



Australian Government

**Australian Customs and
Border Protection Service**

ANNUAL REPORT 2011–12

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

Each week on average ...

We clear:

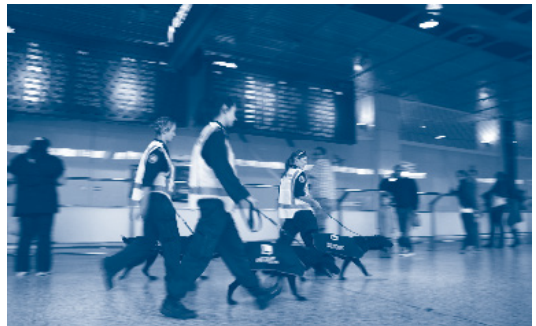
- ▶ approximately 559 758 air passengers arriving and departing Australia on more than 3375 flights
- ▶ about 278 ships arriving in Australian ports from overseas, having boarded approximately 130 of them for inspection
- ▶ about 18 overseas smallcraft arriving at Australian ports
- ▶ approximately 24 657 export entries, 289 090 air waybills and 50 350 sea cargo manifest lines for imported cargo.

We surveil:

- ▶ nearly three million square nautical miles of Australia's maritime domain from the air 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.

We patrol:

- ▶ our coastline and seas, including the Southern Ocean and northern waters, and respond to mitigate or eliminate the risks posed by civil maritime security threats, including irregular maritime arrivals and illegal exploitation of natural resources
- ▶ airports, seaports, remote coastlines and mail centres and deploy about 44 highly trained detector dog teams.





We inspect:

- ▶ nearly 1966 sea cargo containers
- ▶ nearly 29 109 air cargo consignments
- ▶ approximately 392 079 letters and more than 396 678 overseas parcels.

We detect or seize:

- ▶ numerous prohibited items, including weapons, replica firearms, dangerous goods, protected wildlife, illegal pornography, material involving breaches of copyright, and tobacco
- ▶ about 420 illicit drug imports, including performance- and image-enhancing drugs.

We collect:

- ▶ approximately \$215.3 million in revenue on behalf of the Australian Government (Customs and Border Protection and other agencies).



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Australian Government

**Australian Customs and
Border Protection Service**

ANNUAL REPORT 2011–12

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Letter of transmittal



Australian Government

Australian Customs and
Border Protection Service

ACTING CHIEF EXECUTIVE OFFICER

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5 Constitution Avenue
Canberra City ACT 2601

Phone: 02 6275 6800
Fax: 02 6275 6796

The Hon Jason Clare MP
Minister for Home Affairs and Justice
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 2012, 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 2011.

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.

I certify that Customs and Border Protection has a fraud control and corruption prevention plan in place that complies with the requirements of the *Commonwealth Fraud Control Guidelines 2011*. We have also implemented robust fraud prevention, detection, investigation, reporting and data collection procedures and processes that align with the principles outlined in the Australian National Audit Office Better Practice Guide on *Fraud Control in Australian Government Entities, 2011*. We have also taken all reasonable measures to minimise the incidence of fraud within the agency and to investigate and recover the proceeds of fraud against the agency.

Yours sincerely

Michael Pezzullo
A/g Chief Executive Officer

13 September 2012

Customs and Border Protection snapshot

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

Our mission is to:

Protect 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 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 border 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 2012, we employed 5671 people.¹

Our budget

Our operating income for 2011–12 was \$1021.3 million.

¹ Ongoing and non-ongoing employees under the *Public Service Act 1999*.

About this report

The purpose of this report is to inform the parliament, the Minister for Home Affairs, industry, other law enforcement agencies, and the general public about the performance of the Australian Customs and Border Protection Service in the financial year ending 30 June 2012.

In line with the parliamentary reporting requirements, this report details our performance in relation to achieving planned outcomes, and meeting goals set out in the 2011–12 Portfolio Budget Statements (PBS) and Portfolio Additional Estimates Statements.

The report consists of the following sections:

Chief Executive Officer's review—summarises key issues and trends in the reporting period, particularly those that had an impact on achieving our goals, and the outlook for the future.

Part 1: Overview—details our role and functions, organisational structure and performance reporting framework, including our priorities for the reporting year.

Part 2: Our program performance—reports on our effectiveness in achieving program objectives, including our performance during the year against the deliverables and key performance indicators set out in the PBS.

Part 3: Our border risks—provides information on how we performed against our border enforcement priorities and discusses how key strategies and activities contributed to the achievement of outcomes in the reporting period.

Part 4: Our enabling functions—outlines how effectively we managed our support functions, such as corporate governance, human resource management, integrity and ethics, work health and safety, and knowledge and systems, as well as their contributions to the achievement of outcomes in the reporting period.

Part 5: Accountability and resource management—provides information on external scrutiny, client service standards, consultants and contractors, asset management and other administrative activities.

Part 6: Financial statements—contains our audited financial statements for the year ending 30 June 2012.

Appendixes—provide information on specific aspects of our operations, including the agency resource statement, environmental sustainability, advertising and market research, purchaser–provider arrangements and an overview of our legislative powers.

References—a list of tables and figures, abbreviations and acronyms, an alphabetical index, and a list of requirements showing where to find information specified in the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*.

You can access an online or electronic version of this annual report on our website at www.customs.gov.au/site/page4283.asp.

Contact details

Annual report enquiries

For any enquiries about this annual report, please contact:

National Manager, Border Strategies and Planning

Phone: 02 6275 6078

Email: AnnualReportCoordinator@customs.gov.au

General enquiries

For general Customs and Border Protection–related enquiries, contact:

Customs and Border Protection Information and Support Centre

Locked Bag 3000

Sydney International Airport

Sydney NSW 2000

Phone: 1300 363 263

International: +61 2 6275 6666

TTY: 1800 804 061 (free call)

Web: www.customs.gov.au

Email: information@customs.gov.au

Complaints and compliments

To make a complaint or to offer a compliment on any Customs and Border Protection decision, procedure, product or service, contact:

Phone: 1800 228 227 (free call)

Web: www.customs.gov.au

Email: comments@customs.gov.au

Chief Executive Officer's review



Michael Carmody

Customs and Border Protection is the lead agency operating at Australia's border, and aspires to be the community's trusted agent for border protection, as well as respected by industry for the support we give to legitimate trade and travel. We also aspire to be valued as a partner by other law enforcement and regulatory agencies.

Our effort at the border is not just about stopping the irregular movement of people and preventing and deterring prohibited, harmful and illegal goods (such as illicit drugs, weapons and firearms). It is also about facilitating international trade, protecting our environment and protecting our natural resources, such as fish stocks.

Significant issues and challenges in 2011–12

We worked hard in 2011–12 to respond to changes in our operating environment as new challenges emerged at Australia's border.

We faced a significant challenge in responding to a marked increase in the number of suspected irregular entry vessel arrivals, from 89 vessels in 2010–11 to 111 vessels in 2011–12. We remained focused on detecting and responding to these vessels and were called on to support a number of search and rescue operations. We both led and supported whole-of-government responses to maritime people smuggling.

Although considerable work has been done over recent years to strengthen the organisation's defences against corruption and infiltration, the nature of our work at the border means that criminal networks will seek out members of our workforce to attempt infiltration, corruption and facilitation of their criminal activities. Acknowledging that more can always be done to address such an important issue, I commissioned an internal review of our integrity framework to determine what else we could do as an organisation to strengthen our defences against these criminal attempts. To assist us in this work the Minister for Home Affairs, the Hon Jason Clare MP, announced a number of new legislative measures to bolster our existing powers.

We continue to strengthen our relationships with our law enforcement partners on integrity issues as we work together on a number of investigations. We are focused on ensuring that we have the strongest possible integrity framework and that we remove those few who attempt to tarnish the reputation of the agency and, by association, the vast majority of our staff who perform their roles with the utmost credibility and diligence.

Customs and Border Protection, like all Australian Government agencies, has been required to make financial offsets for new and terminating programs and to deliver on the government's overall financial strategies by providing efficiency dividends and other savings. This, combined with increased operational tempo, challenged our people, assets and processes. I continue to be impressed by Customs and Border Protection's hard-working and dedicated staff in the professional way they manage our border in this environment.

A change in the government's Australian Public Service Bargaining Framework resulted in us having to negotiate two enterprise agreements with staff in a 12-month period. Negotiations between staff and management were difficult and prolonged and saw industrial action take place in a number of locations. While we recognised our staff's right to take such action, maintaining control of the border continued to be our main priority. I was heartened to see many staff rise to the challenge of continuing to deliver on this priority, working beyond their day-to-day responsibilities, until the 2011–2014 Enterprise Agreement was finalised.

Factors, events and trends influencing performance

In 2011–12, our operating environment continued to test our capabilities and push us to work smarter at the border. Border-related activities are increasingly complex as they continue to evolve in diverse channels across a broad range of physical and electronic environments.

This increase in complexity of supply chains and travel routes made the task of assessing threats and risks at the border more demanding on our staff and resources. We saw increases in the volumes of trade, cargo and passenger transactions and persistent attempts by people and organisations trying to breach Australia's border. In addition, we observed criminal entities becoming ever more responsive to our interventions, which made it critical for us to maintain our vigilance and to continually review and adjust our strategies. These pressures have further demonstrated the importance for us to continue to embed and adopt more sophisticated approaches in delivering on our Portfolio Budget Statement commitments.

In this context, I made it a priority for the organisation to focus our efforts across the entire border continuum, so that we increasingly work ahead of the physical border to identify, deter and where possible, mitigate border risks. Our intelligence-led, risk-based model allows us to make informed decisions to reprioritise resources without materially affecting our control of those risks. In applying this model, we collect intelligence and data from an extensive range of sources, conduct comprehensive analysis, and generate informed judgments to direct and shape our operational, investment, and resourcing decisions. We work closely with our law enforcement and other partners in doing this, particularly by fusing intelligence on criminal activity.

The success of this model is dependent in part on the accuracy of the data collected, and the capability of the workforce to respond to changes in their roles and responsibilities effectively. As we progressively use advanced analytical techniques and tools that allow us to target high-risk people, goods and environments, we will also build our workforce capability for the future.

Our strategic change program (detailed below under ‘Outlook’) is a key element in ensuring that we appropriately equip our workforce with the necessary skills and tools to perform their roles. We invested in training and development initiatives that sought not only to build leadership skills through our Listen, Respect, Lead program, but also to deliver core skills across the border continuum.

In 2011–12, we also renewed our focus on work health and safety. We reviewed our health and safety policies and procedures and implemented initiatives that brought us in line with new legislative requirements. I am pleased with the progress we have already made including the implementation of an agency-wide work health and safety framework, a full risk assessment of our work health and safety issues and the delivery of a communications and awareness campaign. This will help us to identify key risk areas and risk mitigation strategies and will further support the agency’s effective operation.

Financial performance overview

During the year, our financial result was a loss of \$79.9 million. This result includes a number of one-off and Commonwealth financial framework impacts, which require further explanation. To arrive at a more conventional measure of our financial performance the following three significant components need to be excluded:

- ▶ depreciation and amortisation expenses of \$90.8 million, because under the Commonwealth’s revised net cash arrangements agencies are no longer funded for these expenses as part of their appropriation funding
- ▶ income of \$34.2 million, as this was the result of a one off upward revaluation of assets following an assessment from the Australian Valuation Office
- ▶ expenses of \$26 million associated with the one-off effect that a significant downward movement in the long-term government bond rate has had on the calculation of our employee provisions.

After adjusting for these items, our net cash result from operations is a small surplus of \$2.7 million (0.3 per cent). This minor variance reflects the ongoing scrutiny we apply to our financial management with very slight variations from an otherwise balanced result.

Significant changes from prior year or from budget

In response to the challenging financial environment we saw significant changes in our management structure, which included a reduction in our ongoing Senior Executive Service (SES) positions by 17.5 per cent. The new senior management arrangements came into effect in March 2012; they contribute to the efficiencies required of the organisation, with SES officers being asked to accept expanded leadership responsibilities.

Outlook

For the near future, we will continue to operate in an environment of increasing demand and fewer resources. Looking ahead, the volume of transactions at the border, both cargo and people, will continue to increase markedly over the coming years. International passenger movements are projected to increase from around 30 million in 2011–12 to some 32 million by the end of 2012–13. Incoming air cargo consignments are projected to increase from 17.9 million to 21.9 million over the same period.

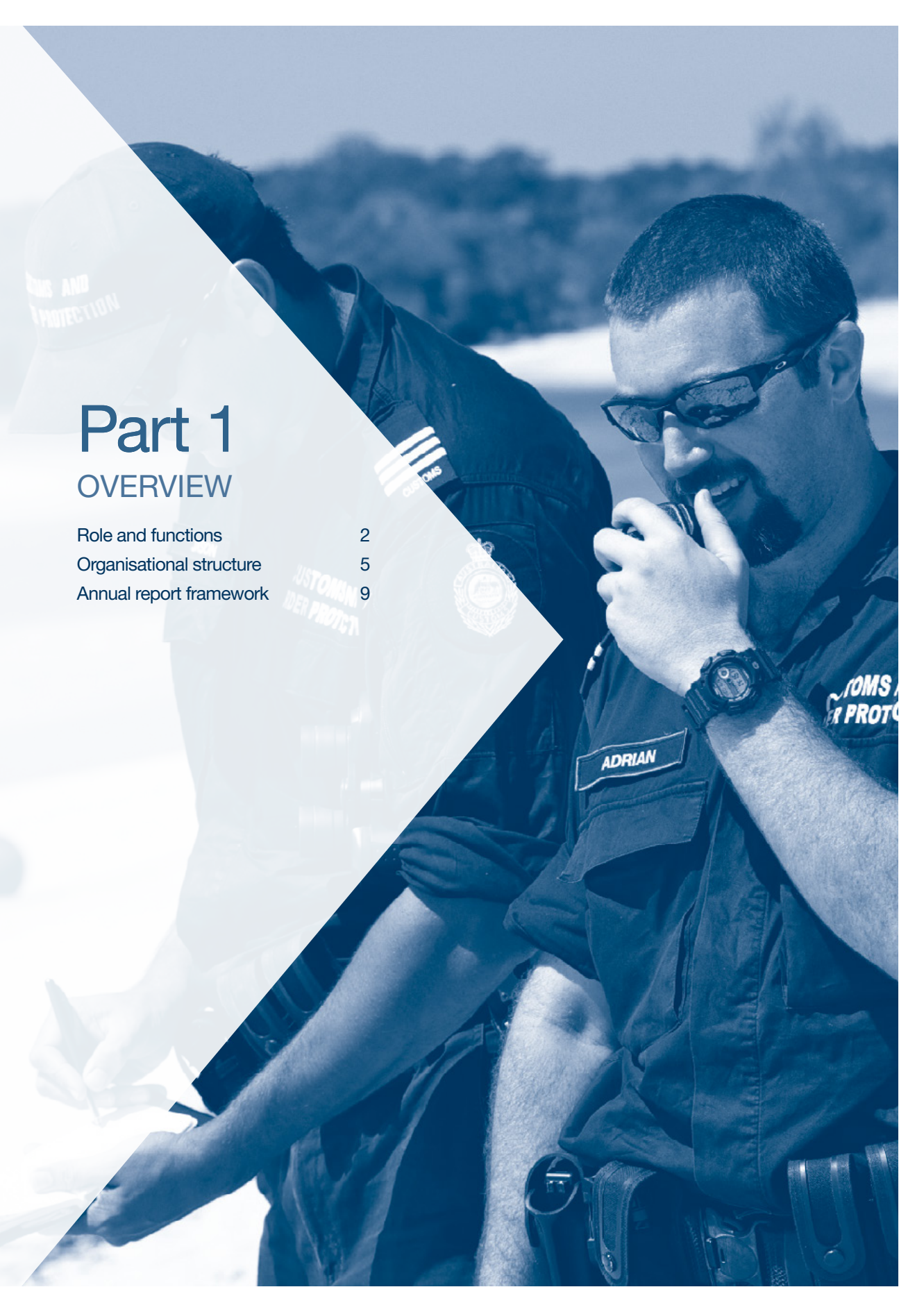
The range of dangerous goods, biosecurity hazards and economic risks will continue to grow, as will the geographic area that Customs and Border Protection operates in, with more remote ports coming on line and ramping up operations. There will be even more pressure on the border, as intervention times to prevent the illegal movement of people and goods remain limited.

Transnational criminal syndicates will continue to become more adept at circumventing older detection technologies and methods. The community's expectations of better facilitation and increased border protection remain high. Border economic imperatives mean that importers and exporters expect seamless border processing that meets world's best practice. At the same time the need to protect Australia from those attempting to breach the border will not lessen.

Our financial environment, however, continues to be tight and we expect it to remain so over the next few budget cycles. In this context, we are developing a strategic change program to better position ourselves to respond to this future operating environment. The program has four key elements that build on a range of initiatives already underway. These elements are:

- ▶ focusing on substantially upgrading and embedding our intelligence-led, risk-based approach which has yielded an increase in detections across cargo streams
- ▶ re-envisioning our business model for processing international passengers to respond to the projected large increase in passenger numbers and deliver a seamless passenger processing experience
- ▶ focusing on hardening our agency against integrity breaches, and having the leadership group and staff engaged and expert at what they do
- ▶ leveraging the advantages offered by modern electronic interfaces to improve the availability, accessibility and delivery of information to staff, and to travellers and industry.

I thank all Customs and Border Protection officers who, through their dedication, enthusiasm and resilience make possible the achievement of our commitment to the community and the Australian Government.



Part 1

OVERVIEW

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Role and functions

Customs and Border Protection is responsible for protecting the safety, security and commercial interests of Australians through border protection designed to support legitimate trade and travel, to prevent the illegal movement of people and harmful goods across the border, and to collect border revenue and trade statistics.

Our role is to:

- ▶ prevent, deter and detect the illegal movement of people across Australia's border
- ▶ prevent, deter and detect the entry of prohibited, harmful and illegal goods into 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 operating environment

The multi-faceted nature of our role is enduring, but changes at the border mean that a new operating environment is emerging. The people and organisations trying to breach Australia's border are becoming increasingly sophisticated and more adept at circumventing older detection technologies and methods. Complexity is increasing in supply chains and travel routes, making the task of assessing threats and risks at the border more challenging.

People understand that border protection results in some impact on legitimate 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 work closely with agencies with an interest in the border, often exercising powers on their behalf, and at other times working with them to complement each other's 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. We continue to position the agency to respond by developing and refining strategies to adapt to the emerging operating environment.

Managing Australia's border

The way we deliver our mission is shaped by our complex and demanding operating environment. Our approach is characterised by:

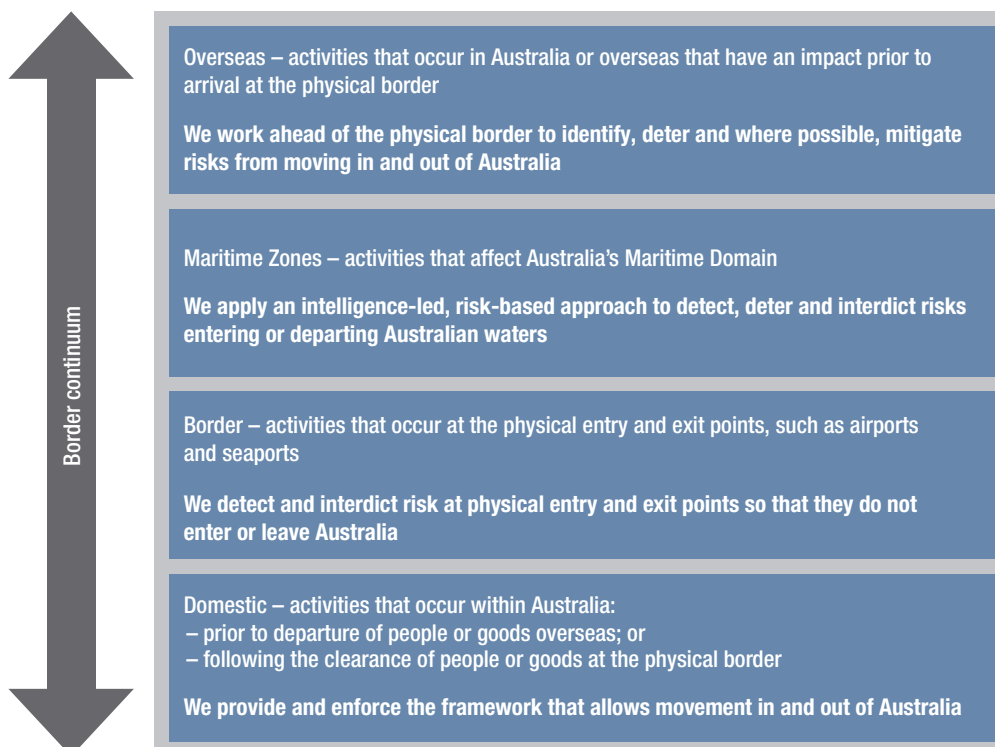
- ▶ a focus on spreading our efforts across the entire border continuum
- ▶ an increasingly sophisticated intelligence-led, risk-based operating model
- ▶ a commitment to fostering collaboration and leading at the border
- ▶ an increasing focus on being lean and expert.

Our interventions place an increasing emphasis on working ahead of the border as part of a layered approach across the border continuum (Figure 1).

We apply our intelligence-led, risk-based model to the management of Australia's border in close collaboration with other government and law enforcement agencies. This enables us to facilitate legitimate trade and travel and reduce risks at the border by focusing our resources where they are needed most.

We increasingly use advanced analytical techniques and tools that allow us to focus on high-risk people, goods and environments. We collect data from an extensive range of sources, conduct comprehensive analyses and generate informed judgments to direct and shape our operational, investment and resourcing decisions.

Figure 1: The border continuum



The strategies we employ include intelligence analysis; risk-based targeting; a range of interventions at airports, seaports and international mail gateways; coordinated operational responses; and engagement with our international counterparts. These risk-based strategies are supported by assurance mechanisms that are designed to assess the effectiveness of our interventions, keep us alert to emerging risks and continuously enhance our expertise.

We also support cross-agency activities to prevent, deter and detect prohibited, harmful and illegal goods and people entering Australia—including operating in our Exclusive Economic Zone.

We do not expect the current fiscal environment to change in the foreseeable future and are accordingly focused on achieving sustainable and enduring efficiencies in our business model. In part, this is to deliver on the government's financial objectives, but it also reflects our long-term commitment to streamlining our operations. To do this and to match the sophistication of those seeking to breach our border, we must be experts in performing our role.

Some of the strategies we use to identify and mitigate risks ahead of the border include:

- ▶ posting Customs and Border Protection officers overseas to work with offshore partner agencies
- ▶ continuing to improve pre-arrival screening for passengers, cargo and vessels
- ▶ using advanced techniques to analyse passenger information and cargo and vessel reports to identify high-risk passengers and cargo before they arrive in Australia.

A number of agencies are involved in the border continuum and we work together to ensure effective management and protection of all areas. Partnering with other agencies enables us to leverage off their capabilities to achieve a more effective response to border risks. The agencies we work with include the:

- ▶ Australian Crime Commission
- ▶ Australian Federal Police
- ▶ Attorney-General's Department
- ▶ Department of Agriculture, Fisheries and Forestry, in particular DAFF Biosecurity
- ▶ Department of Defence
- ▶ Department of Foreign Affairs and Trade
- ▶ Department of Immigration and Citizenship
- ▶ Department of Industry, Innovation, Science, Research and Tertiary Education
- ▶ Office of Transport Security in the Department of Infrastructure and Transport.

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 Jason Clare MP.

Customs and Border Protection operates through two major programs and one non-aligned division reporting directly to the CEO:

- ▶ Maritime, Corporate and Intelligence
- ▶ Border Management
- ▶ Strategy, Finance and Integrity Division.

The Chief Executive Officer heads Customs and Border Protection with the support of the Chief Operating Officer (who is also the Deputy Chief Executive Officer, Maritime, Corporate and Intelligence) and the Deputy Chief Executive Officer, Border Management. Senior managers in all Australian states and territories report directly to national directors or national managers. This structure is shown in Figure 2.

Our central office is in Canberra and we have 13 officers posted overseas, located in eight embassies or high commissions—Bangkok, Beijing, Brussels, Colombo, Jakarta, Kuala Lumpur, New Delhi, and Washington DC. In addition, the agency has six officers deployed to Papua New Guinea and Solomon Islands customs administrations. There is also one officer seconded to US Customs and Border Protection, working on shared intelligence and targeting methods. Figure 3 shows our Australian office locations.

At 30 June 2012, we employed 5671 people in offices around Australia and overseas.



Customs and Border Protection Executive

From left: Marion Grant, Michael Carmody and Michael Pezzullo



Michael Carmody
Chief Executive Officer
Strategy, Finance and Integrity Division



Michael Pezzullo
Chief Operating Officer
Deputy Chief Executive Officer, Maritime, Corporate and Intelligence
Information Technology Division
People and Corporate Services Division
Intelligence and Targeting Division
Maritime Operations Support Division
Border Protection Command



Marion Grant
Deputy Chief Executive Officer, Border Management
Passengers Division
Cargo and Trade Division
Compliance and Enforcement Division

Figure 2: Customs and Border Protection organisational chart as at 30 June 2012

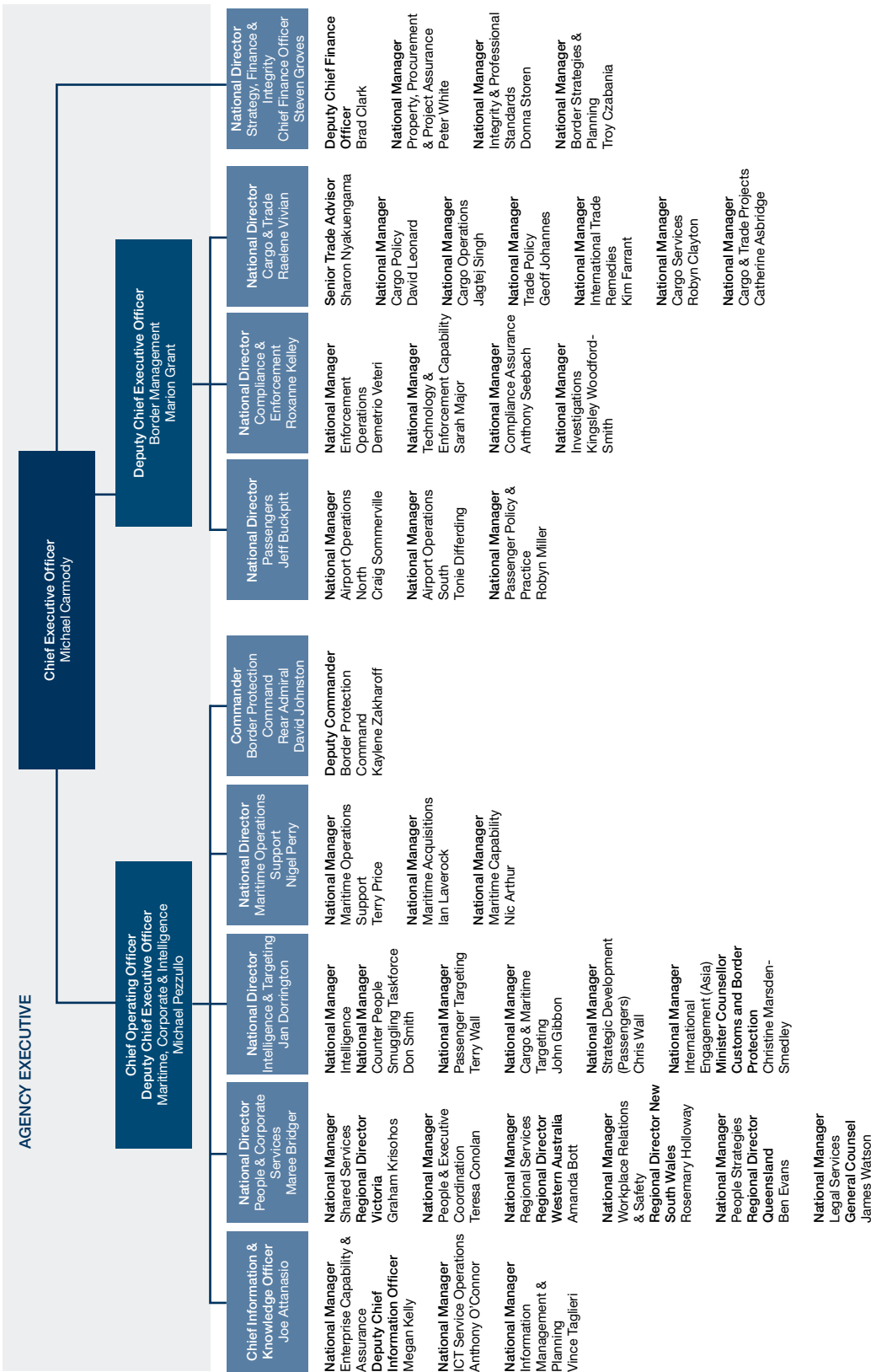
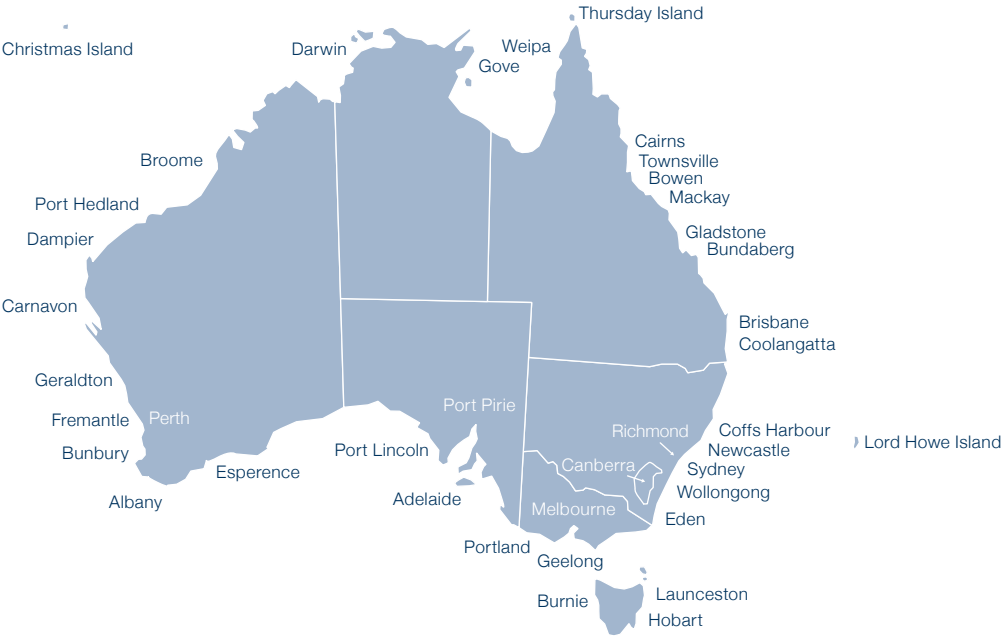


Figure 3: Customs and Border Protection’s Australian office locations



Annual reporting framework

Our annual reporting framework consists of three elements—our:

- ▶ PBS programs—the programs through which we work to achieve our outcome, as set out in the Portfolio Budget Statements
- ▶ border risks—the risks to our border that require a response and effective management
- ▶ enablers—the enabling functions that assist us to mitigate border risks and deliver our PBS programs.

