equipment seizure) is conducted under legislation administered by the Department of Agriculture, Fisheries, and Forestry, and the Department of the Environment, Water, Heritage and the Arts.

Coordinated patrols in Australia's northern waters

During 2009–10, BPC and Indonesian Fisheries conducted two coordinated fisheries patrols in the Arafura Sea, under the auspices of the fisheries surveillance forum. These patrols, along with the coordinated patrols in previous years, send a strong message to illegal FFV operators that their activities will not be tolerated. Australia and Indonesia will continue to work cooperatively to stem illegal activity in our respective EEZs.

Australian National Audit Office report

In February 2010, the Australian National Audit Office (ANAO) tabled in parliament performance audit 23 of 2009–10, titled *Illegal Foreign Fishing in Australia's Northern Waters*. The objective of the audit was to assess the effectiveness of Customs and Border Protection's performance in managing and coordinating enforcement operations against illegal foreign fishing in Australia's northern waters. The ANAO report concluded that overall, we have effectively managed and coordinated enforcement operations against illegal foreign fishing in northern waters.

The report provided us with an independent perspective on our performance in combating illegal foreign fishing and will help refine the program to ensure the best possible approach. Recommendations in the report identified areas for improvement in the program, specifically in program governance, ongoing performance evaluation, intelligence support and risk assessment. Work is underway to address the recommendations.

Planning and patrols

This year, BPC continued to develop the integrated operational planning process model as a replacement for the common risk assessment model. BPC also tested their operational readiness, including reviewing protocols and processes surrounding all maritime security threats in the Australian maritime domain, as well as testing effective counterterrorism operational readiness.

Onshore and inshore

PLANNING AND PATROLS

Inshore patrol programs in all regional and district offices are based on assessment of risk factors such as historical trends, intelligence on proven and alleged illicit activities, proximity to infrastructure, access routes and areas of isolation. Our ability to patrol is improving by streamlining procurement to replace ageing or unsuitable assets, through the acquisition expertise of Maritime Operations Support and the operator expertise of Enforcement and Investigations.

Our patrols cover 35 manned ports in addition to the inshore and onshore areas that fall within the jurisdiction of district offices. Patrols are conducted on foot, by vehicle and by inshore vessels, and improved by CCTV coverage that acts as a 'force multiplier', providing continuous real-time or review coverage where required. Vehicle stops, gate checks and container checks may be undertaken along with waterfront patrols, while boarding and search of vessels may form part of inshore patrol activity.

Profile

Myles Pickett
Christmas Island District Office

Myles is the District Manager Indian Ocean Territories covering Christmas Island and Cocos (Keeling) Islands. He is based on Christmas Island and is part of a team of three full time officers and nine Acting Officers of Customs and Border Protection.

Myles began his career with Customs and Border Protection in Fremantle in 1989 and prior to his current role has worked across a range of areas including stints as a District Officer in Dampier, Detector Dog Handler, Staff Trainer, District Manager of Bunbury and Liaison Officer with Collection and Liaison in Western Australia.

Myles's current role is the most interesting and challenging of his career. Christmas Island District Office carries out a similar role to most other District Offices around Australia. The island has a working port, a busy airport and an international mail exchange. Added to this is Customs and Border Protection's commitment to the reception and transfer of regular boat loads of Potential Irregular Immigrants (PII).

This has been an evolving issue over the last 18 months and, in addition to the operational aspects of this activity, Myles has been heavily involved in the development of interagency agreements and internal and external guidelines to ensure smooth working relationships with fellow agencies as well as efficient and safe operating conditions for his staff and the PIIs.

Myles enjoys life on the island. It is different to any other place in Australia. The close-knit community is ethnically and religiously diverse and provides a great opportunity to learn about other cultures in a real life context.

MARITIME INTERVENTION STRATEGY 2010–15

To provide border protection for ports, we use the Enforcement Operations Maritime Intervention Strategy 2010–15 as the primary strategy to guide our intervention in the maritime domain. The strategy comprises a risk-based, three-tiered approach focused on establishing domain control in order to deter, disrupt and detect breaches of border security in the maritime domain. The three tiers are as described below:

1. Border activities

- + Basic border control coverage activities — every day (or routine) programmed functions in respect to the movement of vessels, goods, crew and passengers across the sea border. These activities have a dual focus in allowing a ‘sampling’ of events occurring within the maritime domain, while at the same time establishing a visible presence to help deter criminal activity within the domain. These activities also increase the domain awareness of operational staff to improve possibilities for disruption and detection of such activities.
- + Basic border control risk-based activities — coordinated activities in respect to the movement of vessels, goods, crew and passengers that are able to be risk assessed by transaction or movement and are assessed as presenting a higher level of risk to the border. By their nature, these activities have an increased detect and disrupt focus than border coverage activities.

2. Campaigns

- + A series of nationally coordinated, targeted activities to improve Enforcement Operations strategies to manage maritime domain control by:
 - testing our assumptions in areas where some evidence of a problem exists, but we have insufficient information to quantify the extent of the issue
 - disrupting, deterring and detecting illegal or prohibited activities by improving visibility and creating uncertainty about the timing and nature of our approaches.

3. Targeted operations

- + An orchestrated operational activity focused on a specific threat, vulnerability or entity that has been identified and prioritised for a relatively high level of operational response. Targeted Operations are conducted using an Operational Command structure and adhere to Operational Command principles. These operations are intelligence driven and usually directed at specific entities or particular cargoes, with a view to detect and disrupt the risk posed by criminality at the border. In many cases, this activity will be completed in conjunction with other law enforcement agencies and will include multiagency taskforce activities.

As part of the Maritime Intervention Strategy 2010–15, we introduced a more risk-differentiated approach to small craft. We built on existing cooperative arrangements with a number of foreign (The US Drug Enforcement Agency and New Zealand Customs) and domestic agencies (AFP, NSW Police, Queensland Police), and made arrangements to help detect illegal activity in the Pacific. We also expanded the Customs and Border Protection community cooperation HOTLINE program to include information-collection activities relating to pleasure craft and undertook a six-month campaign focusing on pleasure craft.

2.2.6 Revenue

We are responsible for assuring that revenue liabilities arising at the border, including customs duty, GST, indirect taxes and fees are correctly reported, assessed, paid or deferred. We also ensure that revenue concessions and exemptions are correctly applied. We help industry by providing tariff, valuation, origin and tourist refund scheme advice, and facilitate access to revenue concessions and industry assistance schemes.

As a border risk, revenue is generally managed through the self-assessment reporting system in the cargo process, relying on disclosure and interdiction at the border. We mitigate the revenue risk by:

- + assessing and collecting customs duty and GST where payable at the border
- + assessing and reporting to the ATO deferred GST liabilities relating to border transactions
- + administering revenue concession and industry assistance schemes
- + conducting pre-and post-transaction verification activities
- + providing data and reports to revenue policy agencies
- + administering the Tourist Refund Scheme
- + providing ICS capability to support revenue management.

Revenue managed and collected by Customs and Border Protection is shown in tables 21 and 22.

Table 21: Significant revenues managed by Customs and Border Protection

	2007–08 (\$m)	2008–09 (\$m)	2009–10 (\$m)
Duty	6 069.0	6 274.4	5 745.7
GST collected	2 987.3	3 122.3	2 832.3
GST deferred	18 650.3	20 522.9	19 049.5
Passenger movement charge	420.0	502.8	571.3
Import processing charge	137.1	129.0	135.7
Non-taxation revenue	3.7	14.6	3.7

GST = goods and services tax

Note: Figures on accrual basis except GST deferred.

Table 22: Revenue collected on behalf of other agencies

	2007–08 (\$m)	2008–09 (\$m)	2009–10 (\$m)
Indirect taxes collected from importers[^]			
GST collections [#]	2 987.3	3 122.3	2 832.3
LCT	3.3	3.5	2.8
WET	17.2	20.8	18.7
Total indirect taxes	3 007.8	3 146.6	2 853.8
Marine navigation levy	47.6	48.5	44.8
Protection of the sea levy	12.5	16.0	18.5
AQIS fees ⁺	80.4	74.1	110.9
AQIS fines [~]	0.7	0.7	0.7
Wood levy	1.2	0.8	1.2
Total	3 150.2	3 286.7	3 029.9

AQIS = Australian Quarantine and Inspection Service; GST = goods and services tax; LCT = luxury car tax;

WET = wine equalisation tax

Note: Figures are on accrual basis.

[^] Indirect taxes collected do not include the value of GST and WET refunded on behalf of the Tourist Refund Scheme.

[#] Excludes the GST liability raised on imports, which is deferred rather than immediately collected. The ATO acquits these liabilities in subsequent business activity statements from importers. In 2009–10, GST deferred was \$19.0b.

⁺ Fees collected on behalf of AQIS.

[~] On-the-spot fines collected on behalf of AQIS, including the collection of Quarantine Infringement Notices issued.

COMPLIANCE

We successfully implemented the Compliance Action Plan (CAP) for 2009–10. This is a risk-targeted program of treatments to ensure industry compliance with Customs and Border Protection requirements, which included:

- + 244 audits (made up of 218 imports and 26 exports) together with 259 other post-transaction activities to investigate revenue and regulated goods risks
- + visits to 61.7 per cent of licensed depots and warehouses, and a supplementary response capability to deal with breaches of customs control
- + engagement with cargo terminal operators
- + pre-clearance intervention on approximately 161 000 transactions to test and treat revenue, regulated goods and cargo control risks.

Critically, the 2009–10 CAP implemented the compliance monitoring program (CMP) to indicate overall levels of industry compliance. The CMP specifically monitors the accuracy and standard of declarations lodged with Customs and Border Protection in relation to imported and exported cargo, and measures revenue leakage and trends in compliance with other border controls.

Profile



Isabella Chin

Compliance Assurance Branch

Isabella is the Supervisor of the Compliance Monitoring Program in Brisbane. She leads this new team set up to gauge industry's level of compliance with customs related laws and to assist in reducing the cost of compliance to industry.

Isabella joined us in 2000 after completing a Bachelor of Accounting. Before this she worked at the Department of Health and Aged Care, where she was involved in the implementation of the Aged Care Reform.

Isabella has had many career highlights over the past 10 years, including assisting other areas to understand policies and procedures in order to promote a nationally consistent approach. More recently, Isabella has been involved in the development and successful implementation of the Compliance Monitoring Program (CMP).

The CMP has been welcomed by industry as it leverages off existing business practices industry are already familiar with and is providing valuable contemporary information. This business improvement initiative has reduced costs for both industry and Customs and Border Protection. It has also allowed us to take a more risk-based approach to compliance activities. The success of the program has been attributed to the experience, knowledge and commitment of Customs and Border Protection officers, such as Isabella.

The first module of Compliance Central, our national system for collecting and reporting information on all compliance assurance activities and outcomes, was deployed in March 2010. The pre-clearance intervention module records all compliance assurance activities covering revenue, regulated goods and process risks. This allows timely, efficient and accurate reporting of Australia-wide results.

Environmental monitoring is a strategic element of the CAP, being a cost-effective means to understand the health of the system. This monitoring helps us identify particular issues in the cargo environment (for example, robustness of licensed warehouse controls) and refocus our work program where required.

AUDIT STRATEGY

We developed the *Enhanced Compliance Assurance Response to Revenue Risk* to redirect compliance assurance activity and achieve a more efficient and effective approach to revenue risks. It will provide a compliance assurance approach that focuses on risk-targeted monitoring in pre-clearance intervention, while rationalising the audit capability to deal with only the most complex cases.

It is anticipated that the new approach will achieve similar or better assurance levels than are currently achieved, and use less resources. Ongoing review of our compliance assurance activity outcomes over the previous two years has revealed that audit, which is a resource-intensive risk treatment strategy, should be limited to high-risk areas or areas of high-complexity, where it is the most appropriate strategy. There has been a gradual move to more targeted pre-clearance intervention over the last two years and the outcomes from these activities have improved effectiveness.

Pre-clearance intervention and other non-audit intervention approaches impose less compliance burden on industry than audit activity, and at a lower cost to Customs and Border Protection. They also provide a higher level of assurance that revenue compliance is achieved before goods are cleared. It is therefore anticipated that there will be very minimal impact on the import–export industry.

TOURIST REFUND SCHEME

The Tourist Refund Scheme enables departing travellers to claim a refund of the GST and Wine Equalisation Tax (WET) paid on goods they purchased in Australia. We administer the scheme on behalf of the ATO. This year, there was a 1.4 per cent decrease in claims and a 5.1 per cent decrease in the amount of GST and WET refunded to travellers (Table 23).

Following a review of internal controls for the Tourist Refund Scheme, we analysed historical refund data and developed an integrity audit regime to help identify suspect transactions. The audit regime will provide periodic management reports regarding audit activity performed and document anomalous transactions referred for further investigation. Additional measures will restrict and monitor access to the scheme to mitigate the risk of the system being used for unauthorised purposes.

Table 23: Summary of Tourist Refund Scheme claims

	2007–08	2008–09	2009–10
Number of claims made	406 661	450 781	444 495
Percentage of claims approved for payment	97.2%	97.3%	98.0%
Amount of GST/WET refunded	\$54.0m	\$72.0m	\$68.3m
Credit card and Australian bank account refunds processed within five business days	99.1%	100%	99.9%
Cheque refunds posted within 15 business days	95.1%	94.6%	97.9%
Australian retailer participation	18 740	20 262	19 988

GST = goods and services tax; WET = wine equalisation tax

TOBACCO

On 29 April 2010, the Government announced new anti-smoking measures, including a 25 per cent increase in the excise and excise-equivalent customs duty on tobacco, which resulted in new rates of \$409.71/kg of tobacco or \$0.32775 ‘per stick’.

We collected the increased excise equivalent duty on imported tobacco products under section 273EA of the Customs Act. As Parliament was not sitting at the time, we published an Australian Customs Notice in the Commonwealth Gazette to give effect to the increase.

Profile

Destroying the Illegal Tobacco Trade



During the financial year, Customs and Border Protection detected, detained and seized a large number of bulk consignments of illegally imported tobacco and cigarettes as part of our border protection role. Once investigative, legal and administrative actions are finalised, the tobacco and cigarettes must be destroyed in accordance with methods approved by the Australian Quarantine and Inspection Service (AQIS).

During 2009–10, regional Detained Goods Management Sections have managed the destruction of over 360 tonnes of raw tobacco. The tobacco is destroyed under Customs and Border Protection supervision, using destruction providers who must comply with relevant Commonwealth and state legislation, in relation to the disposal of these types of goods. Destruction of raw tobacco is undertaken by either autoclaving or incineration, while cigarettes are destroyed by shredding and contamination.

As a part of ongoing efforts to improve business processes and practices, during the financial year, Customs and Border Protection in New South Wales entered into new contracts, with a number of destruction providers. These contracts have resulted in a streamlined destruction process and have improved our capacity to destroy tobacco and cigarettes in a more effective and efficient manner.

Tobacco smuggling

As part of the strategy to combat the illicit trade in tobacco products, we engaged in dialogue with key international partners, such as the Indonesian Directorate General of Customs and Excise. During 2009–10, Customs and Border Protection officers travelled to Jakarta to further talks with the Indonesian Directorate General of Customs and Excise and to support information-sharing regarding the illicit cigarette and tobacco trade. Officers from the Indonesian Directorate General of Customs and Excise also travelled to Australia.

This dialogue has forged stronger relationships, improved information exchange and will be a valuable tool to support our detection and disruption approaches in the future.

We have also worked closely with other Australian Government agencies and industry, through groups such as the Tobacco Industry Forum which support information sharing and deterrence activities.

These activities have included developing an information campaign to deter tobacco smuggling. As part of this campaign, British American Tobacco Australia signed a Frontline agreement with Customs and Border Protection in October 2009.

Multi-agency operations against those involved in the illicit tobacco trade have been effective, allowing agencies to use their complementary powers and investigative tools to best effect. One joint investigation involving Customs and Border Protection, the AFP and the ATO resulted in custodial sentences of up to ten years and six months,

and a pecuniary penalty order for \$8.28 million in relation to the confiscation of assets obtained from proceeds of crime.

Overall, in relation to tobacco smuggling in 2009–10, there were:

- + 27 detections of tobacco totalling 310 707kg, compared to last year's 18 detections totalling 175 405kg
- + 14 detections of cigarettes totalling 68 728 000 sticks, compared to last year's 15 detections totalling 50 177 640 sticks
- + 60 convictions
- + \$513 616 awarded in fines and penalties
- + prosecutions resulted in 9 custodial sentences ranging from one year to ten years and six months

Future approaches by Customs and Border Protection to combat the illicit trade in tobacco products include a review of the penalty regime and implementation of changes that improve our deterrence measures.

KEY PARTNERSHIPS

This year, we engaged more closely with policy agencies, regulatory partners and industry. We strengthened our relationship with the ATO to build risk profiles and plan operational activity to test compliance in the indirect taxation environment at the border.

We also finalised *Compliance Update* — a quarterly publication aimed at providing industry with feedback on problem areas of non-compliance. The update aims to achieve greater levels of compliance by raising awareness of obligations in key areas.

3

PART THREE:
SUPPORTING OUR
BUSINESS

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3.1 Supporting our business

Customs and Border Protection incorporate a number of capabilities and functions to support our operations, including integrity and ethics, leadership and workforce, corporate governance, information and systems, infrastructure and special projects.

3.1.1 Integrity and ethics

Integrity and ethics within Customs and Border Protection is supported by the work of the Integrity and Professional Standards Branch (I&PS). I&PS was formed through a merger of internal affairs and a number of security functions, including policy and security vetting.

Corruption, infiltration, fraud and security are particular areas that I&PS have focused awareness on. In 2009–10, I&PS continued to build its intelligence capability to identify criminal activity and trends within the agency, and to help identify the risks and vulnerabilities associated with information technology (IT) systems, information, operations and staff.

This year, 2473 Customs and Border Protection officers undertook fraud and ethics training, and officers received a ‘Z’ card providing information about the Commonwealth Whistleblower program, the Customs and Border Protection fraud control framework, the APSC Ethics Advisory Board and responsibilities of I&PS.

ETHICS AND INTEGRITY PROCESSES

This year, we made a number of improvements to our ethics and integrity processes. We implemented a robust case management system to support investigation, intelligence and fraud control. We improved our I&PS intelligence capability standards to identify, prevent, detect and resolve inappropriate behaviour and provide trend analysis data. We also assumed responsibility for management of the Customs and Border Protection whistleblower program, which aims to support and protect officers who report misconduct within the agency.

I&PS investigated allegations and offences against Commonwealth laws committed by Customs and Border Protection officers and ensured that such investigations were conducted with diligence, fairness and professionalism, and were completed in a timely manner.

I&PS granted 1 643 security clearances and took appropriate measures to shape the security environment, identify levels of security risk and develop appropriate policies to manage and achieve mandatory requirements for protective security.

The IT Division deployed an audit logging and analysis capability in a range of information and communication technology environments.

3.1.2 Leadership and workforce

Our workforce is supported by a number of corporate functions, including our People and Place (P&P) Division. A key role of P&P is to promote a workforce that is flexible, adaptable, skilled, capable and high performing.

This is achieved by improving workforce capability planning, developing leadership and management, establishing clear policies and advice on people-related matters, and working towards a new enterprise agreement to remunerate and support our workforce.

This year the P&P transformation project successfully developed a new operating model that will improve business processes across people, process and technology components. A transition plan to implement the new operating model has also been developed and the model will be implemented in early 2010–11. Continual improvement to bring about further efficiencies, driven by a service management framework and underpinned by case management technology will ensure effective corporate service and delivery.

The new-look P&P Division will include shared service teams for high-volume transaction processing; support services teams for more complex service delivery; strategy and policy teams to provide policy expertise and strategic advice, and dedicated business partners to manage client engagement to enable business outcomes.

OUR WORKFORCE

Our workforce spans over 50 locations around Australia and overseas. At 30 June 2010, we employed 5805 ongoing and non-ongoing employees under the *Public Service Act 1999*.

Compared to our workforce of 2008–09, our:

- + gender profile is very similar, with women representing about 41 per cent of our workforce
- + age profile remained steady, with the average age of our workforce being 41.6 years old
- + average tenure remained very similar, with the average being 11 years.

During 2009–10 we processed 289 employee commencements and 150 promotions.

Workforce separations included:

- + 205 resignations
- + 93 transfers to other Australian Public Service (APS) agencies
- + 49 retirements
- + 24 redundancies
- + 4 dismissals.

Tables 24–26 show the size, location and composition of our workforce.

Table 24: Staff numbers by classification and gender as at 30 June 2010

	Male	Female
Indigenous cadet	1	3
Graduate	6	10
Customs and Border Protection trainee	26	20
Customs and Border Protection Level 1 (CL 1)	1 386	1 075
Customs and Border Protection Level 2 (CL 2)	848	646
Customs and Border Protection Level 3 (CL 3)	649	354
Customs and Border Protection Level 4 (CL 4)	321	192
Customs and Border Protection Level 5 (CL 5)	127	79
SES+	35	27
Total	3 399	2 406

Note: Includes staff employed under the *Public Service Act 1999*, staff on leave or on higher duties, and staff seconded from other agencies. Figures do not include contractors. Numbers reflect the actual occupancy (headcount derived from Customs and Border Protection Human Resource Information Systems), whereas financial statements report on average staffing levels.

+ Senior executive service (SES) includes ongoing SES employed under the *Public Service Act 1999*, non-SES staff on higher duties and the CEO.

Table 25: Staff numbers by classification and location as at 30 June 2010

	ACT	NSW	VIC	QLD	SA	WA	TAS	NT	Overseas
Indigenous cadets	1	2	–	1	–	–	–	–	–
Graduate	16	–	–	–	–	–	–	–	–
Customs and Border Protection trainee	–	19	–	15	12	–	–	–	–
CL 1	222	756	525	478	76	310	15	79	–
CL 2	380	402	272	198	53	130	13	46	–
CL 3	484	181	140	84	20	64	6	23	1
CL 4	354	46	43	32	8	17	–	6	7
CL 5	150	17	13	8	1	5	1	1	10
SES+	51	3	5	1	–	1	–	–	1
Total	1 658	1 426	998	817	170	527	35	155	19

Note: Includes staff employed under the *Public Service Act 1999*, staff on leave or on higher duties, and staff seconded from other agencies. Figures do not include contractors. Numbers reflect the actual occupancy (headcount derived from Customs and Border Protection Human Resource Information Systems), whereas financial statements report on average staffing levels.

+ Senior executive service (SES) includes ongoing SES employed under the *Public Service Act 1999*, non-SES staff on higher duties and the CEO.

Table 26: Staff numbers by full and part-time hours, and classification as at 30 June 2010

	Full time	Part time
Indigenous cadets	4	–
Graduate	16	–
Customs and Border Protection trainee	26	20
CL 1	2 043	418
CL 2	1 368	126
CL 3	935	68
CL 4	475	38
CL 5	202	4
SES+	62	–
Total	5 131	674

Note: Includes staff employed under the *Public Service Act 1999*, staff on leave or on higher duties, and staff seconded from other agencies. Figures do not include contractors. Numbers reflect the actual occupancy (headcount derived from Customs and Border Protection Human Resource Information Systems), whereas financial statements report on average staffing levels.

+ Senior executive service (SES) includes ongoing SES employed under the *Public Service Act 1999*, non-SES staff on higher duties and the CEO.

WORKFORCE PLANNING

As part of our multiyear strategic planning framework, we developed two high-level, enterprise-wide plans — the Workforce Plan and the People Capability Plan. These are closely integrated with the Property Capability Plan.

We also began implementing a business-driven workforce planning model, focusing on a number of critical workforce elements related to:

- + workforce mix (including skills and capabilities)
- + workforce size (including employment types)
- + workforce structure.

In addition, we delivered an improved workforce reporting tool, enabling greater access to a broader range of workforce metrics. This will better inform workforce planning decisions.

BARGAINING FRAMEWORK FOR EMPLOYEE CONSULTATION

This year we reviewed staff consultative arrangements with a working party including management, staff and Community and Public Sector Union (CPSU) representatives.

During the ten years since the consultative arrangements were established, Customs and Border Protection had changed from a region-based structure to a program-based one. Processes across the regions also varied and there was no clear pathway for escalating or resolving issues. Our aim in conducting the review was to develop a consultative framework that addressed this change and achieved national consistency.

As a result of the review, we formed a national strategic consultative forum. This forum is made up of management, union and staff representatives, and meets biannually. We also formed regional consultative committees that have similar representation and will meet quarterly.

Each forum provides the opportunity for participation in, and contribution to, significant issues and decisions that affect staff, as well as legislative, funding, organisational and technological changes and implications.

In accordance with the revised Australian Government employment bargaining framework (AGEBF), all agencies are required, in consultation with unions, to develop a framework for the responsibilities and obligations for delegates' rights within the workplace. This framework is being developed in consultation with unions.

REMUNERATION

Our remuneration policy operates in accordance with government policy parameters that apply across the public sector.

Employment agreements

The Customs and Border Protection Collective Agreement 2007–10 has been in place since 4 October 2007 and covers pay and conditions for those employees covered by the Collective Agreement. Table 27 highlights the current salary rates for Customs and Border Protection employees covered by the Collective Agreement.

In accordance with Government direction and the *Workplace Relations Amendment (Transition to Forward with Fairness) Act 2008*, Australian Workplace Agreements are no longer established. Existing agreements will continue to operate in accordance with the *Workplace Relations Act 1996*. At 30 June 2010, there were 123 employees covered by Australian Workplace Agreements.

Of our SES employees, 29 have individual Australian Workplace Agreements. The remaining SES employees have their terms and conditions covered by a determination under s24 of the *Public Service Act 1999*.

Determinations under s24 have also been used where there has been a business need to attract or retain certain skills. In these circumstances, the determination is used to provide supplementary terms and conditions for non-SES employees covered by the Collective Agreement.

At 30 June 2010, there were 138 employees under an individual workplace arrangement provided by a determination under s24 of the *Public Service Act 1999*.

The Customs Collective Agreement 2007–2010 has an expiry date of 31 October 2010. In accordance with the AGEBF, we are required to negotiate a new enterprise agreement under the *Fair Work Act 2009* (Fair Work Act).

In preparation for bargaining for a new agreement, we held joint information sessions with the CPSU on bargaining under the Fair Work Act and the AGEBF. These presentations were held nationally and outlined the legislative and policy framework that governs new enterprise agreements.

We commenced bargaining for a new enterprise agreement in June 2010. A number of bargaining representatives were nominated by staff, including union and staff representatives.