Our 2011–12 reporting framework is shown in Figure 4.

Figure 4: 2011–12 reporting framework

		Customs and Border Protection 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				
Annual Plan and Risk Plan	PBS 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
	Risks we manage at the border	Illicit drugs and precursors				
				Unlawful activity in our maritime zones (inshore & onshore)		
				Unlawful activity in our maritime zones (offshore)		
		Prohibited, restricted or regulated goods				
		Tobacco smuggling				Tobacco smuggling
		Terrorism				
				Irregular movement of people (maritime)		
		Revenue (general)				Revenue (general)
		Irregular movement of people (air)		Irregular movement of people (air)		
		Illegal movement of money				
		Economic				Economic
	Enabling functions	- Knowledge and systems - Work health and safety - Leadership and workforce - Integrity and ethics		- Legal services - Financial management - Infrastructure and facilities - Corporate governance		- Policy engagement - Corporate projects

Our PBS outcome and programs

The PBS sets out our commitments to the government and the Australian people, and represents one of the key accountability mechanisms between Customs and Border Protection and the Australian Government. It outlines our planned deliverables, performance targets and financial resources available to the organisation. We acquit our achievement against these plans in our annual report.

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 is:

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. We operate five 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

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 high-level details of financial performance—the delivery of outcomes within budget.

We regularly review our key performance indicators and deliverables to ensure that they accurately reflect our operations and our priorities. In the 2012–13 PBS, we made several improvements to our indicators and deliverables, including introducing new performance measures, consolidating existing measures and providing targets where performance can be reliably estimated. These changes will improve the link between our program areas and their responsibilities for the delivery of effective and efficient services. The improvements reflect recommendations made by the Australian National Audit Office in its September 2011 performance audit report, *Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework*.

Our border risks

One of our key responsibilities is to mitigate the border risks that threaten the safety, security and commercial interests of Australians.

The areas of border risk that we manage include:

- ▶ illicit drugs and precursors
- ▶ unlawful activity in our maritime zones, including offshore, inshore and onshore
- ▶ prohibited, restricted and regulated goods
- ▶ tobacco smuggling
- ▶ terrorism
- ▶ irregular movement of people by sea and by air
- ▶ revenue (general)
- ▶ illegal movement of money
- ▶ economic.

Our enabling functions

Our enablers are the capabilities and functions that support our operations. These include:

- ▶ integrity and ethics
- ▶ leadership and workforce
- ▶ legal services
- ▶ corporate projects
- ▶ knowledge and systems
- ▶ infrastructure and facilities
- ▶ financial management
- ▶ policy engagement
- ▶ corporate governance
- ▶ work health and safety.

Our priorities

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 assessment of future risks to the border and our future operating environment.

Our Annual Plan 2011–12 shows how we planned to deliver our business during the year and prepare for the future in an ever-changing environment. The priorities outlined in the plan helped guide our planning and investment decisions and covered the following areas:

- ▶ border risk
- ▶ workforce
- ▶ risk-based planning
- ▶ intelligence and targeting
- ▶ information management.

Border risk priorities

Our Annual Plan 2011–12 recognises that we must continue to focus on areas of high risk to the border while making sure that our available resources are directed in a coherent and targeted way.

Illicit drugs and precursors continued to be a focus in 2011–12. We further developed our joint approaches with partner agencies to target criminality at the waterfront. Similarly, maritime people smuggling remained an area of high risk for the agency as we continued to contribute to whole-of-government efforts to contain the activities of people smugglers. We also worked with our partner agencies to further develop our capacity to respond to significant events involving goods of consumer or community safety concern. In addition, we focused on developing our intelligence and targeting capability for the illegal movement of money.

The global financial crisis and increasing traveller and trade volumes have highlighted the important role Customs and Border Protection plays in supporting the economy. A priority for 2011–12 was implementing improvements to Australia's anti-dumping and countervailing system announced by the government in June 2011, and strengthening our response to the economic risks that the border presents.

Another ongoing focus in 2011–12 was to further strengthen our joint working arrangements with various partner and overseas agencies.

Workforce

We are a knowledge-driven, people-dependent agency that needs an employment and training model to match our business requirements. The various types of work that Customs and Border Protection staff undertake in diverse locations present significant challenges to attracting and retaining suitably qualified staff. We are also operating with an ageing workforce in a labour market where competition for particular skills and capabilities is high.

In 2011–12, our focus was on continued support, development and training of staff to ensure they have the skills to do their job. Our People Capability Plan was further developed by implementing an integrated suite of people-related policies and practices, placing a renewed emphasis on listening to staff and engaging them at every level of the organisation. We embedded the Workforce Planning Framework into our operations, implemented the new personnel system (COMPASS), negotiated a new enterprise agreement and delivered more robust governance and management of work health and safety.

As an agency, we are committed to ensuring we have the highest standards of integrity and professional conduct. Customs and Border Protection sees infiltration and corruption as a threat to the confidence that the Australian public has in the agency performing our role at the border. During the latter half of 2011–12, an internal review was conducted of the agency's existing integrity and anti-corruption measures. This review outlined measures already in place to counteract internal misconduct and corruption. The review also identified further improvements and additional measures to ensure the integrity of the agency and further strengthen our Integrity Framework.

On 28 April 2012, the Minister for Home Affairs announced reforms to target organised crime and corruption. These measures included additional Australian Commission for Law Enforcement Integrity oversight resources and legislation, which if enacted will empower the agency with new integrity powers and measures including mandatory reporting of misconduct and corruption; 'loss of confidence' provisions; integrity testing; and drug and alcohol testing. We will implement these new integrity powers and measures if the new legislation is enacted and have already begun work to respond to additional recommendations from the internal review.

Risk-based planning

Like most public sector agencies around the world, we operated in an increasingly tight fiscal environment, where much greater emphasis is placed on the reprioritisation of existing funding, rather than the injection of new money. In this context, we needed to find ways to make sure that our resources were allocated to the highest priorities of our business.

We achieved this by further developing and embedding a strategic planning process that realises the intelligence-led, risk-based approach of the agency. We needed a rigorous approach that identified our key risk gaps and translated them into our strategic planning priorities, and allocated our resources accordingly. Our strategic planning is an ongoing process that enables us to continuously:

- ▶ reassess the threats to the border and our business needs
- ▶ evaluate the adequacy and effectiveness of our control strategies and enabling functions
- ▶ formulate improvement initiatives to respond to identified gaps in our controls and business functions
- ▶ link these initiatives to the budget so that resources are allocated to areas of highest priority.

Our risk-based planning is a large, complex undertaking that will be completed over several years, incorporating input from every area of the organisation. In 2011–12, we re-aligned the planning process so that it drives the budget process and the internal allocation of resources.

Intelligence and targeting

As an intelligence-led, risk-based agency, we are increasingly dependent on a myriad of information and data to target and enable our response to border risks. Integration and interoperability of systems and staff across streams and government are critical to analysing this information quickly and accurately.

This year, we:

- ▶ established the Passenger Targeting Branch within the Intelligence and Targeting Division to better support an enterprise approach to intelligence and targeting in terms of policy, processes, technology and workforce expertise and to accelerate efforts to enhance cross-stream targeting
- ▶ consolidated partnerships with key agencies to develop and implement strategies to address priority threats
- ▶ embedded analysts in several joint taskforces and outposts in law enforcement agencies and worked with strategic international partners to improve information sharing
- ▶ enhanced our specialist analytical teams and established a Firearms Intelligence and Targeting Team in response to the threat of illicit importation of firearms—these teams now provide specialist knowledge to support criminal and national security network analysis and target development and response activity in the maritime and smallcraft domains, online targeting analysis, financial analysis, firearms and counter-terrorism/counter-proliferation
- ▶ progressed planning for developing a national targeting concept for the passengers stream including identifying collaboration opportunities with partner agencies
- ▶ continued to ensure that our intelligence assessment and collection capability responded effectively to the threat posed by maritime people smuggling during times of heightened arrivals and increased ventures
- ▶ introduced improved IT connectivity to the national security systems operated by our partner agencies
- ▶ introduced a graduate intake stream for the Intelligence and Targeting Division.

Information management capability

Strong capabilities in the management of knowledge and systems are essential for the effective management of border risks and the delivery of agency and whole-of-government outcomes. Information management is at the core of our ability to direct our operations to the areas of highest risk, as well as our ability to deliver more streamlined management of border transactions.

We need knowledge and information systems and technology services that:

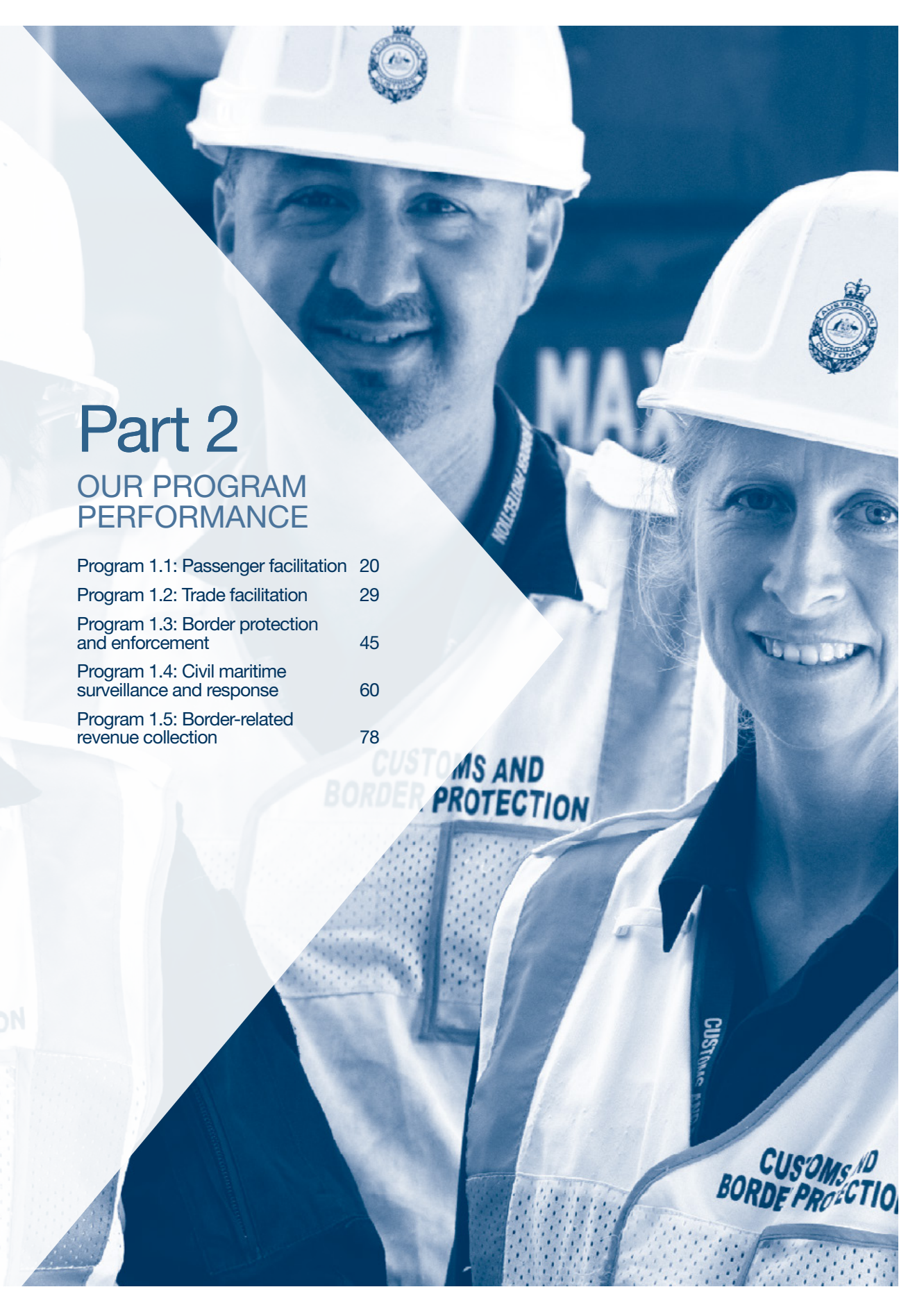
- ▶ provide security and continuity, free of disruptions for business-critical functions
- ▶ deliver information and communications technology (ICT) support for each business process and border risk, and for emerging priorities
- ▶ are able to respond quickly to changes in the business and threat environment
- ▶ drive an agency-wide and whole-of-government approach to knowledge and information management.

Future ICT projects will need to explicitly take an agency-wide view. Our ability to respond quickly and effectively to border risks and threats will be undermined if we are unable to effectively identify, integrate or link information holdings across the agency and across government.

In 2011–12, we gave priority to:

- ▶ implementing ‘enterprise capability’ roadmaps to ensure that ICT investments were aligned with our strategic directions and requirements, including, in particular, support for our intelligence-led, risk-based intervention capabilities
- ▶ developing agency-wide and whole-of-government knowledge and information management capabilities
- ▶ enhancing our capability to protect our information assets
- ▶ improving our capability to proactively manage information systems and operational challenges.





Part 2

OUR PROGRAM PERFORMANCE

Program 1.1: Passenger facilitation	20
Program 1.2: Trade facilitation	29
Program 1.3: Border protection and enforcement	45
Program 1.4: Civil maritime surveillance and response	60
Program 1.5: Border-related revenue collection	78

Customs and Border Protection's deliverables and key performance indicators set out in the Portfolio Budget Statements (PBS) reflect the nature of our complex operating environment. In 2011–12, we worked to continually reassess our operations and activities to maintain flexibility and responsiveness to emerging threats. Our objective to provide effective and efficient protection and management of the border while fulfilling our day-to-day responsibilities has been affected by a tighter fiscal environment, increasing trade support needs, increasing cargo, trade and passenger volumes, and rapidly evolving criminal sophistication.

While 2011–12 did not bring any significant changes in the nature of our principal function, the challenges posed by higher transactional demands, more complexity and an evolving border risk environment demand new thinking. We need to innovate and focus on effective resource allocation, reprioritise existing funding, and work smarter at the border to meet the challenges of this future operating environment.

Table 1 shows the budgeted price and appropriations for our outcome and programs for 2011–12.

Table 1: 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 2011–12 ^(a) \$'000	(B) Actual 2011–12 \$'000	Variation (B) – (A) \$'000	Budget 2012–13 ^(b) \$'000
Administered revenue				
Taxation	7 558 901	7 898 528	339 627	8 315 614
Non-taxation	8 000	2 481	–5 519	7 000
Total administered revenue	7 566 901	7 901 009	334 108	8 322 614
Administered expenses				
Administered expenses	7 894	7 620	–274	3 416
Total administered expenses	7 894	7 620	–274	3 416
Departmental programs				
Program 1.1: Passenger facilitation	237 246	248 907	11 661	231 418
Program 1.2: Trade facilitation	224 245	232 997	8 752	225 170
Program 1.3: Border facilitation and enforcement	267 746	277 409	9 663	263 333
Program 1.4: Civil maritime surveillance and response	304 705	307 622	2 917	302 660
Program 1.5: Border-related revenue collection	65 952	68 424	2 472	66 272
Total price of departmental programs	1 099 894	1 135 359	35 465	1 088 853
Total for outcome (administered expenses and price of department programs)	1 107 788	1 142 979	35 191	1 092 269
Average staffing level (no. of staff)	5 190	5 222	32	5 035

(a) Data derived from 2011–12 Portfolio Additional Estimates Statements.

(b) Data derived from 2012–13 Portfolio Budget Statements.

Program 1.1: Passenger facilitation

Program objective

End-to-end passenger and crew processing that supports legitimate travel and the interventions needed to prevent illegal movement of people and the goods they bring across the border.

International passenger numbers at major Australian airports and seaports continued to grow in 2011–12. A total of 29.94 million international air and sea passengers were processed in 2011–12, compared with 28.37 million in 2010–11 and 26.31 million in 2009–10.² This represents an overall increase of 5.52 per cent for air and sea passengers between 2010–11 and 2011–12.

Nationally during 2011–12, air movements increased by 4.94 per cent for passengers and 5.02 per cent for crew compared to 2010–11. Air passengers accounted for 97.21 per cent of all passengers processed in 2011–12. Adelaide had the greatest year-on-year growth in air passenger numbers at 13.3 per cent, followed by Melbourne at 7.73 per cent and Perth at 6.89 per cent. Sea movements increased by 31.1 per cent for passengers and 13.35 per cent for crew compared to 2010–11.

We continued to meet the PBS performance target for passenger processing times. In 2011–12, we processed 93.4 per cent of incoming air passengers within 30 minutes of them joining the entry control point queue.

Performance against PBS targets

Table 2 summarises our performance in meeting PBS targets for passenger facilitation in 2011–12. The shortfall in performance against PBS deliverables and key performance indicators is explained in Table 3.

² The 2010–11 figure has been updated from the figure published in the 2010–11 annual report to reflect a revised methodology.

Table 2: Program 1.1: Passenger facilitation—performance against PBS targets, 2011–12

Deliverables	Target ^(a) (million)	Actual (million)	Target met
Processing of international passengers (air and sea)			
arrivals	15.390	15.063	✗
departures	15.267	14.879	✗
Processing of international crew (air and sea)			
arrivals	1.306	1.316	✓
departures	1.324	1.310	✗
Key performance indicators	Target ^(a)	Actual	
Percentage of passengers processed within 30 minutes of joining the inwards queue	92%	93.4%	✓
Number of arriving international air passenger referrals to the Department of Immigration and Citizenship and to the Department of Health and Ageing	— ^(b)	260 775	NA
Price	\$237.246 million	\$248.907 million	

(a) Targets may be performance targets, service-level targets or estimates.

(b) Performance cannot be forecast reliably.

Table 3: Explanation of shortfall against target in Program 1.1

Deliverable or key performance indicator not met	Explanation of shortfall
Processing of international passengers and crew	The number of international passengers and crew processed in 2011–12 was slightly below the projected target due to several factors including increased fuel prices, higher airfares, a strong Australian dollar and an uncertain global economy.

Key achievements

Expansion of SmartGate capacity

SmartGate is a simple way for eligible travellers arriving into Australia's international airports to self-process through passport control, involving a kiosk and a gate.

In 2011–12, SmartGate capacity was expanded at Brisbane, Sydney and Adelaide international airports. There are now 67 kiosks and 40 gates in operation nationwide. Since the inception of automated processing in August 2007, more than 7.2 million travellers have opted to use SmartGate. Use of SmartGate continues to grow nationally, increasing from 45.6 per cent in June 2011 to 57.8 per cent in June 2012 (Table 4 and Figure 5).

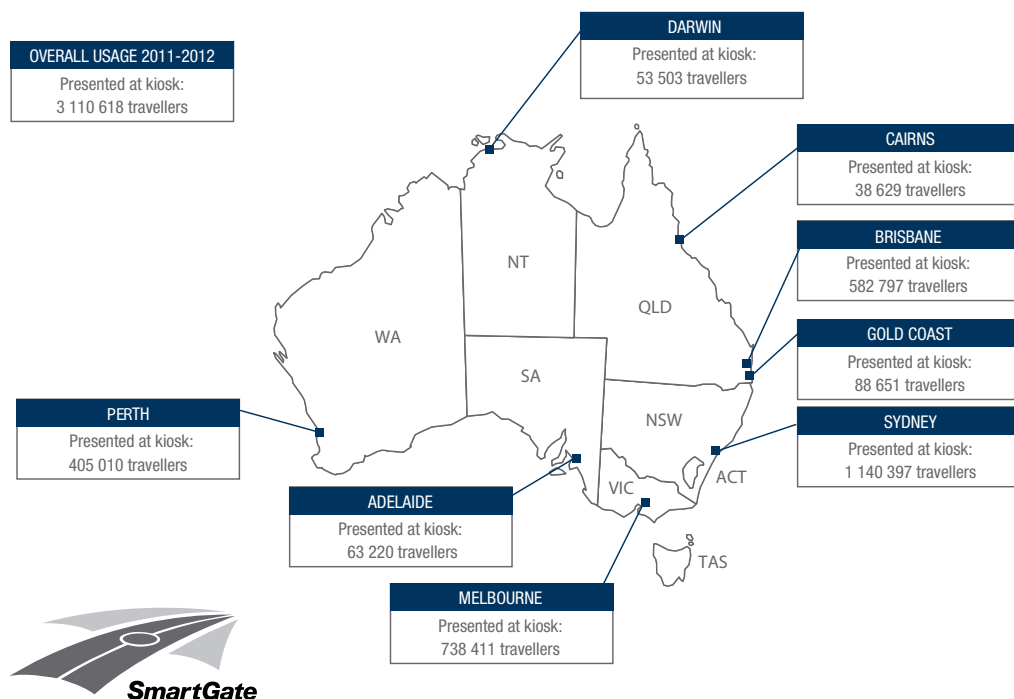
Table 4: SmartGate use by travellers, 2011-12

	Total number
Total number of eligible travellers	6 098 405
Eligible travellers who presented at SmartGate kiosk	3 084 303
Eligible travellers who successfully cleared SmartGate	2 527 274
	%
Percentage of total eligible travellers who presented at a SmartGate kiosk	50.6
Percentage of total eligible travellers who successfully cleared SmartGate	41.4
Percentage of total arriving travellers who presented at a SmartGate kiosk ^(a)	16.4

(a) Includes non-eligible travellers who presented at a kiosk.

For a traveller to be eligible to use SmartGate, they must have an Australian or New Zealand ePassport and be 16 years or older. During 2011-12 a total of 3 084 303 eligible travellers presented to a kiosk for initial processing; this represents 50.6 per cent of eligible travellers and 16.4 per cent of total travellers. Travellers who successfully cleared through the SmartGate gate totalled 2 527 274; this represents 41.4 per cent of eligible travellers clearing at the gate.

Figure 5: SmartGate use in Australia, 2011-12



Note: The term 'Presented at kiosk' refers to those travellers who presented at SmartGate, regardless of their eligibility to use SmartGate.

Improved ePassport readers

In 2011–12, more than 300 new ePassport document readers were deployed at Australia's eight major international airports. The rollout involved training of 1000 officers on the improved features of the reader.

The deployment delivered the latest reader and software technology, capable of reading data stored electronically on the microchip held in the passport. The new readers will allow Customs and Border Protection to take advantage of the additional security features available in ePassports and improve border security.

Internal body scan pilot for the detection of internally concealed drugs

Customs and Border Protection, in collaboration with the Australian Federal Police (AFP), has been revising its approach to identifying and managing people arriving on international flights who are suspected of concealing drugs internally.

A key part of this work is the 12-month pilot deployment of an x-ray body scanner at one of Australia's major international airports.

An internal body scanner will help us to more quickly identify travellers who are concealing drugs inside their bodies and will reduce the number of travellers referred to hospital for examination who are later found not to be carrying drugs internally. It will also provide time and cost savings to Customs and Border Protection, the AFP, public hospitals and travellers.

To conduct a body scan, we still have to form a reasonable suspicion that a person is carrying drugs internally and the person must provide their consent before being scanned. If they do not provide consent, they will be taken to hospital for a medical x-ray, which is the standard practice.

Deployment of the body scanner required changes to be made to the *Customs Act 1901* and the Customs Regulations 1926. These changes were passed and enacted in 2011–12.

Customs and Border Protection signed a contract for the provision of an internal body scanner in December 2011 and the 12-month pilot began in May 2012.

Our use of the internal body scanner is separate from the government's plans to strengthen aviation security by using external body scanning technology to screen departing passengers at international airports.

Australia – European Union (EU) Passenger Name Record Agreement

Over the past 18 months, we have worked closely with partner agencies to finalise a new Australia–EU Passenger Name Record Agreement. This treaty-level agreement provides for the transfer of EU-sourced passenger name record data by air carriers to Customs and Border Protection for the purpose of countering serious transnational crime and terrorism. The agreement also contains stringent provisions for the protection of travellers' personal information.

Treaty negotiations began in January 2011, with the agreement signed by Brendan Nelson, Australian Ambassador to the European Union, and Jan Tombinski, Ambassador and Permanent

Representative of Poland to the European Union in September 2011. The European Parliament voted to give its consent to the renegotiated agreement during its Strasbourg session in October 2011 and Australian domestic treaty-making processes were concluded in May 2012. The new agreement commenced on 1 June 2012.

Key challenges

Maintaining the skills of international airport staff in a busy 24/7 shift environment

Maintaining the skills of our staff in a busy operational shift environment can be challenging. Customs and Border Protection continues to regularly review its training products for airport staff. As part of these reviews, we aim to ensure that training is delivered in a format and style that is relevant and suited to our working environment, and to deliver more flexible training and assessment.

Customs and Border Protection officers are required to maintain current skills and knowledge on a wide range of topics. Our different methods of training delivery help to maintain currency and consistency across international airports. Officers complete regular recertification of their technical skills, including the use of technology and key functions.