Senior executive remuneration

Remuneration and conditions for our CEO are set by the Remuneration Tribunal. The CEO sets remuneration and conditions for our senior executives following recommendations from a Remuneration Committee consisting of the DCEOs and COO. This year, the base salaries for senior executives were:

- + SES Band One: \$130 300 to \$176 800
- + SES Band Two: \$164 000 to \$221 900
- + SES Band Three: \$208 600 to \$282 200

Other employee remuneration

The remuneration arrangements for the majority of non-senior executive ongoing employees are covered by our Collective Agreement. Base rates of pay are set within the current agreement with provision for salary advancement subject to satisfactory performance.

Table 27: Staff classification, Australian Public Service equivalent level and salary range as at 30 June 2010

Customs classification	APS level	Salary range (\$)
Indigenous cadet		23 417 – 44 003
Customs and Border Protection trainee		23 417 – 44 003
Customs and Border Protection graduate		43 141 – 48 979
CL1	APS Level 3	36 562 – 56 427
CL2	APS Level 5	56 427 – 66 293
CL3	APS Level 6	66 293 – 79 148
CL4	EL 1	85 611 – 99 098
CL5	EL 2	99 098 – 119 363

APS = Australian Public Service

Note: Salary range include minimum and maximum salaries available under the Customs and Border Protection Collective Agreement 2007–2010, Australian Workplace Agreement salaries are not included.

Performance management

Our performance management policy outlines roles and responsibilities for managers and employees, and reinforces the importance of the APS values and compliance with the code of conduct.

Performance assessment and feedback (PAF) supports employees and managers to work together to improve individual and team performance. It defines performance objectives, standards and development needs. A total of 5598 employees had a PAF agreement in place as at 30 June 2010.

A review of performance management policy and procedures was finalised this year, and the outcomes of this will be considered during the negotiation of the Enterprise Agreement.

Performance pay

Performance pay is available to SES staff and may take the form of an annual bonus, bonus payment(s) during the cycle or movement to a higher salary. Such payments recognise outstanding contribution to particular work outcomes.

During the past year, 32 of a possible 51 substantive senior executive staff received performance pay. The total amount of performance pay for senior executives was \$298 916.

Performance pay is also available through the performance management system to non-SES employees who receive a rating of 'performed above agreed requirements'.

Details of employees who achieved this rating are in Table 28, 29 and 30.

Table 28: Total number of 'performed above agreed requirements' by classification

End-cycle rating	CL1	CL2	CL3	CL4	CL5	Total
Number of staff who performed above agreed requirements	39	66	81	80	50	316

Table 29: Performance pay outcomes (collective agreement) 2009–10

	CL1	CL2	CL3	CL4	CL5	Total
Number of staff receiving a bonus	15	39	52	38	6	150
Total amount paid (\$)	39 640.76	114 675.48	181 971.36	151 165.66	32 528	519 981.26
Bonus amount average (\$)	2 642.72	2 940.40	3 499.45	3 978.04	5 421.33	3 466.54
Minimum bonus paid (\$)	1 057	391	718	5	2 688	
Maximum bonus paid (\$)	2821	3 315	3 957	4 955	5 968	

Note: Not all staff who performed above agreed requirements received a bonus; 153 officers received an adjustment in salary. Where employees were on the salary range maximum or received an adjustment to salary that took them to the salary range maximum, residual amounts were paid as a bonus.

Table 30: Performance pay outcomes (AWA holders) 2009–10

	Total
Number of staff receiving bonus	13
Total amount paid	\$76 833
Bonus amount average	\$5 910
Minimum bonus paid	\$5 168
Maximum bonus paid	\$11 470

AWA = Australian Workplace Agreement

Profile

Sharon Drake
People and Place Division



Sharon joined the Agency in April 1990 and has since enjoyed several roles including those at Airport Operations, International Mail, Exports/Compliance, Client Services and Human Resources.

"Customs offers so much variety and I love the fact that you can have a several different careers within the one organisation," Sharon said.

In her most recent role, Sharon developed policy on operational safety/use of force (UoF), including processes for determining initial and ongoing suitability of officers undertaking UoF training.

"Use of force training is provided to selected staff employed in areas that may require them to manage people who are physically non-compliant or to defend themselves from physical attack," Sharon said.

Sharon's role was to ensure that the UoF policy was implemented consistently across the Agency.

Sharon worked collaboratively with Enforcement Operations to develop these policy documents in a complex area which requires extensive research and liaison with other agencies.

One of Sharon's favourite career experiences so far was her time as a Customs and Border Protection Trainee Course Leader.

"I have never worked so hard in my life but I learnt so much and really enjoyed it. I'm looking forward to more challenges like this in the future."

Sharon has recently moved to another position within People Branch and is currently working within the Employee Conditions Strategy and Policy team. She will be returning to her Regional People Support Role in Queensland in early 2011.

Non-salary benefits

A range of non-salary benefits are available to senior executive and director level staff. These benefits include, but are not limited to: motor vehicle allowance, onsite car parking (or where no car parks are available, an allowance in lieu of parking, home garaging, allowance in lieu of home telephone, limited personal use of mobile phone, airline lounge membership; and additional leave for the Christmas and New Year period.

In addition, all ongoing employees have access to salary packaging for motor vehicles, airline lounge membership and superannuation.

Training and development

This year we continued with our focus on building workforce capability throughout the agency. Leadership and management development initiatives included:

- + building on existing leadership and management programs to introduce leadership and management training for managers and directors
- + introducing a comprehensive assessment process and coaching program for SES Band 2 officers
- + delivering a Director's High Talent program
- + continuing the national rollout of the Leading at the Frontline Program, which aims to help Customs and Border Protection officers make the transition from operational to supervisory roles.

We also developed a leadership and management strategy to outline the responsibilities of leaders and managers at all levels within the organisation and to integrate learning and development initiatives.

Our graduate trainee program continued and preparation for a new information and communication technology-specific stream commenced.

The new standardised national trainee training program was linked to the Public Sector Training Package and candidates were issued with an enterprise skill set on successful completion.

WORKPLACE DIVERSITY

We promote awareness of our policies for workplace diversity and harassment, and aim to ensure all employees are aware of their roles and responsibilities. Strategies to achieve this include induction, mandatory online learning and other online learning courses. Our equity and diversity groups are outlined in Table 31.

New guidelines have been developed to address bullying and harassment. Our Harassment Contact Officer network has also been refreshed to provide additional support for staff.

The Attorney-General's Department have formed a Portfolio Reconciliation Network, which we welcome and support. Within the agency, we have formed a Reconciliation Action Plan (RAP) Working Group. This group is reviewing and refreshing our RAP in consultation with Indigenous and non-Indigenous employees and Reconciliation Australia. We participated in diversity events, including a Reconciliation Breakfast on Mabo Day, and National Aboriginal and Islander Day Observance Committee week activities.

In addition, we:

- + provided formal Indigenous cultural awareness training to sea-going Marine Unit officers during induction courses
- + recruited three Indigenous cadets under the Indigenous Cadetship Support program in 2010. Two cadets from 2007 completed their degrees and joined us full time, one in Melbourne and one in Sydney⁶
- + recruited four Indigenous graduates under the 2010 APS Pathways Graduate scheme. Each completed a Diploma in Government during their graduate year
- + supported Indigenous officers' participation in the Indigenous Employees Conference of the Australian Public Service Commission (APSC) in Brisbane
- + supported Indigenous employees to take courses on the APSC's Career Trek programs, and the Indigenous leadership program of the Department of Families, Housing, Community Services and Indigenous Affairs
- + continued to support the Sea Rangers program in the north.

Table 31: Representation of equity and diversity groups by staff classification as at 30 June 2010

	Female		Born overseas ⁺		People with disabilities		Indigenous	
	No.	%	No.	%	No.	%	No.	%
Indigenous cadet	3	75	–	–	–	–	4	100
Customs and Border Protection trainee	20	43.48	8	17.39	–	–	–	–
Customs and Border Protection graduate	10	62.50	2	12.50	–	–	4	25
CL 1	1 075	43.68	392	15.93	24	0.98	64	2.60
CL 2	646	43.24	200	13.39	20	1.34	17	1.14
CL 3	354	35.29	156	15.55	14	1.40	4	0.40
CL 4	192	37.43	83	16.18	6	1.17	2	0.39
CL 5	79	38.35	34	16.50	2	0.97	1	0.49
SES	27	43.55	13	20.97	–	–	–	–
Total	2 406	41.45	888	15.30	66	1.14	96	1.65

SES = senior executive service

Note: Includes staff employed under the *Public Service Act 1999*, staff on leave or on higher duties, and staff on loan from other agencies. Figures do not include contractors. Numbers reflect the actual occupancy (headcount derived from Customs and Border Protection Human Resource Information Systems).

These figures rely on voluntary self-identification and compliance levels vary from year to year.

+ Number of staff born outside Australia.

⁶ The Sydney cadet will join the Graduate Program in 2011.

OCCUPATIONAL HEALTH AND SAFETY

We undertake a variety of operational and support activities in a diverse range of environments that present significant risks and challenges in occupational health and safety (OHS) and injury management.

Achievements in OHS and injury management performance include:

- + integrated rehabilitation case management and the effective use of suitable duties to achieve high return to work outcomes
- + a reduction in accepted compensation claims
- + a reduction in the workers' compensation premium.

We will continue to develop whole-of-agency OHS and injury management practices to improve employee safety, wellbeing and rehabilitation outcomes.

3.1.3 Corporate governance

Corporate governance underpins our ability to deliver our mission. We are currently transforming our governance functions to better support our strategic planning and management practices through an integrated, multiyear approach.

CORPORATE GOVERNANCE PRACTICES

In addition to improving approaches to planning and risk management, we improved our governance by:

- + further reviewing our senior executive management committee structure and introducing an operations committee that focuses on business and investment performance
- + reviewing our business continuity framework and approach to crisis management
- + undertaking efficiency and effectiveness reviews of our business processes, similar to the previous year
- + embedding our new approach to project management in all operations and further refining the internal reporting of projects and investments.

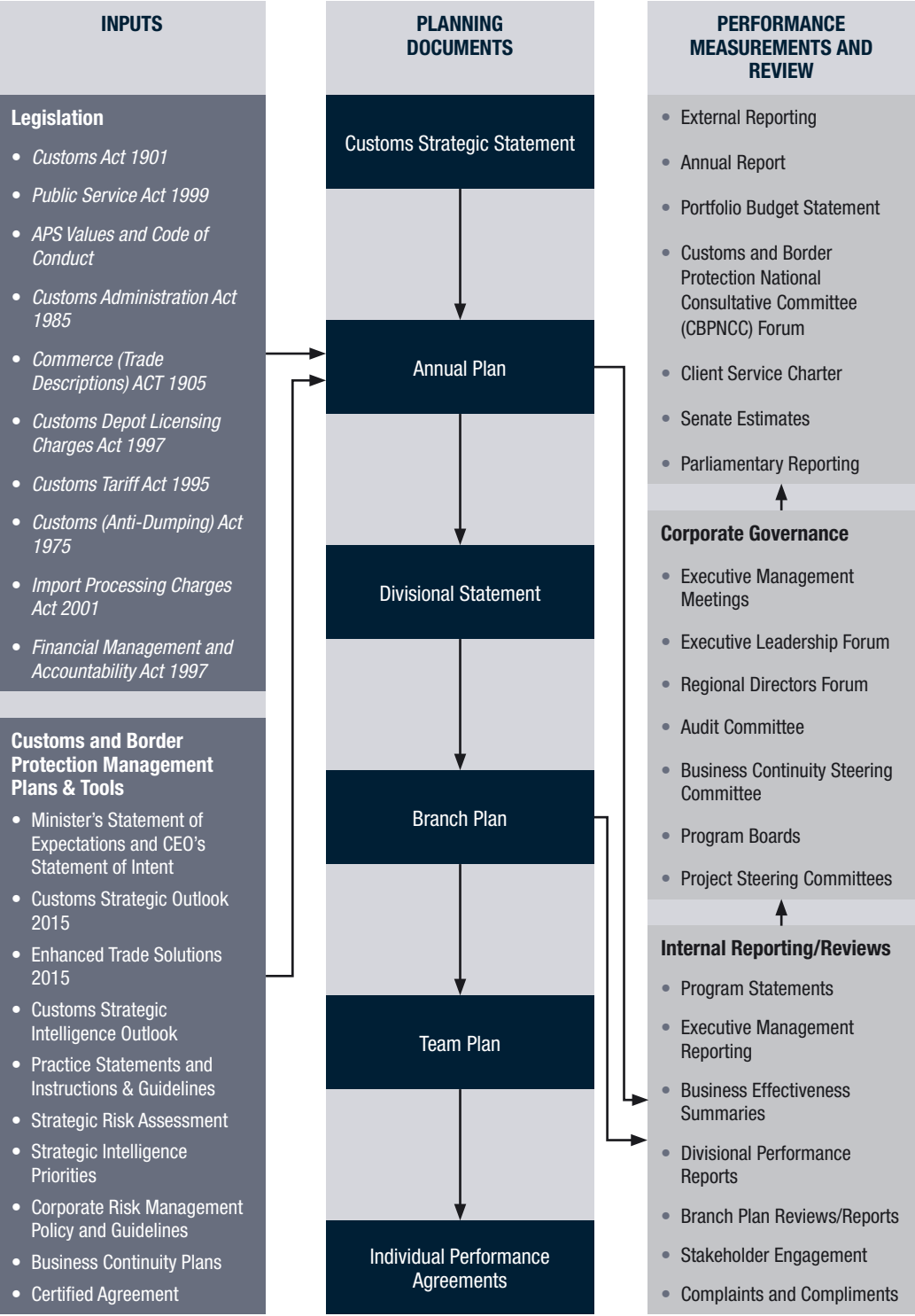
Our approach to corporate governance is shown in Figure 13.

BUSINESS CONTINUITY MANAGEMENT PROGRAM

A number of business continuity plans (BCPs) were internally tested and evaluated this year, including key elements of the Cargo and Passengers Divisions end-to-end processes. The business continuity management program was also developed further. A business continuity register was established to act as a centralised database of all BCP information. This register will form the basis of the agency's multiyear BCP exercise schedule.

An internal restructure of Corporate Operations also provided an opportunity to align the business continuity and emergency management functions. We will develop the strategic work programs of these functions, taking into account each others' activities, as the agency moves to an 'all-hazards' incident management framework (mirroring the Australian Government's all-hazards crisis management model). We have already begun to realise the benefits of this amalgamation in our planning for whole-of-government counterterrorism exercises later this year.

Figure 13: Our approach to corporate governance



BUDGET AND RESOURCE MANAGEMENT

This year we developed the multiyear planning and budgetary framework that will be implemented in 2010–11. This framework will cover a new risk management and a budget and resource management framework. Together these frameworks will integrate the strategic planning, resource planning and budget processes to support effective and efficient operations.

The multiyear planning and budgetary framework is designed to facilitate the strategic development of our organisation, allowing us to shape our capabilities for the future, while ensuring we meet our day-to-day operational requirements within our financial means. The framework integrates planning, risk management and financial management in a multiyear cycle underpinned by a rolling four-year investment approach and government budgetary processes.

The core components of the framework align with whole-of-government processes to ensure we are well placed to lead, contribute to changing operational demands and develop new policies and strategies.

FINANCIAL SERVICES

Our Financial Services Division provides strategic direction and operational support in procurement, financial management and compliance activities.

This year, Financial Services focused on a number of initiatives to improve our long-term financial sustainability and compliance. We developed the Budget Management System (BMS) to strengthen our budgeting, forecasting and reporting processes and to provide a tool to improve financial management and decision making. The BMS is a modular system designed to facilitate operating, capital, project and revenue budgeting, forecasting and reporting by financial and non-financial users through a step-by-step interface. Divisions used the new system for their 2010–11 divisional budgets, ensuring we are in a strong position to monitor financial performance.

We developed a new budget and resource management framework to align risk management with resource decision making. We implemented a single financial reporting structure of major business functions that will improve resource reporting and costing to meet information demands from internal and external stakeholders. The framework supports the deliverables of the multiyear planning, budgetary and risk management frameworks.

The Capital Investment Management Plan was developed during the year to strengthen our capital investment decision making and to support the requirements of the Government's capital budgeting framework. The plan uses the Four-Year Investment Budget developed by the Investment Review Committee. It provides an affordable, high-level strategic view of our capital asset base, integrating capital asset replacement and new investment requirements over the next ten years.

RISK MANAGEMENT

This year, we reviewed our approach to risk management to ensure we have kept pace with the evolving needs of managing the border risks. The comprehensive review coincided with the release of the *ISO 31000:2009 Risk Management Standard*.

A new framework is being developed and piloted to ensure risk management matures in the organisation and supports the multiyear planning and budgetary framework. It is envisaged that the framework will increase the sophistication of our risk management to support strategic decisions on risks relating to the border, our enabling functions and major processes. The framework will be finalised and implemented in 2010–11.

Campaigns

Campaigns are a tool of the risk management framework. They improve our understanding of current border risks by testing assumptions about how we currently do our work, gathering evidence about the extent or severity of risks and providing information about the effectiveness of our current intervention approaches.

This year, we ran fewer campaigns than the previous year to allow campaigns to be conducted over longer timeframes. This provided a more robust data source to strengthen the validity of findings. In 2009–10, our five campaigns targeted:

- + criminal activity on the waterfront
- + small craft
- + precursors for the manufacture of MDMA
- + international cooperation (OP BRITTE FIVE II — B5 countries)
- + outwards cash flow.

INTERNAL COMMUNICATION FRAMEWORK

Our program-based communication model was consolidated in 2009–10 to ensure consistent communication advice and support, integration of internal and external communication, more efficient use of communication resources and improved client service.

We have now started work on a comprehensive organisational communication approach and this approach will be integral to the multiyear planning and budgetary framework. Frameworks to ensure consistent coordination and targeted communication support to key stakeholder segments are also being developed.

IMPROVED DIGITAL AND ONLINE COMMUNICATION

This year, the intranet redesign project was further developed as part of a larger strategy to meet our future digital and online communication needs, and to ensure all Customs and Border Protection officers are supported by effective corporate services and information.

We commissioned Stamford Interactive to conduct a user-needs analysis of the intranet. They made the following recommendations for improvement:

- + develop a content governance framework to support and promote the production of quality content
- + develop and implement a design to reflect the mental model of the people using the system
- + develop an overarching business information plan
- + agree to a vision statement for the intranet as a source of truth.

Work on all the recommendations has progressed, including developing a proof of concept of the intranet in a SharePoint environment to support content governance and Stamford's recommended design.

RECORDS MANAGEMENT

We have put in place a four-year program in adequacy of record keeping to ensure we are compliant and transparent in our decision making and that we manage our business decisions in an accountable manner for the Australian people.

This program includes comprehensive ongoing training and awareness in record-keeping responsibilities; a move to electronic record keeping; certification of business systems as being record-keeping compliant; centralisation of the records management function to ensure greater consistency; a review of the business classification scheme and Customs and Border Protection's records authorities; and a strategy to identify and capture non-file records into the record-keeping system.

EXTERNAL CONSULTATION

We interact with a number of external groups in the conduct of our operations.

Homeland and Border Security Policy Coordination Group

The Homeland and Border Security Policy Coordination Group (HPCG) initiates and supports the delivery of whole-of-government policy on matters pertaining to Australian homeland and border security. As a member of HPCG, we help to identify, consider and implement strategic issues and policies through coordination between key departments and agencies. The HPCG takes a prominent role in building and maintaining an interconnected national security community. Customs and Border Protection is represented on the HPCG by the COO and DCEO Border Enforcement.

Australian Crime Commission Board

Through membership of the Australian Crime Commission (ACC) Board, our CEO contributes to the strategic direction of the ACC, including determining investigations and operations into criminal activity occurring in the federal jurisdiction, and developing the national criminal intelligence priorities.

Heads of Commonwealth Operational Law Enforcement Agencies

The Heads of Commonwealth Operational Law Enforcement Agencies (HOCOLEA) is the broad consultative mechanism for Commonwealth law enforcement policy. HOCOLEA meets biannually and comprises agency heads from 12 Commonwealth law enforcement and regulatory agencies. The CEO represents Customs and Border Control at HOCOLEA and we provide secretariat support for the group.

Border Management Group

The Border Management Group (BMG) is responsible for strategic border synchronisation and for performing the detailed work required to implement, review and evaluate the Strategic Border Management Plan (SBMP). The BMG was established in October 2009 and is represented at the deputy secretary level by 12 border agencies. The COO is the Chair of BMG and we provide secretariat support for the group.

The BMG has developed a plan that identifies actions and strategies for BMG agencies to jointly address the priorities and opportunities from the SBMP. The BMG continually monitors progress against these actions.

National Passenger Facilitation Committee

We chair the National Passenger Facilitation Committee. The committee includes senior-level representation from government agencies (those present at the border and those with an interest) and industry representatives including airport operators, airlines and tourism bodies. The committee develops and implements initiatives to improve international passenger facilitation and other elements of the passenger experience,

while maintaining and, where possible, enhancing Australia's border protection capability. The committee meets quarterly to explore ideas and options.

National Sea Passengers Facilitation Committee

The National Sea Passengers Facilitation Committee has been formed to improve cruise ship facilitation while maintaining border protection mechanisms. It also examines issues associated with the increasing number of cruise ships that are interested in visiting non-proclaimed (under the *Customs Act 1901* [Customs Act]) ports. The Committee, chaired by Customs and Border Protection's National Director Enforcement and Investigations, includes senior executive level representation from Australian Government agencies, international cruise ship operators, peak industry bodies and shipping agents.

Customs and Border Protection National Consultative Committee

The CEO chairs the Customs and Border Protection National Consultative Committee (CBPNCC) with the support of the COO and DCEOs. Membership includes representatives from:

- + AQIS
- + Australia Post
- + Australian Chamber of Commerce and Industry
- + Australian Federation of International Forwarders
- + Customs Brokers and Forwarders Council of Australia
- + Institute of Chartered Accountants
- + International Air Couriers Association of Australia
- + Law Council of Australia
- + Observer of the Conference of Asia-Pacific Express Couriers
- + Qantas Group/Board of Airline Representatives of Australia
- + Shipping Australia
- + the stevedoring industry.

The CBPNCC met three times during the year to discuss national policies, practices and procedures relevant to the trading community.

SENIOR MANAGEMENT COMMITTEES

Customs and Border Protection management is centred in three key groups — Executive Committee, Operations Committee and the Program Board.

Executive Committee

The Executive Committee is our senior decision-making forum. The committee meets each month and is chaired by the CEO, with the COO and DCEOs as members. The Executive Committee focuses on our strategic directions and major planning activities, higher policy, resource allocation and investment decisions, strategic projects and major initiatives, and managing strategic and organisational risk.

Operations Committee

The Operations Committee meeting, held monthly and chaired by the COO, focuses on organisational reporting against planned outcomes. Matters arising from this meeting may be referred to the Executive Committee or CEO for decision or information.

Program Board

The Operations Committee also acts as a Program Board to monitor and assure project progress in the agency. The Program Board provides detailed management oversight to ensure that projects are delivered in line with approved outcomes, scope, timelines and budgets, within agreed tolerances. It ensures that steering committees have clear parameters in which to operate and that all project exceptions are escalated appropriately. The Program Board also considers change requests and can approve those within budget. The review of project performance by the Program Board is a standing agenda item of the monthly Operations Committee meetings.

INTERNAL AUDIT

Customs and Border Protection's internal audit team is co-sourced and led by KPMG. The internal audit team delivers the annual internal audit plan; conducts reviews and assurance activities of frameworks, policies and processes; and provides advice on best practices for assurance, management, corporate governance and internal audit.

The internal audit team also liaises with the ANAO, and monitors and reports to both the executive and the audit committee on implementing audit recommendations.

The audit committee approves the annual internal audit plan, which is implemented by the internal audit team. This year, the team conducted 27 performance and compliance engagements across a range of areas within the agency. Each engagement resulted in findings and recommendations to improve the operation, effectiveness and efficiency of our processes and controls.

Over the year, the internal audit team has streamlined its process to facilitate timelier reporting. The team has also improved communication with work areas to share the results of internal audit activity, highlight themes and recurrent issues, and ensure management is aware of the activity of the team and the ANAO. The internal audit team also continued a schedule of regular discussions with stakeholders to keep informed of priorities, emerging risk areas and matters that require additional assurance.

FRAUD CONTROL

Fraud control activities in Customs and Border Protection include:

- + delivering educational and awareness presentations on fraud control, ethics and integrity, IT security and personnel security to 2 473 Customs and Border Protection officers
- + continued support of the Customs and Border Protection Fraud Control Framework of Preparedness, Prevention, Detection and Resolution
- + developing and delivering the annual fraud awareness survey across Customs and Border Protection, including overseas posts
- + ongoing monitoring of compliance with the *Commonwealth Fraud Control Guidelines 2002*.

CERTIFICATE OF FRAUD MEASURES

I certify that the Australian Customs and Border Protection Service has a fraud control plan in place, in addition to appropriate fraud detection, prevention, investigation and reporting procedures and processes that comply with the *Commonwealth Fraud Control Guidelines 2002*.



Michael Carmody
Chief Executive Officer

LEGAL SERVICES

We require legal services to meet our administrative, legislative and policy objectives, and to protect Commonwealth interests.

In January 2010, we established the Legal Services Branch to deliver inhouse legal services. Prior to this, most legal services were outsourced to the Australian Government Solicitor. Since early April 2010, the branch has focused on attracting and building a team of leading legal professionals, recruiting from Customs and Border Protection, other government departments and agencies, and the private sector.

The Legal Services Branch has four specialist teams — legislation, litigation, advice and commercial. The branch supports our ability to meet our strategic priorities and outcomes in compliance with the legal, regulatory and statutory framework. Legal advice can provide assurance that the way the agency has acted, or proposes to act, is legally appropriate and within the scope of its powers, and that its legal risks are being adequately managed.

External legal service arrangements are divided into two categories:

- + *Prosecution and Related Legal Services*, provided by the Australian Government Solicitor, including advice on and conduct of Customs and Border Protection prosecutions; joint Customs and Border Protection and Quarantine prosecutions; proceedings concerning investigations by Customs and Border Protection, seizure of goods or evidential material, and special forfeited goods; and informal onsite legal services.
- + *Corporate Legal Services panel*, consisting of eight external legal service providers, outlined in Table 32.

Table 32: Customs and Border Protection expenditure on legal services to contracted service providers

	2009–10
Australian Government Solicitor	\$6 375 798.22
Blake Dawson	\$0.00
Clayton Utz	\$107 761.90
Malleson Stephen Jacques	\$18 090.00
Middletons	\$582 169.95
Minter Ellison	\$152 740.50
Norton Rose	\$22 935.00
Phillips Fox	\$14 103.91
Sparke Helmore	\$0.00
Total	\$7 273 599.48

Our expenditure on legal services in 2009–10 is detailed in Table 33.

Table 33: Customs and Border Protection total expenditure on legal services and number and value of briefs to counsel by gender

	2009–10
Total external legal services expenditure	\$8 001 970.43
Total number of Counsel briefed	51
Male counsel briefed	44
Female counsel briefed	7
Total number of Counsel direct briefed	0
Male counsel direct briefed	0
Female counsel direct briefed	0
Total value of Counsel briefs	\$509 654.93
Value of male counsel briefs	\$448 732.08
Value of female counsel briefs	\$60 922.85
Total of disbursements (excl Counsel)	\$218 716.02
Total of professional fees paid	\$7 273 599.48
Total internal legal services expenditure	\$756 899.75
Total costs recovered*	\$662 592.76

* Recovered costs are reported exclusive of GST

Note: This table has been prepared in accordance with our obligations to report to the Office of Legal Service Coordination. This approach was not applied in previous years and would therefore not allow for precise or meaningful comparison.

Legislation

Seven Customs and Border Protection Bills were introduced and passed by Parliament during the year. They were:

- + *Customs Amendment (ASEAN-Australia-New Zealand Free Trade Agreement Implementation) Act 2010* and *Customs Tariff Amendment (ASEAN-Australia-New Zealand Free Trade Agreement Implementation) Act 2010*. These Acts amended the Customs Act and the *Customs Tariff Act 1995* to implement the ASEAN-Australia-New Zealand Free Trade Agreement.
- + *Customs Tariff Amendment (Incorporation of Proposals) Act 2010*. This Act amended the *Customs Tariff Act 1995* to incorporate various proposals, including creating a concessional item for goods used in the testing, quality control, manufacturing evaluation or engineering development of motor vehicles designed or engineered, or to be designed or engineered, in Australia.
- + *Customs Tariff Amendment (2009 Measures No. 1) Act 2010*. This Act amended the *Customs Tariff Act 1995* to increase the rate of duty on ‘alcopops’.
- + *Customs Tariff Amendment Act (No. 1) Act 2010*. This Act amended the *Customs Tariff Act 1995* to repeal certain redundant items in Schedule 4 and to insert end dates for the application of other Schedule 4 items.

- + *Customs Tariff Amendment (Tobacco) Act 2010*. This Act amended the *Customs Tariff Act 1995* to implement the 25 per cent increase in the rate of duty on tobacco and tobacco products.
- + *Customs Tariff Amendment (Aviation Fuel) Act 2010*. This Act amended the *Customs Tariff Act 1995* to implement the increase in the rate of duty on aviation fuel.

A total of 23 amendments to Customs and Border Protection Regulations were made, including regulations:

- + implementing the ASEAN-Australia-New Zealand Free Trade Agreement
- + prescribing objectionable goods as 'Tier 1' goods
- + imposing a new import prohibition on tablet presses
- + implementing the United Nations Security Council resolution in relation to Eritrea
- + prescribing reporting times for the arrival of pleasure craft.

Key judicial cases for 2009–10

Pearce v Coynes Freight Management Group Pty Ltd

The Federal Court found in favour of Customs and Border Protection in the matter of *Pearce v Coynes Freight Management Group Pty Ltd*.

The respondent was a licensed warehouse operator that had been storing a large quantity of imported vodka. After the vodka was stolen from the respondent's premises, Customs and Border Protection made a demand for \$194 519.64 — an amount equal to the duty which would then have been payable — on the basis that the goods had not been kept safely. The Federal Court upheld Customs and Border Protection's claim for the amount demanded on the basis that the conditions for liability under s35A of the Customs Act had been satisfied.

The Federal Court also held that the respondent was not entitled to apply for a remission of duty as it was not an 'owner' within the extended meaning of the Customs Act and the entitlement to apply for remission does not extend to persons liable under s35A of that Act to pay an amount equivalent to duty.

The number of applications and requests for reasons under the *Administrative Decisions (Judicial Review) Act 1977* from 2007–10 are shown in Table 34. Federal Court decisions are outlined in Table 35.

Table 34: *Administrative Decisions (Judicial Review) Act 1977* applications and requests for reasons

	2007–08	2008–09	2009–10
Federal Court applications for review	2	3	4
Requests for statement of reasons	3	0	0
Matters settled during the year	2	0	0

Table 35: Federal Court decisions in *Administrative Decisions (Judicial Review) Act 1977* matters

	2007–08	2008–09	2009–10
Matters resolved in favour of Customs and Border Protection	1	0	2
Matters resolved against Customs and Border Protection	1	0	1
Total	2	0	3

Key Administrative Appeals Tribunal cases for 2009–10

STI Tyres ATF On Track Tyre Trust v CEO of Customs and Border Protection

In this case, the Administrative Appeals Tribunal (AAT) affirmed the Customs and Border Protection decision under review by refusing to apply a Tariff Concession Order (TCO) for 'off-road' motor car circuit or drag racing tyres to tyres imported for use on four-wheel drive, and what are described as off-road, vehicles. The effect of a TCO is to apply a zero rate of duty to the imported goods.

The Tribunal construed the words of the TCO as referring only to 'off-road' motor car circuit and drag racing tyres. 'Off-road' in this context means not suitable for use on public roads, so the TCO only applies to racing tyres.

A TCO may not be granted under s269P(3) of the Customs Act, or revoked under ss269SB or 269SD of the Customs Act, in respect of goods where there are substitutable goods produced in Australia in the ordinary course of business. Therefore, this was an important decision for the Australian automotive components manufacturing industry that produce four-wheel drive vehicle tyres.

Kenso Marketing (M)SDN BHD v CEO of Customs and Border Protection and Nufarm Australia Limited

The decisions of the AAT in this matter provided Customs and Border Protection with useful guidance on how to calculate the proportion of Australian content to determine if substitutable goods were produced in Australia during the relevant period under s269D of the Customs Act.

The matter involved a decision by Customs and Border Protection to refuse to grant a TCO for glyphosate herbicides on the grounds that substitutable goods were produced in Australia. If the AAT had decided to grant the TCO, duty refunds would be payable for all the glyphosate herbicides imported since early 2006, when the TCO was applied for. At issue was whether the production of glyphosate herbicide in Australia involved a 'substantial process in the manufacture' of the herbicides, as is required by s269D(3) of the Customs Act. In a preliminary decision in 2008, the tribunal decided this issue against the applicant.

The remaining issue was whether the Australian producer of substitutable goods satisfied the requirement in s269D(1) of the Customs Act, that at least 25 per cent of the factory or works costs of the goods is represented by the sum of Australian labour, materials and factory overhead costs.

In resolving this issue in favour of Customs and Border Protection, the tribunal endorsed our interpretation of two critical matters that had, until now, not been the subject of a tribunal decision. The tribunal agreed with Customs and Border Protection's arguments that:

- + 'factory or works costs' in s269D(1) includes packaging and labelling costs
- + in calculating the costs of 'substitutable goods' produced in Australia, it is not necessary to average the costs of all products, or average costs over the entire two-year period.

These are useful precedents for Customs and Border Protection in its administration of the TCO scheme.

Details relating to our involvement with the AAT are outlined in tables 36–40.

Table 36: Administrative Appeals Tribunal applications for review (s37)

	2007–08	2008–09	2009–10
Tariff classification and Schedule 4 items	4	4	10
Valuation and origin	0	1	4
Tariff concessions	8*	11	14
Refunds	3	0	0
Freedom of information	1	2	0
Other	2+	0	3

* Includes one s35A demand

+ Comprising four cases

Table 37: Administrative Appeals Tribunal decisions handed down

	2007–08	2008–09	2009–10
Customs and Border Protection decisions set aside	1	0	3
Customs and Border Protection decisions affirmed	4	4	5
Tariff classification and Schedule 4 items	0	1	2
Valuation and origin	0	0	1
Tariff concessions	0	1	2
Refunds	0	0	0
Freedom of information	0	2	0
Other	0	0	0
Total decisions affirmed and set aside	5	4	8

Table 38: Federal Court appeals from decisions by the Administrative Appeals Tribunal

	2007–08	2008–09	2009–10
Appeals resolved in favour of Customs and Border Protection	0	1	0
Appeals resolved against Customs and Border Protection	1	0	0
Tariff classification and Schedule 4 items	1	0	0
Valuation and origin	0	0	0
Other	0	0	0
Total appeals in favour and against	1	1	0

Table 39: Matters resolved before being heard by the Administrative Appeals Tribunal

	2009–10
Matters withdrawn/dismissed (s42A)	6
Matters settled by consent (s42C)	11
Tariff classification and Schedule 4 items	7
Valuation and origin	0
Tariff concessions	8
Refunds	0
Freedom of information	0
Other	2
Total matters dismissed and settled	17

Note: Since the creation of the Legal Services Branch in 2009–10, the method of record keeping has changed. As a consequence, records for previous years would not allow for a precise or meaningful comparison.

Table 40: Administrative Appeals Tribunal requests for reasons (s28)

	2007–08	2008–09	2009–10
Tariff classification and Schedule 4 items	0	0	1
Valuation and origin	0	1	0
Tariff concessions	3*	0	0
Refunds	0	0	0
Freedom of information	1	0	0
Other	0	0	0

* Comprising one case

Freedom of information

We received 51 requests under s15 of the *Freedom of Information Act 1982* (FOI Act), up from 33 requests last year (see Table 41). The requests covered issues such as:

- + import or export-related documents and statistics
- + personal information associated with our operational matters
- + processing of passengers at airports
- + inquiries from media organisations on various issues
- + staffing matters.

Table 41: Requests made under the *Freedom of Information Act 1982*

	2007–08	2008–09	2009–10
Requests received*			
Section 15**	43	33	51
Section 54 (internal review)	3	8	1
Section 55 (AAT review)	1	2	0
Total	47	43	52
Decisions on s15 requests			
Access granted in full	3	7	10
Access granted in part	28	16	24
Access refused	7	4	3
Requests transferred	0	0	0
Requests withdrawn	5	5	10
Time taken to process s15 requests			
0–30 days	20	20	25
31–60 days (consultation under subsections 26A, 27 or 27A)	4	2	0
31–60 days	7	4	11
61–90 days	3	0	0
90 plus days	4	1	1
Fees and charges collected for s15 and s54 requests			
Total application fees collected	\$1 030	\$1 190	\$1 150
Total charges notified	\$5 603	\$2 751	\$13 354
Total charges collected	\$4 517	\$3 387	\$3 810

AAT = Administrative Appeals Tribunal

* A s15 request is a request for access to information. A s54 request is a request for a decision about a s15 request to be reviewed by Customs and Border Protection (internal review). A section 55 request is a request for a decision about a s15 request to be reviewed by the AAT (external review). Further information on these requests is available in the FOI Act.

** Includes requests carried over from the previous year and requests still being processed at the end of the year.

Section 8 of the FOI Act requires that we publish details about certain agency functions and documents. This includes details about how we are organised, our functions, decision-making powers, arrangements for public involvement, documents held and how members of the public can access them. These provisions are outlined at Appendix 6.

3.1.4 Information management

Information Technology systems are crucial to our operations. The objective of the IT Division is to deliver sustainable business-focused information systems and technology services that:

- + provide continuity for critical business IT systems
- + deliver IT support for each business process and border risk, and for emerging priorities
- + support an enterprise-wide approach to business intelligence and information management.

The strategies used by the IT Division to achieve its objectives are:

- + deliver on commitments to the Gershon Review initiatives
- + embed an IT business continuity and disaster recovery plan to ensure service availability
- + co-design approved IT solutions with business areas
- + deliver an approach for an enterprise business intelligence system that is aligned with organisational objectives.

CONSOLIDATION AND RATIONALISATION OF IT SERVICES

This year, the IT Division improved service management and demand management to provide a more flexible operations capability. We developed an enterprise architecture and corporate governance approach to avoid the pitfalls of developing multiple, bespoke solutions to common capability requirements. Adaptive reuse of common capability requirements is one of the key principles being embedded following the Gershon Review.

We have reviewed our major outsourcing service provider arrangements and negotiated improvements. Following an architectural review of software licences, we negotiated a new agreement with one of our leading vendors that allows for more flexible and lower cost licences.

We achieved the Gershon Review recommendation target for contractor reductions and introduced a renewed focus on attracting and retaining permanent IT staff, supported by the introduction of an agency IT labour force strategy.

INFORMATION MANAGEMENT WITHIN THE STRATEGIC BORDER MANAGEMENT PLAN

We established an Information Management Working Group, chaired by the Chief Information Officer, with a whole-of-government role in coordinating and driving information management initiatives in support of the Strategic Border Management Plan.

The first stage of a review assessed current capabilities and requirements in classified environments and how they will be developed to meet whole-of-government requirements set out in the National Security Roadmap 2020.

BUSINESS INTELLIGENCE CAPABILITY

The business intelligence (BI) taskforce created a foundation for improved business intelligence capability in the cargo process. The BI taskforce developed an integrated dataset that provides a single view of the end-to-end cargo process, as well as the entities and supply chains within it. We also developed a number of prototype business tools to support profile effectiveness evaluation, detection pattern analysis, views of consignment history and views of supply chain relationships across the cargo process.

This year, a decision was made to pause the activities of the BI taskforce, while a clear, cohesive enterprise systems strategy and BI roadmap is developed. The dataset and prototype application tools will be maintained during 2010–11 while the enterprise strategy is developed.

ELECTRONIC SYSTEMS

We developed a compliance strategy for record keeping and electronic document management this year. Record-keeping recommendations will be implemented over four years, commencing in 2010–11 with the centralisation of the records management function.

Following a successful trial, we will rollout a mobile smart-phone solution. We also started a pilot study to explore ideas to provide business benefits to work areas through mobility technology.

There were a number of unscheduled Integrated Cargo System (ICS) outages toward the end of 2009–10, meaning that the PBS service standards targets have not been met. These outages related to a range of infrastructure components within the environments that support the ICS and the Customs Connect Facility. The cause of the outages has been investigated and corrective action undertaken to prevent the problems recurring. We are embarking on an extensive infrastructure remediation program during 2010–11 to further assure the stability of these critical systems.

3.1.5 Infrastructure

We aim to provide appropriate infrastructure and services to support the agency's current and future needs. This is achieved through robust planning for priority requirements in a strategic property management plan and a national service delivery model.

STRATEGIC PROPERTY MANAGEMENT PLAN 2020

In October 2009, the Minister for Finance and Deregulation issued the Commonwealth property management guidelines. The guidelines contain the Government's policy for the management of property leased or owned by the Commonwealth and apply to all agencies subject to the *Financial Management and Accountability Act 1997* (FMA Act). The guidelines are largely principles based, but contain mandatory requirements for all agencies to have a property management plan and to provide data on properties leased and owned by FMA Act agencies to the Department of Finance and Deregulation biannually.

Our property management plan is currently being developed for submission to Department of Finance and Deregulation by 1 October 2010. To meet these requirements, and those of our multiyear planning framework, we are also developing a property capability plan to 2020–21, taking account of longer term strategies identified in the Border Management Outlook 2020 and the Strategic Border Management Plan. This work will be integrated with divisional workforce and operational property plans over the coming year.

3.2 Strategic projects

This year, we undertook a range of project leadership activities, as well as strategic projects across our programs to support the achievement of our outcome.

3.2.1 Project governance and management

New strategies in project design and governance are bringing about greater efficiencies in our operations.

CORPORATE PROJECT OFFICE

In 2008, we created a new branch, bringing together our existing project office and a new design capability. The Design and Corporate Project Office (CPO) Branch is an integrated centre of design and project management expertise that supports our ability to deliver well-governed and well-designed initiatives. This includes providing consultancy specialist advice, and monitoring and assurance for program and project managers who have significant project management accountability.

PROJECT GOVERNANCE FRAMEWORK

This year, CPO designed and delivered a new project framework that integrates best practice approaches to project governance and management, business solution design and user-centred design.

The framework integrates a project management approach with administrative design. It includes templates and guidance material, as well as tools, techniques and other support material to enable growth in our ability to manage change and implement projects. The CPO is now focusing on embedding the framework and its approach throughout the organisation. The framework forms the basis for how we manage projects throughout the agency.

With the project framework in place, the agency has taken further significant steps in planning and managing its change agenda.

MAJOR PROJECTS

At the beginning of 2010, we developed the first solution design blueprints for a number of major projects, with more on the way. The blueprints provide high-level business system and user experience structures for projects, and form the basis for detailed design. Concurrently, work began on a detailed design methodology to increase our ability to deliver project products that achieve strong business and user outcomes. Design as a capability has been maturing through the agency, and we have seen a marked, positive shift in projects' uptake of co-design processes and collaboration across divisions.

We also made project reporting improvements to increase senior visibility of project status, issues and exceptions.

This year, the Design and CPO Branch has been involved in the sign-off and completion of a number of significant projects, either through the Design Centre or through project advice and assurance in the CPO. These include medic services for Northern Patrol; Australian Maritime Identification System phase 3B; tenders for *Ashmore Guardian* and *Oceanic Viking*; a case management system for investigations; a communications data repository; Brisbane Customs House; arming of Customs and Border Protection officers; exams and detained goods management system business process enhancements; and the Four Ports Initiative.

INVESTMENT REVIEW COMMITTEE

The Investment Review Committee (IRC) commenced in March 2009 to strengthen the disciplines associated with investment project approvals and prioritisation across the agency. The IRC's principal role is to make funding recommendations to the Executive Committee in relation to the organisation's investment (capital and operating) budget. While not a formal governance board, the IRC complements the various project governance boards already in place that primarily focus on project delivery. The IRC is now embedded as a whole-of-agency change advisory board to the Customs and Border Protection executive. Membership of the IRC includes all National Directors and the National Manager, Design and Projects Office. During 2009–10, the IRC considered 123 investment proposals with 86 proposals being recommended to the Executive Committee for approval.

A number of improvements were made to the IRC process in 2009–10. A new Strategic Investment Proposal (SIP) process was developed to better support a multiyear view of the agency's investment agenda as well as better aligning our processes with whole-of-government capital budgeting reforms. One hundred and four SIPs were developed across the organisation to help build the Four Year Investment Budget.

The IRC processes were subject to an internal audit in October 2009 which recommended formalising a proposal 'pre-assessment' prior to submission to the IRC. The IRC Quality Assurance (QA) process pre-assessed 120 projects during 2009–10. The process was noted by an internal survey as being responsible for improving project documentation and streamlining the approval process. The IRC process continues to be refined and optimised and future improvements will be aligned to the P3M3 assessment to increase Customs and Border Protection's level of Portfolio Management Maturity.

Review of intelligence and targeting function

Over the last two years, we have adopted an important coordination role in many key areas of activity for the new national security community. As a result, a number of changes have affected the intelligence and targeting functions across the organisation. Given the pace of change, in 2010 the CEO requested a report addressing the question:

What do we want our intelligence and targeting capabilities to deliver within the next three to five years, and how will we achieve this?

To answer this question, a short but far-reaching review of our intelligence and targeting capabilities was conducted through interviews with key stakeholders within Customs and Border Protection and also with external stakeholders including the ACCC, AFP, ASIO, CrimTrac, AUSTRAC, Department of Immigration and Citizenship, Defence Intelligence Organisation and the Department of the Prime Minister and Cabinet.

Feedback from our external stakeholders showed we are well regarded by partner agencies. In particular, our generation of intelligence leads was noted, as well as the improvement to our strategic product over the last 12–18 months. The model applied within Customs and Border Protection to maritime people smuggling was highlighted as a positive example of interagency collaboration and information sharing.

The report included a number of recommendations across a broad spectrum of intelligence and targeting capabilities, including career streaming of intelligence analysts and ways to develop closer working relationships with our partner agencies.

4

PART FOUR: MANAGEMENT AND ACCOUNTABILITY

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4.1 Accountability

We have developed robust management systems to ensure effective operations, accountability and responsiveness to our clients.

4.1.1 External scrutiny

Customs and Border Protection is subject to a range of external reports and assessments.

MINISTERIAL REPRESENTATIONS

This year, the Minister for Home Affairs received 5184 items of correspondence that related to our operations. We provided the Minister with advice and recommendations on the 4032 items that required a response, and gave 466 briefings on significant activities and detections (Table 42).

Table 42: Ministerial correspondence and briefings

	2007–08	2008–09	2009–10
Ministerial correspondence received on Customs and Border Protection-related matters	2 107	2 370	5 184
Ministerial briefings provided by Customs and Border Protection	371	362	466

This year, the Minister received nine parliamentary questions on notice that required a response from our agency. Additionally, during the Senate Budget Estimates process, we responded to 50 questions on notice (Table 43).

Table 43: Questions on notice directed to Customs and Border Protection

	2007–08	2008–09	2009–10
Questions on notice directed to Customs and Border Protection	19	4	9
Questions on notice received from the House of Representatives	10	0	2
Questions on notice received from the Senate	9	4	7
Questions on notice received from Senate Budget Estimates	33	5	50

PRIVACY MATTERS

There were no complaints to the Privacy Commissioner against Customs and Border Protection this year.

REPORTS BY THE AUDITOR-GENERAL

As the statutory auditor under the *Financial Management and Accountability Act 1997*, the ANAO completes the audit of our financial statements and the special purpose audit of the cost recovery of GST administration and import processing services. The ANAO undertakes a number of performance audits of the agency each year, and the audit committee actively monitors ANAO activity in other agencies to determine whether other recommendations may be relevant to Customs and Border Protection. The performance audits that were finalised during the year are described in the following two sections.

Processing of inbound international passengers

The objective of the audit was to assess our pre-arrival and primary-line processing of inbound international air passengers, particularly the identification, referral and processing of inbound air passengers presenting an immigration or health risk. The audit also considered the arrangements in place to effectively promote cooperation and information sharing between Customs and Border Protection, the Department of Immigration and Citizenship and other relevant agencies. The ANAO found that our processing practices are appropriate and management activity is effective.

Illegal foreign fishing in Australia’s northern waters

The audit assessed our performance in managing and coordinating enforcement operations against illegal foreign fishing in Australia’s northern waters. There was a particular emphasis on the arrangements in place to coordinate the whole-of-government effort, including intelligence support, priority setting, tasking operational assets, and performance measurement and evaluation. The ANAO concluded that we have effectively managed and coordinated enforcement operations against illegal foreign fishing in northern waters, noting the substantial decline in the number and extent of incursions by foreign fishers into Australian waters and that all involved agencies regard the program as successful.

PARLIAMENTARY COMMITTEE REPORTS

Legal and constitutional affairs committee

We appeared before three Estimates hearings:

- + Supplementary Budget Estimates — 19 October 2009
- + Additional Estimates — 8 February 2010
- + Budget Estimates — 25 May 2010.

Parliamentary joint committees

Customs and Border Protection gave evidence at two public hearings:

- + October 2009 — Senate Standing Committee on Foreign Affairs, Defence and Trade Inquiry into matters relating to the Torres Strait
- + March 2010 — Joint Standing Committee of Public Accounts and Audits: Processing of Incoming International Air Passengers.

COMMONWEALTH OMBUDSMAN MATTERS

Table 44 outlines complaints and issues dealt with by the Commonwealth Ombudsman.

Table 44: Ombudsman complaints and issues

	2007–08	2008–09	2009–10
Number of approaches received	105	95	18
Number of approaches finalised	102	91	10
Number of issues raised and finalised	103	96	10
Findings of administrative deficiency following investigation	1	–	1
Decided not to investigate, or not to investigate further	89	84	10
Own motion investigations	1	–	–

4.1.2 Accountability to clients

We are committed to providing high-quality service to our clients. With the new Client Service Standards Practice Statement in place, we reviewed our benchmarks and, in August 2009, published the Client Service Charter and Standards.

CLIENT SERVICE, COMPLAINTS AND COMPLIMENTS

Our Client Service Charter and Standards establish benchmarks for service delivery to the community and other stakeholders to improve client focus and ensure that we are open and accountable to the public.

We welcome feedback from our clients on the range of services we provide and we monitor that feedback to identify areas for improvement. Our clients can provide feedback through a detachable portion of our Complaints and Compliments brochure, via the Customs and Border Protection website, by telephone, mail, email, or by speaking directly to one of our officers. All feedback is managed centrally through our Complaints and Compliments Management Unit, which was relocated from Canberra to our National Pay and Accounts Centre in Melbourne in July 2009.

We aim to respond to all complaints and compliments within 15 working days of receipt. Our average response time in 2009–10 for complaint cases was 11 working days, and the average response time for compliments was one day.

This year we received and investigated 1868 complaints and compliments. This represents a 15 per cent decrease from 2008–09. Tables 45–47 provide a breakdown of feedback received this year.

Table 45: Ratio of complaints to cargo, passenger and client service volumes

Comparison type	Ratio
Complaints to compliments	3:1
Complaints to air and sea passengers movements*	1:46379
Complaints to TEU inspected at Container Examination Facility~	1:780
Complaints to CI&SC contacts^	1:7333

CI&SC = Customs and Border Protection Information and Support Centre; TEU = twenty-foot equivalent units.
* All complaints related to air and sea movements (passenger and crew) compared to total passengers and crew movements.
~ Sea cargo complaints to total TEU inspected at Container Examination Facilities.
^ All CI&SC-related complaints made to CI&SC contacts

Table 46: Our top five complaint sentiments 2009–10

Sentiment	2009–10
Hold not removed	137
Officer was rude	133
Goods were damaged	74
Did not expect duty/tax	70
Always held	59

Note: The sentiment categories have changed from previous years, and would therefore not allow for precise or meaningful comparison.

Table 47: Our top five compliment sentiments 2009–10

Sentiment	20097–08	2008–09	2009–10
Appreciated assistance	174	153	139
Officer/s was helpful	208	140	106
Officer/s was professional	99	141	96
Officer/s was friendly	70	47	47
Process was efficient	56	56	43

4.2 Resource management

We pay careful attention to the management of our human, financial and environmental resources, to optimise our activities while minimising resource use.