For example, the Primary Line Activities Assessment uses a combination of face-to-face practical assessment and an online e-assessment. It has been developed to assess currency of knowledge and ensure that a consistent approach to the assessment is taken across international airports. The combination of assessment and training tools allows flexible delivery and the training can be completed across a number of shifts instead of through traditional block training days. More information on this program can be found in the 'Delivering a consistent approach to primary line processing' case study on page 26.

Case study

COMMONWEALTH HEADS OF GOVERNMENT MEETING

The Commonwealth Heads of Government Meeting (CHOGM) 2011 was held in Perth between 28 and 30 October 2011. A number of parallel events were also held, including the Youth Forum, the Business Forum, the People's Forum and the Commonwealth and Developing Small States Foreign Ministers Meeting.

These forums were attended by heads of government, ministers, senior officials, their delegations, other dignitaries, including a royal visit, and a significant media contingent.

A total of 5776 CHOGM delegates were processed by Airport Operations Perth in the international terminal building or in a specially constructed off-site processing facility.

The key challenge for Airport Operations Perth was to plan and manage business-as-usual tasks while also performing activities in support of CHOGM, including support for the CHOGM Task Force and comprehensive pre-event planning.

Fundamental to the success of our operations were the collaborative partnerships with both internal and external stakeholders. Internally, Airport Operations Melbourne provided pre-clearance support, Central Office provided planning, policy and Tourist Refund Scheme assistance, and personnel at other airports processed delegates who did not arrive directly into Perth. Staff from other airports were redeployed to Perth to assist with processing.

Airport Operations Perth worked as part of a whole-of-government team. Customs and Border Protection was commended for the seamless delivery of a range of support services and tasks.

Case study

DELIVERING A CONSISTENT APPROACH TO PRIMARY LINE PROCESSING

The Airport Operations Primary Line Activities Assessment Program is a result of a review from 2010–11 that highlighted the need for a nationally consistent assessment program. The program has been developed to support our officers to deliver a consistent approach to the clearance of international air passengers according to the required standards and targets.

The program is aimed at Customs and Border Protection Level 1 officers who work in the international airports and regularly process passengers at the primary line. It aims to ensure that officers have the skills they need to provide a high standard of service delivery in all aspects of primary line processing.

This new program incorporates a number of components, including:

- ▶ an overarching guideline that outlines the assessment process and key roles and responsibilities
- ▶ an on-the-job observation checklist and assessment of the officer undertaking primary line activities
- ▶ an interactive e-learning knowledge test that takes an officer through a random selection of questions and scenarios.



Selected Airport Operations staff will need to complete both the on-the-job and e-learning component of the assessment program. The program guidelines, assessment tools and online assessment product were released in the first quarter of 2011–12.

Under the program, an officer will be assessed as either:

- ▶ having the right skills, knowledge and attitude and meeting the required standards, or
- ▶ requiring further development in identified areas to enable them to meet the standards.

Any outcomes in relation to an officer's learning and development are linked to the development options in our performance assessment and feedback system.

Officers who work on the primary line play a critical role in maintaining the integrity and security of Australia's air borders. As the first point of contact for the travelling public, they are integral to our ability to meet our air border legislative and policy objectives.

Staff profile

NIGEL KEOUGH
MANAGER, AIRPORT OPERATIONS,
PERTH



Nigel Keough has had a varied public service career. He served with the Royal Navy in the United Kingdom, followed by eight years as a police constable in Lothian and Borders Police (UK), before starting with the Australian public service in February 2003.

Nigel worked in the Child Support Agency, Centrelink and DAFF Biosecurity before joining Customs and Border Protection in February 2010 as Manager, Airport Operations Perth in the Passengers Division. In this role Nigel manages three of the five operational teams at Airport Operations Perth that are responsible for maintaining the integrity of the border.

Perth Airport has seen an exponential growth in passenger numbers in a very short space of time, creating challenges for the existing airport infrastructure.

Two notable recent activities that Nigel was involved in were managing the arrivals and departures of delegates attending the Commonwealth Heads of Government Meeting and associated parallel events, and undertaking an Airport Operations Perth team review. The review involved Nigel and his fellow manager spending two full shifts with each of the airport teams over a five-week period, including nightshifts. Nigel found the experience extremely valuable. 'I have a greater understanding of the challenges that staff face on a daily basis and the important work they undertake in sometimes very difficult circumstances,' he said.

The review will inform Nigel's next challenge as he coordinates a consistent and effective approach across all teams in planning and resource deployment, while maintaining a safe and productive work environment. This will underpin further activity associated with redevelopment of the Perth International Airport infrastructure.

Nigel says there is merit in creating a regular operational engagement program: 'The opportunity to have two-way discussions with all operational staff in their own environment helps build the foundation for effective engagement and consultation to achieve positive outcomes.'

Staff profile

PHIL SOBRATY
SUPERVISOR, WORKFORCE
MANAGEMENT, AIRPORT
OPERATIONS NORTH, CANBERRA



Phil Sobraty joined Customs and Border Protection in 1988 and has worked in a number of operational, policy and training roles.

In 2011–12, Phil played a key role in building the Airport Operations Primary Line Activities Assessment Program. Using his extensive airport operations experience, and working with other divisional representatives, Phil helped create a new program that will enable Airport Operations staff to ensure that their technical knowledge, risk assessment and client service skills are in line with the required standards. More information on this program can be found in the ‘Delivering a consistent approach to primary line processing’ case study on page 26.

Over his long and varied career, one of the highlights for Phil has been the opportunity to use his experience to develop and support new Customs and Border Protection recruits. Phil mentored two intakes of trainees through an intensive six-month induction program that provides all the necessary skills and capabilities for the trainees to carry out their roles at Sydney Airport.

When reflecting on his time in Customs and Border Protection, Phil speaks proudly of his contribution to national projects such as SmartGate and the time he worked on the design and delivery of the Passenger Assessment Training Course. This course provides officers with the skills and confidence required to intervene effectively with travellers and make informed assessments of risks to the border.

Phil returned to Canberra in February 2012 after spending six years at Cairns Airport. In addition to his role as an operational duty manager, Phil made a significant contribution to the capacity-building and learning and development requirements of officers working at Airport Operations Cairns.

Program 1.2: Trade facilitation

Program objective

Effective border protection for the Australian community by regulating and facilitating legitimate trade and undertaking risk-based interventions to prevent the illegal movement of goods across the border.

Customs and Border Protection continues to embed the intelligence-led, risk-based approach to our cargo intervention. We ensure that resources focus on the highest risk cargo while facilitating legitimate trade. Customs and Border Protection continues to identify opportunities to enhance this approach, particularly in light of increasing cargo volumes and more sophisticated attempts to breach the border.

In 2011–12, we continued to respond to increases in trade volumes that exceeded forecasts. Air cargo consignments increased from 14 million in 2010–11 to 18.4 million in 2011–12, and parcels/express mail system/registered items increased from 55.8 million in 2010–11 to 64.8 million in 2011–12. These increases are being driven by the high value of the Australian dollar and the shift to greater volumes of importations made directly by individuals. Australia Post has advised that continued growth of about 15 per cent per year can be expected.

Continued economic uncertainty for industry saw businesses seek increased levels of trade support. We experienced a 12 per cent increase in applications for Tariff Concession Orders. Anti-dumping applications increased from 11 in 2010–11 to 30 in 2011–12, and continue to be complex, involving multiple companies across many countries. Key reforms to the anti-dumping and countervailing system were successfully implemented.

We continued to work with partner agencies in the co-design of policy and Australia's regulatory framework and successfully delivered a large policy and legislation program.

Industry was supported through provision of technical advice and support from our trade- and cargo-related service teams, our client call centre and direct engagement with industry associations and forums.

Through the Customs and Border Protection National Consultative Committee and related subcommittee, we provide a forum for the consideration and discussion of strategic-level issues that affect the import/export industry, business and the trading community.

Performance against PBS targets

Air Cargo Operations, International Mail and Sea Cargo Operations all succeeded in meeting PBS intervention targets despite facing a number of challenges throughout the year (Table 5). These included:

- ▶ identifying prohibited items from within increasing volumes of cargo and mail (including a 31.7 per cent increase in air cargo consignment numbers to 18.4 million and an 8.2 per cent increase in overall international mail volumes to 183.7 million)
- ▶ port congestion issues at the major sea ports.

Table 5: Program 1.2: Trade facilitation—performance against PBS targets, 2011–12

Deliverables	Target ^(a)	Actual	Target met
Number of customs import declarations finalised	3.6 million	3 488 436	✗
Number of export declarations finalised	1.29 million	1 282 188	✗
Number of imported air cargo consignments reported	18.1 million	18 411 278	✓
Number of imported sea cargo manifest lines reported	2.7 million	2 618 183	✗
Volume of cargo ^(b) subject to inspection and examination: ^(c)			
Sea cargo:			
number of TEU inspected ^(d)	101 500	102 247	✓
number of TEU examined ^(e)	14 000	14 544	✓
Air cargo:			
number of consignments inspected ^(d)	1.5 million	1 513 678	✓
number of consignments examined ^(e)	— ^(f)	80 592	NA
Mail:			
number of parcels/express mail system/registered items inspected ^(d)	20.0 million	20 627 283	✓
number of letter-class mail items inspected ^(d)	20.0 million	20 388 138	✓
number of mail items examined ^(e)	— ^(f)	215 643	NA
Number of tariff classification, valuation and rules of origin advices completed	— ^(f)	3 105	NA
Number of internal reviews of tariff classification, valuation and rules of origin advices completed	— ^(f)	81	NA

Table 5 (continued)

Deliverables	Target ^(a)	Actual	Target met
Number of anti-dumping/countervailing investigations, reviews, accelerated reviews, continuations, reinvestigations and duty assessments:	— ^(g)		
brought forward from 2010–11 ^(h)	— ^(f)	36	NA
received	— ^(f)	59	NA
initiated	— ^(f)	59	NA
finalised ⁽ⁱ⁾	— ^(f)	74	NA
carried forward to 2012–13	— ^(f)	21	NA
Compliance Monitoring Program			
import declarations assessed ^(c)	6 000	6 068	✓
export declarations assessed ^(c)	1 000	1 017	✓
Targeted import declaration lines assessed through company audit ^(c)	5 000	6 875	✓
Targeted import declarations assessed through other compliance activity ^(c)	79 000	165 946 ^(h)	✓
Targeted export declaration lines assessed through company audit ^(c)	500	500	✓
Targeted export declarations assessed through other compliance activity ^(c)	8 500	6 783	✗
Number of risk-targeted import audits completed ^(c)	— ^(f)	44	NA
Number of risk-targeted export audits completed ^(c)	— ^(f)	10	NA
Number of compliance checks undertaken on cargo terminal operators	— ^(f)	15 669	NA
Number of compliance checks undertaken on licensed customs depots	— ^(f)	29 276	NA
Number of compliance checks undertaken on licensed customs warehouses ^(c)	— ^(f)	8 809	NA
Number of customs broker licence applications assessed ^(c)	— ^(f)	83	NA
Number of customs depot licence applications assessed ^(c)	— ^(f)	87	NA
Number of customs warehouse licence applications assessed ^(c)	— ^(f)	29	NA

Table 5 (continued)

Key performance indicators	Target ^(a)	Actual	Target met
Availability of electronic cargo systems to Customs and Border Protection clients (excluding scheduled outages)	99.7%	99.49%	✗
Proportion of electronically lodged cargo documents where a response message is transmitted within five minutes	98%	97.44%	✗
Proportion of tariff classification, valuation and rules of origin advices completed in accordance with client service standards	85%	64.19%	✗
Proportion of internal reviews of tariff classification, valuation and rules of origin advices completed in accordance with client service standards	85%	93.83%	✓
Proportion of external merit and judicial review applications finalised during the performance period that overturned a Customs and Border Protection advice on tariff classification, valuation or rules of origin ^(k)	— ^(f)	47%	NA
Proportion of external merit and judicial review applications finalised during the performance period that overturned a Customs and Border Protection decision on refund or drawback claim	— ^(f)	0%	NA
Proportion of anti-dumping/countervailing investigations, reviews, continuations and duty assessments completed within 155 days ^(c)	100%	52%	✗
Proportion of cargo (total bills) reported in line with legislated timeframes:			
sea cargo	— ^(f)	88.65%	NA
air cargo	— ^(f)	91.4%	NA
Cargo control breaches identified ^(c)	— ^(f)	14 485	NA
Number of penalty records created ^(c)	— ^(f)	513	NA
Number of infringement notices served ^(c)	— ^(f)	269	NA
Proportion of customs broker licence applications processed in accordance with client service standards ^(c)	100%	98%	✗
Proportion of customs depot licence applications processed in accordance with client service standards	100%	100%	✓
Proportion of customs warehouse licence applications processed in accordance with client service standards ^(c)	100%	100%	✓
Proportion of import declarations assessed pre-clearance that contained a regulated goods error	— ^(f)	4.9%	NA
Proportion of import declaration lines assessed post-transaction that contained a regulated goods error	— ^(f)	28.75%	NA
Proportion of export declarations assessed pre-clearance that contained a regulated goods error	— ^(f)	7.30%	NA
Proportion of export declaration lines assessed post-transaction that contained a regulated goods error	— ^(f)	84.15%	NA

Table 5 (continued)

Key performance indicators	Target ^(a)	Actual	Target met
Number of customs broker licences issued ^(c)	— ^(f)	41	NA
Number of customs depot licences issued	— ^(f)	30	NA
Number of customs warehouse licences issued ^(c)	— ^(f)	9	NA
Price	\$224.245 million	\$232.997 million	

TEU = twenty-foot equivalent units

(a) Targets may be performance targets, service-level targets or estimates.

(b) All cargo is risk-assessed.

(c) The total number for this measure appears in both programs 1.2 and 1.5 as it supports both programs.

(d) Inspection means using x-ray technology and detector dogs.

(e) Examination means physically opened by Customs and Border Protection.

(f) Performance cannot be forecast reliably.

(g) Workloads against these measures cannot be anticipated, as they are dependent on international trends and/or economic circumstances beyond Customs and Border Protection's control.

(h) During the year, two applications, stemming from one case involving both dumping and subsidisation, were withdrawn by the applicant. The applicant submitted new applications at a later date, which proceeded to investigation. All other applications for measures received during the year proceeded to investigation.

(i) During the year, 14 finalised investigations resulted in imposition or amendments to anti-dumping and/or countervailing duties. Of these, in one dumping case and one subsidisation case (relating to the same commodity exported from one country) the lesser duty rule operated to ensure that the combined dumping and countervailing duty rate was less than the sum of the dumping and subsidy margins for certain exporters.

(j) This figure exceeds the PBS forecast by 86 946 declarations. The increase occurred primarily because the Cargo Client Services Group function was transferred into the Compliance Assurance Branch and their previously unreported assessment functions have been included. It also reflects reallocation of export resources to higher priority import activity.

(k) This includes all appeals initiated under section 167 of the *Customs Act 1901*. Fifteen cases were finalised during the year.

We achieved our inspection and examination PBS deliverables for all operational areas, despite facing a number of challenges throughout the year. In sea cargo, we upgraded our container x-rays nationally, completed procurement of national logistics services for cargo and container examination facilities and experienced issues affecting throughput at Port Botany. In air cargo and international mail, air cargo consignments and parcel volumes continued to increase. Across the cargo environment, we continued to see complex concealments designed to defeat x-ray and examination interventions. We detected high volumes of illicit tobacco and cigarettes and large-scale complex concealments of illicit drugs and precursors.

The shortfalls in performance against PBS deliverables and key performance indicators are explained in Table 6.

Table 6: Explanation of shortfalls against targets in Program 1.2

Deliverable or key performance indicator not met	Explanation of shortfall
Number of customs import declarations finalised	The targets are estimates based on prior-year numbers; the actual amount achieved is dependent solely on industry volumes.
Number of export declarations finalised	
Number of imported sea cargo manifest lines reported	
Targeted export declarations assessed through other compliance activity	Performance levels were lower than the estimate due to reallocation of resources to higher priority import activity in the compliance program, including work on low-value goods and anti-dumping and countervailing measures.
Availability of electronic cargo systems to Customs and Border Protection clients (excluding scheduled outages)	The Integrated Cargo System (ICS) availability was 99.49 per cent, below the PBS target of 99.7 per cent. This represents a total of 43 hours and 55 minutes of unscheduled outages. Remediation activities are underway to rectify the identified underlying systems issue.
Proportion of electronically lodged cargo documents where a response message is transmitted within five minutes	The PBS target for the ICS to respond within five minutes to electronically lodged cargo documents was 0.6 per cent below the target of 98 per cent. ICS enhancements completed since December 2011 have restored the performance.
Proportion of tariff classification, valuation and rules of origin advices completed in accordance with client service standards	Performance levels have temporarily fallen as a consequence of disruptions caused by structural adjustments and centralisation. Performance is expected to improve as centralisation and new efficiencies are implemented.
Proportion of anti-dumping/ countervailing investigations, reviews, continuations and duty assessments completed within 155 days	Forty-eight per cent of cases investigated during 2011–12 took longer than the statutory 155 days, due to the increased number and complexity of cases. For each of those cases, extensions were obtained from the Minister as provided for by the Customs Act, and the extended timeframe was met in each case. No cases exceeded the 18-month World Trade Organization timeframe. The longest timeframe to finalise a case was 368 days; however, this investigation was terminated and then subsequently resumed.
Proportion of customs broker licence applications processed in accordance with client service standards	The result was slightly below the target because the security vetting process took longer than we expected for some applications.

Amendments to PBS through Portfolio Additional Estimates Statements

The word ‘lines’ was added to the following deliverables for Program 1.2:

- ▶ targeted import declaration lines assessed through company audit
- ▶ targeted export declaration lines assessed through company audit.

Key achievements

Equipping our workforce for the challenge

A key component of Customs and Border Protection's approach to border management is to equip our people with state-of-the-art technologies and equipment to enable them to effectively and safely protect the community from illegal import and export activity. In 2011–12, Customs and Border Protection enhanced field capability for officers undertaking inspections of cargo consignments, by the rollout of upgraded mobile x-ray units. The rollout represents a significant upgrade to existing technology which has considerably enhanced officers' capability. A total of five upgraded mobile x-ray units were rolled out to Cargo Operations in 2011–12 across three locations. Sydney and Melbourne were each allocated two units, while a further unit was deployed to Perth. The new units have a range of enhanced features including high-performance x-ray, improved user operability and a design that reduces work health and safety risks to operators.

We have commenced a project to enhance the capability of staff who use x-ray technology for inspecting cargo. This project will see the use of aptitude testing to assist in selecting staff to work as x-ray image analysts. It also introduces an interactive training tool that can be delivered in a classroom or self-paced setting. This will enable Customs and Border Protection to develop and build its own image library software. Collectively these initiatives will ensure that over time we will have the best possible mix of skill, experience and capability in our cargo x-ray image analyst function.

Managing cargo and mail volume increases

In 2011–12, volumes continued to grow across air cargo, international mail and sea cargo, which placed increasing pressure on our resources.

- ▶ Air cargo consignment numbers increased by 31.77 per cent to 18.4 million.
- ▶ Overall international mail volumes increased by 8.2 per cent to 183.7 million.
- ▶ Sea cargo volumes increased by 2.6 per cent to 2.5 million.

We face an ongoing challenge of further refining our intelligence-led, risk-based intervention approaches to continue to detect illegal imports within the increased volumes. In 2011–12, we successfully met our PBS targets for air cargo, international mail and sea cargo and continued to detect prohibited items in even the most sophisticated of concealments. For an example of one of our detections, see the case study 'Customs sinks its claws into another concealment' on page 42.

As a key achievement, we made over 40 per cent more detections in international mail than in the previous year. This included a 38.7 per cent increase in the number of drug detections to 19 441, and a 76 per cent increase in detections of non-firearm weapons to 25 916. There was a 14 percent increase in the total number of conventional firearms detections from 1179 in 2010-11 to 1344 in 2011-12. A significant proportion of the increased detections involved small amounts of drugs (less than 5 grams) and non-firearm weapons such as knives and laser pointers.

During the year, we initiated a national program of identifying areas where consistency of work processes among the gateways could be improved. Changes to systems and work practices were recommended and implemented to bring about greater consistency. This included a database to automate the processing of postal entries.

Despite our successes, we remain concerned about international mail as a domain of risk. The continued and sustained volume of growth and high numbers of detections means that border risks continue to escalate in the international mail stream. The lack of an electronic reporting system makes targeting consignments and entities more difficult. We will be working with Australia Post during 2012–13 to consider how electronic item-level reporting could be introduced in the international mail environment.

Strengthening our approach to weapons controls

In July 2010, the Minister for Home Affairs announced the government's intention to impose stricter controls on the importation of a range of dangerous weapons that have no legitimate domestic use in Australia. In December 2011, amendments to the Customs (Prohibited Imports) Regulations 1956 came into effect that introduced new strict statutory import tests on a range of high-risk weapons (such as flick knives, electronic shock devices and warfare items). The new tests restrict import permission to end users who can demonstrate a legitimate end-use for those items. Legitimate end users include the Australian Defence Force, law enforcement agencies and appropriately licensed weapons manufacturers.

In addition to these controls, the amendments streamlined the import processes for some weapons with a widely recognised legitimate end-use—for example, weapons used by martial arts practitioners (such as nunchakus) and crossbows used for hunting. For these weapons, importers are now only required to provide Customs and Border Protection with evidence that they have permission from the relevant state or territory police to possess the item. Importers are no longer required to obtain police permission and then apply for separate import permission from Customs and Border Protection.

Strengthening exports security

The *Customs Amendment (Export Controls and Other Measures) Act 2011*, which came into effect in November 2011, is part of the Australian Government's initiative to increase the level of security in the export cargo environment by strengthening controls over international export cargo. In addition, the Act sets out new strict liability offences for breaches of licence conditions and improved provisions for suspending and cancelling licences, which have enhanced our ability to deal with goods in licensed depots and warehouses.

Designing controls to support the Clean Energy Future initiative

In 2011–12, we worked closely with the Department of Sustainability, Environment, Water, Population and Communities to design and develop import and export controls for certain synthetic greenhouse gases as part of the Australian Government's Clean Energy Future initiative. The controls will ensure that importers are licensed to import restricted synthetic greenhouse gases.

Implementing the government's streamlining Australia's anti-dumping reforms

During 2011–12, we implemented key reforms as part of the government's streamlining of the anti-dumping system. The reforms are the most important changes to Australia's anti-dumping system in a decade. They will provide certainty and confidence for businesses and ensure that Australia meets its World Trade Organization (WTO) obligations. The reforms will improve access to the anti-dumping system for businesses and the timeliness and quality of decision making. They will provide greater consistency with other countries in the application of WTO rules and promote stronger compliance with the payment of anti-dumping duties when they are imposed.

A new stakeholder body, the International Trade Remedies Forum, was established to review and monitor the reforms and report on options for further improvements. The forum is chaired by the CEO of Customs and Border Protection and comprises manufacturers, producers, importers, industry associations, trade unions and relevant government agencies.

The forum met three times in 2011–12 and its working groups provided two reports to government on improving access by primary producers to the anti-dumping system and improving the effectiveness of Australia's market situation provisions. The government accepted all the recommendations made in the two reports.

In 2011–12, four tranches of legislation were introduced to parliament to implement the reforms, including a new anti-circumvention framework, a new administrative review panel to replace the current single review officer, and a range of amendments to better align Australia's anti-dumping system with its WTO obligations.

The range of reforms implemented also included the following:

- ▶ An international trade remedies adviser, located in the Australian Industry Group, was appointed to provide anti-dumping advice and support to small and medium-sized enterprises. This will provide better access to the anti-dumping system for such enterprises.
- ▶ A dedicated compliance officer was established within Customs and Border Protection to combat attempts to avoid anti-dumping duties. This strengthens Customs and Border Protection's focus on ensuring the payment of anti-dumping and countervailing duties that are imposed.
- ▶ A protocol on the greater use of experts in anti-dumping investigations was developed. This will improve the quality of decisions in cases where Customs and Border Protection does not have relevant expertise.
- ▶ A subsidies register was published on the Customs and Border Protection website to assist companies that are considering submitting a countervailing application. This will contribute to high-quality applications, with higher likelihood of success, by informing potential applicants of the subsidies already known.
- ▶ An improved electronic public record has been implemented. This improves the timeliness of the provision of information on the public record and accessibility of documents on the public record—critical aspects of an open and transparent anti-dumping system.

Stronger compliance approach to trade controls

The government supports a policy of trade exposure and economic openness. Customs and Border Protection recognises the potential for non-compliant trading to have a significant effect on Australian traders and manufacturers.

In response to this risk, we developed a roadmap for stronger compliance. The roadmap outlines the strategies and actions required to ensure compliance with the rules of trade so that competition occurs on a level playing field and the benefits of competition flow through to Australian investors, businesses, workers and consumers. In developing the roadmap, we took into account the views of industry members.

The roadmap builds on our compliance assurance program and centres on six key themes: building on market intelligence, working ahead of the border, engaging with industry, matching our strategies to risk exposure, responding effectively and measuring our performance. In May 2012, we tabled the roadmap, titled *Streamlining Australia's Anti-Dumping System—Stronger Compliance*, in the International Trade Remedies Forum.

Key challenges

Sea cargo inspections

We faced three key challenges in meeting PBS inspection targets for sea cargo in 2011–12. Details of these challenges are as follows:

- ▶ A national tender process was conducted over the first six months of the year that ultimately led to the awarding of new logistics contracts for the container examination facilities at Melbourne, Sydney, Brisbane, Fremantle and Adelaide. The new contracts entailed the introduction of a national logistics provider and several new unpack/repack providers in late February 2012. The key challenge lay in transitioning to the new service providers for these highly complex activities. The transition was effected seamlessly with no impact on business outcomes.
- ▶ An upgrade of the materials discrimination software to the container inspection systems in Brisbane, Sydney, Melbourne and Fremantle required all four container x-ray systems to be offline for a period of approximately two weeks each. During that time only a limited number of containers (including all high-risk containers) were able to be inspected. The additional tools associated with the upgrade enable x-ray image analysts to more effectively differentiate between commodities contained in sea cargo shipments.
- ▶ The container examination facility at Port Botany was faced with numerous logistical challenges, including the establishment of the Port Botany Landside Improvement Strategy, the construction of weighbridges at each of the container terminal operators, industrial action by stevedores and severe weather causing port closures. For short periods of time between July 2011 and January 2012, this caused reduced throughput at the Sydney facility.

Customs and Border Protection staff from across the agency worked together to develop and implement strategies to respond to these challenges and to ensure that there was minimal

impact on industry while also allocating the necessary resources to meet targets. These strategies included developing clear and specific business models for new logistic service providers to implement, close coordination between all logistic service providers during the transition to new service providers, close monitoring of sea cargo inspection numbers, and the review and monitoring of container risk assessments to ensure all high-risk containers were examined.

The container examination facilities have undertaken a rigorous review of work health and safety practices and procedures to ensure safety of staff remains paramount and that the requirements of the *Work Health and Safety Act 2011* are met.

Complexity and increase in number of cases

In 2011–12, the key challenge for the International Trade Remedies Branch was to successfully manage an expanding caseload while introducing the government's package of reforms to Australia's anti-dumping system.

An increase in the number of staff working on anti-dumping issues within the branch has assisted us to manage the challenges and enabled the implementation of these reforms while conducting 30 dumping or subsidisation investigations, reviews and continuation inquiries, compared to 11 in 2010–11 (an increase of 173 per cent). The number of anti-dumping/ countervailing investigations, reviews, accelerated reviews, continuations, re-investigations and duty assessments finalised during the year was 49 per cent more than in the previous year. All investigations were completed within the legislated timeframes or extended timeframes approved by the Minister.

Case study

IMPROVING AUSTRALIA'S ANTI-DUMPING SYSTEM

Since the government's *Streamlining Australia's anti-dumping system* was introduced in June 2011, significant steps forward have been made to ensure a modern, balanced and fair anti-dumping system.

The *Streamlining* reforms recognised that some small and medium enterprises had difficulty accessing the anti-dumping system, and as a result were not able to secure remedies against injurious dumping.

In recognition of the importance of working with industry, the International Trade Remedies Advisor (ITRA) role was established to support small and medium enterprises in understanding and accessing our anti-dumping system. Customs and Border Protection provided funding to the Australian Industry Group (Ai Group), to employ and host the ITRA within its offices to ensure the exchange of information and ideas with industry.

Mr Arthur Vlahonasios, who commenced in the role on 2 July 2012, will help producers and manufacturers seek remedies if they are affected by injurious dumping or subsidisation by assisting with the preparation of applications for dumping and countervailing investigations, reviews, and continuation inquiries; help our small and medium businesses reach World Trade Organization thresholds for dumping and subsidy investigations; and assist businesses in compiling evidence needed for investigations.

A Customs and Border Protection employee since 2004, Arthur comes highly qualified, with a Bachelor of Laws with honours and a Bachelor of Commerce. He was admitted as a Barrister and Solicitor of the Supreme Court of Victoria in September 2001, practising as a commercial solicitor for several years prior to joining the public service.



Arthur Vlahonasios (left) on a recent industry engagement visit

Case study

A WARM BEER WITH 'COKE' AND 'ICE'

In October 2011, a shipment of 672 cases of beer from Mexico was targeted for inspection at the Melbourne Container Examination Facility. Cargo Operations officers used a combination of x-ray investigation, physical examination and testing. Although the bottles all looked the same, the officers noticed minor differences in the physical characteristics of the liquid inside certain bottles.

Further testing confirmed the presence of cocaine and methamphetamine. The narcotics were concealed—in liquid form—in just 1100 out of the total 16 124 bottles and packed into only 46 out of the 672 cartons. With such a small proportion of the consignment containing narcotics, the officers' determination and professionalism throughout the examination and testing process was critical in delivering the detection result.

The shipment contained 133.3 kilograms of methamphetamine with a wholesale value of approximately \$43 million, and 14.1 kilograms of cocaine with an estimated value of \$4.5 million.

Subsequent investigations by the Australian Federal Police (AFP) resulted in the seizure of 13 firearms and the arrest of two men. The AFP has also issued a warrant for the arrest of a 32-year-old Melbourne man who is on the run and who is facing serious charges for his alleged involvement in the drug importation.

The benefits of detections such as this go beyond the immediate impact of preventing a large quantity of illicit drugs from hitting the streets. By working with the AFP and our other law enforcement partners on these types of operations, Customs and Border Protection continues to disrupt and deter organised criminal networks and further refine our understanding of the risk environment.



Beer bottle containing crystallised foreign matter

Case study

CUSTOMS SINKS ITS CLAWS INTO ANOTHER CONCEALMENT

On 29 October 2011, Cargo Operations officers examined an 800 kilogram piece of farm equipment imported from Canada that had been identified as high risk. Following a complex examination, the officers found 27 kilograms of methamphetamine and 24 kilograms of cocaine were concealed inside the machinery part.

The drugs were divided into one kilogram blocks and bags and concealed inside the body of a tractor claw. The estimated wholesale value of the seized drugs was \$10 million.

A subsequent AFP operation resulted in five arrests.

By working with the Australian Federal Police and our other law enforcement partners, Customs and Border Protection continues to disrupt and deter organised criminal networks and further refine our understanding of the risk environment to inform future targeting efforts.

Customs and Border Protection Acting National Director, Intelligence and Targeting, John Gibbon, congratulated all officers involved on the success of such an extensive joint response.

'This is a great intelligence-driven result and demonstrates the commitment of all the officers involved to work together to achieve success,' Mr Gibbon said.



View of the machinery part concealing the methamphetamine and cocaine

Case study

IMPLEMENTATION OF THE FOURTH REVIEW OF THE HARMONIZED SYSTEM

Australia is a signatory to the International Convention on the Harmonized Commodity Description and Coding System, commonly referred to as the Harmonized System. The Harmonized System is a hierarchical system that uniquely identifies all traded goods and commodities. Since 1988, the Harmonized System has formed the basis of Australia's commodity classifications for traded goods, both imports and exports. Most countries in the world use the Harmonized System and Australia has implemented the system domestically through the *Customs Tariff Act 1995* for imports and the Australian Harmonized Export Commodity Classification for exports.

The administering body, the World Customs Organization, reviews the Harmonized System every five years to reflect changes in industry practice, technological developments and changes in international trade patterns. Australia participates actively in the review process by attending meetings in Brussels of the Harmonized System Committee and the Review Sub-Committee twice a year.

The amendments of the fourth review concentrated on several environmental and social issues that are of global concern, including the use of the Harmonized System for identifying goods that are of importance to the UN Food and Agriculture Organization's food security program. The changes created new tariff codes for specific chemicals including pesticides and ozone-depleting substances such as halogenated derivatives of hydrocarbons. These changes will facilitate the monitoring and control of international trade in these products under the Rotterdam Convention for certain hazardous chemicals and pesticides and the Montreal Protocol on Substances that Deplete the Ozone Layer.

As a signatory to the Harmonized System, Australia was required to apply the changes by 1 January 2012. Implementing the changes required some 800 amendments to the *Customs Tariff Act 1995* and significant amendments to tariff-related instruments such as Tariff Concession Orders and Tariff Advices. All changes were in place by the 1 January 2012 deadline. The process ensured that Australia is using the most recent version of the Harmonized System in line with its major trading partners, including its free trade agreement partners.

Staff profile

JOHN DOURLAY
SUPERVISOR, CONTAINER
EXAMINATION FACILITY, MELBOURNE



John Dourlay has been with Customs and Border Protection for 27 years and has worked at the Melbourne Container Examination Facility since 2007. He directly supervises a team of 15 officers who x-ray and examine sea cargo.

The Melbourne facility was the first purpose-built container examination facility in Australia and was officially opened in 2002. Detections at the facility since that time have included tonnes of tobacco product, weapons, precursors and narcotics.

During 2011-12, John's team was directly responsible for two large narcotics detections:

- ▶ In August 2011, officer Sharyn Lennox analysed an x-ray image of a shipment of lawn mowers. Sharyn highlighted areas underneath the mowers and referred the consignment for examination. A total of 271 kilograms of cocaine was found in wooden boxes underneath the mowers.
- ▶ In October 2011, another significant detection was made by officer Jason Conolan. In this instance, John, who is the leader of the national Sea Cargo Specialist Search Capability project, was particularly pleased with this result. 'The project team detected drugs that were concealed by being diluted and suspended within liquid. I am proud to be involved in keeping \$45 million worth of harmful drugs off the street,' he said. More detail on this case can be found on page 41 ('A warm beer with "coke" and "ice" case study').

Program 1.3: Border protection and enforcement

Program objective

Prevent, detect and deter prohibited, harmful or illegal goods or people entering Australia or operating illegally in the Australian Exclusive Economic Zone. This includes:

- ▶ preventing, detecting and deterring the movement of illicit drugs and their precursors
- ▶ preventing, detecting and deterring illicit firearms crossing the border
- ▶ in concert with government, industry and international partners, preventing, deterring and disrupting tobacco smuggling, and
- ▶ providing on-shore/in-shore capability in relation to illegal foreign fishing and irregular maritime arrivals

to support:

- ▶ whole-of-government efforts to deliver integrated regulatory, transactional and physical security measures that safeguard people, goods, vessels and aircraft against terrorist-related threats, and
- ▶ cross-jurisdictional efforts at both domestic and international levels to prevent, detect and disrupt the activities of organised crime syndicates.

Customs and Border Protection operates to ensure that it has accurate intelligence and insights about risks and threats necessary to perform its border protection role.

We continued to deliver our border protection and enforcement outcomes throughout 2011–12. One of our major areas of focus during the year was working with our law enforcement partners on joint operations to combat threats to the border such as the importation of illicit drugs and their precursors and illicit firearms.

We also focused on maintaining the capability of our investigative and prosecutorial functions to respond to the increasing number of cases of a criminal nature.

We continued to manage the risks posed by the increasing number of commercial vessels arriving at our ports through our first-port boarding program.

Performance against PBS targets

Table 7 summarises our performance in meeting PBS targets for border protection and enforcement in 2011–12. The shortfall in performance against PBS deliverables and key performance indicators is explained in Table 8.

Table 7: Program 1.3: Border protection and enforcement—performance against PBS targets, 2011–12

Key performance indicators	Target ^(a)	Actual	Target Met
Number of illegal foreign fishers apprehended and processed	400	68	✗
Number of cases accepted for investigation ^(b)	18–25%	18.4%	✓
Percentage of prosecution briefs completed that resulted in a conviction ^(c)	85–95%	93.6%	✓
Number of commercial vessels boarded at the first port	6 450	6 737	✓
Number and weight of illicit drug detections: number	— ^(d)	21 828	NA
weight	— ^(d)	3521.2 kg	NA
Price	\$267.746 million	\$277.409 million	

(a) Targets may be performance targets, service-level targets or estimates.

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

(c) This measure refers to prosecution briefs prepared by the Investigations Branch and dealt with by the courts. 'Convictions' includes guilty verdicts where no conviction was recorded.

(d) Performance targets cannot be reliably forecast.

Table 8: Explanation of result against target in Program 1.3

Deliverable or key performance indicator not met	Explanation of result
Number of illegal foreign fishers apprehended and processed	The decrease in the number of sightings of illegal foreign fishers in Australian waters indicates that deterrence measures have been successfully implemented. A lower number of sightings also means that there are fewer illegal foreign fishers in our waters to be apprehended and subsequently processed.

Customs and Border Protection continued a high detection rate for illicit drugs and precursors during 2011–12, with more than three and a half tonnes seized for the five major drug types and approximately 15 tonnes when including all substances and chemicals seized at the border. While our controls and efforts are having a disruptive effect on criminal activity, continued effort is required to address this border risk. Over the past 18 months, Customs and Border Protection has made a concerted effort to strengthen partner relationships, with postings to a number of key law enforcement partners, which has resulted in an increase in the number of joint agency operations and initiatives. These joint operations are continuing to deliver an increase in benefits through strengthening cooperation with national and international partners.

While total weight of illicit drugs and precursors has declined since the previous year, it is important to note that the weight of drugs detected is heavily influenced by a small number of very large detections. Consequently, the total weight of drugs being detected from one year to another can vary significantly. For example, the several large seizures of heroin and precursor chemicals during 2010–11 were not seen to the same extent in 2011–12. We continue to see an increasing number of high-quantity, low-volume detections, particularly in the international mail

and air cargo streams. We also had a large seizure of 10 000 litres of hypophosphorous acid in sea cargo. This is a reducing agent used in the manufacture of methamphetamine.

MDMA (ecstasy) is now in its third year of shortage in the Australian illicit drug market, due to the global shortage of the precursor chemicals. However, there has been some re-emergence globally, which may have some implications for the Australian market in the future.

Large quantities of precursor chemicals are continuing to be detected and seized at the border, particularly substances that can be used for the production of amphetamine-type stimulants. The entrenched domestic production of such stimulants is likely to see this trend continue.

There will continue to be a number of challenges facing Customs and Border Protection as organised criminal groups evolve and adjust their importation methodologies. The availability of illicit drugs in the Australian market appears to be relatively unaffected, despite our recent performance in detecting illicit drugs and precursors at the border. Our focus for the coming 12 months will be to build on our joint successes with partner border agencies in detecting and disrupting major organised criminal groups involved in the importation of illicit drugs and precursors.

Key achievements

Securing our ports

Our officers respond to a range of risks at ports in every state and territory including offshore territories such as the Indian Ocean Territories.

In 2011–12, we continued to risk-assess all vessels and crew before arrival and make decisions on boarding priority and resource management based on these assessments. We exceeded the target for first-port boarding by 4.4 per cent with 6737 vessels boarded at the first port of arrival.

In major ports and regional and remote areas, we have improved our effectiveness by tailoring our intervention on commercial vessels to address specific identified threats. For example, we may monitor all crew movements on and off a vessel, or use detector dogs and mass spectrometry technology to search vessels or board and search vessels at sea.

Four major ports were chosen as the hubs for joint agency taskforces dealing with organised crime on the waterfront. The Sydney and Fremantle taskforces are already operating and the Melbourne and Brisbane taskforces will begin in 2012–13. The taskforces combine the common skills and capabilities of multiple agencies and have provided us with unprecedented overt and covert capability to address criminality on the waterfront.

When illegal foreign fishers are detected and intercepted, our officers process them at facilities we maintain for that purpose in the northern ports of Horn Island, Weipa, Gove and Broome. The diminishing number of fishers intercepted does not lessen our imperative to ensure that all fishers are medically cleared and their safety and security is maintained, as well as to collect evidence and meet other requirements for prosecutorial action.

We continue to work with industry to ensure an appropriate response to the growth in the number of cruise vessels and passengers visiting Australia. In August 2011 we launched a

dedicated Govspace site for the cruise ship industry as the single portal for advice to industry from government border agencies.

Investigations

The percentage of cases accepted for investigation was within the PBS target range. Our ability to accept referrals for investigation was affected by the workload associated with continuing significant detections of ContacNT (see 'Targeting and investigative response to ContacNT' at page 52), and the increasing criminality and complexity associated with referrals.

Our role is to investigate and prosecute cases of serious non-compliance. In order to better reflect this role, the PBS targets will be amended for 2012–13 by introducing an additional key performance indicator for 'percentage of high-priority cases accepted for investigation' and making a clearer distinction between the number of referrals and the number that meet the investigative threshold. These changes will enhance monitoring of performance in relation to matters that have the potential to pose the greatest risk to the border.

The percentage of prosecution briefs completed that resulted in a conviction has increased in 2011–12, and is near the upper end of the PBS target range. There has been a significant increase in the proportion of briefs referred to the Commonwealth Director of Public Prosecutions rather than the Australian Government Solicitor. This reflects a shift in the types of cases being investigated, with more matters of a criminal nature being encountered. A summary of investigation referrals and cases, including cases completed with prosecution, is in Table 9.

In 2011–12, we conducted 493 warrant actions, issued 135 seizure notices and warning letters, and recorded 147 convictions. Penalties, fines and costs awarded totalled \$1 895 438.

Table 9: Summary of investigations, 2009–10 to 2011–12

	2009–10	2010–11	2011–12
Referrals received	2 713	2 766	2 746
Cases adopted	753	646	506
Cases completed ^(a)			
with prosecution (through courts)	222	143	157
without prosecution	562	517	327
Cases where prosecution briefs completed ^(a)	201	160	176

(a) Includes cases commenced in previous years.

Improving our x-ray detection capability

In 2011–12, we completed a number of significant projects to replace and refresh our cabinet x-ray technology in various locations across Australia.

The final five mobile x-ray units were delivered to front-line areas to support operational activity. The project involved designing and constructing purpose-built mobile x-ray units that provide our officers with access to updated technology that can be deployed flexibly in a range of

operational settings. For more information on the rollout of the mobile x-ray units, see 'Equipping our workforce for the challenge' on page 35.

Our new cabinet x-rays provide an enhanced x-ray view of the cargo or baggage being screened, which assists officers to detect prohibited or restricted items in cluttered images, as often occurs in the postal and passenger baggage environments.

We also continued to operate large, non-intrusive x-ray inspection systems in our container examination facilities at major Australian shipping ports. These x-ray units represent a significant financial investment in the protection of our border. In 2011–12, major upgrades were made to the units to improve their detection capability.

Detector Dog Program

The Detector Dog Program has 51 handlers who work with 55 dogs (41 narcotics detector dogs and 14 firearms and explosives detector dogs) across Sydney, Melbourne, Adelaide, Perth, Darwin, Cairns and Brisbane.

In 2011–12, our detector dog teams:

- ▶ attended more than 23 000 tasks
- ▶ contributed to the detection of more than 1050 imports of illicit drugs with a total weight of over 315 kilograms
- ▶ contributed to seven significant firearms and explosives detections, including assault rifles and ammunition at a premises; undeclared detonators and detonator cord on board a yacht; explosives, ammunition and an unlicensed handgun at a remote farmhouse; and an undeclared handgun and ammunition on board a smallcraft.

The teams' most significant detection during the year was 216 kilograms of drugs (98 kilograms of heroin and 118 kilograms of pseudoephedrine) concealed in a shipping container at the Sydney Container Examination Facility.

A detector dog team was also involved in the seizure of 30 kilograms of cocaine on a cruise ship arriving into Sydney. A cruise ship passenger was found to be concealing several silver packages inside a wetsuit he was wearing beneath his clothing. A search of the man's cabin revealed a further 25 packages concealed in three suitcases.

Firearms strategy

While Australia has some of the toughest firearms laws and regulations in the world, criminals primarily source firearms from the domestic black market rather than illegal imports. Customs and Border Protection has developed a firearms intervention strategy in response to operational activity and the Australian Crime Commission's assessment that the risk of illicit firearm importation may trend upwards. Customs and Border Protection is responsible for the investigation of Commonwealth firearms offences.

The strategy involves fusing intelligence through the Customs and Border Protection Firearms Intelligence and Targeting Team to identify and target high-risk consignments,

deploying investigative resources to respond appropriately to illicit firearm detections, and collaborating with international, federal and state law enforcement agencies in order to provide a comprehensive response to firearms offences. A range of activities along the supply chain incorporating international and local law enforcement, internal stakeholders and industry and community engagement are underway. The strategy has significantly enhanced our understanding of and response to this border risk. Further detail on this collaborative approach can be found in the 'Joint law enforcement activity' case study on page 57.

Intelligence is the key to detecting and stopping illegal firearms, with 85 per cent of firearm and firearm accessories detections resulting from intelligence-led targeting.

A breakdown of the types of firearms imported and exported, and the number of undeclared detections of firearms and disposals is provided in Table 10 and Table 11.

Table 10: Number of firearms imported and exported

	Rifles	Handguns	Shotguns	Military firearms	Air firearms ^(a)	Other	Total
Commercial importations	54 694	16 485	18 739	88	9 803	—	99 809
Commercial exportations	1 942	2 376	1 483	135	408	177	6 521

(a) Air firearms include both traditional air guns and paintball markers.

Table 11: Number of undeclared detections of firearms and disposals

	Firearms, parts and accessories	Replicas, air guns, parts and accessories
Detections of undeclared items	1 344	3 984
Disposals	105	2 403

Operation Hitch

In April and August 2011, Customs and Border Protection officers detected three shipments of safrole, totalling more than 2.5 tonnes. Safrole is an oily liquid that is used as a precursor in the manufacture of MDMA (ecstasy). The chemicals were concealed in shipments of liquid hair and cleaning products imported from China. At 11 per cent purity, this would have produced approximately 288 litres of pure safrole oil, enough to produce almost 235 kilograms of MDMA worth an estimated \$70 million. In gross weight, this seizure represents the largest seizure of an ecstasy precursor in Australian history.

These detections led to the establishment of Operation Hitch, a joint operation between Customs and Border Protection and the Australian Federal Police. Three men were later arrested and charged in relation to the importation, resulting in the dismantling of an organised crime syndicate in Sydney.

The success of Operation Hitch demonstrates the effectiveness of our intelligence-led, risk-based approach to detecting illicit drugs and precursors at the border. It also highlights the value of collaboration between partner agencies in the detection, disruption and dismantling of organised crime syndicates.



Oil containers



Customs and Border Protection officer operating fume cabinet

Customs Watch rebranding and relaunch

In October 2011, we combined our community participation initiatives, Frontline and Hotline, into a single outward-facing program, *Customs Watch*. *Customs Watch* encourages industry and the Australian community to work with us to protect Australia's border by reporting suspicious activities.

On 10 November 2011, the then Minister for Home Affairs, the Hon Brendan O'Connor MP, hosted the national launch of *Customs Watch* at the Sydney Container Examination Facility. Guests included Customs and Border Protection executives and staff, representatives from the Customs Brokers and Forwarders Council of Australia, industry members, agency partners including international and local representatives, and national media.

Customs Watch has well over 800 members who regularly provide information to Customs and Border Protection. The program has had great success due to the support of industry and the public, and has led to the detection of hundreds of kilograms of illicit drugs and precursors, illegal weapons and other prohibited items that endanger community safety. Approximately 5 per cent of all detections we make can be attributed to positive referrals made to *Customs Watch* by industry and the Australian community.



The Hon Brendan O'Connor MP

Targeting and investigative response to ContacNT

During 2011–12, we adapted our targeting and investigative response to counter a significant increase in ContacNT detections at the Australian border (Table 12). ContacNT is a cold and flu medication manufactured legitimately in China for use in the domestic market. It contains a high proportion of pseudoephedrine and is a favoured precursor used in the manufacture of methamphetamine.

We responded to the increase by implementing a national intervention strategy to disrupt and deter individuals and criminal syndicates involved in illegally importing ContacNT. Our response focused on three different points within the supply chain: before the border (overseas engagement), at the border (intelligence, targeting and investigations), and post border (investigations, industry and community participation and domestic law enforcement agency engagement).

Key outcomes achieved included:

- ▶ engaging with Chinese law enforcement partners to discuss joint response strategies, and with the New Zealand Customs Service on trans-Tasman targeting opportunities
- ▶ identifying individuals and organised criminal networks involved in importing and distributing ContacNT
- ▶ conducting joint operations and working closely with domestic law enforcement agencies, including the New South Wales Police, the New South Wales Crime Commission and Victoria Police
- ▶ arresting 67 people in connection with ContacNT offences
- ▶ finalising eight ContacNT cases through prosecution action, seven of which were successful and resulted in nine individuals receiving custodial sentences ranging from three months to three years

- ▶ launching a community information campaign to warn international students, who are often targeted by criminal syndicates to collect packages of ContacNT on behalf of others unknown to them. Information was distributed to more than 180 universities, TAFE institutes and English language colleges in Sydney and Melbourne.

Cargo-related detections of ContacNT in 2010–11 and 2011–12 are shown in Table 12.

Table 12: Cargo-related ContacNT detections, 2010–11 and 2011–12

	2010–11		2011–12	
	Number of detections	Estimated weight (kg)	Number of detections	Estimated weight (kg)
ContactNT	76	242.20	278	1017.15

Key challenges

Operation Polaris

In 2009, Customs and Border Protection conducted targeted campaign activity on the waterfront to determine the extent to which the traditional face of waterfront criminality was changing. This activity proved that new serious and organised crime figures were infiltrating the waterfront to an extent not previously witnessed.

It became apparent that sea cargo selection and examination processes were not keeping pace with criminal methodologies, which are constantly evolving. Entrenched organised crime infiltration of the container terminal operators had occurred and cargo examination processes were compromised by criminal groups who through counter-surveillance and other techniques were aware of law enforcement agency interest in their suspect consignments.

To address this threat, Customs and Border Protection along with state and Commonwealth law enforcement agencies established the joint-agency taskforce, Operation Polaris, in Sydney in July 2010. This taskforce combines the expertise and capabilities of investigators, intelligence analysts and operational response teams from Customs and Border Protection, the Australian Federal Police, New South Wales Police, the NSW Crime Commission and the Australian Crime Commission.

This combined effort extends the reach of these agencies into the waterfront environment and has produced a comprehensive picture of criminal activity on the waterfront.

In August 2011, the joint management committee that oversees Operation Polaris directed the taskforce to prepare a vulnerabilities report to identify how serious and organised crime groups could infiltrate law enforcement activity on the waterfront. Preparing the report gave state and Commonwealth law enforcement the opportunity to work together to identify their own and their colleagues' vulnerabilities, and to address those vulnerabilities in an open and accountable manner.

In March 2012, the Task Force Vulnerabilities Report was delivered to the executives of the taskforce agencies, and work began on mitigating the identified vulnerabilities. Customs and Border Protection implemented a number of measures to immediately increase operational security including the implementation of changes to the Integrated Cargo System (ICS) to strengthen access control and auditing. Further work is now being undertaken to implement a broader package of measures. These measures involve policy and legislative change, infrastructure improvements, collaborative approaches with industry, and proactive integrity measures. The implementation of these measures will continue in 2012–13.

Case study

NEW NATIONAL DETECTOR DOG PROGRAM FACILITY

The new national Detector Dog Program facility in Melbourne was completed in December 2011 and provides a world-class centre to breed, train and deploy detector dogs for Customs and Border Protection and domestic and international agencies. The facility centralises the management of our Detector Dog Program, which is recognised around the world as a leader in producing and maintaining high-quality detector dog teams.

The facility is on an 8.9 hectare site 15 minutes from Melbourne Airport in the suburb of Bulla. Its close proximity to operational environments will greatly assist in the training of detector dog teams. It is also easily accessible to the 300-plus foster carers who are currently assisting the program.

The Detector Dog Program plays an important role in helping to protect Australia from prohibited imports such as drugs, firearms and explosives. Detector dog teams are trained to find goods hidden on people and in luggage, parcels, mail, cargo containers, vessels, vehicles and aircraft.

The new facility provides kennel space for up to 250 dogs, accommodation for up to 65 staff and a range of training facilities, including two buildings simulating residential homes and a building with mock airport baggage handling facilities.

The co-location of the program's breeding and training functions will enable us to further improve our development processes and techniques for training dogs from birth until they have graduated as operational detector dogs.



Case study

OPERATION AVALON

Weeks of surveillance by Customs and Border Protection and partner agencies paid off with the discovery of approximately 300 kilograms of cocaine in Bundaberg in October 2011. The cocaine, estimated to be worth \$78 million, was allegedly transported on the yacht *Friday Freedom* arriving from Vanuatu.

Earlier in 2011, the Australian Federal Police received information on an international organised crime syndicate suspected of being involved in money laundering and planning a substantial importation of cocaine into Australia. A joint operation with Customs and Border Protection was commenced. In September 2011, Customs and Border Protection, through our risk-assessment processes, identified a yacht in Port Vila, Vanuatu, with suspected links to an organised crime syndicate and scheduled to travel to Australia.

Customs and Border Protection coordinated offshore surveillance of the vessel by deploying our marine and aviation assets. The operation also involved significant assistance from authorities in Vanuatu. After several weeks of being monitored by authorities in Bundaberg, the alleged offenders were arrested by police when an exchange of approximately 100 kilograms of cocaine took place at Bundaberg Port.

The drugs had been secreted within the hull of the yacht. It was a highly sophisticated concealment, which indicated that the syndicate had an understanding of law enforcement methodology and had gone to considerable effort to escape detection.

This successful operation again demonstrated the strength of combining the resources and capabilities of law enforcement agencies to disrupt organised crime.

Case study

JOINT LAW ENFORCEMENT ACTIVITY

Throughout 2011–12 Customs and Border Protection worked closely with its law enforcement partners across the nation to address the threats posed to the border and community from prohibited imports.

In February 2012, Customs and Border Protection and the New South Wales Police worked together to dismantle a criminal syndicate allegedly responsible for importing handguns from Europe into Australia.



The operation resulted in three men, a 30-year-old post office licensee, a 21-year-old import business employee and a 27-year-old telecommunications technician, being arrested and charged with a range of state and customs offences.

The successful outcome of this complex investigation, which included investigative activity in Europe, was a direct result of the collaborative approach between Customs and Border Protection and its law enforcement counterparts. This collaboration ensured that the skills, knowledge and capabilities of each agency are used to best effect in addressing these areas of community concern.

This partnering approach has been further strengthened through the development of a firearms intervention strategy which has been designed to target potential illicit firearms imports. Further details on this strategy can be found under 'Firearms strategy' on page 49.

An important element of this strategy has been the establishment of the Firearms Intelligence and Targeting Team.

This strengthened approach will increase each agency's respective access to intelligence and information holdings allowing agencies to more effectively target entities at the border and facilitate the whole-of-government response to breaches of Commonwealth and state or territory legislation.

Staff profile

PETER CONNELL
MANAGER, COMPLIANCE AND
ENFORCEMENT DIVISION,
CANBERRA



Peter Connell has spent the past three years working in a coordination role for Customs and Border Protection's Compliance and Enforcement Division in Canberra. This role is instrumental in ensuring that the division provides accurate, effective and timely information to requests from the Executive, other areas of the organisation, other Commonwealth agencies, the government, industry and the public.

The coordination position is also responsible for many of the division's reporting functions. This includes preparing reports for the Executive on the division's performance against Portfolio Budget Statements, projects and other activities. Reports are prepared monthly, quarterly, at mid-year and annually, and include contributions to the annual report.

The coordination area is characterised by tight timeframes and the need to be across a wide range of issues. Peter commented that working in this role, and working closely with the division's Executive, has given him a good insight into how each of the division's many activities contributes to Customs and Border Protection's overall outcomes, and the pressures involved in meeting both the government's and the public's expectations.