4.2.1 Financial resource management

Improvements to our financial systems, policies, procedures, processes and advice ensured a higher level of compliance with our financial responsibilities and resulted in more effective use of resources. Our processes to ensure compliance with our financial and procurement responsibilities include:

- + coordinating Commonwealth budget processes and aligning funding with government priorities
- + managing the internal budget and allocations in line with our strategic direction and priorities
- + providing reliable financial systems and reporting to allow effective budget and resource management within the agency
- + reporting financial performance internally to executive management and externally to the Department of Finance and Deregulation
- + continually reviewing Chief Executive Instructions (CEIs) and other financial policies to ensure compliance with financial and procurement policies without compromising the efficient and effective delivery of functions. During the year, our CEIs and financial delegations were completely revised.

ASSET MANAGEMENT

A major review of asset management policies and procedures was undertaken over the last two years in response to a number of recommendations raised by the ANAO. As a result, we have made significant progress towards improving asset management within the agency. This progress has been acknowledged by the ANAO with the downgrading of a Category B finding related to asset management. A number of initiatives are planned for 2010–11 to ensure complete resolution of this finding.

As at 30 June 2010, we held non-financial assets with a written value of \$485.8 million. This compares to \$473.8 million at 30 June 2009. The rise reflects the net addition of a number of assets acquired during the year.

PURCHASING

Major acquisition projects of high value or high-risk are run by cross-functional teams that develop and revise guidance and policy documents, and maintain a contract recording system to streamline reporting. During the year we revised our project governance arrangements to provide stronger support for major projects.

We monitor compliance with legislative requirements and relevant Government procurement policies, such as the *Financial Management and Accountability Act 1997*, the *Financial Management and Accountability Regulations 1997* and the *Commonwealth Procurement Guidelines (CPG)*. We meet our financial reporting obligations by publishing business opportunities, contracts arranged with a value of \$10 000 or greater and an annual procurement plan on AusTender, as required in the CPG. Contract and grant

reporting is undertaken in line with government requirements, including the Senate Order on Departmental and Agency Contracts and the Commonwealth Grant Guidelines set out in Financial Management Guideline (FMG) 23, effective from July 2009.

4.2.2 Corporate resource management

We interact with a range of external providers to complement our activities.

CONSULTANTS

During 2009–10, 46 new consultancy contracts were entered into with a total expenditure of \$4 528 800. In addition, 15 ongoing consultancy contracts were active during the year with a total expenditure of \$2 934 525.

Table 48 shows a comparison of the number of consultancy contracts entered into during the previous three financial years.

Table 48: Number of consultancy contracts entered into by Customs and Border Protection

	2007–08	2008–09	2009–10
Number of consultancy contracts	92	46	47
Actual expenditure	\$7 843 799	\$4 136 440	\$4 528 800

Consultants are selected by open tender, select tender, direct sourcing or through a pre-existing panel arrangement in accordance with the CPG and CEIs. We have a panel of providers for consultancy and business services operating, but not all services provided under this panel will necessarily fall into the consultancy category.

Generally, we engage consultants to:

- + investigate or diagnose a defined issue or problem
- + carry out defined research, reviews and evaluations
- + provide independent advice, information or creative solutions
- + provide specialised services such as business advisory services and independent audit reviews.

The main purposes for which consultants were engaged include:

- + business service and IT advice
- + human resources and OHS advice and analysis
- + security risk review and analysis services
- + probity advice relating to procurement processes
- + architectural and construction advice.

Table 59 (Appendix 4) provides details of consultancy contracts during 2009–10 valued at \$10 000 or more. Information on expenditure of contracts and consultancies is also available on the AusTender website⁷.

Appendix C in 'Distinguishing Consultancies from Non-consultancy Contracts' in the Department of Finance and Deregulation's *Guidance on Procurement Publishing Obligations, July 2007 (FM Guidance No. 15)* was used in preparing the information on consultancies contained in this report.

⁷ www.tenders.gov.au

COMPETITIVE TENDERING AND CONTRACTING

Our competitive tendering and contracting operations are designed to achieve value for money, encourage competition and produce optimal results for the agency. All outsourced arrangements allow the Auditor-General to have access to the contractor's premises and records related to the contract.

EXEMPT CONTRACTS

Customs and Border Protection did not enter into any contracts that were exempt from the purchasing and disposal gazette in 2009–10.

GRANT PROGRAMS

We have not undertaken any grant programs this year. Details of grants provided by us can be viewed on our website at www.customs.gov.au/site/grants.asp.

5

PART FIVE:
FINANCIAL
PERFORMANCE

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5.1 Financial statements

The financial statements incorporate Customs and Border Protection’s financial statements, as well as the schedules relating to items that we administer on behalf of the Government.

A comprehensive set of notes to the financial statements is provided as required by the Finance Minister’s Orders, including Note 1: A summary of the significant accounting policies on which the financial statements have been prepared.

The financial statements include a statement by the CEO and the CFO that financial records have been properly maintained and that they give a true and fair view of the matters required by the Finance Minister’s Orders. The Auditor-General provides Customs and Border Protection with an unmodified independent audit report for the financial statements and this report has been included.

5.1.1 Agency statements

We reported a net operating surplus of \$4.5 million for 2009–10, compared with a net operating deficit of \$11.8 million last year. The previous year’s operating deficit was the result of adjustments flowing from a number of major reviews of our balance sheet position conducted during the year. The adjustments were non-cash based and largely one-off in nature.

Our total operating income for this year was \$1 102.2 million, compared to \$1 079.6 million in 2008–09. This operating income consisted of:

- + revenue from Government of \$1 028.3 million
- + sale of goods and services income of \$66.6 million
- + rental income of \$1.9 million
- + other revenue of \$4.7 million
- + other gains of \$0.7 million.

Although there has only been a moderate increase in appropriation funding, the composition of the funding has changed as a result of a range of lapsing or terminating measures, as well as through estimate, parameter and efficiency dividend changes. Revenue from the Government increased by a net \$19.6 million from last year.

The net increase is primarily due to increases in appropriation funding to strengthen border protection in response to the rise in people smuggling (\$26.8 million), offset by funding reductions for specific savings measures agreed by Government (\$14.5 million) and savings implemented as part of the Gershon Review (\$6.3 million).

Our total operating expenses for this year were \$1097.7 million, compared to \$1091.4 million last year. They comprised:

- + employee expenses of \$520.7 million
- + supplier expenses of \$488.8 million
- + depreciation and amortisation expenses of \$81.6 million
- + other expenses of \$6.7 million.

Total expenses increased by \$6.3 million: employee expenses decreased by \$0.8 million and supplier expenses increased by \$8.9 million. The increase in supplier expenses was primarily the result of the additional expenditure associated with measures agreed by Government to strengthen the response against people smuggling. Depreciation and amortisation decreased by \$1.3 million, which was predominantly driven by extending the useful lives of a number of assets, including CCTV, SmartGate and IT assets.

As at 30 June 2010, we held non-financial assets of \$485.8 million, compared to \$473.8 million at 30 June 2009. The rise reflects the net addition of a number of assets acquired during the year. The ongoing financial sustainability of the organisation remains strong, with our overall cash position at 30 June 2010, including appropriation receivable, being \$165.1 million, up from \$150 million at the end of 2008–09.

Total equity is reported as \$407.1 million this year, compared with \$399.1 million at the end of 2008–09. This increase reflects:

- + \$5.2 million in additional equity provided by the Government for the capital acquisitions as outlined in the 2009–10 Portfolio Budget Statements and Portfolio Additional Estimates Statements
- + a decrease in the asset revaluation reserve of \$1.7 million
- + the operating surplus for 2009–10 of \$4.5 million.

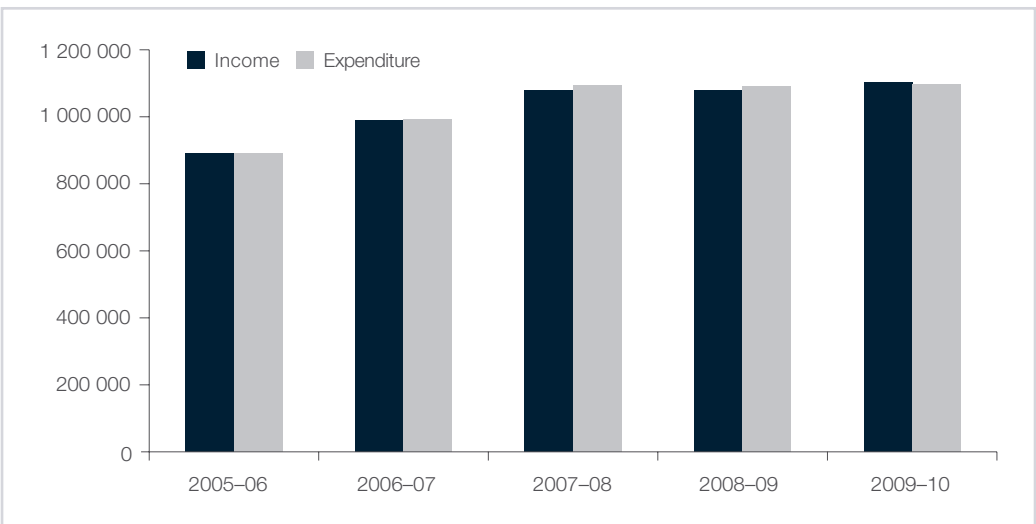
Our income and expenses over a five-year period are outlined in Table 49 and Figure 14.

Table 49: Departmental income and expenditure

	2005–06 (\$000)	2006–07 (\$000)	2007–08 (\$000)	2008–09 (\$000)	2009–10 (\$000)
Income	891 950	990 577	1 078 945	1 079 580	1 102 213
Expenditure	890 177	992 430	1 094 424	1 091 428	1 097 713

During 2008–09, the Customs and Border Protection accounting treatment for Resources Received Free of Charge (RRFOC) from the Department of Defence was amended so that RRFOC are not recognised in the accounts of Customs and Border Protection. The change was to recognise that the working relationship between the two organisations is more akin to a joint operation rather than one of a service. RRFOC income and expenses has been excluded from the above figures.

Figure 14: Departmental income and expenditure



5.1.2 Administered schedule

A schedule of administered items is presented in tables 50 and 51, and Figure 15, with the financial statements disclosing all revenues, expenses, assets, liabilities, cashflows, commitments, contingent assets and liabilities.

Table 50: Administered revenue

	2005–06 (\$000)	2006–07 (\$000)	2007–08 (\$000)	2008–09 (\$000)	2009–10 (\$000)
Income	5 488 132	6 185 388	6 629 765	6 920 825	6 456 481

Figure 15: Administered revenue

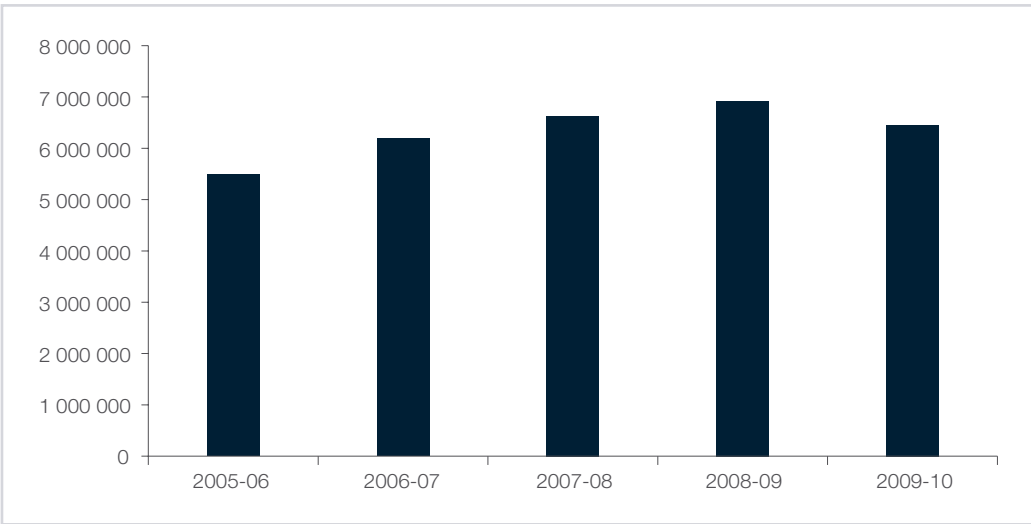


Table 51: Components of administered revenue

	2007–08 \$000	2008–09 \$000	2009–10 \$000
Taxation revenue			
Customs duty	6 068 978	6 274 354	5 745 700
Passenger Movement Charge	420 016	502 810	571 322
Import processing and depot charges	137 082	129 020	135 739
Total taxation revenue	6 626 076	6 906 184	6 452 761
Fees, fines and prosecutions	1 896	12 143	1 724
Interest	35	52	60
Other revenue	1 758	2 446	1 936
Total non-taxation revenue	3 689	14 641	3 720
Total administered revenue	6 629 765	6 920 825	6 456 481

The decrease in duty collections of \$528.6 million between 2009–10 and 2008–09 can be attributed to the stronger-than-expected performance of the Australian dollar in 2009–10. A stronger Australian dollar decreases the customs value of imports with a corresponding decline in the value of the duty on those imports. The reduction in tariff rates on certain items from 1 January 2010 also contributed to lower duty collections compared to 2008–09.

Revenue from the passenger movement charge (PMC) this year was \$571.3 million, an increase of \$68.5 million over the 2008–09 revenue of \$502.8 million. This was due to stronger-than-expected outbound passenger numbers. The increase in PMC collections is also attributable to the volatility of the Australian dollar (particularly against the US dollar) which makes travel less expensive, and to discounted airfares from major carriers that continue to promote international travel.

Revenue from import processing charges was \$6.7 million higher in 2009–10 compared to 2008–09. This was a result of higher than expected imports as the impact of the global financial crisis dissipated. The impact of the crisis on imports was not as severe as was forecast. The expected revenue to be generated from a higher level of imports was offset by variations in the exchange rate. The overall effect of the stronger Australian dollar resulted in the Customs and Border Protection value of imports declining, which in turn resulted in a greater number of imports falling below the incoming passenger card (IPC) threshold of \$1 000.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Home Affairs

Scope

I have audited the accompanying financial statements of the Australian Customs and Border Protection Service for the year ended 30 June 2010, which comprise: the Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Schedule of Asset Additions; Schedule of Administered Items; and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

The Responsibility of the Chief Executive for the Financial Statements

The Australian Customs and Border Protection Service's Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Australian Customs

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and Border Protection Service's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Australian Customs and Border Protection Service's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Australian Customs and Border Protection Service's Chief Executive, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial statements of the Australian Customs and Border Protection Service:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Australian Customs and Border Protection Service's financial position as at 30 June 2010 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

Carla Jago

Executive Director

Delegate of the Auditor-General

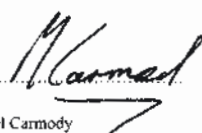
Canberra

7 September 2010

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2010 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed: 
Michael Carmody
Chief Executive

7 September 2010

Signed: 
Steven Groves
Chief Financial Officer

7 September 2010

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
EXPENSES			
Employee benefits	3A	520,688	521,505
Supplier expenses	3B	488,761	479,873
Depreciation and amortisation	3C	81,563	82,897
Write-down and impairment of assets	3D	4,002	5,714
Losses from asset sales	3E	2,696	1,084
Other	3F	7	357
Total expenses		1,097,717	1,091,428
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	66,578	63,706
Rental income	4B	1,891	1,899
Other	4C	4,743	4,274
Total own-source revenue		73,212	69,879
Gains			
Other	4D	743	1,004
Total gains		743	1,004
Total own-source income		73,955	70,883
Net cost of services		1,023,762	1,020,545
Revenue from Government	4E	1,028,258	1,008,697
Surplus (Deficit) attributable to the Australian Government		4,496	(11,848)
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserves		(1,703)	20,447
Total other comprehensive income		(1,703)	20,447
Total comprehensive income		2,793	8,599
Total comprehensive income attributable to the Australian Government		2,793	8,599

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

BALANCE SHEET

as at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	2,589	7,826
Trade and other receivables	5B	175,652	152,390
Total financial assets		178,241	160,216
Non-Financial Assets			
Land and buildings	6A	139,824	132,418
Property, plant and equipment	6B	135,378	129,934
Intangibles	6D	195,162	193,456
Inventories	6E	2,087	1,983
Other	6F	13,323	15,992
Total non-financial assets		485,774	473,783
Total Assets		664,015	633,999
LIABILITIES			
Payables			
Suppliers	7A	70,524	61,219
Other	7B	21,669	19,388
Total payables		92,193	80,607
Provisions			
Employee provisions	8A	147,969	141,606
Other	8B	16,729	12,694
Total provisions		164,698	154,300
Total Liabilities		256,891	234,907
Net Assets		407,124	399,092
EQUITY			
Parent Entity Interest			
Contributed equity		332,840	327,601
Reserves	1.19	45,891	47,594
Retained surplus		28,393	23,897
Total parent entity interest		407,124	399,092
Total Equity		407,124	399,092

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2010

	Retained earnings	Asset revaluation reserves	Contributed equity/ capital	Total equity
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance	23,897	35,746	47,594	367,311
Balance carried forward from previous period				
Comprehensive income	4,496	(11,848)	(1,703)	(1,703)
Other comprehensive income - Changes in asset revaluation reserves				
Surplus for the period				
Total comprehensive income	4,496	(11,848)	(1,703)	(1,703)
of which:				
attributable to Australian Government				
Transactions with owners	4,496	(11,848)	(1,703)	2,793
Contributions by owners				
Appropriation (equity injection)				
Reduction in prior year appropriation				
Sub-total transactions with owners	4,496	(11,848)	(1,703)	2,793
Closing balance as at 30 June	28,393	23,897	45,891	399,092
Closing balance attributable to the Australian Government	28,393	23,897	45,891	399,092

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

CASH FLOW STATEMENT

for the period ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		63,369	62,049
Appropriations		1,007,906	995,175
Net GST received		55,012	53,067
Other		234	272
Total cash received		1,126,521	1,110,563
Cash used			
Employees		511,011	508,070
Suppliers		470,172	477,745
Net GST paid		56,059	56,345
Other		7	1,038
Total cash used		1,037,249	1,043,198
Net cash from operating activities	9	89,272	67,365
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		-	298
Total cash received		-	298
Cash used			
Purchase of property, plant and equipment		67,270	70,285
Purchase of intangibles		32,478	41,915
Total cash used		99,748	112,200
Net cash used by investing activities		(99,748)	(111,902)
FINANCING ACTIVITIES			
Cash received			
Contributed equity		5,239	43,144
Total cash received		5,239	43,144
Net cash from financing activities		5,239	43,144
Net decrease in cash held		(5,237)	(1,393)
Cash and cash equivalents at the beginning of the reporting period		7,826	9,219
Cash and cash equivalents at the end of the reporting period	5A	2,589	7,826

The above statement should be read in conjunction with the accompanying notes.

During 2009-10, Customs and Border Protection amended its approach to classifying cash used for Investing Activities. The 2008-09 comparative has been adjusted to this revised approach.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

SCHEDULE OF COMMITMENTS

as at 30 June 2010

	2010 \$'000	2009 \$'000
BY TYPE		
Commitments Receivable		
Sublease rental income	(5,838)	(4,332)
GST recoverable on commitments	(24,894)	(33,176)
Total Commitments Receivable	(30,732)	(37,508)
Commitments Payable		
Capital commitments		
Intangibles	540	515
Total capital commitments	540	515
Other commitments		
Operating leases ¹	261,997	285,464
Other Commitments	11,293	13,372
Total other commitments	273,290	298,836
Total Commitments Payable	273,830	299,351
Net commitments by type	243,098	261,843
BY MATURITY		
Commitments Receivable		
Operating lease income		
One year or less	(2,463)	(1,211)
From one to five years	(3,375)	(3,119)
Over five years	-	(2)
Total operating lease income	(5,838)	(4,332)
Other commitments receivable		
One year or less	(9,219)	(10,482)
From one to five years	(11,774)	(13,301)
Over five years	(3,901)	(9,392)
Total other commitments receivable	(24,894)	(33,175)
Commitments Payable		
Capital Commitments		
One year or less	540	515
Total capital commitments	540	515
Operating Lease Commitments		
One year or less	89,571	91,814
From one to five years	129,518	146,368
Over five years	42,908	47,281
Total operating lease commitments	261,997	285,463
Other Commitments		
One year or less	11,293	13,372
Total other commitments	11,293	13,372
Net commitments by maturity	243,098	261,843

NB: Commitments are GST inclusive where relevant

1. Operating leases included are effectively non-cancellable and comprise:

Nature of lease	General description of leasing or contract arrangement
Leases for office accommodation	Most, but not all lease payments are subject to annual adjustments based on, fixed increases, Consumer Price Index (CPI) or market reviews.
Other	This class of Commitments includes, coastal surveillance related leases such as aircraft and vessels.

The above schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

SCHEDULE OF CONTINGENCIES

as at 30 June 2010

	2010 \$'000	2009 \$'000
Contingent assets		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	-	-
Total contingent assets	-	-
Contingent liabilities		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	782	1,526
Total contingent liabilities	782	1,526
Net contingent assets (liabilities)	(782)	(1,526)

The above schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

SCHEDULE OF ASSET ADDITIONS

for the period ended 30 June 2010

The following non-financial non-current assets were added in 2009-10:

	Land \$'000	Buildings \$'000	Other property, plant & equipment \$'000	Intangibles \$'000	Total \$'000
Additions funded in the current year					
By purchase - appropriation equity	-	2,822	9,962	8,325	21,109
By purchase - appropriation ordinary annual services	300	21,576	32,715	22,663	77,254
Total additions funded in the current year	300	24,398	42,677	30,988	98,363
Additions recognised in 2009-10 - to be funded in future years					
Make-good	-	-	4,831	-	4,831
Total additions recognised in future years	-	-	4,831	-	4,831
Total asset additions	300	24,398	47,508	30,988	103,194

The following non-financial non-current assets were added in 2008-09:

	Land \$'000	Buildings \$'000	Other property, plant & equipment \$'000	Intangibles \$'000	Total \$'000
Additions funded in the current year					
By purchase - appropriation equity	-	-	15,665	27,479	43,144
By purchase - appropriation ordinary annual services	-	29,634	24,987	14,447	69,068
Total additions funded in the current year	-	29,634	40,652	41,926	112,212
Additions recognised in 2008-09 - to be funded in future years					
Make-good	-	-	2,239	-	2,239
Total additions recognised in future years	-	-	2,239	-	2,239
Total asset additions	-	29,634	42,891	41,926	114,451

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

SCHEDULE OF ADMINISTERED ITEMS

	Notes	2010 \$'000	2009 \$'000
Income administered on behalf of Government			
<i>for the period ended 30 June 2010</i>			
Revenue			
Taxation revenue			
Customs duty		5,745,700	6,274,354
Passenger Movement Charge		571,322	502,810
Import processing and depot charges		135,739	129,020
Total taxation revenue		6,452,761	6,906,184
Non-taxation revenue			
Fees, fines & prosecutions		1,724	12,143
Interest		60	52
Other revenue		1,936	2,446
Total non-taxation revenue		3,720	14,641
Total revenues administered on behalf of Government		6,456,481	6,920,825
Expenses administered on behalf of Government			
<i>for the period ended 30 June 2010</i>			
Suppliers expenses		831	-
Write down and impairment of assets		389	14,183
Total expenses administered on behalf of Government		1,220	14,183

This schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

SCHEDULE OF ADMINISTERED ITEMS

	Notes	2010 \$'000	2009 \$'000
Assets administered on behalf of Government			
<i>as at 30 June 2010</i>			
Financial assets			
Cash and cash equivalents	15A	981	1,155
Taxation receivables	15B	127,119	113,692
Other non-taxation receivables	15C	1,790	3,884
Total financial assets		129,890	118,731
Non-financial assets			
Inventories		25	24
Total non-financial assets		25	24
Total assets administered on behalf of Government		129,915	118,755
Liabilities administered on behalf of Government			
<i>as at 30 June 2010</i>			
Payables			
Unearned revenue		3,107	3,171
Other payables		471	13
Total payables		3,578	3,184
Interest bearing liabilities			
Security deposits		3,939	4,941
Total interest bearing liabilities		3,939	4,941
Total liabilities administered on behalf of Government		7,517	8,125

This schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

SCHEDULE OF ADMINISTERED ITEMS

	Notes	2010 \$'000	2009 \$'000
Administered Cash Flows			
<i>for the period ended 30 June 2010</i>			
OPERATING ACTIVITIES			
Cash received			
Customs duty		5,830,478	6,209,322
Passenger Movement Charge		564,497	491,146
Import processing and depot charges		135,839	128,894
Interest		60	52
Tourist Refund Scheme drawings		420	668
Other non-taxation revenue		5,295	9,229
Special accounts		3,682	4,251
Total cash received		6,540,271	6,843,562
Cash used			
Refunds of duty and other taxes		404,500	386,232
Refunds of GST ¹ (on imports), WET ² & LCT ³		15,410	16,258
Tourist Refund Scheme		68,709	72,714
Special Accounts		4,684	4,464
Supplier expenses		366	-
Total cash used		493,669	479,668
Net cash flows from (used by) operating activities		6,046,602	6,363,894
Net Increase (Decrease) in Cash Held		6,046,602	6,363,894
Cash and cash equivalents at the beginning of the reporting period		1,155	766
Cash from Official Public Account for:			
- Appropriations		413,716	386,232
- Refunds of GST ¹ (on imports), WET ² & LCT ³		15,425	16,258
- Tourist Refund Scheme		68,709	72,714
- Special accounts		4,684	4,464
- Supplier expenses		831	-
		503,365	479,668
Cash to Official Public Account for:			
- Administered receipts		(6,546,023)	(6,838,254)
- Return of Tourist Refund Scheme drawings		(420)	(668)
- Special accounts		(3,699)	(4,251)
		(6,550,142)	(6,843,173)
Cash and cash equivalents at the end of the reporting period	15A	981	1,155

This schedule should be read in conjunction with the accompanying notes.

¹ Goods and Services Tax

² Wine Equalisation Tax

³ Luxury Car Tax

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

SCHEDULE OF ADMINISTERED ITEMS (continued)

	2010 \$'000	2009 \$'000
Administered Contingencies		
<i>as at 30 June 2010</i>		
Administered contingent assets		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	1,894	1,594
Total administered contingent assets	1,894	1,594
Administered contingent liabilities		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	-	-
Total administered contingent liabilities	-	-
Net administered contingent assets (liabilities)	1,894	1,594

The above schedule should be read in conjunction with the accompanying notes.

Unquantifiable and remote but material contingencies are disclosed in Note 17.

Statement of Activities Administered on Behalf of Government

The major administered activities of the Australian Customs and Border Protection Service are directed towards achieving effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movements across the border, raises revenue and provides trade statistics.