Peter joined Customs in 1978 straight from tertiary studies. He spent the first five years in a district office before moving into policy and administration roles within the Canberra office. He has worked on shipping, cargo and postal policy and was involved with the first Coastwatch Coordination Committee. He has also provided briefings on international drug, enforcement and bilateral issues; developed information products for the public and industry on customs requirements; managed the purchase and implementation of border technology; and developed training products for compliance and enforcement staff, including the agency's first online training courses.

Peter says that the opportunity to undertake a wide variety of work, combined with the friendliness and enthusiasm of fellow officers, has led to a rewarding and enjoyable career.

Staff profile

PETER HAYSON
COMPUTER FORENSICS OFFICER,
COMPLIANCE AND ENFORCEMENT
DIVISION, BRISBANE



Peter Hayson has been with Customs and Border Protection for nearly 31 years and works in the Investigations Branch in Brisbane. He has served predominantly in border management and enforcement roles, including as district manager for Eden, Burnie and Thursday Island. He also spent time in what is now the Compliance Assurance Branch and Excise before that function was transferred to the Australian Taxation Office.

He says the highlights of his career include serving in liaison roles as a naval agent, initiating regular Customs and Border Protection awareness sessions on prime-time radio in the Torres Strait, establishing cross-border crime conferences with Papua New Guinea, planning for the National Illicit Drug Strategy and working on the multi-agency panel for the electronic presentation of briefs of evidence in court.

In 1996, Peter coordinated the interception and logistical movement to the mainland of 151 foreign nationals from a ship that was intercepted in the Torres Strait while making its way to Australia.

Peter has a keen interest in computers. In 1999, he wrote an application to enhance Investigation Branch's evidence management standards. The program was introduced in Customs and Border Protection in 2000 and was later adopted by other Commonwealth agencies such as the Australian Taxation Office and Medicare Australia.

In 2004, he played a leading role in establishing Customs and Border Protection's computer forensics capability through close liaison with Australian and overseas law enforcement agencies.

Now, along with the other computer forensics officers based in Sydney, Melbourne, Adelaide and Fremantle, he specialises in computer-based investigations that involve preserving, analysing and reconstructing electronic evidence to support the investigation of serious offences.

Computer forensics officers are required to be qualified computer forensic examiners and give expert evidence on electronic evidence in Australian courts. Peter's level of expertise in this field has been recognised by other agencies such as the Office of the Commonwealth Director of Public Prosecutions, which has called on him to give expert evidence in prosecutions not involving Customs and Border Protection.

Peter says, 'Seeing the results computer forensics achieves for investigations carried out by Customs and Border Protection and contributing to these outcomes is an extremely rewarding experience. Customs and Border Protection's computer forensic capability is professional and highly regarded and we can be proud of this.'

Program 1.4: Civil maritime surveillance and response

Program objective

- ▶ To protect Australia's national interests by generating awareness of activity in Australia's maritime domain and responding to mitigate, or eliminate, the risks posed by security threats.
- ▶ To coordinate whole-of-government efforts in detecting, reporting and responding to potential or actual non-compliance with relevant laws in Australia's maritime domain, and to provide maritime domain awareness. This also includes coordinating the whole-of-government effort to respond to people smuggling.
- ▶ Security threats in Australia's maritime domain include illegal activity in protected areas; illegal exploitation of natural resources; marine pollution; prohibited imports and exports; unauthorised maritime arrivals; compromise to bio-security; piracy, robbery or violence at sea; and maritime terrorism.
- ▶ The area of responsibility covers the territorial sea, the contiguous zone, the Exclusive Economic Zone and continental shelf including the Southern Ocean Exclusive Economic Zone and, for responsibilities as Australia's Security Force Authority, the Australian Search and Rescue Region.
- ▶ Maritime security operations are led and coordinated by Border Protection Command. Border Protection Command is a standing multi-agency authority situated in Customs and Border Protection and staffed by officers from Customs and Border Protection, the Australian Defence Force, the Australian Fisheries Management Authority and the Department of Agriculture, Fisheries and Forestry.

Customs and Border Protection contributes to whole-of-government efforts in detecting, reporting and responding to unlawful activity in our offshore maritime zones. Our Maritime Operations Support Division provides the agency with maritime surveillance and response capability, and Border Protection Command utilises assigned assets from Customs and Border Protection and the Australian Defence Force to respond to risks in the maritime domain on behalf of up to 26 client agencies.

Border Protection Command's operations are intelligence-led and risk-based. Liaison with the Australian intelligence community and aerial and surface surveillance, together with preventative measures focused on international engagement and whole-of-government cooperation, are central to Border Protection Command's control strategies. Strategies are applied against assessed risk levels through an established multi-agency threat and risk assessment process. We also undertake tactical, operational and strategic threat and risk assessments. We use this information to maintain awareness of the civil maritime security threats, and provide our stakeholders with an awareness of day-to-day activities in the Australian maritime domain through the Australian Maritime Security Operations Centre.

In the 2011–12 Federal Budget, the Australian Government reaffirmed its commitment to improving maritime border security by providing additional funding for eight new and enhanced boats, the *Cape Class* patrol boats, to replace the *Bay Class* vessels, which are nearing the end of their planned operational life. This was followed by the government's decision in the 2012–13 Budget to provide funding for the acquisition of two further capabilities to support Customs and Border Protection's maritime role: the ADV *Ocean Shield*, which we will inherit from the Department of Defence in 2016, and the Long Term Ashmore Reef Capability. In the future, and with enhanced vessels, we will be better placed to meet our obligation to government for border security. This includes maintaining a presence around Australia's coastline and within the Australian Exclusive Economic Zone, and responding to reported or suspected border incidents and illegal activity.

Maritime Operations Support Division contributes to strengthening the agency against current and unknown future risks through a strategic approach to maritime capability development. This includes supporting long-term investment decisions and ensuring that we have the capacity to deliver maritime capability to respond to existing and emerging on-water threats. The division also supports activity beyond the Australian Exclusive Economic Zone—it is leading the development of future operating strategies across government that will contribute to Pacific maritime security initiatives.

Customs and Border Protection, through Border Protection Command, will continue to provide a coordinated and intelligence-led, risk-based approach to current and emerging civil maritime security threats within the Australian maritime domain.

Performance against PBS targets

Table 13 summarises our performance in meeting PBS targets for civil maritime surveillance and response in 2011–12. The shortfalls in performance against PBS deliverables and key performance indicators are explained in Table 14.

Table 13: Program 1.4: Civil maritime surveillance and response—performance against PBS targets, 2011–12

Deliverables	Target ^(a)	Actual	Target met
Aerial surveillance coverage (square nautical miles):			
Customs and Border Protection—contracted aircraft and RAAF assets (square nautical miles) ^(b)	140 million	140.44 million	✓
commercially contracted satellite (square nautical miles) ^(c)	9.6 million	11.3 million	✓
Southern Ocean vessel surveillance (patrol days)	120	121 ^(d)	✓
Northern waters surveillance – ACV <i>Triton</i> (patrol days)	240	312	✓
<i>Ashmore Guardian</i> (station and steaming days) ^(e)	330	331	✓
Customs and Border Protection Marine Unit (patrol days) ^(f)	2 400	2 315	✗

Table 13 (continued)

Key performance indicators	Target ^(a)	Actual	Target met
Number of irregular, unregulated and unreported vessels sighted and identified in Australia's Exclusive Economic Zone in the Southern Ocean	— ^(g)	—	NA
Number of irregular, unregulated and unreported vessels boarded in the Southern Ocean	— ^(g)	—	NA
Number of irregular, unregulated and unreported vessels apprehended in the Southern Ocean	— ^(g)	—	NA
Trends in sightings of potentially irregular foreign vessels in Australian northern waters (including illegal foreign fishing vessels) ^(h)	— ^(g)	2008–09 to 2009–10 increase by 54.27%, 2009–10 to 2010–11 decrease by 1.28%, 2010–11 to 2011–12 increase by 53.89%	NA
Number of detections and interceptions of suspect irregular entry vessels	— ^(g)	110	NA
Number of suspect unlawful non-citizens ⁽ⁱ⁾ intercepted at sea (including ship's crew)	— ^(g)	8 305	NA
Number of apprehensions of irregular foreign fishing vessels ^(j)	45	12	✖
Price	\$304.705 million	\$307.622 million	

ACV = Australian Customs and Border Protection Vessel

RAAF = Royal Australian Air Force

(a) Targets may be performance targets, service-level targets or estimates.

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

(c) The delivery rate has exceeded the planned area coverage because the margin of error has decreased with each actual satellite pass.

(d) The Southern Ocean vessel conducted 121 patrol days in total. Of these, 75 were in northern waters and 46 were in the Southern Ocean.

(e) *Ashmore Guardian* is deployed almost permanently at the Ashmore Reef National Reserve and Cartier Island Marine Reserve.

(f) Defence separately reports additional civil maritime patrol days.

(g) Performance targets cannot be reliably forecast.

(h) Sightings are generated from reports by Border Protection Command surveillance aircraft (both Customs and Border Protection and Defence). The number of sightings cannot be forecast through any reliable statistical or other method.

(i) Also known as potential irregular immigrants.

(j) This is the total number of apprehensions by Customs and Border Protection and Defence assets.

Table 14: Explanation of shortfalls against targets in Program 1.4

Deliverable or key performance indicator not met	Explanation of shortfall
Customs and Border Protection Marine Unit (patrol days)	The reduction in <i>Bay Class</i> patrol days resulted from a number of factors. These include the requirement that crew involved in past SIEV boardings attend court proceedings; the need for additional ACV <i>Triton</i> patrols, which required supplementation of crew through the redeployment of <i>Bay Class</i> personnel; and limitations on affordable full-time equivalent seagoing staff. The situation is being closely monitored to ensure that the impact on patrol days is minimised, although the <i>Bay Class</i> fell just short of its PBS target. However, the additional ACV <i>Triton</i> patrol days meant that this had a minimal impact on achievement of the target for combined patrol days.
Number of apprehensions of irregular foreign fishing vessels	There were 12 apprehensions of irregular foreign fishing vessels in 2011–12, a decrease from 14 in 2010–11. This figure fell short of the PBS estimate of 45 foreign fishing vessel apprehensions. The deterrent effect of our surveillance and enforcement efforts has seen illegal fishing activity in Australia's northern waters retreat beyond the Exclusive Economic Zone.

In 2011–12, we continued to work closely with our partner agencies to combat illegal foreign fishing. This included coordinating Southern Ocean patrols with the French and stationing Australian officers on board French vessels.

Sightings of illegal foreign fishing activity within Australia's Exclusive Economic Zone increased in 2011–12. The number of sightings increased by 53.89 per cent to 7265, in comparison to 4721 in 2010–11. The majority of sightings (97.36 per cent) were north of the Provisional Fisheries Surveillance and Enforcement Line where foreign fishing within the water column is legal. The increase in sightings of foreign fishing vessels in 2011–12 is, in part, a result of the reposturing of Border Protection Command's assigned surveillance aircraft from the east to west coast and the conduct of surveillance out to and beyond the Exclusive Economic Zone. This reposturing was in response to the evolving maritime security threat environment for irregular maritime arrivals, where surveillance in more distant offshore areas in Australia's northwest is necessary.

One undetected suspected irregular entry vessel (SIEV) arrival with 32 potential irregular immigrants (referred to as suspected unlawful non-citizens in the PBS targets) occurred in 2011–12. This is a decrease from 2010–11, when there were three undetected SIEVs with 114 suspected unlawful non-citizens.

The number of detections and interceptions of SIEVs for 2011–12 was 110, an increase on 2010–11 when 86 SIEVs were detected and intercepted (these numbers do not include any undetected SIEVs).

In 2010–11, the average number of detected potential irregular immigrants per vessel was 53. In 2011–12, the number increased to an average of 73 potential irregular immigrants per vessel.

During 2011–12, increased output was required from the ACV *Triton*, and the ACV *Ocean Protector* was diverted to northern waters to transport potential irregular immigrants.

Key achievements

Sustained high level of operational output

Customs and Border Protection officers contributing to the civil maritime surveillance and response program maintained a sustained high level of operational output throughout 2011–12. The increased operational tempo continued to place pressure on achieving PBS outcomes.

In 2011–12, there was a significant increase in the number of SIEVs, creating greater propensity for concurrent or consecutive arrivals and associated long-haul transport demand. There has also been an increasing number of SIEVs seeking safety of life at sea assistance from Australian authorities, often significant distances outside of Australia's search and rescue region and from Border Protection Command patrol areas. These operational pressures have coincided with projects such as the *Bay Class* patrol boat replacement (including the workforce transition to the *Cape Class*) and the Christmas Island radar trial (for more information, see the 'Completion of the radar trial at Christmas Island' case study on page 72).

The ongoing high tempo of operations has been a challenge in this environment. Despite this challenge, we have been able to achieve considerable operational outcomes such as a SIEV detection and interception rate of 99 per cent and the continued deterrence of illegal foreign fishing activity in Australia's maritime domain.

Acquisition of new marine capabilities

The government has provided funding in the 2012–13 Federal Budget for the acquisition of two new capabilities to support Customs and Border Protection's maritime role: the *ADV Ocean Shield*, which we will inherit from the Department of Defence (Defence) in 2016, and the Long Term Ashmore Reef Capability.

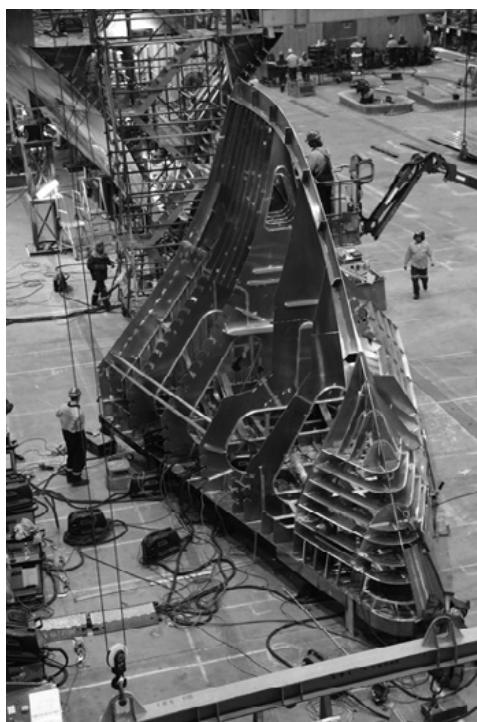
The *ADV Ocean Shield*, sister vessel to the *ACV Ocean Protector*, will provide Defence with a short-term humanitarian and disaster relief capability until the arrival of two new landing helicopter dock ships. In 2014–15 and 2015–16, Customs and Border Protection will use the vessel to conduct two patrols a year in the Southern Ocean. In 2015–16, after Defence introduces the new amphibious ships into service, the vessel will be transferred to Customs and Border Protection and will provide a long-term capability for the agency.

Customs and Border Protection has started the procurement process for the Long Term Ashmore Reef Capability. The request for tender was released in July 2012, and the capability is scheduled to commence service in early 2014.

Cape Class developments

The procurement of the *Cape Class* patrol boats continues on track, both in terms of budget and schedule. The project team conducted successful negotiations and the contract was signed by Deputy CEO Marion Grant in August 2011. The Prime Minister, the Hon Julia Gillard MP, attended the signing ceremony which was held in Western Australia. A series of design reviews followed where refinements were made to the design, culminating in the critical design review in May 2012.

A keel-laying ceremony for the first of the *Cape Class* patrol boats, the *Cape St George*, was held on 8 June 2012 at the contractor's shipyard in Henderson, Western Australia, following the finalisation of the design. Members of the Marine Unit were involved in the initial capability definition, the initial design review and each stage of the design process. This has contributed significantly to the functionality of design; this functionality in particular was noted by those at the keel-laying ceremony, including the Minister for Home Affairs, the Hon Jason Clare MP, who is sponsor of the *Cape St George*.



Cape Class development

Development and implementation of the quarterly operations cycle

During 2011–12, following extensive development and review of our planning process, we implemented an improved integrated planning process called the quarterly operations cycle. The cycle is a multi-staged planning process that produces operational planning guidance based on threat profiles and tactical resource availability. The process supports the development of long-term awareness and response programs and day-to-day operational activities and also involves external client agencies.

The quarterly operations cycle has four main elements:

- ▶ intelligence-based threat and environment assessment
- ▶ development of long-term operational programs and Executive guidance
- ▶ conduct of day-to-day operations and post-operational assessment
- ▶ performance evaluations.

Intelligence assessments, client engagement meetings, operational planning forums and post-activity reviews are undertaken on a rolling quarterly (three-monthly) basis to ensure that seasonal variations, changes to threat activities and operational considerations are continually addressed well in advance. We will continue to refine and further develop the quarterly operations cycle to ensure that we meet our ongoing maritime security requirements, make effective use of limited resources, deliver services to our broad client base and meet longer-term resource and security challenges.

International Maritime Organization commendations

On 15 December 2010, a vessel now known as SIEV 221 foundered on rocks at Rocky Point, Christmas Island, resulting in a significant search and rescue event and loss of life.

Six Customs and Border Protection marine enforcement officers on ACV *Triton* and 12 Australian Defence Force personnel on HMAS *Pirie* later received a prestigious international commendation for bravery at sea for their significant roles in the rescue of 41 people from the water in treacherous conditions. This recognition was in the form of letters of commendation from the International Maritime Organization, a United Nations specialised agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships.

The award was established to provide international recognition for those who, at the risk of losing their own life, perform acts of exceptional bravery, displaying outstanding courage in attempting to save life at sea.

The award ceremony was held in London on 21 November 2011. To mark the occasion, a joint Customs and Border Protection and Defence ceremony was held in Darwin on 22 November 2011 that recognised the individual efforts of all personnel involved in the rescue effort. A number of awards were issued at the Darwin ceremony, including:

- ▶ International Maritime Organization Commendation
- ▶ Customs and Border Protection CEO Commendation
- ▶ Customs and Border Protection CEO Certificate of Service
- ▶ Customs and Border Protection CEO Award for Outstanding Service
- ▶ ADF Chief of Joint Operations Commendation.

Signing of memorandum of understanding with Malaysia

In July 2011, the Malaysian Maritime Enforcement Agency and Border Protection Command signed a memorandum of understanding on *Cooperation and Assistance Relating to Civil Maritime Law Enforcement Operations*.

Since 2007, Customs and Border Protection, through Border Protection Command, has forged a strong working relationship with the Malaysian Maritime Enforcement Agency. Both countries have engaged in reciprocal maritime capacity-building activities to combat border threats in their respective maritime jurisdictions.

The signing of the memorandum represents a shared commitment by both countries to enhance their capacity to address maritime security concerns—particularly transnational crime—by promoting cooperation in the following areas:

- ▶ sharing and exchange of information
- ▶ training and development of staff
- ▶ research and development
- ▶ other areas of cooperation relating to civil maritime law enforcement.

Suspected irregular entry vessel detections

In 2011–12, Border Protection Command used Customs and Border Protection and Australian Defence Force assets to increase the detection and interception rate for suspected irregular entry vessel (SIEV) arrivals. In 2010–11, we detected and intercepted 86 out of 89 SIEV arrivals, which resulted in a 96.63 per cent successful detection rate. In 2011–12, we improved our successful detection rate to 99.1 per cent, detecting and intercepting 110 out of 111 SIEV arrivals.

In 2011–12, we met a strong demand for the long-haul transportation of passengers and crew from intercepted SIEVs to Australian Government authorities at Christmas Island, performing 28 long-haul voyages with 1514 people involved.

Table 15 shows detection statistics for 2011–12 and the previous two years.

Table 15: Detections of suspected irregular entry vessels and potential irregular immigrants, 2009–10 to 2011–12

	2009–10	2010–11	2011–12
Suspected irregular entry vessels			
Undetected:			
mainland unauthorised boat arrivals	—	—	—
offshore unauthorised boat arrivals ^(a)	5	3	1
Detected	112	86	110
Total	117	89	111
Number of long hauls ^(b)	86	42	29
SIEV detection rate	95.73%	96.63%	99.1%
Potential irregular immigrants			
Undetected:			
mainland PII arrivals	—	—	—
offshore PII arrivals	246	114 ^(c)	32
Detected	5 081 ^{(d)(e)}	4 636 ^(f)	8 060
Total	5 327	4 750	8 092 ^{(g)(h)}
Number of PIIs transferred by long haul	3 390 ⁽ⁱ⁾	2 013 ⁽ⁱ⁾	1 514
Total crew intercepted	300	210	245

SIEV = suspected irregular entry vessel

PII = potential irregular immigrant

(a) An offshore arrival is an arrival in an offshore excised place as defined by the *Migration Act 1958* and includes Christmas Island, Ashmore Island and Cocos (Keeling) Islands.

(b) A long haul is defined as the transportation by a Customs and Border Protection or Defence vessel, over an extended distance of 500 nautical miles or more, of PIIs and crew from an intercepted SIEV, prior to transfer to Australian Government authorities on Christmas Island (or Broome or Darwin for operational purposes). Border Protection Command-assigned assets (including contracted vessels) usually conduct long hauls. The figures show the number of SIEV arrivals that have resulted in long hauls.

(c) This includes 50 people deceased at sea from SIEV 221. Twenty of the 50 deceased were never recovered; however, the Western Australia Coroner declared on 23 February 2012 that their deaths have been proved beyond reasonable doubt.

(d) This includes 12 people considered lost at sea after their vessel was reported as capsized 350 nautical miles northwest of Cocos (Keeling) Islands on 1 November 2009.

(e) This includes three onshore PII arrivals who were transferred directly to the mainland after interception due to serious medical conditions.

(f) This includes seven onshore PII arrivals who were transferred directly to the mainland after interception due to serious medical conditions.

(g) This does not include ten Chinese nationals from the yacht *Rahmani* who subsequently sought asylum.

(h) This includes 110 survivors and 17 deceased people from Australian Search and Rescue Operation 2012/4106 and 130 survivors and one deceased person from Australian Search and Rescue Operation 2012/4259.

(i) This does not include three PIIs who were transferred to the mainland for medical reasons while the remainder of PIIs from the same SIEV were transferred by long haul to Christmas Island.

(j) This does not include seven PIIs who were transferred to the mainland for medical reasons while the remainder of PIIs from the same SIEV were transferred by long haul to Christmas Island.

Key challenges

Availability of crew and equipment

While Customs and Border Protection has maintained a high operational output, limitations on affordable full-time equivalent staff have impacted on the availability of vessels as well as capacity more broadly in relation to delivering the civil maritime surveillance and response program and achieving PBS outcomes. Ensuring crew availability on *Bay Class* vessels in particular is an ongoing challenge.

Crew involved in past boardings of suspected irregular entry vessels are also required to attend court proceedings. In 2011–12, an increased output was required from the ACV *Triton*, and the ACV *Ocean Protector* was diverted to northern waters to transport potential irregular immigrants. This increased output required supplementation of crew through the redeployment of *Bay Class* personnel.

In addition to crew issues, ensuring availability of *Bay Class* vessels will continue to be a challenge as the platform and systems age or become obsolete. Further pressures will result from the need to meet increasing vessel operating costs, in particular those relating to fuel.

Deployment of aerial surveillance assets to Christmas Island was a major change in posture for the Dash-8 fleet. It resulted in restricted asset availability for an extended period (four months) in other areas of the Australian maritime domain. Ensuring air crew availability for this critical task has been challenging.

Illegal foreign fishing measure of effectiveness trial

In February 2010 the Australian National Audit Office (ANAO) performance audit report ‘Illegal Foreign Fishing in Australia’s Northern Waters’ was tabled in parliament. The audit examined the effectiveness of Customs and Border Protection’s performance in managing and coordinating enforcement operations against illegal foreign fishing in Australia’s northern waters.

In response to the report, in 2011–12 we began trialling measures that could be used to gauge the effectiveness of action taken specifically against illegal foreign fishing in Australia’s northern waters. An objective and key challenge of this trial is to gauge the level of confidence all government clients have with the tactical and operational activities undertaken to secure our borders against illegal foreign fishing. Continual engagement with stakeholder agencies is a key focus of this trial.

The trial uses a series of qualitative measures of performance and measures of effectiveness to determine the whole-of-government performance against the threat of illegal foreign fishing.

The trial focuses on two areas: identifying thresholds for outputs such as the number of apprehensions of foreign fishing vessels and the sightings of foreign fishing vessels in Australia’s northern waters, and reporting on the level of operational activity on a quarterly basis. The intent of the trial is to develop measures that demonstrate how effective our performance is against this maritime security threat. This work will also help achieve the complex task of identifying changes in illegal foreign fishing trends.

Results are being analysed throughout the trial to inform future activity in the illegal foreign fishing program. The results will also be used to develop broader measures of performance and effectiveness for the civil maritime surveillance program overall.

SIEV 221

Following the foundering of a vessel at Christmas Island on 15 December 2010, Customs and Border Protection conducted an internal review and assisted the Joint Select Committee of Parliament in its inquiry. The Western Australian Coroner handed down his findings on 23 February 2012. A dedicated team remained in place until September 2011 to oversee our contribution and to coordinate the implementation of a number of recommendations from these inquiries.

Key outcomes of these inquiries for Customs and Border Protection were:

- ▶ increased deployment of surface response vessels and surveillance aircraft to Christmas Island during the 2011–12 monsoon period, over periods of poor sea conditions, and where threat assessments and operational demands indicate that increased capability may be required
- ▶ implementation of a surveillance strategy by Australian Government agencies that facilitates on-island awareness of the status of surveillance assets, and provides for the assistance by agencies on-island during periods when additional coverage is required
- ▶ analysis and clarification of Christmas Island emergency management procedures
- ▶ completion of a trial of land-based radar on Christmas Island, and the decision to establish a permanent arrangement
- ▶ completion of a hydrographic survey around Christmas Island
- ▶ completion of reviews of Customs and Border Protection's tender vessels (a smaller vessel used to support the larger vessel's operations) and the jet intake systems on Defence's rigid-hull inflatable boat.

Maritime liaison and relationship building

During 2011–12, Customs and Border Protection strengthened our relationships with our partners in Canada, New Zealand and the United States in the area of maritime domain awareness. Customs and Border Protection officers attended workshops and meetings with their overseas counterparts. They were exposed to a variety of maritime information-sharing systems and methodologies and gained an appreciation for how our counterparts approach maritime security in their respective domains.

All parties undertook to increase international sharing of maritime domain information and methods for evaluating maritime security threats.

We will continue to liaise with our international counterparts in this field, and to strengthen and enhance current methodologies and systems by learning from the international experience. We will explore the potential for joint training exercises, enhanced information exchange and the development of real-time collaboration and analysis tools.

Case study

MARINE WORKFORCE MODERNISATION

The Marine Workforce Modernisation Project commenced in September 2010 with a broad scope of developing and implementing a future Marine Unit workforce model to align with the emerging operational and performance needs. The aim of the project is to ensure that Customs and Border Protection's marine workforce is appropriately resourced, skilled and qualified to effectively respond to future marine operational challenges and effectively transition to the large *Cape* Class vessels and other future capabilities. There is also new legislation moving through parliament that when enacted will affect our future maritime workforce. The modernisation project is integrating these regulatory requirements into work practices in the context of changing risk and threat environments. It is critical that we have the right workforce and the right working conditions to adapt to and operate successfully in the border environment into the future.

The Marine Workforce Modernisation Project team has been involved with developing and contributing to the following initiatives:

- ▶ developing and implementing a single set of conditions and rostering arrangements for the Marine Unit that were captured in the Enterprise Agreement 2011–2014
- ▶ communication, stakeholder engagement and change management strategies that have been developed and implemented to ensure an enhanced response to the changing environment—each strategy is underpinned by improved stakeholder engagement and communications
- ▶ a Maritime Operations Support Workplace Values Model and implementation strategy that has been developed following extensive consultation and engagement with the seagoing and land-based maritime workforce that strengthens and supports the Customs and Border Protection Integrity Framework and the APS Values and Code of Conduct
- ▶ a Recruitment Strategy aimed at attraction and retention of the diverse workforce including females and specific skills sets
- ▶ a Marine Unit Career Streams model that has been finalised to guide career pathways within the Marine Unit, and will underpin the Marine Unit Succession Management Plan and Customs and Border Protection Mobility Strategies
- ▶ developing and implementing Engineer Cadet and Marine Unit Reservist programs to ensure resource levels are aligned to meet the capability requirements of the workforce
- ▶ development and completion of new job types for leadership positions and technical skill sets associated with *Cape* Class platform, such as Commanding Officers, Deputy Commanding Officers, Marine Cooks and Marine Communications and Technical Officers
- ▶ the Marine Unit Fitness Standards Review (being progressed)
- ▶ a Family Support Network (under development)
- ▶ ongoing discussions with Defence regarding whole-of-government strategies to increase efficiencies.

Case study

COMPLETION OF THE RADAR TRIAL AT CHRISTMAS ISLAND

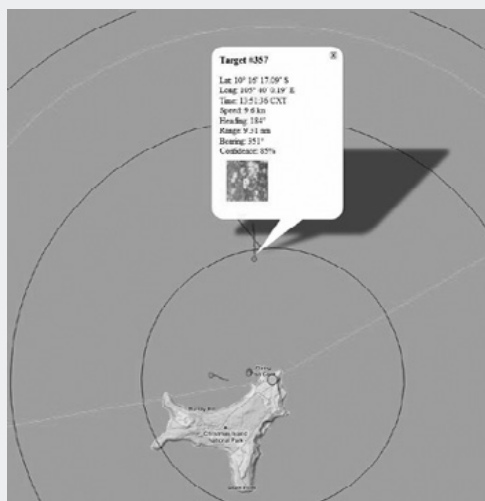
Throughout 2011–12, Customs and Border Protection, with significant assistance from the Defence Science and Technology Organisation, trialled a maritime surveillance radar at Christmas Island. Christmas Island's unique geographic and environmental features pose challenges for any surveillance systems, including radar. Radar is the only technology likely to provide all-weather, day-and-night warning of an arrival at Christmas Island at a sufficient range to enable an interception. Although planning for the trial began before the SIEV 221 tragedy of 15 December 2010, the tragedy highlighted the need for persistent surveillance of the approaches to Christmas Island.

Three different types of radar were trialled. Early findings and experience indicated that a coherent S band radar was more effective in monsoonal conditions (with heavy rain and high sea) than the other radars trialled to date. Trialling of the coherent S band radar since November 2011 has shown its performance to be superior to both the X band radar and the incoherent S band radar.

On 1 November 2011, the coherent S band radar first detected SIEV 273 and the response vessel at Christmas Island was able to intercept it. SIEVs 281 and 287 were initially detected by the trial radar on 23 November and 6 December 2011, respectively, enabling successful interceptions by assets assigned to Border Protection Command. The radar has also registered other vessels initially detected by other means. Track information collected by the radar is provided to the Australian Maritime Security Operations Centre in Canberra.

The radar supports operational activity at Christmas Island; this will give Border Protection Command an augmented surveillance capability, particularly when the Christmas Island response vessel is not operating to the north of the island due to weather restrictions or other operational commitments.

The trial concluded in May 2012, and planning is underway to establish a permanent radar facility on Christmas Island. The existing radar system will be maintained until the permanent system becomes operational in 2013.



Radar shot of SIEV

Case study

WORKING WITH MALAYSIA TO APPREHEND ILLEGAL FISHING VESSEL, THE *PION*

To respond to the threat of illegal fishing in the Southern Ocean, Australia cooperates with ten other countries under the Regional Plan of Action. The agreement is a ministerial initiative that aims to combat illegal, unregulated and unreported (IUU) fishing in the region. The signatories to the agreement are Australia, Brunei Darussalam, Cambodia, East Timor, Indonesia, Malaysia, Papua New Guinea, the Philippines, Singapore, Thailand and Vietnam.

An example of cooperation under the agreement occurred with the apprehension of the *Pion* in the port of Penang, Malaysia. The *Pion*, listed on the IUU vessel list, is a known Patagonian toothfish poacher.

In January 2012, Customs and Border Protection worked closely with the Australian Fisheries Management Authority in response to reports that the *Pion* had been sighted near Christmas Island, and was believed to be en route to Malaysia to offload illegally caught fish. Before that, the vessel had been sighted by ACV *Ocean Protector* 624 nautical miles southwest of Hobart.

The Regional Plan of Action network was notified of the sightings of the *Pion* and Australia requested that members deny port access to any active IUU-listed vessel, other than for emergency purposes.

Based on the request, Malaysian Fisheries and the Malaysian Maritime Enforcement Agency detained the vessel in February 2012 and requested that Australia provide fisheries officers to undertake a joint inspection of the vessel under the auspices of the agreement. Customs and Border Protection officers based in Malaysia provided assistance to the Australian Fisheries Management Authority officers who conducted the investigation. Malaysia is analysing the outcome of the inspection.

This was the first occasion where the agreement helped facilitate the apprehension of an IUU vessel. The detention of the *Pion* represented a significant milestone in the fight against IUU fishing and for partnership building with Malaysian Fisheries.

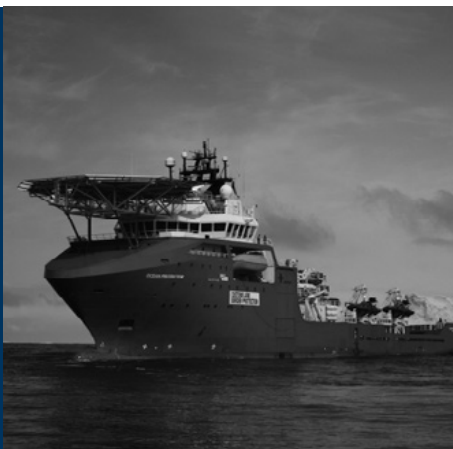
Customs and Border Protection and the Australian Fisheries Management Authority, along with other Australian Government agencies, have dedicated considerable resources to address illegal fishing. The Southern Ocean patrolling and subsequent Customs and Border Protection detections of IUU vessels are fundamental enablers for bilateral and regional action to address this threat.

Using the Regional Plan of Action network to deny access to regional ports will in time cause significant disruption to IUU activity and affect the financial viability of IUU fishing in the region.



Case study

RECOVERY OF THREE ANTI-WHALING ACTIVISTS FROM THE *SHONAN MARU NO. 2*



Not long after setting out on a routine Southern Ocean fisheries enforcement patrol in early January 2012, ACV *Ocean Protector* was diverted, at the direction of the Australian Government, to repatriate three Australian anti-whaling activists who boarded the Japanese Fisheries Agency vessel *Shonan Maru No. 2*.

At the time of the unauthorised boarding, which took place on the night of 7-8 January 2012 outside Australia's territorial sea, ACV *Ocean Protector* was about 310 nautical miles (574 kilometres) from the Japanese vessel.

As *Shonan Maru No. 2* is Japanese flagged, the law of Japan applies to, and on, that vessel. The Australian Government entered into negotiations with Japan to ensure a safe and expeditious return of the three men to Australia. On 10 January 2012, the Japanese Government confirmed that it would transfer the three men to Australian authorities, and Customs and Border Protection, through Border Protection Command, diverted ACV *Ocean Protector* from its Southern Ocean fisheries enforcement patrol to effect the transfer at sea.

Once the agreement had been reached with Japan, negotiations continued to determine a suitable location for the transfer. With the full cooperation of all parties involved, ACV *Ocean Protector* rendezvoused with *Shonan Maru No. 2* on 13 January 2012, and embarked the three activists onto ACV *Ocean Protector*. The transfer took place approximately 735 nautical miles (1361 kilometres) southeast of Albany, Western Australia.

ACV *Ocean Protector* then transited north to Australia and the families of each of the Australian men were contacted and informed that the men had been safely transferred to Australian authorities, were in good health and were being cared for. The three Australians were safely disembarked in Albany on 16 January 2012, and ACV *Ocean Protector* resumed its Southern Ocean patrol.

The retrieval of the three Australians had direct additional costs to Customs and Border Protection of \$155 000. This included costs for fuel, berthage and support services. This is in addition to the normal operating costs of the ACV *Ocean Protector* during the nine-day period, which were approximately \$906 000. Due to the retrieval, nine days were lost to Customs and Border Protection in its fisheries enforcement patrol in the Southern Ocean.

Officers in the Customs and Border Protection Marine Unit are highly trained and experienced in Southern Ocean operations; Customs and Border Protection is one of the few Commonwealth agencies that conducts operations in this demanding environment.

While the Australian Government respects the right to peaceful protest, Australia does not condone, and has repeatedly condemned, dangerous, reckless or unlawful behaviour.

Staff profile

JANINE GIBSON
STATISTICAL ANALYST, BORDER
PROTECTION COMMAND,
CANBERRA



Janine Gibson is one of the two geospatial and statistical analysts working in Border Protection Command headquarters in Canberra. She worked at Geoscience Australia and the Australian Bureau of Statistics before joining Border Protection Command in early 2011.

Border Protection Command is responsible for coordinating and controlling operations to protect Australia's national interests against civil maritime security threats, including irregular maritime arrivals and the illegal exploitation of natural resources.

Geospatial and statistical analysts' work is particularly vital in enabling Border Protection Command to interpret and visualise the effectiveness of operational activities undertaken in response to the threats faced in the Australian maritime domain. These analysts have a unique skill that greatly assists in meeting the reporting and geospatial mapping needs of the organisation.

Janine uses the geospatial software ArcGIS to map historical and developing trends, particularly in regard to irregular maritime arrivals and foreign fishing, and works closely with external agencies such as the Great Barrier Reef Marine Park Authority and the Australian Fisheries Management Authority.

Janine says that, despite Border Protection Command being a sometimes hectic and demanding area of Customs and Border Protection, she enjoys the challenge each day brings and describes it as her 'dream job'. She finds real satisfaction in her job and feels as though she is making a contribution to the division's overall mission.

Staff profile

VICKI JORGENSEN
SUPERVISOR, MARINE TRAVEL,
MARITIME OPERATIONS
SUPPORT DIVISION, CANBERRA



Vicki Jorgensen is part of the central office team that supports seagoing Marine Unit officers. Her role in the Marine Travel team, she says, requires her to be an event organiser, customer service officer and liaison coordinator for seagoing officers. Working with a remote workforce means that the team serves as the communication link between the crew and many other areas in the organisation as well as external agencies such as the Commonwealth Director of Public Prosecutions, the Australian Federal Police and the Department of Agriculture, Fisheries and Forestry.

Although Vicki's team is based in the central office, it has an operational role. The only constant in the work area is change, which results from operational requirements, weather, airline strikes, vessels developing mechanical complications and crewing unavailability through sickness, injury and being called as witnesses in trials involving suspected irregular entry vessels. As a result, the job tends to be hectic.

The Marine Travel team is part of a larger section responsible for getting patrols up and running and ensuring that the crew's medicals, fitness, official passports and mandatory qualifications are up to date, vessels are crewed sufficiently, rosters are complete, seafarers and vessels comply with legislative manning requirements, flights, accommodation and visas for the crew are organised, and the relevant Customs and Border Protection systems are updated with all of these details.

As Vicki says, 'This sounds simple and if everything went to plan it would be. But we have so many variants, like crew fogged in at Christmas Island for a week with three failed attempts to get them off due to the weather (we thought outside the box and we flew them home via Kuala Lumpur). Our area is constantly involved in firsts and one-offs.' For example, the team coordinated the largest overseas movement of staff in Customs and Border Protection when it was required to conduct a crew rotation in Singapore. These kinds of changes require more work than the initial organisation of patrols as all bookings and rosters have to be rearranged and sent to the crew.

According to Vicki, her staff profile can't focus on her as an individual; it has to focus on the whole branch because everyone works together to achieve outcomes. Vicki takes pride in her team and the seagoing Marine Unit; she enjoys the fact that the branch includes such a diverse range of skills and personalities.

'This—combined with working in an operational area—makes for interesting work that never has you looking at the clock because the day is slow; instead you look at the clock and don't know where the day has gone,' she says.

Staff profile

TONY BRODRIBB
MARINE UNIT ENFORCEMENT
OFFICER, MARITIME OPERATIONS
SUPPORT DIVISION



Tony Brodribb is a Marine Unit Enforcement Officer on the ACV *Ocean Protector*, ACV *Triton* and ACV *Ashmore Guardian*. He joined the Southern Ocean group eight years ago. Although this was a fairly significant change in locale for him, he was used to operating in the maritime environment as he had been a pearl diver in Broome before he joined Customs and Border Protection.

Tony has had an eventful career in the Marine Unit. In 2006, he was part of the team that boarded the FV *Taruman*, conducting the first apprehension in the Southern Ocean by Customs and Border Protection. The *Taruman* was boarded in international waters after a hot pursuit from Australian waters near Australia's remote Macquarie Island and was escorted to Hobart. The crew was later convicted of illegal fishing; when the Marine Unit apprehended the vessel, it was carrying 143 tonnes of Patagonian toothfish.

Tony was also the enforcement commander of the ACV *Ashmore Guardian*, which was stationed at Ashmore Reef when SIEV 36 caught fire in April 2009. His team provided significant medical assistance and he was responsible for the surface search and rescue operation and for collecting and preserving evidence.

More recently, the high tempo of operations involving irregular maritime arrivals has seen Tony involved in long-haul transportation of potential irregular immigrants on the ACV *Triton* and the ACV *Ocean Protector*.

His extensive experience will serve Tony well in the next part of his career, as one of the operations officers in the lead crew for the first *Cape Class* vessel, the *Cape St George*. The lead crew will conduct the operational test and evaluation phase of the *Cape St George*, and then manage its ongoing operational service. The operational test and evaluation phase will identify issues with the design or build of the first *Cape Class* vessel to prevent similar issues occurring on future vessels; as such, this is a crucial role in the development of the Customs and Border Protection fleet.

Tony says that one of the best things about his work is going south on patrol and visiting the sub-Antarctic islands, such as Heard Island and McDonald Islands and French Island of Crozet—more than 4000 kilometres southwest of his home port of Perth. 'This is a truly remote part of the world, and there aren't many people who get to see it,' he says.

Program 1.5: Border-related revenue collection

Program objective

- ▶ To provide assurance that the customs duty, indirect taxes and charges payable on imported goods are correctly assessed, reported and paid, and that revenue concessions, exemptions and refunds are correctly applied.
- ▶ To collect revenue from passenger and crew processing and administer the Tourist Refund Scheme.

Tariff Concession Order applications increased by approximately 12 per cent to 964 in 2011–12, compared with 860 during 2010–11. This reflects an increasing awareness of the Tariff Concession Order system among importers and, possibly, current financial pressures in the Australian market.

Performance against PBS targets

Table 16 summarises our performance in meeting PBS targets for border-related revenue collection in 2011–12. The shortfalls in performance against PBS deliverables and key performance indicators are explained in Table 17, and significant variations between estimated and actual revenue collection are explained in Table 18.

Table 16: Program 1.5: Border-related revenue collection—performance against PBS targets, 2011–12

Deliverables	Target ^(a)	Actual	Target met
Collection of revenue associated with passenger movements	\$670.6 million	\$646.3 million	✗
Significant revenues collected (including customs duty, passenger movement charge, import processing charge and GST)	\$10 940.9 million	\$11 050.3 million	✓
Duty concessions:			
Tariff Concessions System (range)	\$1 773 million to \$1 959 million	\$1 840.6 million	✓
all other concession schemes ^(b) (range)	\$213 million to \$395 million	\$277 712 912	✓
Administration of the Tourist Refund Scheme:			
number of processed claims	553 608	537 058	✓
value of processed claims	\$91.4 million	\$90.8 million	✗
number of approved claims	540 317	520 800	✗

Table 16 (continued)

Deliverables	Target ^(a)	Actual	Target met
value of refunds processed	\$86.5 million	\$87.5 million	✓
Administration of the duty drawback scheme:			
number of processed claims	4 600	3 935 ^(c)	✗
value of processed claims	— ^(d)	\$62 485 761	NA
number of approved claims	— ^(d)	3 924	NA
value of approved claims	— ^(d)	\$62 448 101	NA
number of rejected claims	— ^(d)	46	NA
value of rejected claims	— ^(d)	\$3 209 622	NA
Administration of refunds:			
number of processed claims	90 000	88 489	✗
value of processed claims	— ^(d)	\$174 059 426	NA
number of approved claims	— ^(d)	87 935	NA
value of approved claims	— ^(d)	\$169 839 463	NA
number of rejected claims	— ^(d)	554	NA
value of rejected claims	— ^(d)	\$4 219 963	NA
Compliance Monitoring Program:	— ^(d)		NA
import declarations assessed ^(e)	6 000	6 068	✓
export declarations assessed ^(e)	1 000	1 017	✓
Targeted import declaration lines assessed through company audit ^(e)	5 000	6 875	✓
Targeted import declarations assessed through other compliance activity ^(e)	79 000	165 946 ^(f)	✓
Targeted export declaration lines assessed through company audit ^(e)	500	500	✓
Targeted export declarations assessed through other compliance activity ^(e)	8 500	6 783	✗
Number of risk-targeted import audits completed ^(e)	— ^(d)	44	NA
Number of risk-targeted export audits completed ^(e)	— ^(d)	10	NA
Number of customs broker licence applications assessed ^(e)	— ^(d)	83	NA
Number of customs warehouse licence applications assessed ^(e)	— ^(d)	29	NA
Number of compliance checks undertaken on licensed customs warehouses ^(e)	— ^(d)	8 809	NA

Table 16 (continued)

Key performance indicators	Target ^(a)	Actual	Target met
Proportion of drawbacks delivered in accordance with client service standards	90%	84.12%	✗
Proportion of refunds delivered in accordance with client service standards	90%	98.48%	✓
Proportion of Tariff Concession System applications processed in accordance with legislated timeframes	100%	100%	✓
Proportion of external merit and judicial review applications during the performance period that overturned a Customs and Border Protection decision in concession eligibility under Schedule 4 of the <i>Customs Tariff Act 1995</i> ^(a)	— ^(d)	—	NA
Proportion of revenue-targeted import audits where revenue was adjusted by \$1000 or more	55%	83.9%	✓
Proportion of import declarations assessed pre-clearance that contained a significant revenue error	— ^(d)	13.62%	NA
Proportion of import declaration lines assessed post-transaction that contained a significant revenue error	— ^(d)	47.3%	NA
Net value of revenue adjustments from compliance activity	— ^(d)	\$44 988 621	NA
Number of customs broker licences issued ^(e)	— ^(d)	41	NA
Number of customs warehouse licences issued ^(e)	— ^(d)	9	NA
Cargo control breaches identified ^(e)	— ^(d)	14 485	NA
Number of penalty records created ^(e)	— ^(d)	513	NA
Number of infringement notices served ^(e)	— ^(d)	269	NA
Proportion of customs broker licence applications processed in accordance with client service standards ^(d)	100%	98%	✗
Proportion of customs warehouse licence applications processed in accordance with client service standards ^(d)	100%	100%	✓
Price	\$65.952 million	\$68.424 million	

GST = goods and services tax

(a) Targets may be performance targets, service-level targets or estimates.

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

(c) This figure includes 11 claims approved in 2010–11 and processed in 2011–12. This figure does not include the number of rejected claims.

(d) Performance cannot be forecast reliably.

(e) The total number for this measure appears in both programs 1.2 and 1.5 as it supports both programs.

(f) This figure exceeds the PBS forecast by 86 946 declarations. The increase occurred primarily because the Cargo Client Services Group function was transferred to the Compliance Assurance Branch and their previously unreported assessment functions have been included. It also reflects reallocation of export resources to higher priority import activity.

(g) This measure includes appeals against decisions made under Part XVA of the *Customs Act 1901*. Six cases were finalised during the year.

Table 17: Explanation of shortfalls against targets in Program 1.5

Deliverable or key performance indicator not met	Explanation of shortfall
Collection of revenue associated with passengers movements	A detailed explanation of this variance can be found in Table 18 under 'passenger movement charge'.
Administration of Tourist Refund Scheme—value of processed claims	The value of Tourist Refund Scheme processed claims received reflects the value of goods purchased and claimed under the scheme. A range of factors influence traveller purchasing patterns, none of which Customs and Border Protection controls.
Administration of Tourist Refund Scheme—number of approved claims	The value of Tourist Refund Scheme approved claims received mainly reflects the value of goods purchased and claimed under the scheme. A range of factors influence traveller purchasing patterns, none of which Customs and Border Protection controls. In addition, updated Standard Operating Procedures for the TRS were issued to all airports and seaports. These procedures included a comprehensive listing of goods not eligible for refund under the TRS and provided officers located at TRS facilities a greater understanding of the eligibility criteria for TRS claims. These additional resources may have impacted the number of claims approved.
Administration of the duty drawback scheme—number of processed claims	The number of refund claims received is driven by a range of factors including economic, none of which Customs and Border Protection controls.
Administration of refunds—number of processed claims	The number of refund claims received is driven by a range of factors including economic, none of which Customs and Border Protection controls.
Targeted export declarations assessed through other compliance activity	Performance levels were lower than the estimate due to reallocation of resources to higher priority import activity in the compliance program, including work on low-value goods and anti-dumping and countervailing measures.
Proportion of drawbacks delivered in accordance with client service standards	The standard was not met because of temporary secondments of staff to higher priority tasks, including the assessing and processing of Tariff Concession Order applications within legislated timeframes.
Proportion of customs broker licence applications processed in accordance with client service standards	The result was slightly below the target because the security vetting process took longer than expected for some applications.

Table 18: Explanation of significant revenue variance—budget estimate to actual, 2011–12

	2011–12 estimate ^(a) \$ million	2011–12 actual \$ million	Variance	Explanation
Goods and services tax	3 374.00	3 149.32	–224.68	While the estimate of GST collection is a component of the significant revenue derivation, the Australian Taxation Office (ATO) is responsible for forecasting GST collections. Customs and Border Protection is responsible only for the collection of GST on the ATO's behalf.
Customs duty	6 738.90	7 103.85	364.95	The collection of customs duty for 2011–12 was higher than the budget estimate due to the net impact of higher than expected collections for the year for excise equivalent goods (EEG), passenger motor vehicle (PMV) and textiles, clothing and footwear (TCF) duty categories offset by slightly lower collections when compared to the budgeted estimate for the Other General category. Increased EEG collections was due to increased imports of spirits and wine reflecting a change in consumer behaviour and a shift in consumer preference to imported rather than domestic beer and spirits. PMV collections exceeded the budget estimates due to a shift towards smaller imported vehicles and SUVs. Duty collections for tobacco products were also strong, reflecting the move overseas of a major producer of tobacco products. Other economic factors such as the impact of the strong Australian dollar contributed to the increased demand for imports.
Import processing charge	149.50	148.34	–1.16	The result was in line with expectations.
Passenger movement charge	670.60	646.34	–24.26	Actual results were lower than the budget estimate as the growth in international passenger numbers across years was not as strong as predicted due to the strength of the Australian dollar, which made Australia a more expensive destination for overseas tourists, the impact of the EU debt crisis and the economic slowdown in China.

Table 18 (continued)

	2011–12 estimate ^(a) \$ million	2011–12 actual \$ million	Variance	Explanation
Non-tax revenue	8.00	2.48	–5.52	Actual results were lower than the forecast estimate of \$8.0 million in collections for non-tax revenue. The estimate will be revised to better reflect past revenue collection trends for this item.
Significant revenue	10 940.90	11 050.33	109.43	Collections for the financial year were slightly higher than the budget estimate. Significant revenue is comprised of Net Duty (which includes the impact of Refunds and Drawbacks), Other Revenue, Total Cost Recovery Revenue (including IPC and Depot licensing charges), PMC, and GST collected. Note: GST Deferred is excluded as it is not a component of Significant Revenue.

(a) Figures taken from Portfolio Additional Estimates Statements.

Amendments to PBS through Portfolio Additional Estimates Statements

The target of \$11 720.9 million in the 2011–12 PBS for significant revenues collected (including customs duty, passenger movement charge, import processing charge and GST) was reduced by \$780 million in the 2011–12 Portfolio Additional Estimates Statements to \$10 940.9 million. The reduction was due to adjustments made to the customs duty component of the revenue estimate. The changes comprised:

- ▶ a downward adjustment to the excise equivalent goods estimate of \$830 million (from \$4830 million to \$4000 million) to reflect the delay in the movement of production overseas by a tobacco manufacturer
- ▶ a downward adjustment of \$30 million to the passenger motor vehicle estimate (from \$780 million to \$750 million) to reflect lower-than-expected receipts in the first quarter of 2011–12

and were offset by:

- ▶ an increase of \$30 million to the textiles, clothing and footwear estimate (from \$620 million to \$650 million) to reflect stronger receipts
- ▶ an increase of \$50 million to the estimate for the 'other general' category (from \$1408.8 million to \$1458.8 million) to reflect stronger receipts.

The word 'lines' was added to the following deliverables for Program 1.5:

- ▶ targeted import declaration lines assessed through company audit
- ▶ targeted export declaration lines assessed through company audit
- ▶ proportion of import declaration lines assessed post-transaction that contained a significant revenue error.

The inclusion of the word ‘lines’ after declarations for measures related to post-transaction verification activity in Programs 1.2 and 1.5. These minor wording edits were required to clarify actual compliance activity against those measures.

There was also a deletion of a duplication in a deliverable in Program 1.5 relating to the administration of refunds.

Tourist Refund Scheme

The Tourist Refund Scheme enables departing travellers to claim a refund of the goods and services tax and wine equalisation tax paid on goods they purchased in Australia. We administer the scheme on behalf of the Australian Taxation Office and assess all claims presented. In 2011–12, the number of claims increased by 12.6 per cent compared to the previous year, and the amount of refunds to travellers increased by 17.9 per cent (Table 19).

Table 19: Tourist Refund Scheme claims

	2008–09	2009–10	2010–11	2011–12
Number of claims made	450 781	444 495	477 043	537 058
Percentage of claims approved for payment	97.3	98.0	98.6	97.0
Value of GST/WET approved for payment (\$ million)	72.0	68.3	74.4	87.7 ^(a)

GST = goods and services tax

WET = wine equalisation tax

(a) This amount includes claims that have been processed as an approved payment but have not been paid to the traveller within the reporting period.

Note: The figures above are correct at the time of printing; however, they may be subject to alteration due to retrospective adjustments.

In 2011–12, we continued to apply controls to identify suspect transactions and refer them for further investigation.

Key achievements

Managing non-compliance through the Infringement Notice Scheme

We use infringement notices to deal with minor breaches of the customs legislation and to encourage greater compliance. The Infringement Notice Scheme provides an alternative to other mechanisms such as prosecution; however, we can use it in conjunction with other sanctions such as the revocation of a depot licence.

In recent years, we have issued an increasing number of infringement notices. We attribute this to a range of factors, including the scheme’s effectiveness in changing behaviour, the scheme’s coverage of a wider range of offences and enhancements to our ability to detect non-compliance.

In 2011–12, we served 269 infringement notices and collected infringement notice penalty amounts in excess of \$400 000 (Table 20).

Table 20: Infringement notices served (all offences)

2008–09	2009–10	2010–11	2011–12
75	99	338 ^(a)	269

(a) This figure includes 150 penalties issued to two separate companies.

Enhanced compliance approach

During 2011–12, we made several enhancements to our compliance approach that delivered a range of positive results, including:

- ▶ Creating an expert compliance monitoring position specifically focused on international trade remedies issues. To the end of June 2012, this activity led to checks on 111 different importers and nearly 670 declaration lines and identified a shortfall in customs duty and GST of approximately \$1.34 million.
- ▶ Establishing Operation Bluenet, which involved an intensive assessment of imports of commodities of a similar kind to those subject to anti-dumping or countervailing measures, including imports from third countries. To the end of June 2012, the Operation Bluenet team had assessed nearly 920 import declarations with a total customs value of more than \$55.7 million. There were 275 detections relating to incorrect payment of customs duty and GST. We have recovered in excess of \$700 000.
- ▶ Conducting a trade data exchange pilot with the US Department of Homeland Security (Immigration and Customs Enforcement). This capability will enable us to compare Australian import and export data with United States import and export data and, using state-of-the-art software and proven investigative techniques, it will assist in identifying anomalies, which will improve targeting of criminal and other non-compliant activities.