The major financial activities administered are the collection of duty, the passenger movement charge and import processing charges. Details of planned activities for the year can be found in Customs and Border Protection Portfolio Budget and Portfolio Additional Estimates Statement for the 2009-10 financial year which have been tabled in the Parliament.

Customs and Border Protection had no Administered Commitments for 2009-10 or 2008-09.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of Australian Customs and Border Protection Service

The Australian Customs and Border Protection Service (Customs and Border Protection) is an Australian Public Service organisation. Customs and Border Protection plays a vital role in the management of the border continuum by providing border protection services in a way that best supports legitimate trade and safe travel. Customs and Border Protection performs its activities at the border in partnership with, and on behalf of, the community, industry and other government law enforcement and regulatory agencies.

Customs and Border Protection is an agency within the Attorney-General's portfolio. Customs and Border Protection is structured to meet one outcome: *the protection of the safety, security and commercial interests of Australians through border protection designed to support legitimate trade and travel and ensure collection of border revenue and trade statistics.*

Customs and Border Protection activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by Customs and Border Protection in its own right. Administered activities involve the management or oversight by Customs and Border Protection, on behalf of the Government, of items controlled or incurred by the Government.

Departmental activities are identified under five programs.

Programs	
Program 1.1	Passenger Facilitation
Program 1.2	Trade Facilitation
Program 1.3	Border Protection and Enforcement
Program 1.4	Civil Maritime Surveillance and Response
Program 1.5	Border Related Revenue Collection

The continued existence of Customs and Border Protection in its present form and with its present programs is dependent on Government policy and on continuing appropriations by Parliament for its administration and programs.

Customs and Border Protection collects revenue on behalf of the Government as an administered activity.

1.2 Basis of Preparation of the Financial Statements

The Financial Statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are general purpose financial statements.

The Financial Statements have been prepared in accordance with:

- Finance Minister's Orders (or FMO's) for reporting periods ending on or after 1 July 2009; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The Financial Statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The Financial Statements are presented in Australian dollars and values are rounded to the nearest thousand dollars, unless otherwise specified.

Unless alternative treatment is specifically required by accounting standards or the FMO's, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to Customs and Border Protection or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Unless alternative treatment is specifically required by an accounting standard or the FMO's, income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.24.

1.3 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, Customs and Border Protection has made the following judgement that has the most significant impact on the amounts recorded in the financial statements:

- The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer. In some instances, Customs and Border Protection buildings are purpose built and may in fact realise more or less in the market.

1.4 New Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the effective date as stated in the standard.

The following new standards and amendments to standards were issued prior to the signing of the statement by the Chief Executive Officer and Chief Financial Officer, were applicable to the current reporting period and had a financial impact on the operations of Customs and Border Protection:

AASB 7	Financial Instruments: Disclosures
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 132	Financial Instruments: Presentation
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 1031	Materiality
AASB 1048	Interpretation of Standards
Interp. 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
Interp. 4	Determining whether an Arrangement contains a Lease
Interp. 8	Scope of AASB 2
Interp. 10	Interim Financial Reporting and Impairment
Interp. 115	Operating Leases – Incentives
Interp. 132	Intangible Assets – Web Site Costs
Interp. 1019	The Superannuation Contributions Surcharge
Interp. 1031	Accounting for the Goods and Services Tax (GST)
Interp. 1039	Substantive Enactment of Major Tax Bills in Australia

Other new standards/revised standards/interpretations/amending standards that were issued prior to the signing of the statement by the Chief Executive Officer and Chief Financial Officer and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on the entity.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Future Australian Accounting Standard Requirements

The following amendments to standards were issued by the Australian Accounting Standards Board prior to the signing of the statement by the Chief Executive Officer and Chief Financial Officer, which are expected to have a financial impact on Customs and Border Protection for future reporting periods.

AASB 7	Financial Instruments: Disclosures
AASB 9	Financial Instruments
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 132	Financial Instruments: Presentation
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 1053	Application of Tiers of Australian Accounting Standards
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]
AASB 2010-2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] - 23 Jun 2010
Interp. 4	Determining whether an Arrangement contains a Lease
Interp. 1039	Substantive Enactment of Major Tax Bills in Australia

Other new standards/revised standards/interpretations/amending standards that were issued prior to the signing of the statement by the Chief Executive Officer and Chief Financial Officer and are applicable to the future reporting period did not have a financial impact, and are not expected to have a future financial impact on the entity.

1.5 Revenue

Revenue from Government

Amounts appropriated for departmental programs for the year (adjusted for any formal additions and reductions) are recognised as revenue when Customs and Border Protection gains control of the appropriation, except for certain amounts which relate to activities that are reciprocal in nature, in which case, revenue is recognised only when it has been earned.

Customs and Border Protection undertakes an activity under the Passenger Workload Growth Agreement which is funded on a reciprocal basis and therefore, where applicable, an appropriation receivable is recognised in the current period for additional workloads supplied although this revenue will not be formally appropriated until the next period (Note 5B). Appropriation receivables are recognised at their nominal amounts.

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature, i.e. whether or not they have been generated in the course of ordinary activities of Customs and Border Protection.

Other Types of Revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- Customs and Border Protection retains no managerial involvement nor effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to Customs and Border Protection.

Revenue from the rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction have flowed to Customs and Border Protection.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
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Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed as at balance date. Allowances are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

1.6 Gains

Resources Received Free of Charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government Agency or Authority as a consequence of a restructuring of administrative arrangements (Refer to Note 1.7).

Sale of Assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

1.7 Transaction with the Government as Owner

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in Contributed Equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Australian Government Agency or Authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Other distributions to owners

There was no distribution to owners in 2009-10 financial year. In 2008-09, by agreement with the Department of Finance and Deregulation, Customs and Border Protection relinquished control of surplus output appropriation funding of \$3,000,000 which was returned to the Official Public Account.

1.8 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of Customs and Border Protection is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including Customs and Border Protection employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave as at 30 June 2010 has been determined by reference to the work of an actuary conducted during 2008-09. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation. The liability is discounted using the 10 year Government Bond Rate as at 30 June 2010.

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Superannuation

Customs and Border Protection employees are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and the PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

Customs and Border Protection makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of Customs and Border Protection employees. Customs and Border Protection accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

1.10 Borrowing Costs

All borrowing costs are expensed as incurred.

1.11 Cash

Cash and cash equivalents includes cash on hand, cash held with outsiders, demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.12 Financial Assets

Customs and Border Protection classifies its financial assets in the following categories:

- financial assets 'at fair value through profit or loss';
- 'held-to-maturity investments';
- 'available-for-sale' financial assets; and
- 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon 'trade date'.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised 'at fair value through profit or loss'.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
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Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- have been acquired principally for the purpose of selling in the near future;
- are a part of an identified portfolio of financial instruments that the Agency manages together and has a recent actual pattern of short-term profit-taking; or
- are derivatives that are not designated and effective as a hedging instrument.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in the profit and loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in reserve is included in profit and loss for the period.

Where a reliable fair value can not be established for unlisted investments in equity instruments cost is used. Customs and Border Protection has no such instruments.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised by applying the effective yield basis. Customs and Border Protection has no such investments.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at each reporting period.

- *Financial assets held at amortised cost* - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.
- *Available for sale financial assets* - if there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.
- *Financial assets held at cost* - if there is objective evidence that an impairment loss has been incurred the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

1.13 Investments in Associates

Under the equity method, investments in the associates are carried in Customs and Border Protection's balance sheet at cost as adjusted for the post-acquisition changes in Customs and Border Protection's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment. After the application of the equity method, Customs and Border Protection determines whether it is necessary to recognise any impairment loss with respect to the net investment in associates. Customs and Border Protection has no such investments.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

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1.14 Jointly Controlled Entities

Interests in jointly controlled entities in which Customs and Border Protection is a venturer (and so has joint control) are accounted for using the equity method. Customs and Border Protection has no such interests.

1.15 Financial Liabilities

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities. Financial liabilities are recognised and derecognised upon ‘trade date’.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.16 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.17 Financial Guarantee Contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 Financial Instruments: Recognition and Measurement. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

1.18 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor accounts immediately prior to restructuring.

1.19 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than the threshold specified below, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

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Asset Class	Threshold
Internally Developed Software (New)	\$250,000
Internally Developed Software (Enhancements)	\$100,000
Purchased Software	\$100,000
Buildings and Leasehold Improvements	\$50,000
All Other Assets	\$5,000

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to ‘makegood’ provisions in property and vessel leases taken up by Customs and Border Protection where there exists an obligation to restore the property to its original condition. These costs are included in the value of Customs and Border Protection’s leasehold improvements with a corresponding provision for the ‘makegood’ recognised.

Based on advice from the outsourced property manager (United Property Group) the provision for makegood was revised in June 2010. The provision for makegood reflects current market values for making good the properties Customs and Border Protection lease as required by those leases. This reassessment of the provision has been adjusted against the asset revaluation reserve.

Revaluations

Fair values for each class of asset are determined as shown below.

Asset class	Fair value measured at:
Land	Market selling price
Buildings excl. Leasehold Improvements	Market selling price
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant & equipment	Market selling price
Heritage and cultural assets	Market selling price

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets’ fair values at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to Customs and Border Protection using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. All new assets are generally assigned useful lives as identified in the table below. In some limited cases, specific management advice may result in a useful life, for a particular asset, being assigned outside the ranges specified below.

When reassessing the useful lives of some assets, their total useful life (initial life plus extension) may extend beyond the ranges identified below. Any extension in useful life is performed with reference to the useful lives specified below and will not exceed the useful life periods applying to that category of asset.

Depreciation rates applying to each class of depreciable asset are generally based on the following useful lives.

	2010	2009
Buildings on freehold land	Up to 40 years	Up to 40 years
Leasehold improvements	Lease term	Lease term
Plant and Equipment	3 to 7 years	3 to 7 years
Customs and Border Protection vessels	10 to 15 years	10 to 15 years
Operational equipment	5 years	5 years
X-Ray equipment	7 years	7 years
Historical and antique items	50 years	50 years

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
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Impairment

All assets were assessed for impairment at 30 June 2010. Where indications of impairment exist, the asset’s recoverable amount is estimated and an impairment adjustment made if the asset’s recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset’s ability to generate future cash flows, and the asset would be replaced if Customs and Border Protection were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.20 Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Where an investment property is acquired at no cost or for a nominal cost, its cost is deemed to be its fair value as at the date of acquisition.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or losses on disposal of an investment property are recognised in profit or loss in the year of disposal. Customs and Border Protection has no investment properties.

1.21 Intangibles

Customs and Border Protection’s intangibles comprise internally developed software for internal use and purchased software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of Customs and Border Protection software is 3 to 10 years (2008-09: 3 to 10 years). When reassessing the useful lives of some intangibles their total useful life may extend beyond the initial useful lives identified. The reassessment of the remaining useful life did not exceed the periods identified.

All software assets were assessed for indications of impairment as at 30 June 2010.

1.22 Inventories

Inventories held for sale are valued at the lower of cost and net realisable value. Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- raw materials and stores - purchase cost on a first in first out basis; and
- finished goods and work in progress - cost of direct materials and labour plus attributable costs that are capable of being allocated on a reasonable basis.

Inventories acquired at no cost or nominal consideration are initially measured at current replacement cost at the date of acquisition.

1.23 Taxation / Competitive Neutrality

Customs and Border Protection is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
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1.24 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedule of Administered Items and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Administered Cash Transfers to and from the Official Public Account

Revenue collected by Customs and Border Protection for use by the Government rather than the agency is Administered Revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by Customs and Border Protection on behalf of the Government and reported as such in the Statement of Cash Flows in the Schedule of Administered Items and in the Administered Reconciliation Table in Note 16.

Revenue

All administered revenues are revenues relating to the course of ordinary activities performed by Customs and Border Protection on behalf of the Australian Government.

Fees and charges are levied on individuals leaving Australia. Administered fees and charges are recognised in the period the fee or charge is incurred. Fees and charges are recognised at their nominal amount due less any allowance for impairment. Collectability of debts is reviewed at balance date. Allowances are made when collection of the debt is judged to be less, rather than more likely.

Duties are debts of the Crown according to s153 of the *Customs Act 1901* and are payable by the owner of the goods and recoverable at any time in any court of competent jurisdiction. Revenue related to imports is recognised in accordance with s132A of the *Customs Act 1901*.

Customs and Border Protection undertakes checks to verify compliance in an environment that is largely self-regulated, by intervening in transactions proportionately to the perceived levels of risk in a given situation.

Customs Compliance Assurance Strategy (CCAS) is an intelligence driven program developed by Customs and Border Protection to deliver an international trading environment that is typified by high levels of self-regulated compliance with Government requirements.

- Specifically, CCAS aims to give Government and the community confidence that:
- Reporting of all cargo and vessels entering or leaving Australia is accurate and timely allowing Customs and Border Protection to fulfil its regulatory role;
 - Licence and permit requirements, prohibitions and restrictions in relation to imported and exported goods are complied with;
 - The correct amount of revenue is paid or identified for collection or consideration;
 - Community protection programs related to imported and exported goods are effectively implemented; and
 - Accurate and reliable data on trade statistics is provided to Customs and Border Protection.

CCAS comprises three levels of activity delivered via integrated and nationally managed and planned programs utilising business processes that allow Customs and Border Protection to test both the generality and specifics of the environment. These can broadly be regarded as monitoring, response and enforcement activities.

Other Revenue

Administered fines are recognised when the court passes judgement.

Inventory - valuation of abandoned and seized assets held for sale

Inventories held for sale are valued at net realisable value.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
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Note 2: Events After the Reporting Period

No events occurred after the reporting period.
(2009: There were no events that occurred after the reporting period)

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
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Note 3: Expenses

	2010 \$'000	2009 \$'000
<u>Note 3A: Employee Benefits</u>		
Wages and salaries	318,170	311,059
Superannuation:		
Defined contribution plans	13,545	14,301
Defined benefit plans	60,313	63,681
Leave and other entitlements	116,954	121,875
Separation and redundancies	3,074	1,120
Other employee expenses	8,632	9,469
Total employee benefits	520,688	521,505
<u>Note 3B: Suppliers</u>		
Goods and services		
Vessels and coastal surveillance (excludes operating leases)	66,308	67,198
Contractor & consultants	45,788	50,768
IT (excludes operating leases)	44,918	47,738
Property (includes overseas posts and excludes operating leases)	15,197	12,966
Travel	20,628	19,217
HR related expenses	16,316	15,370
Legal & insurance	8,886	9,636
General operational	40,692	47,457
Other	12,547	11,781
Total goods and services	271,280	282,131
Goods and services are made up of:		
Provision of goods - related entities	352	687
Provision of goods - external entities	29,192	25,651
Rendering of services - related entities	8,304	11,134
Rendering of services - external entities	233,432	244,659
Total goods and services	271,280	282,131
Other supplier expenses		
Operating lease rentals – external parties:		
Minimum lease payments	209,676	185,945
Workers compensation expenses	7,805	11,797
Total other supplier expenses	217,481	197,742
Total supplier expenses	488,761	479,873

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
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Note 3: Expenses

	2010 \$'000	2009 \$'000
Note 3C: Depreciation and Amortisation		
Depreciation:		
Property, plant and equipment	37,384	38,981
Buildings	15,569	14,344
Total depreciation	52,953	53,325
Amortisation:		
Intangibles:		
Computer Software	28,610	29,572
Total amortisation	28,610	29,572
Total depreciation and amortisation	81,563	82,897
Note 3D: Write-Down and Impairment of Assets		
Asset write-downs and impairments from:		
Impairment on financial instruments	940	(138)
Impairment on intangible assets	672	3,025
Impairment of property, plant and equipment	1,965	-
Revaluation decrement - property, plant and equipment	-	2,827
Other	425	-
Total write-down and impairment of assets	4,002	5,714
Note 3E: Losses from Asset Sales		
Land and buildings:		
Proceeds from sale	-	-
Carrying value of assets sold /disposed	1,360	11
Property, plant and equipment:		
Proceeds from sale	-	(298)
Carrying value of assets sold /disposed	1,336	1,263
Intangibles:		
Proceeds from sale	-	-
Carrying value of assets sold /disposed	-	108
Total losses from asset sales/disposals	2,696	1,084
Note 3F: Other Expenses		
Defective administration claims	7	357
Total other expenses	7	357

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 4: Income

	2010 \$'000	2009 \$'000
REVENUE		
Note 4A: Sale of Goods and Rendering of Services		
Provision of goods - related entities	128	72
Provision of goods - external entities	518	177
Rendering of services - related entities	58,524	53,753
Rendering of services - external entities	7,408	9,704
Total sale of goods and rendering of services	66,578	63,706
Note 4B: Rental Income		
Operating lease	1,891	1,899
Total rental income	1,891	1,899
Note 4C: Other Revenue		
Resources received free of charge	4,509	4,002
Other non-tax revenues	234	272
Total other revenue	4,743	4,274
GAINS		
Note 4D: Other Gains		
Resources received free of charge	740	740
Other gains	3	264
Total other gains	743	1,004
REVENUE FROM GOVERNMENT		
Note 4E: Revenue from Government		
Appropriations:		
Departmental outputs	1,028,258	1,008,697
Total revenue from Government	1,028,258	1,008,697

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 5: Financial Assets

	2010 \$'000	2009 \$'000
Note 5A: Cash and Cash Equivalents		
Cash on hand or on deposit	253	6,218
Cash held by outsiders	2,336	1,608
Total cash and cash equivalents	2,589	7,826
Note 5B: Trade and Other Receivables		
Goods and Services:		
Goods and services - related entities	1,200	1,271
Goods and services - external parties	1,207	315
Total receivables for goods and services	2,407	1,586
Appropriations receivable:		
For existing outputs	162,554	142,202
Total appropriations receivable	162,554	142,202
Other receivables:		
GST receivable from the Australian Taxation Office	6,452	7,192
Other	5,668	2,229
Total other receivables	12,120	9,421
Total trade and other receivables (gross)	177,081	153,209
Less impairment allowance account:		
Goods and services	(80)	(50)
Other	(1,349)	(769)
Total impairment allowance account	(1,429)	(819)
Total trade and other receivables (net)	175,652	152,390
Receivables are expected to be recovered in:		
No more than 12 months	175,652	152,390
Total trade and other receivables (net)	175,652	152,390
Receivables are aged as follows:		
Not overdue	175,058	151,268
Overdue by:		
0 to 30 days	117	14
31 to 60 days	9	5
61 to 90 days	11	28
More than 90 days	1,886	1,894
Total receivables (gross)	177,081	153,209
The impairment allowance account is aged as follows:		
Overdue by:		
More than 90 days	(1,429)	(819)
Total impairment allowance account	(1,429)	(819)

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 5: Financial Assets

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2010

	Goods and services \$'000	Other receivables \$'000	Total \$'000
Opening balance	(50)	(769)	(819)
Amounts written off	14	-	14
Decrease recognised in net surplus	(44)	(580)	(624)
Closing Balance	(80)	(1,349)	(1,429)

Movements in relation to 2009

	Goods and services \$'000	Other receivables \$'000	Total \$'000
Opening balance	(203)	(1,314)	(1,517)
Amounts written off	15	-	15
Amounts recovered and reversed	138	545	683
Closing Balance	(50)	(769)	(819)

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

Notes to and forming part of the Financial Statements

Note 6: Non-Financial Assets

	2010 \$'000	2009 \$'000
Note 6A: Land and Buildings		
Land at fair value	25,700	25,400
Buildings on freehold land:		
Fair value	37,333	36,838
Accumulated depreciation	(1,563)	-
Total buildings on freehold land	61,470	62,238
Leasehold improvements:		
Work in progress	15,893	14,435
Fair value	82,258	62,428
Accumulated depreciation	(19,797)	(6,683)
Total leasehold improvements	78,354	70,180
Total land and buildings	139,824	132,418

No indicators of impairment were found for land and buildings.

Note 6B: Property, Plant and Equipment

Other property, plant and equipment:		
Work in progress	59,104	41,874
Fair value	115,608	91,065
Accumulated depreciation	(39,334)	(3,005)
Total other property, plant and equipment	135,378	129,934
Total property, plant and equipment	135,378	129,934

Indicators of impairment have been reflected in the above balances for property, plant and equipment assets.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

Notes to and forming part of the Financial Statements

Note 6C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2009-2010)

	Land \$'000	Buildings \$'000	Total Land and Buildings \$'000	Other Property, Plant and Equipment \$'000	Total \$'000
As at 1 July 2009					
Gross book value	25,400	113,701	139,101	132,939	272,040
Accumulated depreciation/amortisation and impairment	-	(6,683)	(6,683)	(3,005)	(9,688)
Net book value 1 July 2009	25,400	107,018	132,418	129,934	262,352
Additions:					
By purchase	300	24,398	24,698	47,508	72,206
Revaluations and impairments recognised in other comprehensive income	-	-	-	(1,380)	(1,380)
Impairments recognised in the operating result	-	(362)	(362)	(1,965)	(2,327)
Depreciation/amortisation expense	-	(15,569)	(15,569)	(37,384)	(52,953)
Disposals:					
Other	-	(1,361)	(1,361)	(1,335)	(2,696)
Net book value as at 30 June 2010	25,700	114,124	139,824	135,378	275,202
Net book value as of 30 June 2010 represented by:					
Gross book value	25,700	135,484	161,184	174,712	335,896
Accumulated depreciation/amortisation	-	(21,360)	(21,360)	(39,334)	(60,694)
	25,700	114,124	139,824	135,378	275,202

Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2008-09)

	Land \$'000	Buildings \$'000	Total Land & Buildings \$'000	Other Property, Plant and Equipment \$'000	Total \$'000
As at 1 July 2008					
Gross book value	18,316	106,295	124,611	151,384	275,995
Accumulated depreciation/amortisation and impairment	-	(22,155)	(22,155)	(50,268)	(72,423)
Net book value 1 July 2008	18,316	84,140	102,456	101,116	203,572
Additions:					
By purchase	-	29,634	29,634	42,891	72,525
Revaluations and impairments recognised in other comprehensive income	6,978	7,243	14,221	6,117	20,338
Revaluations recognised in the operating results	-	-	-	(2,827)	(2,827)
Depreciation expense	-	(14,344)	(14,344)	(38,981)	(53,325)
Reclassification	106	356	462	22,881	23,343
Disposals:					
Other	-	(11)	(11)	(1,263)	(1,274)
Net book value 30 June 2009	25,400	107,018	132,418	129,934	262,352
Net book value as of 30 June 2009 represented by:					
Gross book value	25,400	113,701	139,101	132,939	272,040
Accumulated depreciation/amortisation and impairment	-	(6,683)	(6,683)	(3,005)	(9,688)
	25,400	107,018	132,418	129,934	262,352

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

	2010 \$'000	2009 \$'000
Note 6D: Intangibles		
Computer software:		
Internally developed - in progress	31,676	45,639
Internally developed - in use	319,561	279,624
Purchased	10,148	6,088
Total computer software (gross)	361,385	331,351
Accumulated amortisation - internally developed	(143,695)	(117,086)
Accumulated amortisation - purchased	(5,500)	(3,781)
Accumulated impairment losses - internally developed	(17,028)	(17,028)
Total computer software (net)	195,162	193,456
Total intangibles	195,162	193,456

Indicators of impairment have been reflected in the above balances for intangible assets.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 6D: Reconciliation of the Opening and Closing Balances of Intangibles (2009-10)

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2009			
Gross book value	325,264	6,088	331,352
Accumulated depreciation/amortisation and impairment	(134,115)	(3,781)	(137,896)
Net book value 1 July 2009	191,149	2,307	193,456
Additions:			
By purchase	-	4,067	4,067
Internally developed	26,921	-	26,921
Impairments recognised in the operating result	(672)	-	(672)
Amortisation	(26,885)	(1,725)	(28,610)
Net book value 30 June 2010	190,513	4,649	195,162
Net book value as of 30 June 2010 represented by:			
Gross book value	351,513	10,148	361,661
Accumulated depreciation/amortisation and impairment	(161,000)	(5,499)	(166,499)
	190,513	4,649	195,162

Note 6D (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles (2008-09)

	Computer software internal developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2008			
Gross book value	309,145	4,757	313,902
Accumulated depreciation/amortisation and impairment	(104,348)	(1,973)	(106,321)
Net book value 1 July 2008	204,797	2,784	207,581
Additions:			
By purchase	-	1,342	1,342
Internally developed	40,584	-	40,584
Impairments recognised in the operating result	(2,339)	-	(2,339)
Amortisation	(27,760)	(1,812)	(29,572)
Other movements			
Reclassification	(23,346)	-	(23,346)
Write off	(686)	-	(686)
Disposals:			
Other	(101)	(7)	(108)
Net book value 30 June 2009	191,149	2,307	193,456
Net book value as of 30 June 2009 represented by:			
Gross book value	325,264	6,088	331,352
Accumulated depreciation/amortisation and impairment	(134,115)	(3,781)	(137,896)
	191,149	2,307	193,456

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

	2010 \$'000	2009 \$'000
Note 6E: Inventories		
Inventories held for distribution	2,087	1,983
Total inventories	2,087	1,983

During 2009-10 \$3,843,495 of inventory held for distribution was recognised as an expense (2008-09: \$6,292,697).

All inventory is expected to be sold or distributed in the next 12 months.

Note 6F: Other Non-Financial Assets

Prepayments	13,323	15,992
Total other non-financial assets	13,323	15,992

No indicators of impairment were found for other non-financial assets.

Total other non-financial assets - are expected to be recovered in:

No more than 12 months	9,865	5,503
More than 12 months	3,458	10,489
Total other non-financial assets	13,323	15,992

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 7: Payables

	2010 \$'000	2009 \$'000
Note 7A: Suppliers		
Trade creditors and accruals	53,983	45,808
Operating lease rentals	16,541	15,411
Total supplier payables	70,524	61,219

Supplier payables expected to be settled within 12 months:

Related entities	1,962	646
External parties	68,562	60,573
Total supplier payables	70,524	61,219

All supplier payables are current liabilities.

Settlement is usually made within 30 days.