Staff profile

JOAQUIN ANTONIO DE SOUZA ESQUIVEL
POST-TRANSACTION VERIFICATION,
COMPLIANCE AND ENFORCEMENT
DIVISION, MELBOURNE



Joaquin Antonio De Souza Esquivel (more commonly known as Anthony) has been with Customs and Border Protection for six years. He began his career working in the challenging and dynamic environment of passengers (at Melbourne Airport). He now works in the Compliance Assurance Post-Transaction Verification area.

Anthony started his work life as a science graduate conducting research at the Royal Children's Hospital before moving into the pharmaceutical industry. While employed by a multinational company, Anthony became interested in international trade and decided to pursue studies in that area. Anthony completed the Certificate IV in Australian and International Trade in 2005 and also sat and passed the national exam set by the Customs Brokers and Forwarders Council of Australia.

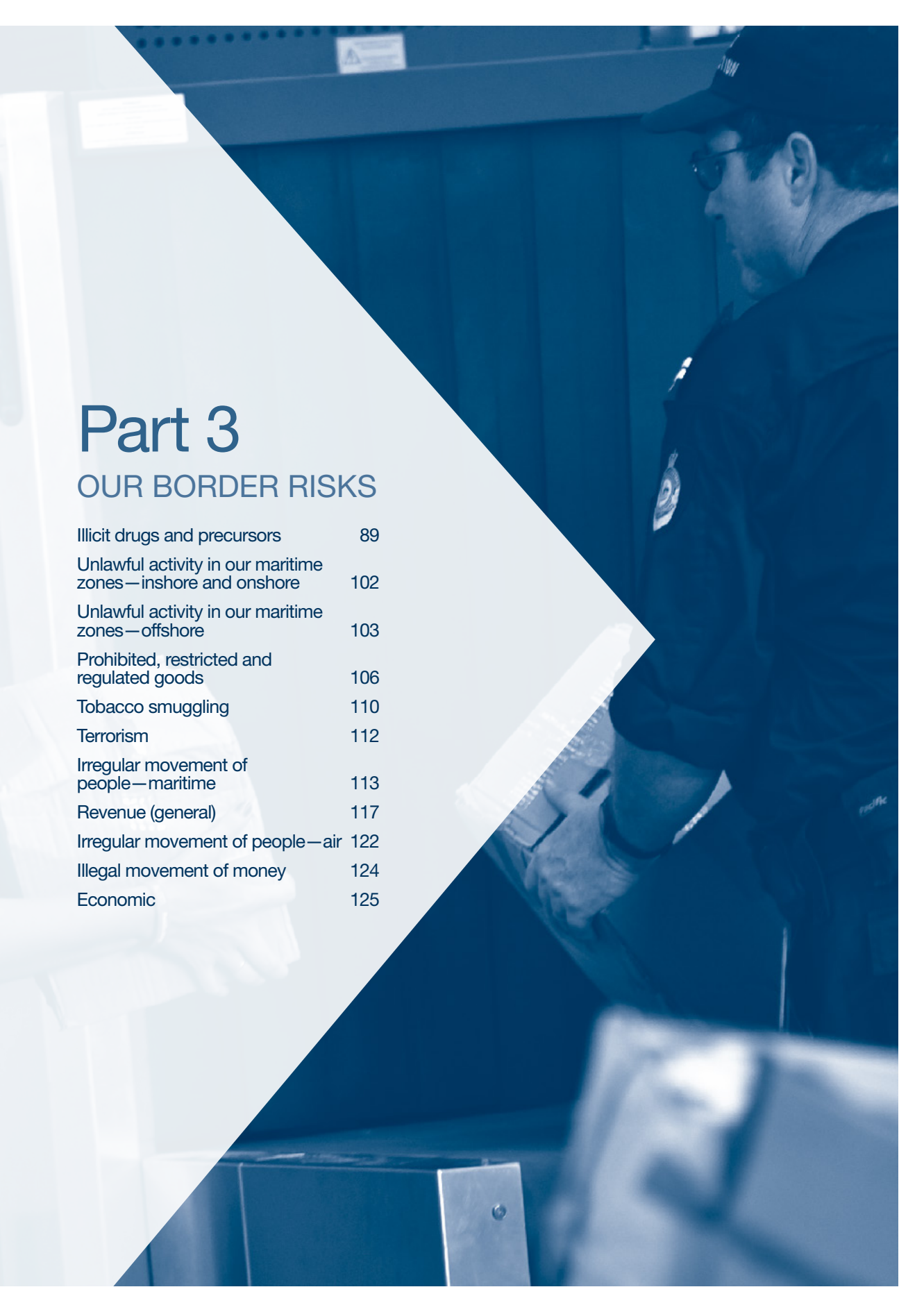
Although he was qualified to work as a customs broker, Anthony said he experienced a watershed moment and opted to pursue a career with Customs and Border Protection. 'I wanted to do something positive with my life and be proactive about the things I strongly believed in,' he says.

During 2011-12, Anthony was involved in Operation Bluenet as part of a team of committed officers examining circumvention of Australia's anti-dumping and countervailing measures. The aim of the operation was to reduce economic risk through investigations into non-compliance with the rules of trade. Anthony made a significant contribution to Operation Bluenet by helping to ensure that competition occurs on a level playing field and the benefits of competition flow through to Australian investors, businesses, workers and consumers.

'It has been a great opportunity working on such a challenging operation. It has also been a wonderful experience working with a group of dedicated people who are passionate about their work,' he says.

Anthony is currently involved in developing productive working relationships with other customs administrations, including Royal Malaysian Customs, US Immigration and Customs Enforcement and the New Zealand Customs Service.

When asked to reflect on his career thus far, Anthony responded by saying that he was proud of the organisation he represents and the scope of work it does.



Part 3

OUR BORDER RISKS

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Customs and Border Protection exists to reduce border risk on behalf of the Australian Government. Border risk is the likelihood that people or goods will enter or leave the country without authorisation or without meeting the necessary conditions.

We operate a range of border controls to reduce border risks including the use of intelligence and targeting capabilities, physical detection technologies, investigation and prosecution capabilities, and specific measures designed to support legitimate trade and industry.

In the context of increasing volumes and complexity at Australia's borders, increasing criminal sophistication and constrained budgets, we faced the challenge of ensuring that our resources are appropriately allocated to the highest priorities and that we continue to deliver on our commitments to government and the community.

In recent years, we have continued to embed an intelligence-led, risk-based approach that aligns the resourcing, coordination and application of our border controls with the scale, nature and distribution of risks across the border environment. This approach favours more targeted interventions against border threats, and is designed to apply operational resources to high-risk targets while reducing our impact on industry and the community.

As we embed this approach in our strategic planning, the agency continues to shift increasingly towards targeted control activity. We are also presented with the challenge of ensuring that our workforce is appropriately equipped to not only source and analyse relevant information, but also respond to operational changes that result from the judgments based on that information. In 2012–13, our focus will be on deepening the body of strategic risk intelligence available to decision makers—as they consider risk priorities—to ensure that resources are allocated appropriately to control the highest risks to the agency and the border.

Illicit drugs and precursors

Controlling the risk posed by illicit drugs and precursors remained a major focus in 2011–12. Demand for illicit drugs continues to be strong in the Australian community, and new synthetic substances are emerging, largely to compensate for the scarcity of MDMA (ecstasy). Traditional drugs such as cocaine, heroin, amphetamine-type stimulants and precursors used to produce methamphetamine also continue to pose a major threat to the border.

Our intelligence-led, risk-based model is designed to reduce the risk posed by illicit drugs and precursors by concentrating resources on the activities that pose the highest threats at the border. Our strategies include:

- ▶ collecting and analysing intelligence to inform targeting and intervention
- ▶ developing risk profiles and alerts for people, vessels, cargo and mail
- ▶ deploying advanced technology for detecting and identifying illicit substances
- ▶ conducting joint intelligence and operational activities with domestic and international partner agencies, including the Australian Federal Police, the Australian Crime Commission and state and territory police forces.

Illicit drug and precursor detections

In 2011–12, we continued to detect significant amounts of illicit drugs and precursors at the border. The number of detections in 2011–12 was higher than in the previous 12 months. The total weight detected was more than three tonnes for the five major drug types and precursors, and approximately 15 tonnes when including all substances and chemicals seized at the border.

There was an increase of 41 per cent in the number of detections this year, compared to 2010–11, while the total weight of detections for 2011–12 has decreased by 26 per cent from 2010–11. Note that the annual weight of drugs detected is influenced by large but rare detections in sea cargo or smallcraft that are typically the result of joint intelligence operations with partner agencies. For example, over 70 per cent of the 809.3 kilograms of cocaine detected in Australia in 2011–12 was in just two large detections, of 300 kilograms and 271 kilograms, while 977 other detections of cocaine comprised the remaining weight.

During 2011–12, there were:

- ▶ 3521.2 kilograms of illicit drugs and precursors seized, compared with 4756.05 kilograms in 2010–11
- ▶ 21 828 detections, compared with 15 492 detections in 2010–11. The detections comprised amphetamine-type stimulants, cocaine, heroin, MDMA (ecstasy), cannabis, performance- and image-enhancing drugs, precursor chemicals and a large component of 'other' drug types including stimulants, analgesics, psychotropics, depressants and sedatives.

Significant detections by weight during the year included:

- ▶ 10 000 litres of hypophosphorous acid in sea cargo in Sydney
- ▶ 300 kilograms of cocaine detected on a yacht in Bundaberg
- ▶ 271 kilograms of cocaine detected in sea cargo in Melbourne
- ▶ 240 litres of safrole liquid, a precursor chemical for MDMA, detected in sea cargo in Sydney
- ▶ 129.7 kilograms of liquid methamphetamine and 14 kilograms of cocaine detected in sea cargo in Melbourne
- ▶ 118.4 kilograms of pseudoephedrine precursor chemical detected in sea cargo in Sydney
- ▶ 97.7 kilograms of heroin detected in sea cargo in Sydney
- ▶ 41 kilograms of pseudoephedrine precursor chemical detected in sea cargo in Sydney
- ▶ 40 kilograms of ephedrine precursor chemical detected on two air passengers in Sydney
- ▶ 30 kilograms of cocaine detected on a cruise ship passenger in Sydney.

Summaries of illicit drug and precursor detections are shown in tables 21–26 and figures 6–11. 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. Also, detections subject to ongoing investigation (including controlled deliveries) might not appear.

Table 21: Drug detections by mode of importation

	Detections			Weight (kg) ^(a)		
	2009–10	2010–11	2011–12	2009–10	2010–11	2011–12
Air passengers and crew						
Cannabis	42	42	31	1.77	11.76	1.65
Cocaine	21	20	25	34.94	33.7	58.91
Heroin	45	34	18	35.65	20.51	18.40
MDMA (ecstasy)	4	2	3	1.15	—	0.07
ATS ^(b)	22	12	40	12.52	6.50	19.45
Precursors ^(c)	46	110	158	24.67	93.18	262.02
PIEDs ^(d)	202	206	407	—	—	—
Other ^(e)	76	367	616	—	—	—
Cargo and postal ^(f)						
Cannabis	1 408	2 092	2 629	16.83	57.81	15.29
Cocaine	269	465	952	350.53	267.21	420.41
Heroin	204	198	161	81.6	379.69	237.77
MDMA (ecstasy)	49	108	961	5.35	8.76	11.88
ATS ^(b)	649	1 063	1 038	54.14	97.77	328.14
Precursors ^(c)	643	675	868	626.26	3 377.29	1 817.20
PIEDs ^(d)	2 493	5 356	8 314	—	—	—
Other ^(e)	3 289	4 768	5 605	—	—	—
Shipping and aircraft ^(g)						
Cannabis	4	3	—	1.04	0.01	—
Cocaine	1	1	2	1	400.88	330.00
Heroin	1	—	—	0.27	—	—
MDMA (ecstasy)	—	—	—	—	—	—
ATS ^(b)	1	2	—	0.03	0.95	—
Precursors ^(c)	1	—	—	5	—	—
PIEDs ^(d)	1	—	—	—	—	—
Other ^(e)	—	—	—	—	—	—
Totals						
Cannabis	1 454	2 137	2 660	19.64	69.59	16.95
Cocaine	291	486	979	386.48	701.8	809.32
Heroin	250	232	179	117.52	400.20	256.17

Table 21 (continued)

	Detections			Weight (kg) ^(a)		
	2009–10	2010–11	2011–12	2009–10	2010–11	2011–12
MDMA (ecstasy)	53	110	964	6.50	8.76	11.95
ATS ^(b)	672	1 077	1 078	66.69	105.23	347.59
Precursors ^(c)	690	785	1 026	655.93	3 470.47	2 079.22
PIEDs ^(d)	2 696	5 562	8 721	—	—	—
Other ^(e)	3 365	5 135	6 221	—	—	—

ATS = amphetamine-type stimulants

PIEDs = performance- and image-enhancing drugs

(a) 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 0.29 grams per tablet was used. Estimated weight values for PIEDs 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.

(b) ATS includes methamphetamine and amphetamine but excludes MDMA (ecstasy).

(c) 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.

(d) PIEDs include steroids, DHEA (dehydroepiandrosterone/prasterone) and hormones.

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

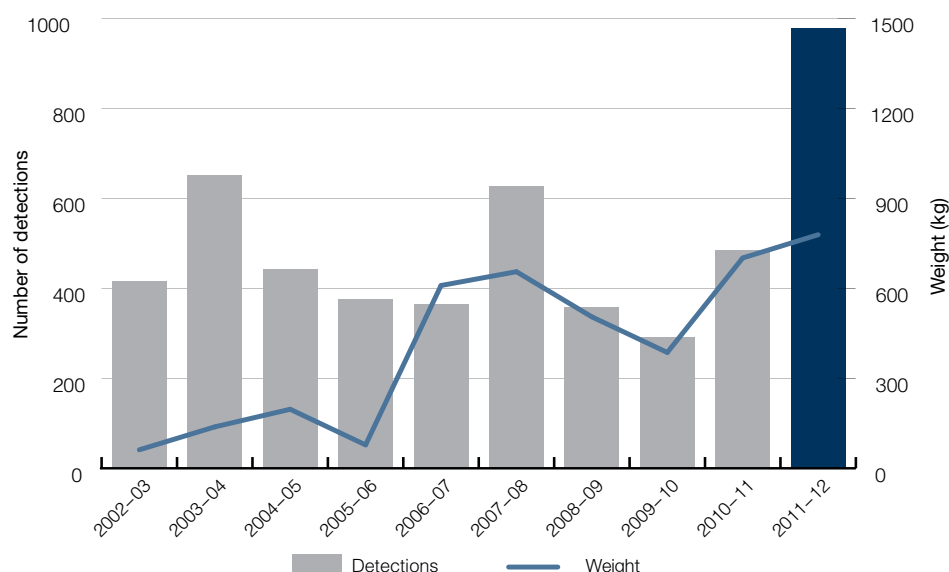
(f) Includes detections made from air cargo, sea cargo and international mail.

(g) Includes detections made from searches of sea passengers and crew, vessels and aircraft.

Note: 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. Also, detections subject to ongoing investigation (including controlled deliveries) might not appear.

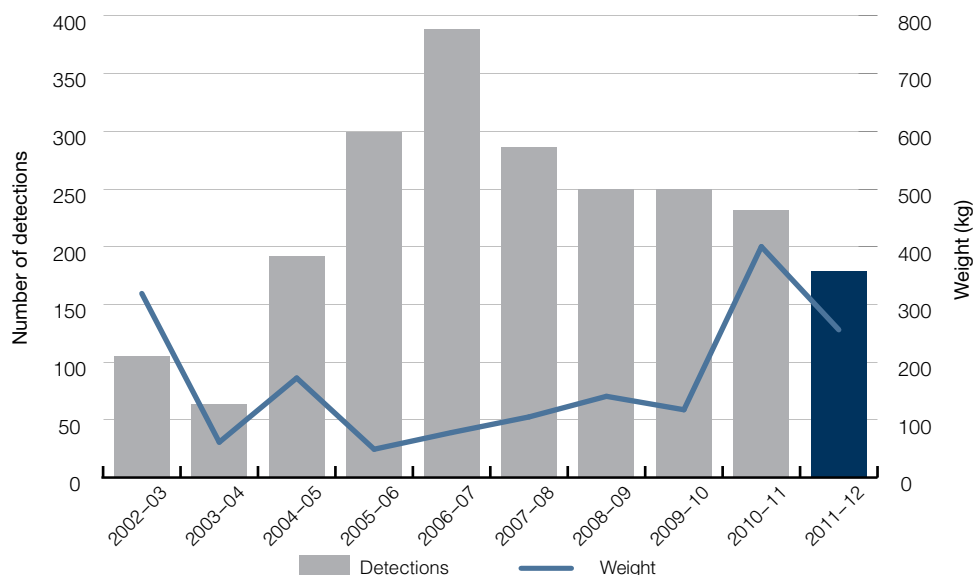
There has been a notable increase in the number of cocaine detections during 2011–12. The total weight of detections increased to 809.32 kilograms, concentrated in the cargo and international mail stream (Figure 6). The weight of shipping and aircraft detections decreased, but remains significant at 41 per cent of the total weight detected.

Figure 6: Number and weight of cocaine detections



The total weight of heroin detected at the border decreased to 256.17 kilograms in 2011–12 and the number of detections also declined (Figure 7). The cargo and international mail stream accounted for 93 per cent of the total weight of heroin detected.

Figure 7: Number and weight of heroin detections



The number of MDMA detections rose during 2011–12; however, the total weight of detections increased only slightly and remains very low (Figure 8). The vast majority of detections occurred in the cargo and international mail stream.

Figure 8: Number and weight of MDMA (ecstasy) detections

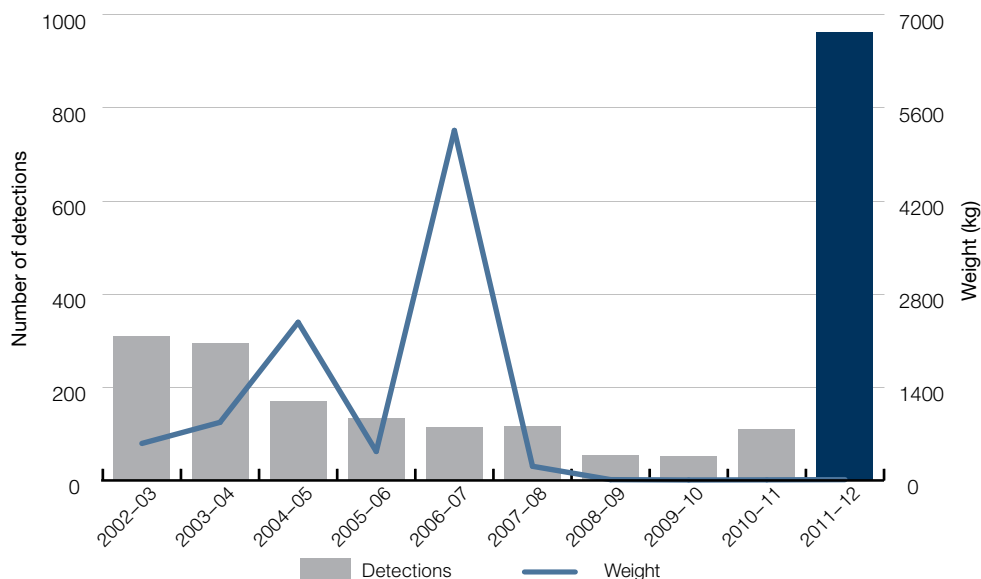


Table 22: Number and weight (kg) of amphetamine-type stimulants and crystalline methamphetamine (ice) detections

	Detections			Weight (kg) ^(a)		
	2009–10	2010–11	2011–12	2009–10	2010–11	2011–12
ATS ^(b)	584	917	907	30.91	41.45	187.39
Crystalline methamphetamine (ice) ^(c)	88	160	171	35.79	63.78	160.20

(a) Figures for weight are estimates. Weight is calculated using 0.29 grams per tablet where a weight is not available. Some small-quantity shipments of amphetamine-type stimulants do not have weight recorded, so these weight figures are a slight underestimate.

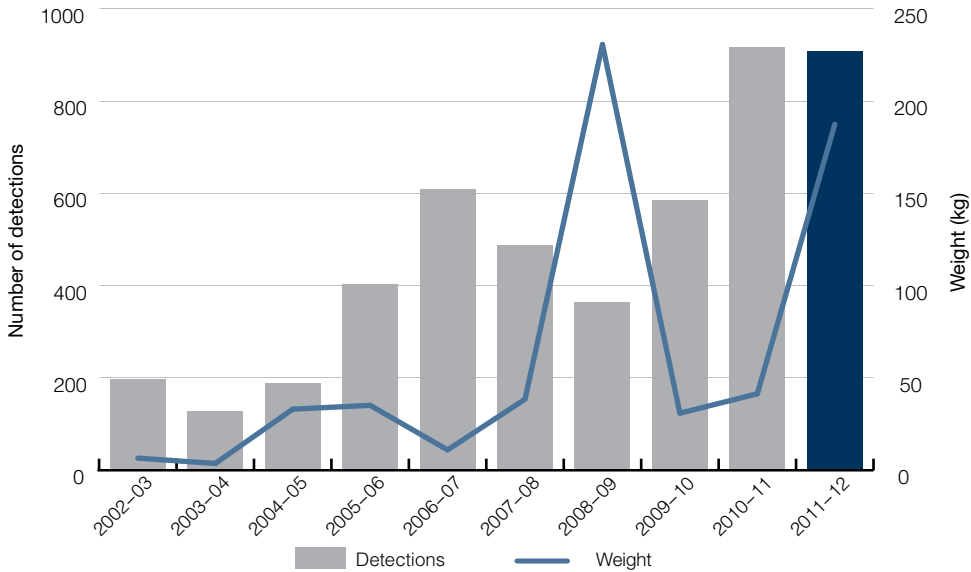
(b) Amphetamine-type stimulants include amphetamines and methamphetamines in liquid, capsule, paste, powder or tablet form. Figures do not include MDMA (ecstasy) or crystalline methamphetamine (ice).

(c) Crystalline methamphetamine (ice) is shown separately, but would usually be included in figures for amphetamine-type stimulants.

Note: 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. Also, detections subject to ongoing investigation (including controlled deliveries) might not appear.

The total weight of amphetamine-type substances detected during 2011–12 increased significantly to 187.39 kilograms. The number of detections has remained stable, indicating an increased weight per detection (Figure 9). The majority of detections were made in the cargo and international mail stream.

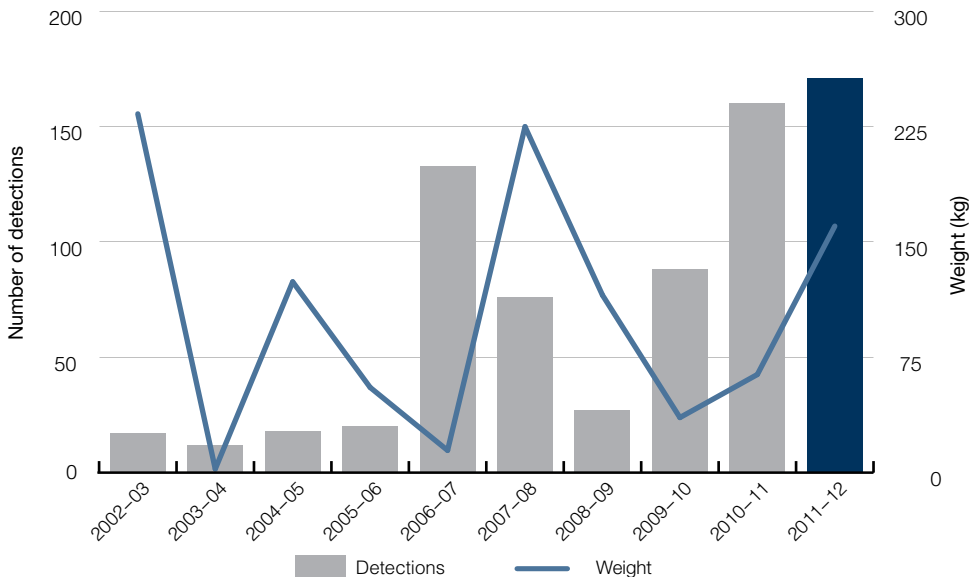
Figure 9: Number and weight of amphetamine-type stimulants detections



Note: Figures for amphetamine-type stimulants do not include crystalline methamphetamine (ice) or MDMA (ecstasy)

A similar trend to the amphetamine-type substances detections can be observed for the number and weight of crystalline methamphetamine detections. The total weight of detections increased substantially to 160.20 kilograms, while the number of detections remains comparable to the 2010–11 figure (Figure 10).

Figure 10: Number and weight of crystalline methamphetamine detections



Note: Includes only the crystalline variety of methamphetamine called 'ice'. Excludes MDMA (ecstasy).

Table 23: Number and weight (kg) of precursor-type drugs by mode of importation

	Detections			Weight (kg) ^(a)		
	2009–10	2010–11	2011–12	2009–10	2010–11	2011–12
Air passengers and crew						
Precursor for amphetamine-type stimulants ^(b)	43	105	155	22.80	93.17	261.98
Precursor for LSD ^(c)	—	—	1	—	—	0.03
Precursor for GHB (fantasy) ^(d)	1	1	—	—	—	—
Precursor for MDMA (ecstasy) ^(e)	—	2	2	—	—	0.01
Other	2	2	—	1.86	—	—
Cargo and postal ^(f)						
Precursor for amphetamine-type stimulants ^(b)	589	621	805	533.56	687.58	1 485.87
Precursor for LSD ^(c)	3	4	1	0.01	0.09	—
Precursor for GHB (fantasy) ^(d)	43	40	47	86.42	92.49	88.57
Precursor for MDMA (ecstasy) ^(e)	1	6	7	0.10	2 571.12	240.17
Other	7	4	8	6.16	25.00	2.59
Other ^(g)						
Precursor for amphetamine-type stimulants ^(b)	—	—	—	—	—	—
Precursor for LSD ^(c)	—	—	—	—	—	—
Precursor for GHB (fantasy) ^(d)	—	—	—	—	—	—
Precursor for MDMA (ecstasy) ^(e)	—	—	—	—	—	—
Other	1	—	—	5.00	—	—
Totals						
Precursor for amphetamine-type stimulants ^(b)	632	726	960	556.36	780.75	1 747.85
Precursor for LSD ^(c)	3	4	2	0.01	0.09	0.03
Precursor for GHB (fantasy) ^(d)	44	41	47	86.42	92.49	88.57

Table 23 (continued)

	Detections			Weight (kg) ^(a)		
	2009–10	2010–11	2011–12	2009–10	2010–11	2011–12
Precursor for MDMA (ecstasy) ^(e)	1	8	9	0.10	2 572.12	240.18
Other	10	6	8	13.03	25.00	2.59

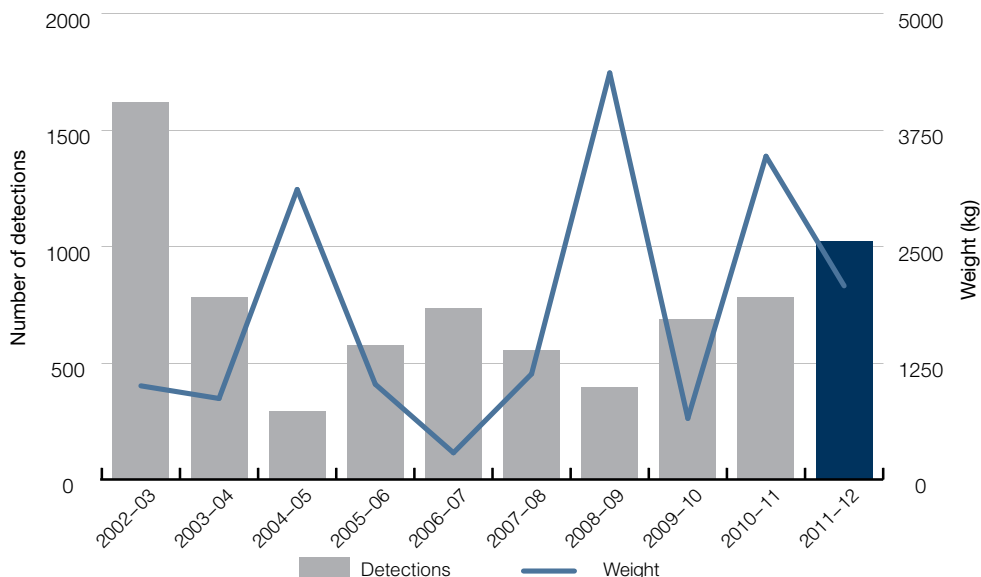
LSD = lysergic acid diethylamide

- (a) Weight may be confirmed weight (if available) or gross, net or estimated weight. Where the weight for detections of amphetamine-type stimulants and MDMA (ecstasy) was not available, an estimate of 0.29 grams per tablet was used.
- (b) Precursors for amphetamine-type stimulants include ephedrine, ma huang/ephedra, phenyl-2-propane (P-2-P), phenylactic acid, phenylpropanolamine/norephedrine and pseudoephedrine.
- (c) Precursors for LSD include ergometrine and ergotamine.
- (d) 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.
- (e) Precursors for MDMA (ecstasy) may also be precursors to related drugs such as MDA or MDEA, and include piperonal, safrole, isosafrole and methylenedioxyphenyl-2-propanone (3,4-MDP-2-P).
- (f) Includes detections made from air cargo, sea cargo and international mail.
- (g) Includes detections made from searches of sea passengers and crew, vessels and aircraft.