Note 7B: Other payables

Salaries and wages	9,539	7,529
Superannuation	2,364	1,225
Other employee entitlements	2,207	1,989
Workers compensation	36	88
Prepayments received / unearned revenue	32	46
Fringe benefits tax	499	577
Lease incentive	2,725	2,926
Deferred rental	2,004	1,869
Other payables	2,263	3,138
Total other payables	21,669	19,388

Total other payables are expected to be settled in:

No more than 12 months	17,577	15,247
More than 12 months	4,092	4,141
Total other payables	21,669	19,388

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 8: Provisions

	2010 \$'000	2009 \$'000
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Note 8A: Employee Provisions

Leave	147,969	141,606
Total employee provisions	147,969	141,606

Employee provisions are expected to be settled in:

No more than 12 months	43,307	41,053
More than 12 months	104,662	100,553
Total employee provisions	147,969	141,606

Note 8B: Other Provisions

Provision for restoration obligations	16,591	12,508
Provision for legal costs	138	186
Total other provisions	16,729	12,694

Other provisions are expected to be settled in:

No more than 12 months	2,527	1,920
More than 12 months	14,202	10,774
Total other provisions	16,729	12,694

	Provision for legal costs \$'000	Provision for restoration \$'000	Total \$'000
Carrying amount 1 July 2009	186	12,508	12,694
Additional provisions made	-	4,830	4,830
Amounts used	(48)	(747)	(795)
Amounts reversed	-	-	-
Unwinding of discount and change in discount rate	-	-	-
Closing balance 30 June 2010	138	16,591	16,729

Customs and Border Protection currently has a number of agreements for the leasing of premises which have provisions requiring the restoration of the premises to their original condition at the conclusion of the lease. Customs and Border Protection has made a provision to reflect the present value of this obligation.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 9: Cash Flow Reconciliation

	2010 \$'000	2009 \$'000
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**Reconciliation of Cash and Cash Equivalents as per Balance Sheet to
Cash Flow Statement**

Cash and cash equivalents as per:

Cash flow statement	2,589	7,826
Balance sheet	2,589	7,826
Difference	-	-

Reconciliation of net cost of services to net cash from operating activities:

Net cost of services	1,023,762	1,020,545
Add revenue from Government	1,028,258	1,008,697

Less non-cash items

Depreciation / amortisation	81,563	82,897
Net write down of financial assets	4,002	-
Loss on disposal of assets	2,696	1,084

Changes in assets / liabilities

Increase in net receivables	(25,368)	(10,158)
Increase in inventories	(104)	(50)
Increase in employee provisions	6,363	13,435
Increase in supplier / other payables	13,024	(4,199)
Decrease in GST receivable	740	(1,139)
Decrease in other assets - non financial	2,669	(3,520)
Decrease in other provisions	(795)	2,166
Decrease in unearned revenue	(14)	(1,305)
Increase in other liabilities	-	2
Net cash from / (used by) operating activities	89,272	67,365

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

Notes to and forming part of the Financial Statements

Note 10: Contingent Liabilities and Assets

	Guarantees		Indemnities		Claims for damages or costs		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Contingent assets								
Balance from previous period	-	-	-	-	-	8	-	8
Re-measurement	-	-	-	-	-	(8)	-	(8)
Total contingent assets	-	-	-	-	-	-	-	-
Contingent liabilities								
Balance from previous period	-	-	-	-	1,526	5,189	1,526	5,189
New	-	-	-	-	192	536	192	536
Re-measurement	-	-	-	-	(191)	-	(191)	-
Liabilities recognised	-	-	-	-	(745)	(4,199)	(745)	(4,199)
Total contingent liabilities	-	-	-	-	782	1,526	782	1,526
Net contingent assets (liabilities)	-	-	-	-	(782)	(1,526)	(782)	(1,526)

Quantifiable Contingencies

The Schedule of Contingencies reports contingent liabilities in respect of claims and liability based damages/costs of \$782,000 (2009: \$1,525,840). The amount represents an estimate of Customs and Border Protection liabilities based on precedent cases. Customs and Border Protection is defending the claims.

Customs and Border Protection had no contingent assets in respect of claims for damages/costs in either 2010 or 2009.

Unquantifiable Contingencies

The Australian Government has entered into contractual arrangements with Sea Force for the provision of maritime charter services until June 2014 to facilitate Customs and Border Protection and the Department of Agriculture, Fisheries and Forestry armed patrols of Australia's exclusive economic zone in the Southern Ocean and northern waters. The Australian Government has also entered into contractual arrangements with Gardline for the provision of maritime charter services to strengthen its enforcement activities against illegal foreign fishing in Australia's exclusive economic zone until June 2011 and a further vessel to patrol and respond to incursions in the Ashmore Reef National Nature Reserve and the Cartier Island Marine Reserve till June 2013.

In relation to these patrols, the Australian Government will indemnify Sea Force and Gardline Australia Pty Ltd against certain claims arising from the discharge of firearms or munitions, or where a steaming party is deployed to crew a seized vessel back to an Australian port.

Significant Remote Contingencies

Customs and Border Protection has no Departmental remote contingencies.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

Notes to and forming part of the Financial Statements

Note 11: Senior Executive Remuneration

Note 11A: Actual Remuneration Paid to Senior Executives

Executive Remuneration	2010	2009
The number of senior executives who received:		
less than \$145,000*	-	-
\$145 000 to \$159 999	2	2
\$160 000 to \$174 999	1	2
\$175 000 to \$189 999	-	4
\$190 000 to \$204 999	6	6
\$205 000 to \$219 999	8	15
\$220 000 to \$234 999	12	8
\$235 000 to \$249 999	5	4
\$250 000 to \$264 999	3	1
\$265 000 to \$279 999	4	2
\$280 000 to \$294 999	4	2
\$295 000 to \$309 999	2	-
\$310 000 to \$324 999	1	1
\$355 000 to \$369 999	2	1
\$370 000 to \$384 999	1	1
\$400 000 to \$414 999	1	-
\$520 000 to \$534 999	-	1
\$625 000 to \$639 999	1	-
Total	53	50

* Excluding acting arrangements and part-year service.

Total expenses recognised in relation to Senior Executive employment

	\$	\$
Short-term employee benefits:		
Salary (including annual leave taken)	9,299,726	7,790,916
Changes in annual leave provisions	78,285	71,577
Performance bonus	401,803	327,088
Other ¹	1,334,228	1,518,640
Total short-term employee benefits	11,114,043	9,708,221
Superannuation (post-employment benefits)	1,392,078	1,484,372
Other long-term benefits ²	245,197	271,559
Total	12,751,318	11,464,152

During the year the entity paid \$691,979 in termination benefits to Senior Executives (2009: \$211,498).

Notes

- "Other" includes motor vehicle allowances and other allowances.
- "Other long-term benefits" includes changes in long service leave provisions.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 11B: Salary Packages for Senior Executives as at 30 June

Average annualised remuneration packages for substantive Senior Executives

	As at 30 June 2010			As at 30 June 2009		
	No. SES	Base salary (including annual leave)	Total remuneration package ^{1, 2}	No. SES	Base salary (including annual leave)	Total remuneration package ^{1, 2}
Total remuneration*:						
\$145 000 to \$159 999	-	-	-	2	125,000	154,092
\$160 000 to \$174 999	-	-	-	6	132,167	167,986
\$175 000 to \$189 999	10	141,454	183,890	11	135,300	183,671
\$190 000 to \$204 999	9	145,328	197,559	11	140,668	197,779
\$205 000 to \$219 999	12	154,271	210,822	11	152,036	209,855
\$220 000 to \$234 999	7	163,209	224,974	7	170,729	226,275
\$235 000 to \$249 999	3	195,500	242,721	1	178,400	235,537
\$250 000 to \$264 999	5	188,060	257,460	4	178,250	257,008
\$265 000 to \$279 999	2	177,300	272,383	1	183,913	269,928
\$280 000 to \$294 999	1	193,000	284,204	-	-	-
\$295 000 to \$309 999	-	-	-	1	249,590	307,074
\$310 000 to \$324 999	-	-	-	1	235,500	318,060
\$325 000 to \$339 999	-	-	-	-	-	-
\$340 000 to \$354 999	3	250,433	344,380	1	235,500	343,096
\$475 000 to \$489 999	1	417,872	488,303	1	355,883	480,172
Total	53			58		

* Excluding acting arrangements and part-year service.

Notes

- Non-Salary elements available to Senior Executives include:
 - Performance Bonus (estimate based on prior year results)
 - Motor vehicle / allowance
 - Superannuation

- In addition to the above Senior Executives are entitled to long service leave.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 12: Remuneration of Auditors

	2010 \$	2009 \$
Financial statements audit services were provided free of charge to the Australian Customs and Border Protection Service.	740,000	740,000
Other paid services	37,770	44,500
	777,770	784,500

No other services were provided by the Auditor-General.

Note 13: Average Staffing Levels

	2010	2009
The average staffing levels for Customs and Border Protection during the year were:	5,488.9	5,679.4

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

Notes to and forming part of the Financial Statements

Note 14: Financial Instruments

	2010 \$'000	2009 \$'000
Note 14A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	2,589	7,826
Trade receivables	2,407	1,586
Other receivables	5,668	2,229
Total	10,664	11,641
Carrying amount of financial liabilities	10,664	11,641
Financial Liabilities		
At amortised cost:		
Trade creditors	70,524	61,219
Other payables	2,263	3,138
Carrying amount of financial liabilities	72,787	64,357

Note 14B: Fair Value of Financial Instruments

	Carrying amount 2010 \$'000	Fair value 2010 \$'000	Carrying amount 2009 \$'000	Fair value 2009 \$'000
Financial Assets				
Cash and cash equivalents	2,589	2,589	7,826	7,826
Trade receivables	2,407	2,407	1,586	1,586
Other receivables	5,668	5,668	2,229	2,229
Total	10,664	10,664	11,641	11,641
Financial Liabilities				
Payables - Suppliers	70,524	70,524	61,219	61,219
Other Payables	2,263	2,263	3,138	3,138
Total	72,787	72,787	64,357	64,357

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

Notes to and forming part of the Financial Statements

Note 14: Financial Instruments

Note 14C: Credit Risk

Customs and Border Protection is exposed to minimal credit risk as loans and receivables are cash and trade receivables.

The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade and other receivables (2010: \$7,712,000 and 2009: \$3,741,000). Customs and Border Protection has assessed the risk of the default on payment and has allocated \$1,429,000 in 2010 (2009: \$819,000) towards an allowance for the impairment of receivables.

Customs and Border Protection manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, Customs and Border Protection has policies and procedures that guide employee's debt recovery techniques that are to be applied.

Customs and Border Protection holds no collateral to mitigate against credit risk.

Customs and Border Protection has not renegotiated any receivables that would otherwise be past due or impaired.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2010 \$'000	Not past due nor impaired 2009 \$'000	Past due or impaired 2010 \$'000	Past due or impaired 2009 \$'000
Loans and receivables				
Cash and cash equivalents	2,589	7,826	-	-
Trade receivables	2,177	1,293	230	292
Other receivables	3,875	581	1,793	1,649
Total	8,641	9,700	2,023	1,941

Ageing of financial assets that are past due but not impaired for 2010

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Trade receivables	75	6	3	65	149
Other receivables	42	3	8	391	444
Total	117	9	11	456	593

Ageing of financial assets that are past due but not impaired for 2009

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Trade receivables	14	5	28	195	242
Other receivables	-	-	-	880	880
Total	14	5	28	1,075	1,122

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

Notes to and forming part of the Financial Statements

Note 14: Financial Instruments

Note 14D: Liquidity Risk

Customs and Border Protection's financial liabilities are payables. The exposure to liquidity risk is based on the notion that Customs and Border Protection will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to Customs and Border Protection (e.g. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

Maturities for non-derivative financial liabilities 2010

	On Demand 2010 \$'000	within 1 year 2010 \$'000	1 to 5 years 2010 \$'000	> 5 years 2010 \$'000	Total 2010 \$'000
Other Liabilities					
Trade creditors	-	70,524	-	-	70,524
Other payables	-	2,263	-	-	2,263
Total	-	72,787	-	-	72,787

Maturities for non-derivative financial liabilities 2009

	On Demand 2009 \$'000	within 1 year 2009 \$'000	1 to 5 years 2009 \$'000	> 5 years 2009 \$'000	Total 2009 \$'000
Other Liabilities					
Trade creditors	-	61,219	-	-	61,219
Other payables	-	3,138	-	-	3,138
Total	-	64,357	-	-	64,357

Customs and Border Protection receives appropriation funding from the Australian Government. Customs and Border Protection manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, Customs and Border Protection has policies in place to ensure timely payments are made when due and has no past experience of default.

Customs and Border Protection has no derivative financial liabilities in both the current and prior year.

Note 14E: Market risk

Customs and Border Protection holds basic financial instruments that do not expose it to 'currency risk', 'interest rate risk' or 'other price risk'.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

Notes to the Schedule of Administered Items

Note 15: Assets Administered on Behalf of Government

	2010 \$'000	2009 \$'000
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FINANCIAL ASSETS

Note 15A: Cash and Cash Equivalents

Cash on hand or on deposits	4	2
Cash at bank	977	1,153
Total cash and cash equivalents	981	1,155

Note 15B: Taxation Receivables

Customs duty	60,493	56,522
Passenger movement charge	79,176	72,351
Import processing charges	639	739
Total taxation receivables	140,308	129,612

Less: impairment allowance account	(13,189)	(15,920)
Total taxation receivables (net)	127,119	113,692

Taxation receivables are aged as follows:

Not overdue	119,443	110,197
Overdue by:		
0 to 30 days	7,402	915
30 to 60 days	73	1,116
61 to 90 days	42	4,278
More than 90 days	13,348	13,106
Total taxation receivables (gross)	140,308	129,612

The impairment allowance is aged as follows:

Not overdue	-	-
Overdue by:		
61 to 90 days	-	(3,673)
More than 90 days	(13,189)	(12,247)
Total taxation receivables (gross)	(13,189)	(15,920)

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to the Schedule of Administered Items

Note 15: Assets Administered on Behalf of Government

	2010 \$'000	2009 \$'000
Note 15C: Non-taxation Receivables		
Fees, fines & prosecution	40,449	39,606
Total non-taxation receivables	40,449	39,606
Less: impairment allowance account	(38,659)	(35,722)
Total non-taxation receivables (net)	1,790	3,884
Receivables were aged as follows:		
Not overdue	295	1,243
Overdue by:		
0 to 30 days	1,273	22
30 to 60 days	96	108
61 to 90 days	114	8,142
More than 90 days	38,671	30,091
Total non-taxation receivables (gross)	40,449	39,606
The impairment allowance amount is aged as follows:		
Not overdue		
Overdue by:		
61 to 90 days	-	(8,100)
More than 90 days	(38,659)	(27,622)
Total allowance for impairment losses	(38,659)	(35,722)

Goods and services receivables are with entities external to the Australian Government.

Credit terms range from the following :

- a) Generally payments on release of goods
 - b) Certain excise equivalent goods are by weekly settlements
 - c) Passenger Movement Charge are either monthly or bi-monthly
 - d) Other services are net 30 days
- (2009: same as 2010)

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2010

	Taxation receivables \$'000	Non-taxation receivables \$'000	Total \$'000
Opening balance	(15,920)	(35,722)	(51,642)
Amounts written off	135	47	182
Increase/decrease recognised in net surplus	2,596	(2,984)	(388)
Closing balance	(13,189)	(38,659)	(51,848)

Movements in relation to 2009

	Taxation receivables \$'000	Non-taxation receivables \$'000	Total \$'000
Opening balance	(12,963)	(28,122)	(41,085)
Amounts written off	1,799	1,827	3,626
Amounts recovered and reversed	126	-	126
Increase/decrease recognised in net surplus	(4,882)	(9,427)	(14,309)
Closing balance	(15,920)	(35,722)	(51,642)

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to the Schedule of Administered Items

Note 16: Administered Reconciliation Table

	2010 \$'000	2009 \$'000
Opening administered assets less administered liabilities as at 1 July	110,630	112,975
Plus: Administered income	6,456,481	6,920,825
Less: Administered expenses	(1,220)	(14,183)
Administered transfers to/from Australian Government:		
Appropriation transfers from OPA :		
Appropriation Act No.1	831	-
Special appropriations (limited) (non CAC)	413,716	388,347
Special appropriations (unlimited) (non CAC)	4,684	4,166
Transfers to OPA	(6,458,059)	(6,840,655)
Transfers to other entities	(404,665)	(460,845)
Net drawings from OPA on behalf of the ATO **	83,714	88,304
Net payments on behalf of the ATO out of Special Appropriations **	(83,714)	(88,304)
Closing administered assets less administered liabilities as at 30 June	122,398	110,630

** The Australian Taxation Office is the responsible entity for these appropriations and the subsequent returns.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to the Schedule of Administered Items

Note 17: Administered Contingent Assets and Liabilities

	Guarantees		Indemnities		Claims for damages or costs		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contingent assets								
Balance from previous period	-	-	-	-	1,594	3,184	1,594	3,184
New	-	-	-	-	531	54	531	54
Re-measurement	-	-	-	-	(231)	(1,644)	(231)	(1,644)
Assets recognised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-	-
Total contingent assets	-	-	-	-	1,894	1,594	1,894	1,594
Contingent liabilities								
Balance from previous period	-	-	-	-	-	40	-	40
New	-	-	-	-	-	-	-	-
Re-measurement	-	-	-	-	-	(40)	-	(40)
Liabilities recognised	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-
Total contingent liabilities	-	-	-	-	-	-	-	-
Net contingent assets (liabilities)	-	-	-	-	1,894	1,594	1,894	1,594

Quantifiable Contingencies

Quantifiable administered contingencies that are not remote are disclosed in the Schedule of Administered Items as Quantifiable administered contingencies.

Unquantifiable Contingencies

As at 30 June 2010 and 30 June 2009, Customs and Border Protection had a number of legal claims lodged against it for damages and costs. Customs and Border Protection has denied liability and is defending the claims. In addition, Customs and Border Protection has lodged a number of claims to recover damages and costs which are being pursued. It is not possible to estimate the amount of any eventual payments or receipts in relation to these claims.

Significant Remote Contingencies

Quantifiable administered contingencies that are not remote are disclosed in the Schedule of Administered Items as quantifiable administered contingencies.

Remote Administered Contingencies

As at 30 June 2010, Customs and Border Protection had a number of legal claims for damages that may result in a net gain of \$17,645,722 (2009 : \$400,000).

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to the Schedule of Administered Items

Note 18: Financial Instruments

	2010	2009
	\$'000	\$'000
Note 18A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash at bank	977	1,153
Cash on hand	4	2
Carrying amount of financial assets	981	1,155
Financial Liabilities		
Other liabilities:		
Other security deposits	3,939	4,941
Carrying amount of financial liabilities	3,939	4,941

Customs and Border Protection has no income or expenses from financial assets and liabilities.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to the Schedule of Administered Items

Note 18: Financial Instruments

Note 18B: Fair Value of Financial Instruments

	Carrying amount 2010 \$'000	Fair value 2010 \$'000	Carrying amount 2009 \$'000	Fair value 2009 \$'000
Financial Assets				
Cash at bank	977	977	1,153	1,153
Cash on hand	4	4	2	2
Total	981	981	1,155	1,155
Financial Liabilities				
Security deposits	3,939	3,939	4,941	4,941
Total	3,939	3,939	4,941	4,941

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to the Schedule of Administered Items

Note 18: Financial Instruments

Note 18C: Credit Risk

Customs and Border Protection is not exposed to credit risk, as the majority of financial assets are cash at bank or cash on hand.

Note 18D: Liquidity Risk

Customs and Border Protection's administered financial liabilities principally relate to securities held in special accounts. The securities ledger specifically identifies the individual security lodgement and ensures that funds are available up to the balance of the security.

Maturities for non-derivative financial liabilities 2010

	On demand \$'000	within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Security deposits	3,939	-	-	-	-	3,939
Total	3,939	-	-	-	-	3,939

Maturities for non-derivative financial liabilities 2009

	On demand \$'000	within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Security deposits	4,941	-	-	-	-	4,941
Total	4,941	-	-	-	-	4,941

Customs and Border Protection has no derivative financial liabilities in both the current and prior year.

Note 18E: Market Risk

As at 30 June 2010, Customs and Border Protection do not hold basic financial instruments that expose it to 'currency risk', 'interest rate risk' or 'other price risks'.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

Notes to and forming part of the Financial Statements

Note 19: Appropriations

Table A1: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations

Particulars	Administered Expenses Outcome 1		Departmental Outputs		Total	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period (<i>Appropriation Acts</i>)	-	-	141,265	129,433	141,265	129,433
<i>Appropriation Act:</i>						
<i>Appropriation Act (No. 1) 2009-2010 as passed</i>	831	-	1,020,490	1,011,165	1,021,321	1,011,165
<i>Appropriation Act (No. 3) 2009-2010 as passed</i>	-	-	1,315	-	1,315	-
Appropriations reduced (<i>Appropriation Act</i> sections 10)	-	-	-	(3,000)	-	(3,000)
Concoveer receipts (<i>Appropriation Act</i> section 12)	-	-	324	418	324	418
<i>FMA Act:</i>						
Repayments to the Commonwealth (<i>FMA Act</i> section 30)	-	-	249	803	249	803
*Appropriations to take account of recoverable GST (<i>FMA Act</i> section 30A) ¹	-	-	53,460	106,305	53,460	106,305
Relevant agency receipts (<i>FMA Act</i> section 31)	-	-	67,790	65,024	67,790	65,024
Transfer of agency functions (<i>FMA Act</i> s 32)	-	-	-	532	-	532
Adjustment to prior year appropriation	-	-	-	(59)	-	(59)
Total appropriation available for payments	831	-	1,284,893	1,310,621	1,285,724	1,310,621
Cash payments made during the year (GST inclusive)	831	-	1,106,845	1,169,356	1,107,676	1,169,356
Balance of authority to draw cash from the Consolidated Revenue Fund for ordinary annual services appropriations and as represented by:	-	-	178,048	141,265	178,048	141,265
Cash at bank and on hand	-	-	2,589	1,883	2,589	1,883
Departmental appropriations receivable	-	-	162,554	132,275	162,554	132,275
*Undrawn, unexpired administered appropriations	-	-	-	-	-	-
*Net GST payable (to)/from ATO	-	-	6,452	7,107	6,452	7,107
Adjustment to Appropriation (Passenger Workload Growth Agreement)	-	-	2,053	-	2,053	-
Adjustment to Appropriation (Illegal Foreign Fishing)	-	-	4,400	-	4,400	-
Total as at 30 June	-	-	178,048	141,265	178,048	141,265

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

Notes to and forming part of the Financial Statements

Note 19: Appropriations

Table A2: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations (Reduction in Administered Items)

Particulars	Administered Expenses Outcome 1		Total	
	2010	2009	2010	2009
Reduction in administered items				
Total administered items appropriated 2009-2010	831,000.00	-	831,000.00	-
Less administered items required by the agency as per <i>Appropriation Act s11</i> :				
<i>Appropriation Act (No. 1) 2009-2010</i>	831,000.00	-	831,000.00	-
Total administered items required by the agency as represented by:				
Spent	366,082.00	-	366,082.00	-
Retention	464,918.00	-	464,918.00	-
Total reduction in administered items - effective 2010-11	-	-	-	-

Note 19: Appropriations

Table B: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund for Other than Ordinary Annual Services Appropriations

Particulars	Operating Outcome 1				Non-operating				Previous years' outputs				Total	
	SPP's		NAE		Equity		Loans		2010		2009		2010	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period (<i>Appropriation Acts</i>)	-	-	-	-	14,495	34,398	-	-	-	1,375	-	-	15,870	34,398
<i>Appropriation Act:</i>														
<i>Appropriation Act (No. 2) 2009-2010 as passed</i>	-	-	-	-	5,239	23,241	-	-	-	-	-	-	5,239	23,241
<i>Appropriation Act (No. 4) 2009-2010 as passed</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	1,375
<i>FMA Act:</i>														
Appropriations to take account of recoverable GST (<i>FMA Act</i> section 30A) ¹	-	-	-	-	1,451	4,314	-	-	-	101	-	-	1,552	4,314
Total appropriations available for payments	-	-	-	-	21,185	61,953	-	-	-	1,476	1,375	-	22,661	63,328
Cash payments made during the year (GST inclusive)	-	-	-	-	21,185	47,458	-	-	-	1,476	-	-	22,661	47,458
Balance of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations and as represented by:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash at bank and on hand	-	-	-	-	-	-	-	-	-	-	-	-	-	5,943
Departmental appropriations receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	9,927
Total as at 30 June	-	-	-	-	-	-	-	-	-	-	-	-	-	15,870

1. The amounts in this line item are calculated on an accrual basis to the extent that an expense may have been incurred that includes GST but has not been paid by year end

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 19: Appropriations

Table C: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund - Special Appropriations (Unlimited Amount)

Financial Management and Accountability Act 1997 - Section 28 (Repayments Required or Permitted by Law) (Administered)	2010	2009
	\$'000	\$'000
Cash payments made during the year *	419,910	404,605
Appropriations credited to Special Accounts	-	-
Repayments to the Commonwealth (<i>FMA Act section 30</i>)	-	-
Total charged to appropriation	419,910	404,605
<i>Estimated Actual</i>	439,000	380,000

* The Australian Taxation Office is responsible for \$15,409,607 (2008/09 : \$16,257,716) of this appropriation relating to GST (on imports), WET and LCT.

* The Department of Innovation, Industry, Science and Research is responsible for \$91,644,559 (2008/09 : \$111,019,969) of this appropriation relating to Automotive Competitiveness and Investment Scheme (ACIS).

Table D: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund - Special Appropriations (Refund Provisions)

Taxation Administration Act 1953 - Section 16 - Refunds of receipts to individuals under the Tourist Refund Scheme (Administered)	2010	2009
	\$'000	\$'000
The Australian Taxation Office is the responsible entity for this appropriation.		
Cash payments made during the year	68,289	72,046
Appropriations credited to Special Accounts	-	-
Repayments to the Commonwealth (<i>FMA Act section 30</i>)	-	-
Total charged to special appropriation	68,289	72,046
<i>Budget estimate (FMA Act section 28)</i>	75,000	75,000

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 20: Special Accounts

	2010 \$'000	2009 \$'000
Other Trust Reserve (Administered)		
Appropriation: <i>Financial Management and Accountability Act 1997; section 21</i>		
Establishing Instrument: <i>Financial Management & Accountability Act 1997; section 20</i>		
<i>Purpose</i> : For the receipt of moneys temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth.		
Balance brought forward from previous period	361	359
Other receipts	2	7
Total increase	363	366
Payments made to suppliers	-	(5)
Total decrease	-	(5)
Balance carried to next period (excluding investment balances) and represented by:	363	361
Cash - held in the Official Public Account	363	361
Total balance carried to the next period	363	361

	2010 \$'000	2009 \$'000
Security Deposits Reserve (Administered)		
Appropriation: <i>Financial Management and Accountability Act 1997; section 21</i>		
Establishing Instrument: <i>Financial Management & Accountability Act 1997 ; section 20</i>		
<i>Purpose</i> : For expenditure dealing with moneys required to be lodged under <i>Section 42 and 162 of the Customs Act 1901</i>		
Balance brought forward from previous period	4,580	4,793
Other receipts - security deposits	3,680	4,248
Total increase	8,260	9,041
Payments made to the Commonwealth of securities foregone	-	(458)
Payments made to suppliers	(4,684)	(4,003)
Total decrease	(4,684)	(4,461)
Balance carried to next period (excluding investment balances) and represented by:	3,576	4,580
Cash - held in the Official Public Account	3,576	4,580
Total balance carried to the next period	3,576	4,580

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 21: Compensation and Debt Relief

	2010 \$	2009 \$
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Departmental

10 payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2009: 6 payments)

54,616	157,676
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No payments were made under s73 of the *Public Service Act 1999* during the reporting period. (2009: No payments made)

Nil	Nil
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Administered

No 'Act of Grace' expenses were incurred during the reporting period. (2009: No 'Act of Grace' expenses incurred).

Nil	Nil
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One waiver of amounts owing to the Australian Government was made pursuant to *subsection 34(1) of the Financial Management and Accountability Act* .

(2009: No waiver)

623,671	Nil
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No ex-gratia payments were provided for during the reporting period. (2009: No ex-gratia payments were provided).

Nil	Nil
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AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 22: Reporting of Outcomes

Note 22A: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Expenses				
Administered	1,220	14,183	1,220	14,183
Departmental	1,097,717	1,091,428	1,097,717	1,091,428
Total	1,098,937	1,105,611	1,098,937	1,105,611
Income from non-government sector				
Administered				
Customs Duty	5,745,700	6,274,354	5,745,700	6,274,354
Other taxation revenues	707,061	631,830	707,061	631,830
Interest	60	52	60	52
Other	3,660	14,589	3,660	14,589
Total administered	6,456,481	6,920,825	6,456,481	6,920,825
Departmental				
Activities subject to cost recovery	4,023	3,650	4,023	3,650
Other	8,753	10,975	8,753	10,975
Total departmental	12,776	14,625	12,776	14,625
Total	6,469,257	6,935,450	6,469,257	6,935,450
Other own-source income				
Administered	-	-	-	-
Departmental	61,179	56,258	61,179	56,258
Total	61,179	56,258	61,179	56,258
Net contribution of outcome delivery	5,431,499	5,886,097	5,431,499	5,886,097

AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE
Notes to and forming part of the Financial Statements

Note 22B: Major Classes of Departmental Expense, Income, Assets and Liabilities by Outcomes

	Outcome 1		Total	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Departmental Expenses				
Employees	520,688	521,505	520,688	521,505
Suppliers	488,761	479,873	488,761	479,873
Depreciation and amortisation	81,563	82,897	81,563	82,897
Write-down and impairment of assets	4,002	5,714	4,002	5,714
Losses from asset sales	2,696	1,084	2,696	1,084
Other expenses	7	357	7	357
Total	1,097,717	1,091,428	1,097,717	1,091,428
Departmental Income				
Income from government	1,028,258	1,008,697	1,028,258	1,008,697
Sale of goods and services	66,578	63,706	66,578	63,706
Other non-taxation revenues	6,634	6,173	6,634	6,173
Gains	743	1,004	743	1,004
Total	1,102,213	1,079,580	1,102,213	1,079,580
Departmental Assets				
Financial Assets	178,241	160,216	178,241	160,216
Non-Financial Assets	485,774	473,783	485,774	473,783
Total	664,015	633,999	664,015	633,999
Departmental Liabilities				
Payables	92,193	80,607	92,193	80,607
Provisions	164,698	154,300	164,698	154,300
Total	256,891	234,907	256,891	234,907

Note 22C: Major Classes of Administered Expenses, Income, Assets and Liabilities by Outcomes

	Outcome 1		Total	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Administered expenses				
Suppliers expenses	831	-	831	-
Write down and impairment of assets	389	14,183	389	14,183
Total	1,220	14,183	1,220	14,183
Administered income				
Taxation revenue	6,452,761	6,906,184	6,452,761	6,906,184
Non-taxation revenue	3,720	14,641	3,720	14,641
Total	6,456,481	6,920,825	6,456,481	6,920,825
Administered assets				
Financial assets	129,890	118,731	129,890	118,731
Non-financial assets	25	24	25	24
Total	129,915	118,755	129,915	118,755
Administered liabilities				
Payables	3,578	3,184	3,578	3,184
Interest bearing liabilities	3,939	4,941	3,939	4,941
Total	7,517	8,125	7,517	8,125

APPENDICES



Appendix 1

OHS (section 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*)

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT ARRANGEMENTS

The *Occupational Health and Safety Act 1991* prescribes developing health and safety management arrangements (HSMA) as a tool to foster consultation and cooperation between staff and management. Customs and Border Protection developed its HSMA in consultation with employees, with the aim of promoting a safe and healthy work environment. All staff had the opportunity to provide input into the HSMA, which was endorsed by the Customs and Border Protection National Occupational Health and Safety Committee. The HSMA has the functions of:

- + describing our HSMA and how these operate and interact within the organisation
- + outlining the goal and benefits that we aim to achieve by implementing HSMA
- + setting out the legislative requirements for Customs and Border Protection to ensure health and safety and injury management in the workplace
- + defining OHS roles and responsibilities for all staff and various specific positions
- + outlining the consultative processes for involving staff in OHS matters, including the operation of OHS committees, health and safety representatives, and designated work groups
- + including references to other relevant practice statements and legislation.

The HSMA and its operation are disseminated to Customs and Border Protection staff via the intranet, as are all Customs and Border Protection OHS and injury management policies and programs.

HEALTH AND SAFETY INITIATIVES

This year, we undertook initiatives aimed at improving performance in OHS and injury management. These include:

- + mapping OHS regulatory compliance and performance through the Certificates of Assurance Pilot Program
- + developing an online OHS training module focusing on staff with supervisory and management responsibilities
- + reviewing and expanding risk management policies and guidance
- + providing influenza vaccinations to all staff through a nationally coordinated program
- + improving skills of OHS coordinators and rehabilitation case managers
- + engaging a medical consultant to investigate a suspected work-related cancer cluster at Customs House Sydney and disseminating the consultant's report to all staff. The outcome of the assessment did not suggest any relationship between the occurrence of breast cancer and Customs and Border Protection's work environment.
- + developing and implementing a wellbeing strategy and calendar to promote events throughout the year

- + engaging two part-time staff counsellors based in Sydney to provide onsite support to staff and help develop national strategies to improve wellbeing
- + reducing accepted workers' compensation claims and the compensation premium rate
- + establishing effective early intervention and return to work strategies to achieve durable return to work outcomes.

In addition to statutory requirements, all Customs and Border Protection workplaces are required to conduct safety inspections every six months, and more frequently where the work activity generates potentially greater risk to health and safety.

OCCUPATIONAL HEALTH AND SAFETY REGULATORY ACTIVITY

The Commonwealth workplace safety regulator, Comcare, initiated six investigations at Customs and Border Protection worksites. Four were reactive investigations following workplace injuries or dangerous occurrences. Two were proactive investigations into compliance of the HSMA with OHS legislation, and the management of infectious diseases at Australian international airports.

Two health and safety representatives initiated Provisional Improvement Notices (PINs) at Brisbane airport. Upon investigation, Comcare converted the PINs to Improvement Notices. We have acted on all recommendations arising from the Comcare investigations.

Our OHS performance from 2007 to 2010 is outlined in Table 52.

Table 52: Occupational health and safety performance 2009–10

	2007–08	2008–09	2009–10
Accepted workers compensation claims	174	129	98
Claims per 100 staff (headcount)	2.77	2.18	1.68
Accepted claims with time off work	113	88	93
Accepted compensation claims resulting in five or more days incapacity	81	82	70
Claims of five or more days incapacity per 100 staff (headcount)	1.29	1.39	1.20
Quality of return to work outcomes*	91%	85%	95%
Annual absenteeism (days per FTE)	11.71	12.53	12.23

FTE = full time equivalent

* Staff who successfully returned to employment following the implementation of a return to work plan

CUSTOMS AND BORDER PROTECTION NOTIFIABLE INCIDENTS

We have an obligation to notify the Commonwealth Occupational Health and Safety Regulator, Comcare, of events prescribed in s68 of the *Occupational Health and Safety Act 1991*. The categories prescribed in s68 are, in order of severity:

- + death
- + dangerous occurrence
- + serious personal injury
- + incapacity.

This year, a total of 33 incidents were notified to Comcare, which represents a significant decrease from the previous years (Table 53, and figures 16 and 17).

Table 53: Notifiable incidents

Notifiable incidents	2007–08	2008–09	2009–10
Death	0	0	0
Dangerous occurrence	31	34	21
Serious personal injury	14	18	9
Incapacity	0	8	3
Total	45	60	33

When categorised by mechanism of injury, the majority of events reported (24 per cent) fall under ‘other,’ which includes events not included in the standard categories.

Figure 16: Notifiable incidents

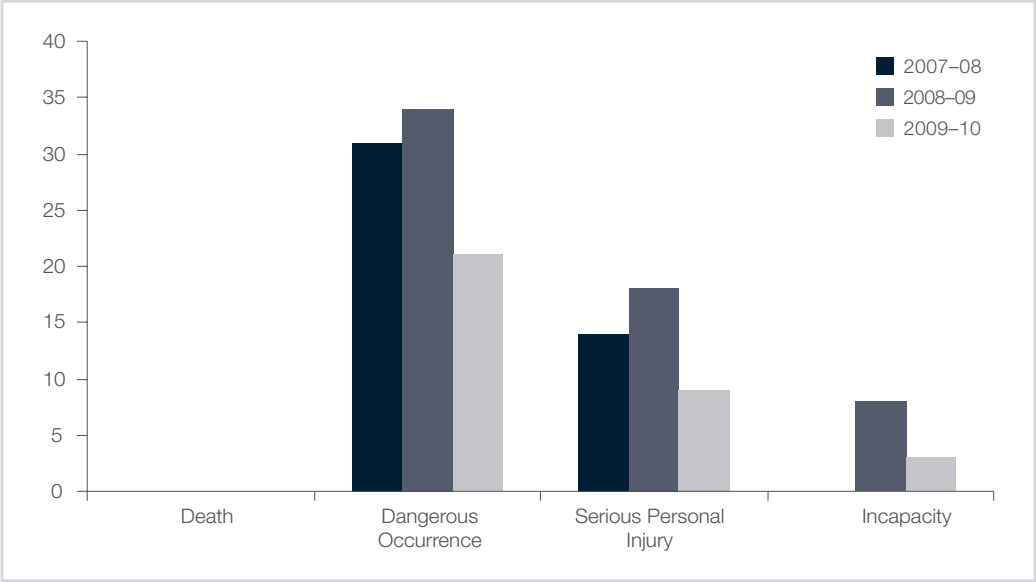
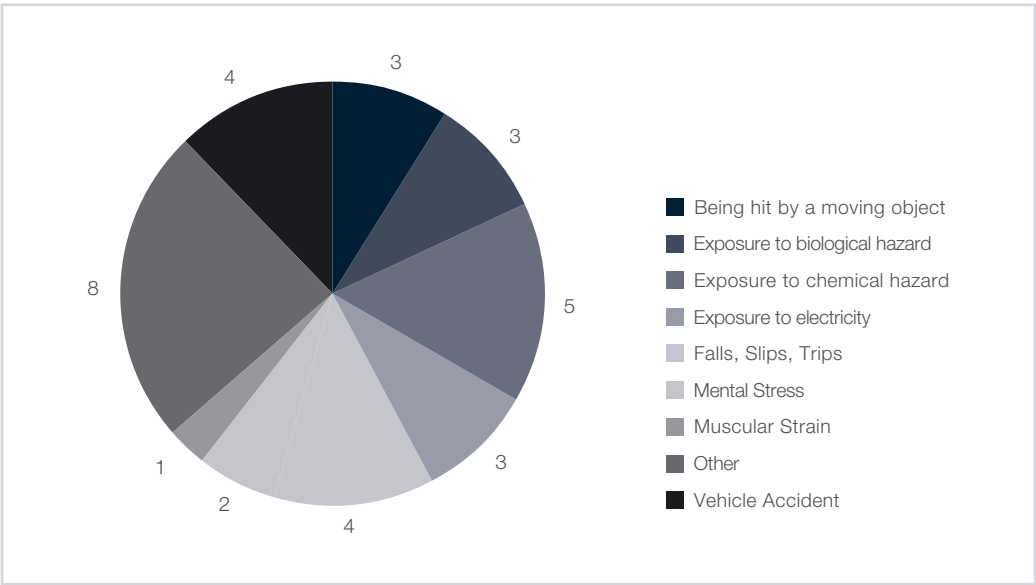


Figure 17: Number of notifiable incidents by mechanism of injury



Appendix 2

Commonwealth disability strategy

This section provides information on our implementation of the Commonwealth Disability Strategy. Our core roles that are reported are Regulator and Provider (Table 54). From 2007–08 onwards, agencies report under the employer role to the Australian Public Service Commission.

Table 54: Commonwealth Disability Strategy 2009–10 performance

REGULATOR ROLE		
Performance indicator	Performance measure	Level of performance 2009–10
Publicly available information on regulations and quasi-regulations is available in accessible formats for people with disabilities.	<p>Percentage of publicly available information on regulations and quasi-regulations requested and provided in:</p> <ul style="list-style-type: none"> + accessible electronic formats + accessible formats other than electronic. <p>Average time to provide accessible material in:</p> <ul style="list-style-type: none"> + electronic format + formats other than electronic. 	<p>All client-related information is available in hard copy and on the Customs and Border Protection website. Documents in html format or pdf files produced in Adobe version 5 or later are readable by JAWS software for the visually impaired.</p> <p>Information is written in plain English using inclusive and positive language.</p> <p>Electronic information is available 24 hours a day, seven days a week, via the Customs and Border Protection website.</p> <p>Internationally accepted directional signs are used at airports.</p>
Publicly available regulatory compliance reporting is available in accessible formats for people with disabilities.	<p>Percentage of publicly available information on regulations and quasi-regulations requested and provided in:</p> <ul style="list-style-type: none"> + accessible electronic formats + accessible formats other than electronic. <p>Average time to provide accessible material in:</p> <ul style="list-style-type: none"> + electronic format + formats other than electronic. 	<p>Annual reports are available in hard copy and on the Customs and Border Protection website.</p>

PROVIDER ROLE		
Performance indicator	Performance measure	Level of performance 2009–10
Providers have established mechanisms for quality improvement and assurance.	Evidence of quality improvement and assurance systems in operation.	<p>The Customs and Border Protection Planning and Performance Framework requires all work areas to ensure that staff comply with the Customs and Border Protection Workplace Diversity Policy and APS Values and Code of Conduct.</p> <p>The Customs and Border Protection Practice Statement framework ensures that clear and consistent policy and procedures are centrally available to all staff via the intranet.</p>
Providers have an established service charter that specifies the roles of the provider and consumer and service standards which address accessibility for people with disabilities.	Established service charter that adequately reflects the needs of people with disabilities in operation.	<p>The client service charter commits Customs and Border Protection to aim for making information services and documentation accessible for all clients regardless of disability, language or cultural difference.</p> <p>The client service charter is reviewed annually to ensure that it reflects the expectations of the community.</p> <p>Customs and Border Protection facilitates the movement of people with mobility limitations by allowing them to use crew processing lanes and providing head of queue status.</p>
Complaints/grievance mechanisms, including access to external mechanisms, in place to address concerns raised about performance.	Established complaints/grievance mechanisms, including access to external mechanisms, in operation.	<p>A general complaints and compliments system is available to all members of the public. Members of the public can also contact the Customs and Border Protection Information and Support Centre on 1300 363 263 during business hours.</p> <p>An analysis of complaints received during 2009–10 indicates that there were no disability-related complaints.</p>

APS = Australian Public Service

Appendix 3

Ecologically sustainable development and environmental performance

This section is presented in accordance with the requirements of s516A of the *Environment Protection and Biodiversity Conservation Act 1999*.

ENVIRONMENTAL MANAGEMENT

We are committed to making a positive contribution to sustainable development. By using benchmark indicators from the Department of Climate Change and Energy Efficiency, we aim for ecologically sustainable development, social justice and equity in policy development and operational activity. We are also committed to supporting other government agencies in environmental tasks.

Risk-management guidance, which includes the assessment of environmental, geographic, social, commercial and trading risks, underpins planning and project activities wherever possible. We recognise the risk to Australia's health and safety if our operational response to enforcing legislation is inadequate. Newly established reporting and review processes ensure that risks are assessed regularly and that systems and processes support continuous improvement.

Our Environmental Practice Statement outlines our commitment to improving environmental performance. We have an environmental management system (EMS) which seeks to minimise environmental impacts, including:

- + recycling toner cartridges and light tubes
- + providing recycling bins for paper, aluminium and plastic
- + educating Customs and Border Protection officers through intranet page and signage at key areas to reinforce environmentally friendly practices
- + including contract clauses for recycling services and environmentally friendly cleaning products
- + using recycled paper with a high-percentage of recycled content
- + conducting effective maintenance including changing tap washers
- + installing water-efficient shower and tap heads where possible
- + increasing water awareness and efficiency.

We measure performance against energy targets and energy audit requirements, and will continue with an environmental management program, implemented under the EMS, to target major issues such as generation of waste; consumption of energy, water and goods; and management of hazardous materials.

ENERGY USE

Environmental data for 2009–10 will be reported to the Department of Climate Change and Energy Efficiency on 31 October 2010. Therefore, figures were not available at the time of publication and figures from 2008–09 have been used.

The overall gigajoule consumption for 2008–09 increased by 9.43 per cent compared to the previous year. This was primarily due to an increase in electricity usage for 'tenant light and power' and 'other buildings' (Table 55). Other factors included a reduction in land area (m²) for communication sites and greater operational patrols resulting in an increase in aviation fuel (Avgas).

Table 55 Direct energy use (tenant light and power)

	2006–07	2007–08	2008–09
Office — tenant light and power			
Electricity (kWh)	12 240 929	14 546 916	15 008 160
Green power (kWh)	(–) 69 984	(–) 204 936	(–) 526 178
Total GJ	44 067	52 369	54 029
Occupancy (people)	4 973	5 168	5 211
Area (m ²)	86 787	99 487	103 541
MJ/Occupancy (people)/annum (Government target is 10 000 MJ)	8 861	10 134	10 368
MJ/Area (m ²)/annum	508	526	521
m ² /Person	17	19	20
Office — central services			
Electricity (kWh)	1 739 160	642 556	482 302
Natural gas (MJ)	2 430 377	4 915 056	2 967 935
Green power (kWh)	(–) 69 984	–	–
Total GJ	8 691	7 228	4 704
Area (m ²)	13 677	17 975	5 126
MJ/Area (m ²)/annum (Government target is 500 MJ)	635	402	918
Other buildings			
Electricity (kWh)	1 485 567	2 915 549	3 252 735
Green power (kWh)	–	(–) 131 427	(–) 188 471
Total GJ	5 348	10 496	11 710
Area (m ²)	51 860	132 570	36 342
MJ/Area (m ²)/annum	103	79	322
Other uses			
Electricity (kWh)	3 031 714	1 523 345	1 469 017
Green power (kWh)	(–) 26 486	–	(–) 16 305
Total GJ	10 914	5 484	5 288
Area (m ²)	70 089	69 135	–
KPI (MJ/m ²)	156	79	–

GJ = gigajoule; KPI =key performance indicator; kWh = kilowatt/hour; m=meter, MJ = megajoule
Note: 2009–10 figures were not available at the time of publication

We recorded an increase in overall transport use in 2008–09 (Table 56). The ‘passenger vehicles’ consumption increased by 0.5 per cent to 20 148 GJ and ‘other transport’ consumption increased by 10.8 per cent to 70 587 GJ, primarily due to an increased use of Avgas. Officers were choosing to use more ethanol blended fuel (E10), up by 37 288 litres from 2007–08. Officers were also choosing greener fleet vehicles, with the number of fleet vehicles scoring over the preferred 10.5 Green Vehicle Guide rating increasing from 25.8 per cent in 2007–08 to 26.9 per cent in 2008–09.

Fleet vehicles are represented under the ‘passenger vehicles (LeasePlan)’ and vessels are represented under the ‘other transport’ heading. These modes of transport are provided separately to give an accurate summary of our operating vehicle requirements identifying the greenhouse gas emissions contributor.

Table 56: Direct energy use (transport)

Passenger vehicles (LeasePlan)	2006–07	2007–08	2008–09
LPG (L)	3 129	2 483	5 489
Automotive diesel (L)	77 971	93 544	107 260
Petrol (L)	416 881	447 738	396 585
E10 biofuel (L)	75	32 211	69 499
Total GJ	19 829	20 050	20 148
Distance travelled (km) / annum	4 615 676	5 204 845	4 824 434
Other transport			
LPG (L)	3 699	5 119	3 822
Automotive diesel (L)	9 233 215	8 328 951	8 325 184
Automotive petrol (L)	95 439	81 708	84 974
Aviation (Avgas) (L)	Not reported	9 491 003	11 577 900
Total GJ	359 761	638 576	707 587

GJ = gigajoule; L = litre; LPG = liquefied petroleum gas
Note: 2009–10 figures were not available at the time of publication

Table 57 shows our greenhouse gas emission figures determined from our annual energy bills.

Table 57: Greenhouse gas emissions

Greenhouse gas emissions	2006–07	2007–08	2008–09
Office — tenant light and power			
CO ₂ /person/annum (tonnes)	2.60	2.89	2.61
CO ₂ /m ² /annum (tonnes)	0.15	0.15	0.13
Total CO ₂ /annum (tonnes)	12 927.50	14 929.31	13 622.44
Office — central services			
CO ₂ /m ² /annum (tonnes)	0.18	0.06	0.11
Total CO ₂ /annum (tonnes)	2 472.45	1 130.99	588.41

Greenhouse gas emissions	2006–07	2007–08	2008–09
Other buildings			
CO ₂ /m ² /annum (tonnes)	0.03	0.02	0.08
Total CO ₂ /annum (tonnes)	1 463.60	3 005.82	3 055.94
Passenger vehicles (leaseplan fleet data only)			
CO ₂ /annum (tonnes) — LPG	5.68	4.22	8.66
CO ₂ /annum (tonnes) — diesel	233.55	271.28	289.03
CO ₂ /annum (tonnes) — petrol	1 102.35	1 119.35	907.65
CO ₂ /annum (tonnes) — biofuel	170.70	41.87	80.33
Total CO ₂ /annum (tonnes)	1 512.30	1 436.72	1 285.67
Total CO₂ emissions/annum (tonnes) (not including other transport and other uses)	18 375.85	20 502.84	18 552.46
Other transport (owned and specialised including all sea and air craft, X-ray vans, motorcycles, gas bottles, forklifts, etc)			
CO ₂ /annum (tonnes) — LPG	6.72	8.70	6.03
CO ₂ /annum (tonnes) — diesel	27 656.80	24 153.96	22 433.59
CO ₂ /annum (tonnes) — petrol	251.98	238.60	248.14
CO ₂ /annum (tonnes) — Avgas	NA	22 778.41	25 691.64
Total CO ₂ /annum (tonnes)	27 915.50	47 179.66	48 326.00
Other uses			
Total CO ₂ /annum (tonnes)	3 313.50	1 536.63	1 302.00
Total CO₂ emissions (including other transport and other uses)	49 604.851	69 219.13	68 180.46

LPG = liquefied petroleum gas; NA = not available
Note: 2009–10 figures were not available at the time of publication

The 2008–09 consumption data has been reviewed to improve its accuracy. The most significant change is the inclusion of agency-owned vehicles and vessels, which were not included before 2006–07 carbon emission data.

ENVIRONMENTAL GOALS

Various environmental initiatives were completed throughout 2009–10 (Table 58).

Throughout the year, United Group Limited (UGL) conducted energy audits at sites with high energy use. The key energy-saving recommendations were implemented over nine locations around Australia, finalised in June 2010. The upgrades primarily targeted lighting systems and controls with two goals —to ensure the Australian Standard for interior and workplace lighting (AS1680) is met, and to achieve targets set by the Energy Efficiency in Government Operations (EEGO) policy. The upgrades are estimated to have an average payback period of three years, prior to any lease end dates. The energy reduction at these sites will be monitored and reported in future years.

Table 58: Environmental initiatives and performance

Environmental goals 2009–10	Result	Ongoing environmental goals 2010–11
Introduce 80% recycled paper	Individual sections are now responsible for purchasing paper. The recommended minimum recycled content is 50%.	Continue to purchase recycled paper as recommended in the Environmental Practice Statement.
UGL continue to provide EMS and targets	UGL reviewed targets against performance.	UGL will continue to monitor and provide EMS targets in future.
UGL complete energy-saving audits across 24 sites and implement feasible initiatives	The key energy-saving recommendations were implemented over nine locations around Australia.	The nine locations are expected to save over 6 000 000 MJ.
Implement energy saving recommendations over high energy use sites	Energy-saving upgrades were completed over nine sites providing an average three-year payback period.	Monitor and report the energy savings.
Implement energy-saving solutions for office lighting	A C-BUS lighting system upgrade in Customs and Allara Houses (ACT) was completed in early 2009–10 with a noticeable reduction in after-hours energy consumption. The Environmental Management Instruction and Guidelines outline good staff practices such as turning off lights in empty rooms and after hours.	Staff will continue to be reminded of good practices in energy saving.
Introduce energy-saving solutions for computers and office equipment	The Environmental Management Instruction and Guidelines outline good staff practices such as setting computer power-down timers, printing double sided pages and turning off equipment when not in use.	Investigations to introduce energy efficient computers and office equipment are ongoing. Staff will continue to be reminded of good practices in energy saving.
Complete new practice statements with instructions and guidelines covering a range of preferred environmental practices	Practice statements with instructions and guidelines were completed and made available on the intranet.	Annual review of practice statements.
Investigate installation of water tanks at key facilities and residential properties	The installation of water tanks at key facilities and residential properties is ongoing and is evaluated on a case-by-case basis.	The installation of water tanks at key facilities and residential properties is ongoing and is evaluated on a case-by-case basis.

Environmental goals 2009–10	Result	Ongoing environmental goals 2010–11
Install solar hot-water systems for key residential sites	The installation of solar hot-water systems at residential properties is ongoing and is evaluated on a case-by-case basis.	The installation of solar hot water systems at residential properties is ongoing and is evaluated on a case-by-case basis.
Increase the number of sites using green energy including residential accommodation	As electricity contracts are renewed, a green energy option is included in the contract. The percentage of green energy used (where feasible) is considered on a site-by-site basis.	As electricity contracts are renewed, a green energy option is included in the contract. The percentage of green energy used (where feasible) is considered on a site-by-site basis.
Establish Customs and Border Protection Carbon Footprint (where data is finalised)	Customs and Border Protection established its first Carbon Footprint report in 2008–09. The report included data from staff air travel, building electricity consumption, and fuel usage from fleet vehicles, air and sea patrol craft.	Future Carbon Footprint reports will be investigated.

ACT = Australian Capital Territory; EMS = environmental management system; UGL = United Group Ltd

Our environmental goals for 2010–11 are to:

- + incorporate regional offices in the EMS
- + conduct further energy-saving audits at high energy-use sites
- + replace hot-water systems with solar hot-water systems when systems expire at residential sites
- + implement energy-saving solutions for office lighting, and computer and office equipment
- + establish 'green team' volunteers to uphold good environmental practices.

GOVERNMENT POLICY

We comply with government policies contributing to sustainable development, including environmental policies as outlined in the EEGO policy, Department of Finance and Deregulation, *Financial Management Guidance No 10 Guidance on Complying with Legislation and Government Policy in Procurement (January 2005)*. We comply with these policies by including model environmental clauses in request for tender documentation and by taking into consideration tender responses that identify non-compliance with government policies, particularly in relation to sustainable development.

ECONOMIC, ENVIRONMENTAL AND SOCIAL CRITERIA IN PROCUREMENT

We apply the economic, environmental and social criteria that are outlined in the EEGO policy in procurement operations.

We comply with these policies by including evaluation criteria in procurement documents and considering those policies when determining value for money in a tender process.

Appendix 4

Consultancy services

Table 59: Consultancy services during 2009–10 valued at \$10 000 or more

NPC ref.	Supplier name	Description	Expenditure	Procurement method*	Consultancy reason(s)**
08/3293	University of Wollongong	Testing and evaluation of trace detection equipment	\$30 000.00	Direct	Need for specialised or professional skills
09850	Pacific Brands King Gee Division	Uniform design and quality management services	\$64 140.00	Open	Need for specialised or professional skills
09879	National ICT Australia (NICTA)	Development of documentation relating to CCTV industry trends and compliance for CCTV futures workshops	\$50 000.00	Direct	Need for specialised or professional skills
09961	CSIRO	Advice and development services for roster review	\$49 500.00	Panel	Need for specialised or professional skills
091052	Stamford Interactive	Analysis and intranet redesign for digital and online communications	\$119 126.00	Select	Need for specialised or professional skills
091145	CSIRO	Advice on air cargo environment sampling methodology	\$350 000.00	Direct	Need for specialised or professional skills
091320	Oakton AA Services Pty Ltd	Probity advice for tender evaluation committee including ad hoc advice	\$65 000.00	Panel	Need for independent research or assessment
091340	Application Development Support Services Pty Ltd	Workforce planning framework development services	\$290 000.00	Direct	Need for specialised or professional skills
091376	Application Development Support Services Pty Ltd	Services for the implementation of a workforce planning framework across Passengers Division	\$320 000.00	Direct	Need for specialised or professional skills
091402	Point Project Management Pty Ltd	Development and preparation of a housing portfolio strategy	\$95 358.78	Panel	Need for independent research or assessment
091411	Accenture Australia Ltd	Efficiency and effectiveness review of People and Place Division	\$128 856.20	Panel	Need for independent research or assessment

NPC ref.	Supplier name	Description	Expenditure	Procurement method*	Consultancy reason(s)**
091459	Hoffman Donohue Pty Ltd	Change management and facilitation services	\$80 000.00	Panel	Need for independent research or assessment
091512	Clayton Utz	Property-related legal services for leasing and facility management	\$50 000.00	Panel	Need for specialised or professional skills
091513	Australian Government Solicitor	Property-related legal services for leasing and facility management	\$54 545.45	Panel	Need for specialised or professional skills
091551	Grosvenor Management Consulting Pty Ltd	Probity advisor to assist with the Request for Tender process for the proposed purpose-built Drug Dog Detector Centre in Melbourne	\$40 000.00	Panel	Need for specialised or professional skills
091558	Booz & Company	Provision of an interagency border strengthening workshop	\$83 940.00	Panel	Need for specialised or professional skills
091570	Open Mind Research Group	Market research of the SmartGate advertising campaign (post-implementation)	\$50 000.00	Direct	Need for independent research or assessment
091572	ThinkPlace Pty Ltd	Development of business maps of key processes undertaken within the maritime surveillance and response function	\$49 547.00	Panel	Need for independent research or assessment
091638	GHD Pty Ltd	Link designs for two microwave links	\$34 501.50	Panel	Need for specialised or professional skills
091640	Lloyd's Register Rail Limited	Human factor review for the SmartGate program	\$49 385.00	Direct	Need for specialised or professional skills
091662	Freebody Cogent Pty Ltd	Professional services to set up a budget/ resource management framework	\$199 458.00	Panel	Need for specialised or professional skills
091708	WalterTurnbull Pty Ltd	Probity advisor to monitor the procurement process for ePassport document reader	\$15 000.00	Panel	Need for specialised or professional skills
091757	Australian Government Solicitor	Legal advice in relation to the contract for the Southern Ocean Maritime Patrol and Response Capability Project	\$100 000.00	Panel	Need for specialised or professional skills

NPC ref.	Supplier name	Description	Expenditure	Procurement method*	Consultancy reason(s)**
091773	Booz & Company	Development of an integrated risk and surveillance management capability that supports both air and surface assets	\$118 440.00	Open	Need for specialised or professional skills
091775	WalterTurnbull Pty Ltd	Probity services for the people and place transformation project	\$25 675.00	Panel	Need for independent research or assessment
091777	Australian Government Solicitor	Advice on the drafting and execution of a major tender agreement	\$32 653.50	Panel	Need for independent research or assessment
091782	Middletons	Assistance with assessment of review of ICT Services Provider arrangements	\$508 854.00	Direct	Need for specialised or professional skills
091784	GHD Pty Ltd	Review of CCTV initiatives developed for the CCTV 2015 strategic outlook	\$47 060.00	Panel	Need for specialised or professional skills
091853	Cordelta — The Trustee for the Cordelta Unit Trust	Assistance in the review and development of a control framework supporting passenger name record data	\$72 600.00	Panel	Need for independent research or assessment
091860	ThinkPlace Pty Ltd	IT service evaluation services and client survey	\$79 000.00	Panel	Need for specialised or professional skills
091876	Capgemini Australia Pty Ltd	Business analysis and review services for SmartGate program	\$100 864.80	Panel	Need for independent research or assessment
091887	Capgemini Australia Pty Ltd	Feasibility study for trans-Tasman immigration project	\$98 114.72	Panel	Need for independent research or assessment
091965	Frankadvice Pty Ltd	Analysis and advice on the application of current national security strategic planning and initiatives to the border management function	\$38 500.00	Direct	Need for specialised or professional skills
091967	Workplace Research Associates Pty Ltd	Stage 3 Container Examination Facility x-ray image analyst capability review services	\$264 000.00	Open	Need for independent research or assessment
102093	Teradata Australia Pty Ltd	External review of local data model for cargo data warehouse	\$55 000.00	Direct	Need for independent research or assessment

NPC ref.	Supplier name	Description	Expenditure	Procurement method*	Consultancy reason(s)**
102103	Ernst & Young	Provision of VAT-related consultancy services	\$15 000.00	Panel	Skills currently unavailable within agency
102104	Robbins Group	Consultancy services for the 2010–11 enterprise agreement	\$38 500.00	Direct	Skills currently unavailable within agency
102177	Fujitsu Australia Ltd	Architectural review of licensing and penalties cargo systems	\$110 000.00	Panel	Need for independent research or assessment
102178	RNC Global Projects	Facilitator for the independent review for the EPAC project	\$50 000.00	Direct	Need for specialised or professional skills
102180	Fujitsu Australia Ltd	Architectural review of cargo systems	\$110 000.00	Panel	Need for independent research or assessment
102182	Barnier Consulting	Coordination of future capability development and change management within the PAU	\$40 000.00	Direct	Need for specialised or professional skills
102195	Grosvenor Management Consulting Pty Ltd	Business support for approach to market for external property service provider	\$70 000.00	Panel	Skills currently unavailable within agency
102201	Australian Institute of Criminology	Assistance with the tailoring of a performance model to our requirement	\$30 000.00	Direct	Need for specialised or professional skills
102250	Shiftwork Solutions Pty Ltd	OHS legislative compliance assessment of the rosters at airport operations Brisbane	\$64 900.00	Open	Need for specialised or professional skills
102255	DBM Consultants	Market research services relating to perception of Customs and Border Protection	\$55 000.00	Direct	Need for independent research or assessment
102355	Centre for Customs and Excise Studies Pty Ltd	Consultant to conduct a diagnostic of Solomon Islands Customs and Excise Division business processes to facilitate continued growth in revenue collection and border protection	\$120 000.00	Panel	Need for independent research or assessment
102532	Van Meegen and Associates Pty Ltd	Consultant to provide advice for the development of team leadership techniques	\$16 280.00	Direct	Need for independent research or assessment
		Total financial year costing	\$4 528 799.95		

CCTV = closed circuit television; EPAC = Enhanced Passenger Assessment and Clearance; ICT = information and communication technology; IT = information technology; OHS=occupational health and safety; PAU = Passenger Analysis Unit; VAT = Value-added tax

* Explanation of selection process, terms drawn from the *Commonwealth Procurement Guidelines (January 2005)*:

Open Tender: A Method of Procurement in which a Request for Tender must be published in AusTender as a minimum, inviting all suppliers that satisfy the Conditions for Participation to submit tenders.

Select Tender: A Method of Procurement in which Customs and Border Protection issues an invitation to tender to potential suppliers selected from a Multi-Use List, a list of potential suppliers who have responded to a request for Expressions of Interest, or a list of all potential suppliers that have been granted a specific licence or comply with a legal requirement (the licence or legal requirement must be essential to the conduct of the procurement).

Direct Sourcing: A Method of Procurement, permitted only under certain conditions outlined in Chapter 8 of the Commonwealth Procurement Guidelines, in which Customs and Border Protection may invite a potential supplier or suppliers of its choice to make submissions.

Panel: An arrangement in which suppliers may be approached to provide property or services under an ongoing deed of standing offer relationship. The Panel may comprise of one or more suppliers and is formed following a public market testing process.

** Justification for decision to use consultancy:

- + skills currently unavailable within agency
- + need for specialised or professional skills
- + need for independent assessment.

Appendix 5

Agency resource statement and resources for outcomes

Table 60: Agency resource statement 2009–10

Agency Resource Statement 2009–10	Actual available appropriation for 2009–10* (\$000) (a)	Payments made for 2009–10** (\$000) (b)	Balance remaining 2009–10 (\$000) (a) – (b)
Ordinary annual services			
Appropriation receivable	151 852	151 852	0
Departmental appropriation ¹	1 021 805	861 289	160 516
Section 31 receipts	64 778	67 790	–3 012
Total (A)	1 238 435	1 080 931	157 504
Administered expenses			
Outcome 1	831	366	
Total (B)	831	366	
Total ordinary annual services	1 239 266	1 081 297	
Departmental non-operating			
Equity injections ²	5 239	5 239	0
Previous years' outputs	6 453	6 453	
Total (C)	11 692	11 692	0
Total other services	11 692	11 692	
Total available annual appropriations and payments	1 250 958	1 092 989	
Special appropriations			
Special appropriation (section 28 of FMA Act)		419 910	
Total special appropriations		419 910	
Special accounts			
Opening balance	4 941		
Special accounts	3 682		
Payments made		4 684	

Agency Resource Statement 2009–10	Actual available appropriation for 2009–10* (\$000) (a)	Payments made for 2009–10** (\$000) (b)	Balance remaining 2009–10 (\$000) (a) – (b)
Total special account (D)	8 623	4 684	3 939
Total resourcing and payments			
A+B+C+D	1 259 581	1 517 583	

FMA Act = Financial Management and Accountability Act 1997

* Data sourced from 2010–11 Portfolio Budget Statements

** Data sourced from 2009–10 Financial Statements, Cash Flow Statement, but excludes Net GST paid

¹ Appropriation Bill (No.1) 2010–11

² Appropriation Bill (No.2) 2010–11

Table 61: Resources for outcome

Resources for outcome

Outcome: The protection of the safety, security and commercial interests of Australians through border protection designed to support legitimate trade and travel and ensure collection of border revenue and trade statistics.

	Budget* 2009–10 \$000 (a)	Actual expenses 2009–10 \$000 (b)	Variation \$000 (a)–(b)
Program 1: Passenger facilitation			
Departmental expenses	227 889	230 844	(2 955)
Subtotal for Program 1	227 889	230 844	(2 955)
Program 2: Trade facilitation			
Departmental expenses	234 549	231 992	2 557
Subtotal for Program 2	234 549	231 992	2 557
Program 3: Border enforcement			
Departmental expenses	275 782	280 371	(4 589)
Subtotal for Program 3	275 782	280 371	(4 589)
Program 4: Civil maritime surveillance and response			
Departmental expenses	290 065	292 871	(2 806)
Subtotal for Program 4	290 065	292 871	(2 806)
Program 5: Border-related revenue collection			
Departmental expenses	64 038	61 639	2 399
Subtotal for Program 5	64 038	61 639	2 399
Total departmental expenses	1 092 323	1 097 717	(5 394)
Administered expenses	831	831	–

	Budget* 2009–10 \$000 (a)	Actual expenses 2009–10 \$000 (b)	Variation \$000 (a)–(b)
Special appropriations:			
FMA Act s28 — repayments required or permitted by law	439 000	419 909	19 091
Special accounts			–
Other trust moneys — FMA Act s20	363	–	363
Security deposits — FMA Act s20	4 580	4 684	(104)
Total for outcome	1 537 097	1 523 141	13 956
Departmental expenses	1 092 323	1 097 717	(5 394)
Administered expenses	831	831	–
Administered refunds (FMA Act s28)	439 000	419 909	19 091
Special accounts	4 943	4 684	259
Average staffing level (number)	5 500.0	5 489.0	11.0

FMA Act = *Financial Management and Accountability Act 1997*

* Budget relates to the revised budget estimate reported in the Portfolio Additional Estimates Statements 2009–10.

Appendix 6

Freedom of information

This appendix provides information required under s8 of the *Freedom of Information Act 1982* (FOI Act), which stipulates that agencies must report annually on:

- + organisation, functions and decision-making powers of the agency
- + arrangements for public involvement in the work of the agency
- + types of documents held by the agency
- + where and how the public can gain access to these documents.

Functions and powers

Customs and Border Protection is part of the Attorney-General's portfolio. We provide effective border management that prevents illegal movement across the border, raises revenue and provides trade statistics, with minimal disruption to legitimate trade and travel.

Responsibility for administering a range of tax and enforcement legislation is vested in the CEO by parliament. The CEO's authority to administer our agency is written into the relevant law, as are the CEO's general responsibilities, discretionary powers and rights. Further information on the organisation and functions of Customs and Border Protection, and a list of Commonwealth legislation under which we have powers, can be found in Appendix 7.

Arrangements for participation

We have formal and informal consultative mechanisms in place to allow organisations and people outside the Australian Government to participate in the formulation and administration of policy.

The Customs and Border Protection National Consultative Committee provides a forum for consultation with industry bodies. We encourage feedback from clients and other interested parties about our decisions and actions. Feedback can be provided to our Complaints and Compliments Management Unit via our website or at comments@customs.gov.au.

Members of the public can also voice their opinions in letters to the Minister for Home Affairs, the Hon. Brendan O'Connor MP, Parliament House, Canberra, ACT 2600.

Types of documents

We hold documents on a wide range of topics, which are broadly categorised as:

- + agendas, minutes and decisions (including internal and external meetings and ministerial, interdepartmental and general correspondence and papers)
- + internal administration papers (including research and project reports, accounting and financial records, legal records and staffing records)
- + manuals and training materials (including video tapes, guidelines, directions and administrative instructions relating to Customs and Border Protection operations and legislative procedures. This also includes some publications prepared for the guidance of staff and the business community to assist in decision making)

- + briefing papers (including briefs, submissions and reports to the Customs and Border Protection Executive and the Minister for Home Affairs. These generally relate to policy development and background to particular administrative decisions)
- + database records (including computer files, printouts, pre-printed forms and statistical tabulations).

Availability of documents to members of the public

Some documents are generally available while others are available under the FOI Act. Many of the documents we hold are available free on request; some of these include:

- + annual reports
- + corporate plans and other associated planning documents
- + a range of fact sheets, brochures and booklets including information on importing and exporting goods, information for people travelling overseas and details on industry assistance schemes, tariff, rules of origin and valuation reference documents and policy advices
- + Australian Customs and Border Protection Notices
- + Australian Customs and Border Protection Dumping Notices
- + Australian Customs and Border Protection Cargo Advices
- + State Notices.

To ensure a transparent process, in which all interested parties have the maximum opportunity to defend their interests, we also maintain a public file for all anti-dumping and countervailing investigations and reviews. Some documents we hold are available for purchase, including:

- + Dumping Commodities Register
- + Schedule of Commercial Tariff Concession Orders
- + Combined Australian Customs and Border Protection Tariff Nomenclature Statistical Classification.

A list of documents available to the public for inspection or purchase under s9(2)(c) of the FOI Act can be found on our website. Documents available to the public are generally available on our website or by calling the Customs and Border Protection Information and Support Centre. Applications for access to documents, including those not generally available to the public, can be made under the FOI Act.

Freedom of information inquiries

Inquiries regarding Freedom of Information (FOI) can be made by contacting the FOI Coordinator on 02 6275 6666 or by writing to the FOI Coordinator at any Customs and Border Protection state or territory office; postal addresses are provided on the inside back cover of this report.

Inquiries can be made by letter, telephone or in person. Email inquiries may be sent to foicoordinator@customs.gov.au. Formal FOI requests must be made in writing and should include telephone contact numbers and a return Australian address. A \$30 application fee or a remission request must accompany each request. We provide appropriate facilities for the inspection of documents accessed under the FOI Act.

Appendix 7

Legislative authority and power

Customs and Border Protection was established in its present form on 10 June 1985 by subsection 4(1) of the *Customs Administration Act 1985*. We primarily derive our powers from the *Customs Act 1901* and related legislation.

Statutory powers conferred on the Chief Executive Officer

The *Customs Administration Act 1985* also provides for the appointment of a Chief Executive Officer (CEO) who, reporting to the Minister, controls Customs and Border Protection. The CEO is appointed by the Governor-General. Certain statutory functions and powers are vested in the Minister but most decisions made under Customs and Border Protection legislation are the responsibility of the CEO. The CEO may, by signed instrument, delegate to an officer of Customs and Border Protection all or any of the functions and powers of the CEO.

Commonwealth legislation under which we exercise powers

Our officers exercise powers under the:

- + *Customs Act 1901*
- + *Customs (Prohibited Exports) Regulations 1958*
- + *Customs (Prohibited Imports) Regulations 1956*
- + *Customs Regulations 1926*
- + *Customs Administration Act 1985*
- + *Customs Tariff Act 1995*
- + *Customs Tariff (Anti-Dumping) Act 1975*
- + *Commerce (Trade Descriptions) Act 1905*.

Other legislation under which our officers exercise powers includes:

- + *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*
- + *Australian Postal Corporation Act 1989*
- + *Copyright Act 1968*
- + *Crimes Act 1914*
- + *Environment Protection and Biodiversity Conservation Act 1999*
- + *Fisheries Management Act 1991*
- + *Migration Act 1958*
- + *National Health Act 1953*
- + *Olympic Insignia Protection Act 1987*
- + *Quarantine Act 1908*
- + *Trade Marks Act 1995*.

- We collect charges and revenue under the following legislation:
- + A New Tax System (Goods and Services Tax) Act 1999
 - + A New Tax System (Wine Equalisation Tax) Act 1999
 - + A New Tax System (Luxury Car Tax) Act 1999
 - + Customs Depot Licensing Charges Act 1997
 - + Import Processing Charges Act 2001
 - + Passenger Movement Charge Act 1978
 - + Passenger Movement Charge Collection Act 1978.

- Administrative legislation that we must comply with includes:
- + Administrative Decisions (Judicial Review) Act 1977
 - + Disability Discrimination Act 1992
 - + Financial Management and Accountability Act 1997
 - + Freedom of Information Act 1982
 - + Occupational Health and Safety Act 1991
 - + Privacy Act 1988
 - + Public Service Act 1999
 - + Maternity Leave (Commonwealth Employees) Act 1973
 - + Long Service Leave (Commonwealth Employees) Act 1976
 - + Workplace Relations Act 1996.

These lists are not exhaustive and do not include all delegated legislation.

Appendix 8

Advertising and marketing research

Under s311A of the *Commonwealth Electoral Act 1918* any payments we make for advertising or market research greater than \$11,200 (Inclusive of GST) must be reported in the annual report.

In accordance with this legislation, we paid a total of \$2,701,416.10 (inclusive of GST) paid to these organisations. The services they provided are detailed below.

Amount:	\$328 181.82
Organisation:	Porter Novelli Australia
Services:	Communications services relating to the counter people smuggling public information campaign in Malaysia

Amount:	\$177 625.00
Organisation:	Total Media Direction
Services:	Communications services relating to the counter people smuggling public information campaign in Sri Lanka

Amount:	\$75 186.24
Organisation:	Lanka E Marketing
Services:	Communications services relating to the counter people smuggling public information campaign in Sri Lanka

Amount:	\$262 710.00
Organisation:	Manhattan International
Services:	Communications services relating to the counter people smuggling public information campaign in Pakistan

Amount:	\$868 507.00
Organisation:	International Organization for Migration
Services:	Communications services relating to the counter people smuggling public information campaign in Indonesia

Amount:	\$506 000.00
Organisation:	TNS Social Research
Services:	Traveller satisfaction survey

Appendix 9

Correction of errors in the 2008–09 annual report

Amount:	\$399 365.25
Organisation:	Adcorp Australia
Services:	Recruitment services
Amount:	\$28 840.79
Organisation:	HMA Blaze
Services:	Recruitment services
Amount:	\$55 000.00
Organisation:	DBM Consultants
Services:	Market research services relating to perception of Customs and Border Protection

During 2009–10, the Australian Customs and Border Protection Service conducted counter people smuggling communications campaigns in Sri Lanka, Indonesia, Malaysia and Pakistan as part of its role as the lead agency on irregular maritime arrivals. These communication activities were conducted overseas and therefore are not required to be recorded on the agency website and in the reports on Australian Government advertising that are prepared by the Department of Finance and Deregulation.

- Page 26: In Table 4 Performance against targets set in the 2008–09 Portfolio Budget Statement — Output Group 2, the number of air cargo consignments examined should be 95 185.

The published figure of 39 595 represents the number of targeted examinations only and is not reflective of all air cargo examinations undertaken in the 2008–09 period. The total number of air cargo consignments examined is 95 185.
- Page 63: In the last paragraph of the first column, the opening sentence reads: ‘This year there were 28 apprehensions, an 83 per cent decrease on last year’. The number of apprehensions should be 27. The percentage figure of 83 is still correct.
- Page 228: At the time of preparation of last year’s annual report, we had offered places to six cadets and six graduates, but in the final days the individuals accepted offers from other agencies.

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Abbreviations and acronyms

AAT	Administrative Appeals Tribunal
ACCC	Australian Competition and Consumer Commission
ACV	Australian Customs and Border Protection vessel
ADF	Australian Defence Force
AE EZ	Australian exclusive economic zone
AFP	Australian Federal Police
AGD	Attorney-General's Department
ANAO	Australian National Audit Office
APS	Australian Public Service
AQIS	Australian Quarantine and Inspection Service
ATO	Australian Taxation Office
ATS	amphetamine-type stimulant
BPC	Border Protection Command
CCTV	closed circuit television
CEO	Chief Executive Officer
COO	Chief Operating Officer
DAFF	Department of Agriculture, Fisheries and Forestry
DCEO	Deputy Chief Executive Officer
DHEA	dehydroepiandrosterone/prasterone
EEZ	exclusive economic zone
EU	European Union
FFV	foreign fishing vessel
FOI	freedom of information
FTA	free trade agreement
GHB	gamma-hydroxybutyric acid (fantasy)
GST	goods and services tax
ICS	Integrated Cargo System
ICT	Information and communication technology
IT	information technology
LSD	lysergic acid diethylamide (acid)
MDMA	3,4-methylenedioxymethamphetamine (ecstasy)
MOU	memorandum of understanding
OHS	occupational health and safety
PAU	Passenger Analysis Unit

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PBS	Portfolio Budget Statement
PIED	performance and image-enhancing drug
PII	potential irregular immigrant
PMC	passenger movement charge
SES	senior executive service
SIEV	suspected irregular entry vessel
TRS	time release study
UK	United Kingdom
US	United States of America
WCO	World Customs Organization
WMD	weapons of mass destruction

Glossary

Examination	Examination of cargo by a Customs and Border Protection officer
Inspection	Inspection may include the use of non-intrusive examination through X-ray technology (static or mobile), trace particle detection, detector dogs or a physical examination of the cargo
Intervention	Customs and Border Protection use of any or all processes, including risk assessment, inspection and examination, in order to prevent the import or export of prohibited items and to control the movement of restricted items.

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Customs and Border Protection office locations

Customs and Border Protection employs 5 805 people in Australia and overseas, with the central office located in Canberra.



International support to Customs and Border Protection operations is provided through permanent representation at Australian Embassies and High Commissions in Bangkok, Beijing, Brussels, Jakarta, Kuala Lumpur, Colombo and Washington. Customs and Border Protection is planning to post an officer in New Delhi in India in 2010.

Customs and Border Protection also engages internationally through Australian whole-of-government capacity building initiatives, including the Strongim Gavman Program (SGP) and the Regional Assistance Mission to Solomon Islands (RAMSI). Our contribution to SGP and RAMSI includes officers working in advisory roles in Papua New Guinea and Solomon Islands, respectively.