Notes: 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.

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. Also, detections subject to ongoing investigation (including controlled deliveries) might not appear.

During 2011–12, the total weight of precursor chemical detections decreased to 2079.22 kilograms (Figure 11). While precursor chemicals imported through the air passengers and crew stream increased by number and weight, the majority of detections occurred in the cargo and international mail stream and the weight of detections in this stream decreased considerably from 2010–11.

Figure 11: Number and weight of precursor detections**Table 24: Interceptions of performance- and image-enhancing drugs**

	Detections		
	2009–10	2010–11	2011–12
Air passengers and crew			
Steroids	188	184	373
Hormones ^(a)	14	22	34
Cargo and postal ^(b)			
Steroids	2 215	4 340	5 753
Hormones ^(a)	278	1 016	2 561
Other ^(c)			
Steroids	1	—	—
Hormones ^(a)	—	—	—
Totals			
Steroids	2 404	4 524	6 126
Hormones ^(a)	292	1 038	2 595

(a) Includes detections of erythropoietin, darbepoetin alpha, DHEA and natural and manufactured gonadotrophins.

(b) Includes detections made from air cargo, sea cargo and international mail.

(c) Includes importations via sea passengers and crew, vessels and aircraft and detections arising from post-border operations.

Note: 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. Also, detections subject to ongoing investigation (including controlled deliveries) might not appear.

Table 25: Number and weight (kg) of selected drug types in the 'Other' category for 2011–12

	Detections	Weight (kg) ^(a)
	2011–12	2011–12
Hypophosphorous acid ^(b)	12	11 234
Khat	110	503.40
Kava	185	684.30
Absinth (Wormwood)	81	80.60
Opium Poppy Seeds	45	57.90

(a) Weight shown may be confirmed weight (if available) or the gross, net or estimated weight. For the majority of 'Other' drug types there is no consistent unit of measure available so weights are only available for a few selected drug types.

(b) Note that hypophosphorous acid is not a border-controlled substance; however, it is regulated by various state/territory controlled substances legislation. Hypophosphorous acid is a reducing agent used in the manufacture of methamphetamine.

Note: 'Other' drug detections refer to stimulants other than cocaine or amphetamine-type stimulants, narcotic/analgesics other than heroin, psychotropics/hallucinogens other than MDMA (ecstasy) or cannabis products, all depressants and sedatives, prescription pharmaceuticals and miscellaneous natural and synthetic drugs. Excludes precursors.

In addition to the high detection rate for the key border controlled illicit drugs and precursors during 2011–12, Customs and Border Protection also continued to detect a large number of 'Other' drug types (6221 detections compared to 5135 in 2010–11). While it is not possible to report the overall weights of substances within this catch-all category, due to no consistent unit of measure being available, it is possible to highlight some of the significant seizures from a select sample of substances. Of particular note was the detection of more than 10 000 litres of hypophosphorous acid in sea cargo arriving in Sydney in early 2012. The consignment was concealed behind a cover load of cardboard boxes, and although hypophosphorous acid is not a border-controlled substance, it was referred to New South Wales Police as it is a reducing agent used in the manufacture of methamphetamine and is controlled under state legislation.

Table 26: Drug detections and significance of offence

	Detections			Weight (kg) ^(a)		
	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
Commercial						
Cannabis	—	—	—	—	—	—
Cocaine	18	23	24	320.04	627.90	748.68
Heroin	18	18	22	57.15	329.37	217.58
MDMA (ecstasy)	3	6	3	2.15	7.52	4.20
ATS ^(b)	15	22	44	41.30	64.63	299.72
Marketable						
Cannabis	8	6	2	0.33	10.35	0.07
Cocaine	255	422	847	66.42	73.86	60.53
Heroin	230	213	136	60.37	70.83	38.57
MDMA (ecstasy)	48	103	929	4.35	1.25	7.75
ATS ^(b)	610	1 010	907	25.36	40.56	47.75
Less than marketable						
Cannabis	1 446	2 131	2 658	19.30	59.23	16.88
Cocaine	18	41	108	0.02	0.04	0.11
Heroin	2	1	21	—	—	0.02
MDMA (ecstasy)	2	1	32	—	—	0.01
ATS ^(b)	47	45	127	0.04	0.03	0.12
Totals						
Cannabis	1 454	2 137	2 660	19.64	69.59	16.95
Cocaine	291	486	979	386.48	701.80	809.32
Heroin	250	232	179	117.52	400.20	256.17
MDMA (ecstasy)	53	110	964	6.50	8.76	11.95
ATS ^(b)	672	1 077	1 078	66.69	105.23	347.59

ATS = amphetamine-type stimulants

(a) Weight may be confirmed weight (if available) or gross, net or estimated weight. Where the weight for detections of ATS and MDMA (ecstasy) was not available, an estimate of 0.29 grams per tablet was used.

(b) ATS includes methamphetamine and amphetamine but excludes MDMA (ecstasy).

Note: Significance of offence is based on the classification in the *Customs Act 1901*.

Case study

RAISING AWARENESS OF THE RISKS OF ILLICIT DRUGS IN OUR REGION

As part of Australia's focus on closer engagement with its Asia-Pacific neighbours, Customs and Border Protection has been working to strengthen our links with law enforcement and border management agencies across Indonesia, Sri Lanka and the Maldives.

In April 2012, we delivered two technical awareness programs to the Indonesian Directorate General of Customs and Excise, the Indonesian National Police, and the National Narcotics Board of Indonesia. The training was delivered under the auspices of the Southeast Asia Border Security Program.

The program aims to increase the capacity of border and law enforcement agencies in Thailand, Malaysia, Indonesia and the Philippines to identify, target and mitigate terrorist and other threats in the region.

On the success of the programs in Indonesia, in May 2012 we travelled to Colombo to deliver additional sessions to Sri Lanka Customs, Sri Lanka Police, and the Maldives Customs Service. The initiative aims to increase our neighbours' awareness of the risks posed to our region by the illegal importation of illicit drugs and precursor chemicals.

The programs provided participants with information on:

- ▶ Australian and local illicit drug and precursor environments
- ▶ high-risk precursors and synthetic drug manufacture
- ▶ concealment methods and risk indicators
- ▶ clandestine laboratory equipment and hazards
- ▶ intelligence gathering and emerging trends
- ▶ detection technologies
- ▶ opportunities for partnerships and cooperation
- ▶ work health and safety issues.



Customs and Border Protection's awareness programs on drugs and precursor chemicals with administrations in Indonesia, Sri Lanka and the Maldives are an important step in continuing to work together to improve regional border management processes, strengthen interagency cooperation and enhance screening and detection capabilities.

Unlawful activity in our maritime zones—inshore and onshore

The inshore and onshore maritime domain serves as a critical highway for Australia's economy; however, it presents unique border security challenges because of its size and diversity. The domain encompasses vast stretches of oceans, waterways and countless potential points of entry. It includes legislated sea entry ports and other places on the coastline where goods and people could cross Australia's border.

This environment is characterised by ongoing increases in activity. Over the past 12 months, arrivals of commercial vessels increased by 6.88 per cent, and activity in our northern remote ports is predicted to rise significantly in the foreseeable future with ongoing demand for resources. Arrivals on cruise ships increased by around 30 per cent in the same period, and the forecast is for higher activity over the next few years.

The threats in the inshore and onshore domain are resilient and enduring, particularly in relation to organised crime. Risks can alter quickly as organised criminal groups change their methods and seek new ways to breach the border in response to our successes.

In 2011–12, considerable progress was made in establishing joint agency taskforces with our federal and state law enforcement partners. The taskforces bring together the unique capabilities of each agency (both intelligence and operational) to maximise the detection and disruption of criminal behaviour. Joint taskforce activity has demonstrated agencies' ability to address multiple border risks, including illicit drugs and precursors and tobacco.

Operation Polaris, a joint taskforce that focused on the Sydney waterfront, has highlighted a range of vulnerabilities in systems, processes and approaches that are now being addressed. The changes will strengthen the controls in the waterfront environment and cargo supply chain to reduce exploitation by criminal activity. Given the success of Operation Polaris, new joint agency taskforces will be established in Melbourne and Brisbane in 2012–13.

In 2011–12, ensuring that our control strategies remained flexible was important in delivering an effective response in this environment. Our strategies included:

- ▶ strengthening our joint agency partnerships, focusing on high-risk entities operating in the inshore and onshore environment
- ▶ providing effective risk assessment, processing and intervention with vessels and sea travellers (passengers and crew)
- ▶ conducting land-based and inshore patrols, including in remote and coastal areas, to maintain our presence and collect intelligence
- ▶ conducting a range of operational activities to respond to threats and suspected breaches of the border
- ▶ conducting border control activities to meet border enforcement and information collection requirements for our purposes and those of other law enforcement and regulatory agencies.

Unlawful activity in our maritime zones—offshore

The offshore maritime zone encompasses a range of risks, including eight key maritime threats of:

- ▶ illegal exploitation of natural resources
- ▶ illegal activity in protected areas
- ▶ irregular maritime arrivals
- ▶ prohibited imports/exports
- ▶ maritime terrorism
- ▶ piracy, robbery or violence at sea
- ▶ compromise to biosecurity
- ▶ marine pollution.

Unlawful activity associated with people smuggling in Australia's maritime zones is discussed under the risk category 'Irregular movement of people—maritime'.

In 2011–12, our primary focus in offshore unlawful activity in our maritime zones was illegal foreign fishing. The number of sightings of illegal foreign fishing activity within Australia's Exclusive Economic Zone increased by 53.89 per cent to 7265 in 2011–12, compared to 4721 in 2010–11. The majority of sightings (97.36 per cent) were north of the Provisional Fisheries Surveillance and Enforcement Line, where fishing within the water column is legal.

There were 12 foreign fishing vessel apprehensions in 2011–12 by Border Protection Command, a decrease from 14 in 2010–11. This reduction reflects the deterrent effect of our surveillance and enforcement efforts. These efforts have seen illegal fishing activity in Australia's northern waters retreat from within Australia's Exclusive Economic Zone to the point where large concentrations of vessels sit just beyond the zone boundary, undertaking frequent shallow incursions into Australian waters. Any reduction of border protection in this area is likely to see a return to larger scale illegal foreign fishing vessel incursions in our fishing zones. Table 27 details Border Protection Command's surveillance of and response to foreign fishing vessel activity.

In 2011–12, the balancing of resources against the eight maritime threats continued to be a challenge for us. Currently a significant proportion of operational effort is directed to the irregular maritime arrival threat. This focus challenges our capacity to address other maritime security threats and maintain awareness across the entire maritime domain, as well as achieve satisfactory outcomes for client agencies.

In 2012–13, Customs and Border Protection will transition from its current *Bay Class* vessels to a *Cape Class* capability (for more information, see 'Cape Class developments' on page 65). This transition period will require careful future planning and the reposturing of our assets to minimise crew availability issues. This may impact on the delivery of PBS targets during the transition.

Table 27: Border Protection Command surveillance of and response to foreign fishing vessel activity

	2009–10	2010–11	2011–12
Boardings ^(a) :			
foreign fishing vessels	691	340	281
other ^(b)	45	38	27
Apprehensions	23	14	12
Legislative forfeiture ^(c)	—	—	—

(a) Includes boardings made by eight *Bay Class* vessels and contracted vessels *ACV Triton*, *ACV Ashmore Guardian*, *ACV Oceanic Viking* (to June 2010) and *ACV Ocean Protector* (from October 2010).

(b) Includes merchant vessels, Australian fishing vessels and other smallcraft boarded by Customs and Border Protection officers.

(c) Legislative forfeiture (catch and equipment seizure) is conducted under legislation administered by the Australian Fisheries Management Authority.

During 2011–12, we continued to engage with our law enforcement counterparts to streamline responses to maritime threats. As a key step to enhancing the approach used to conduct combined operations, Customs and Border Protection and the Australian Defence Force completed and endorsed a joint Civil Maritime Security Campaign Plan in September 2011.

In addition, the Operation Maritime Protector Operations Order was revised to identify opportunities to provide consistency between Customs and Border Protection and the Australian Defence Force when working on combined operations. The revisions were completed and issued in January 2012 (for further information, see ‘Development and implementation of the quarterly operations cycle’ on page 65).

Staff profile

TIM SPENCER
COMMANDING OFFICER,
ACV *HERVEY BAY*, MARITIME
OPERATIONS SUPPORT DIVISION



Tim Spencer is the commanding officer aboard ACV *Hervey Bay*. He has worked for Customs and Border Protection since 1984. Upon completing the Assistant Customs Officer course no. 14, Tim worked in Investigations before transferring to Darwin where he joined the crew of ACV *Jabiru*. After four years, he moved to Brisbane to join the crew of ACV *Sir William Lyne* before moving to the smallcraft cell in Border Operations. In 1995, he joined the newly created National Marine Unit aboard ACV *Delphinus* and has remained working on various boats in the Marine Unit since then.

Tim's career highlights include commissioning ACV *Holdfast Bay* and ACV *Dame Roma Mitchell*; working on Sydney Harbour during the 2000 Olympics and again in 2007 during the Asia-Pacific Economic Cooperation forum meeting; boarding the MV *Uniana* near Port Macquarie, an operation that resulted in 18 arrests for importation of 390 kilograms of heroin with a street value of \$400 million; and establishing the Southern Ocean Maritime Patrol Unit and going on the first three patrols.

As a commanding officer of a *Bay Class* vessel, Tim has a crew of 12. At the moment, most of their time is taken up with patrolling for suspected irregular entry vessels; this is a change from a couple of years ago, when the mainstay of their work was illegal fishing.

Over the past 28 years, Tim has had the opportunity to work in every state in Australia, as well as in a couple of our external territories. He has been on joint patrols with the French in the Southern Ocean, the Indonesians in the Timor Sea, the Papua New Guineans in the Torres Strait and the Americans in the Pacific. Most recently, he joined the US Coast Guard Cutter *Waesche* for a sea ride from Samoa to Cairns. However, he says that's not the best thing about working in Customs and Border Protection: 'For me, Customs has been and will remain a fantastic place to work because of the people I have been lucky enough to work with.'

Tim and the ACV *Hervey Bay* are currently operating in the vicinity of the Cocos (Keeling) Islands Territory.

Prohibited, restricted and regulated goods

Customs and Border Protection has primary responsibility for preventing the import and export of more than 70 categories of prohibited, restricted and regulated goods. Prohibited, restricted and regulated goods include goods of counter-proliferation concern, firearms and weapons, hazardous goods and goods presenting risks to consumer safety, objectionable material and other regulated goods. We undertake this work on behalf of more than 40 policy and regulatory agencies at the border.

We employ a range of intelligence-led, risk-based approaches to control prohibited, restricted and regulated goods at the border, while facilitating legitimate trade. In an environment where participants largely self-regulate, we maximise our resources by using a differentiated risk-response model that allows us to scale our interventions depending on the level of risk. Where we detect non-compliance, a range of sanctions are available to us, including the suspension and cancellation of licences, the issuing of infringement notices and criminal prosecution.

The information and intelligence we receive from industry partners, other government agencies and the public is vital to successfully controlling regulated goods. For example, 85 per cent of firearm and firearm part seizures stem from intelligence provided by law enforcement agencies well before the parcel or container arrives in Australia. We also conduct short-term intensive operations to closely monitor specific risks, determine the effectiveness of our border controls and inform our future strategies. We consult closely with policy and regulatory agencies on proposed new controls to ensure that a response at the border is the most appropriate option and does not unreasonably impact legitimate trade and travel.

The importance of our intelligence-led, risk-based approach was reinforced in 2011-12, which saw large increases in the volumes of imported goods. The rapid expansion of manufacturing in Asia, as well as consumers' widespread acceptance of and access to online suppliers of goods, has increased the popularity of internet purchasing. While this benefits the Australian consumer, it has also increased their exposure, sometimes unwittingly, to goods that are subject to import controls or prohibitions. Because the standards applied to consumer and medicinal products in the source country may differ greatly from the standards that apply in Australia, we are often required to intercept prohibited goods, or refer them to other agencies, such as the Therapeutic Goods Administration, for assessment.

Asbestos contamination is still being identified in manufactured industrial and consumer goods from the Asia region. In response, we have increased our engagement with major importers of high-risk goods to address asbestos issues offshore at the time of manufacture. Similarly, counterfeit medicines and preparations using prohibited or restricted drugs and substances are increasingly common. Customs and Border Protection works closely with a range of industry sectors to ensure that goods are imported in accordance with Australian law. We continually review our approach to managing prohibited, restricted and regulated goods to ensure better

compliance outcomes. This includes refining our targeting activity to account for some specific countries of origin and suppliers. At the same time, intelligence from Africa and Asia identifies Australia at increased risk of exporting hazardous e-waste. This has led us to raise our level of surveillance of exports that may carry an e-waste risk for other countries.

Key achievements in 2011–12 included:

- ▶ assisting in the development of export and import controls for illegally logged timber and for certain synthetic greenhouse gases to support the Australian Government's Clean Energy Future initiative (see 'Program 1.2: Trade facilitation—Key achievements' in Part 2)
- ▶ implementing a new import control on ice pipes to limit their availability for use with illicit drugs in Australia
- ▶ working closely with IP Australia to improve and strengthen border measures in the new *Intellectual Property Laws Amendment (Raising the Bar) Act 2012*—these changes will become effective in April 2013
- ▶ providing import information to the Department of Sustainability, Environment, Water, Population and Communities to support the government's new Product Stewardship Scheme, which manages the end-of-life disposal of electronic waste
- ▶ following the 2011 tsunami and the radiation leakage from the Fukushima nuclear power plant, supplying information on food imports from Japan to Food Standards Australia New Zealand, to support it in monitoring the contamination risk.

Counter-proliferation

Throughout 2011–12, we focused on increasing the effectiveness of our relationships within the counter-proliferation community as well as working with regional counterparts to improve our capability to deliver on our international commitments. We also introduced new laws to strengthen Australia's sanctions regime.

Illicit firearms

Australia has some of the toughest firearms laws and regulations in the world. Importers must comply with a strict permit regime in order to bring firearms into Australia. While criminals primarily source firearms from the domestic black market rather than illegal imports, in response to operational activity and the Australian Crime Commission's assessment that the risk of illicit firearm importation may trend upwards, Customs and Border Protection has developed a firearms intervention strategy. For more information on this strategy, see 'Firearms strategy' on page 49.

The use of any illegal firearms by any criminal group is a serious problem. We will continue to work closely with partner law enforcement agencies to better understand the complex structures of the criminal entities that seek to import firearms and determine the most effective point of disruption of their activities.

Hazardous goods and consumer safety

In addition to regular monitoring activities for hazardous goods, we participated in Operation Demeter II in February 2012, an international operation coordinated by the World Customs Organization dedicated to reducing the illegal movement of hazardous waste. During the operation, we detained 37 containers totalling more than 860 tonnes of cargo to verify that higher risk consignments were not in breach of environmental controls for hazardous waste. No breaches were detected. We regularly supply import information for specific goods to other government agencies, including the Australian Competition and Consumer Commission and the National Industrial Chemical Notification and Assessment Scheme, to assist them in their monitoring of consumer safety risks. We also intercept novelty cigarette lighters that present a hazard to children and monitor lead levels in toys and ceramics.

Objectionable material

We have undertaken an extensive outreach program to commercial importers of adult films and publications to ensure the highest level of compliance with the import regulation restricting objectionable material.

In 2011–12, we made 842 detections of objectionable material. The majority were detected in the international mail stream. A detection may range from a single item, such as a magazine, to a computer hard drive with thousands of images.

Of the investigations finalised during 2011–12, 32 cases proceeded to court. No cases related to terrorism material.

We also provided assistance and input into the Australian Law Reform Commission's review of classification in Australia.

Other regulated goods

Along with many other permit management tasks, we continue to ensure that the import and export of rough diamonds comply with the Kimberley Process Certification requirements, that all imports and reporting of security-sensitive ammonium nitrate comply with state and territory permit requirements, and that imports and exports of endangered animal and plant species comply with the requirements of the Convention on International Trade in Endangered Species of Wild Fauna and Flora. In 2011–12, we also intercepted a large quantity of goods not having a country of origin attached or printed on the goods, and other imported goods marked as 'Australian made'. All importers were issued with warnings and required to correct the labelling.

The Notice of Objection Scheme is the mechanism Australia has implemented to meet its obligations, as a member of the World Trade Organization and a party to the Agreement on Trade-Related Aspects of Intellectual Property Rights, in preventing and deterring trade in counterfeit goods.

The scheme operates to protect trademark and copyright holders from the importation of goods that infringe their intellectual property rights. To protect these rights, the owner, licensee or authorised user must lodge a notice of objection with Customs and Border Protection. Table 28 shows the number of notices and objections in force from 2009–10 to 2011–12.

Table 28: Intellectual property notices and objections in force

	2009–10	2010–11	2011–12
Trade marks	395	432	467
Copyright	60	66	67
Olympic insignia protection	1	1	1
Total	456	499	535

Tobacco smuggling

Customs and Border Protection is committed to combating tobacco smuggling through whole-of-agency activity in collaboration with government, industry and international partners. While tobacco smuggling poses a risk to government revenue, it is now evident that it is being used by organised criminal networks due to its significant profit potential.

During 2011–12, the key risk focus remained tobacco and cigarette smuggling through the sea cargo stream, as potential duty loss identified in all other streams (air cargo, international mail and passengers) accounts for less than 1 per cent of the total value of sea cargo detections.

Throughout the year, we continued to make frequent and sizeable seizures of undeclared tobacco and cigarettes (Table 29). The detection figures in Table 29 indicate a gradual increase in cigarette detections and a decrease in detections of loose tobacco over recent years. However, given the variability in detections of illicit tobacco, it is not yet appropriate to draw firm conclusions from these figures.

Table 29: Tobacco detections in sea cargo and amount of duty evaded

Year	Number of detections	Tobacco (tonnes)	Cigarettes (millions of sticks)	Duty evaded (\$ million)
2011–12	46	175	122	128
2010–11	55	258	82	135
2009–10	42	311	68	120
2008–09	33	180	50	70
2007–08	58	287	107	114

Our strategies for the effective control of tobacco smuggling include:

- ▶ gathering intelligence on tobacco smuggling
- ▶ conducting intelligence-led, risk-based targeting for the inspection and examination of high-risk cargo, mail and passengers
- ▶ seizing illicit tobacco detected at the border
- ▶ investigating and prosecuting parties involved in tobacco smuggling
- ▶ working with the Australian Taxation Office and the tobacco industry to identify areas requiring particular attention
- ▶ working with other law enforcement agencies to identify opportunities to prosecute and disrupt parties involved in tobacco smuggling.

In 2011–12, we were involved in several joint operations seeking to disrupt high-risk criminal syndicates involved in tobacco smuggling. The most significant of these was Operation Polaris, a whole-of-government response targeting serious and organised criminal activity at Sydney's waterfront. In September 2011, the operation resulted in two men being charged with importation and bribery offences following the seizure of more than 60 tonnes of illicit tobacco and nearly \$450 000 in cash.

During 2011–12, we also pursued legislative changes to increase the penalties available for tobacco smuggling under the *Customs Act 1901*, including the option of jail terms of up to ten years. These changes were introduced to parliament on 25 June 2012 and are intended to more accurately reflect the risks posed to the Australian community, the seriousness of the offences being committed and to provide a strong deterrent to criminals.

Terrorism

Customs and Border Protection works collaboratively with partner border, law enforcement and intelligence agencies to detect, disrupt and deter terrorism and terrorist-related activity by working to protect Australia and Australian interests from terrorists and terrorism-related goods.

Our strategies for managing this risk include:

- ▶ sharing intelligence capability—making our holdings available to the national intelligence community and gaining access to sources not previously available to us
- ▶ utilising identity and intent management—combining biometric and biographical information to confirm the identity and intent of individuals before they clear the border
- ▶ adopting counter-radicalisation methods—protecting against the terrorist threat at the border by monitoring the movement of people who may undertake terrorist training, or import terrorism-related materials
- ▶ improving controls of chemical, biological, radiological and nuclear materials—contributing at the border to controlling goods of proliferation concern and goods that may have dual uses
- ▶ reducing maritime vulnerability—patrolling the maritime environment to deter terrorists from using this entry point or harming critical assets or the environment
- ▶ working with international partners—collaborating to respond to terrorism, including through capacity building, counter-proliferation and export controls.

Throughout 2011–12, we continued to leverage our border-centric regulation and intervention capabilities in contributing to Australia's counter-terrorism efforts. We provided high-level analytical and logistical support to a range of agencies in responding to specific border threats.

In late 2011, with guidance from a stakeholder agency, we successfully conducted a cargo screening exercise on a specific consignment. Information derived from the exercise added considerable value to the agency's investigations and enabled it to pursue additional lines of inquiry.

Throughout 2011–12, we reviewed our screening and incident management processes to ensure that they incorporate sufficient flexibility to respond to the changing nature of terrorism and the range of potential border threats. These reviews are expected to enhance our ability to screen for and respond to terrorism-related cross-border threats.

Working with the Department of Immigration and Citizenship, the Australian Federal Police and the Australian Security Intelligence Organisation, we also developed and delivered counter-terrorism awareness presentations to Customs and Border Protection personnel and partner agencies. This collaborative approach reinforced the interconnected nature of national security, the benefits derived from information sharing and the enduring need for vigilance at Australia's international gateways.

Irregular movement of people—maritime

The irregular movement of people—maritime remains a key border risk. This year has seen an increase in the arrival of suspected irregular entry vessels (SIEVs) facilitated by people smuggling syndicates. The number of SIEV arrivals rose to 111 in 2011–12, compared to 89 in the preceding year. There was also an increase in the total number of irregular maritime arrivals, from 4750 in 2010–11 to 7156 in 2011–12.

Our approach to managing SIEV arrivals in 2011–12 has been one of containment. That is, in conjunction with our partner agencies, we have directed a high level of intelligence, surveillance, and operational effort to identifying, intercepting and providing emergency assistance where necessary to people smuggling vessels arriving in Australian waters. We have also prevented undetected arrivals from reaching the Australian mainland. We have achieved this outcome within the current level of resourcing. However, maintaining this level of control in the face of increasing numbers of irregular maritime arrivals will be an ongoing challenge.

Without the high level of effort employed by us and our partner agencies, this containment effect would have been significantly reduced, and the number of arrivals would have been substantially greater.

Key issues and trends

Not only have we seen an increase in the number of irregular maritime arrivals in 2011–12, but new dimensions to the risk are emerging, with people smugglers targeting new destination locations. From May 2012 there has been an increase in the number of SIEVs arriving at Cocos (Keeling) Islands requiring regular operational responses, putting additional pressure on existing resources and capability.

This broadening of SIEV approach corridors continues to challenge our capacity to address and respond to other maritime security threats and maintain awareness across the remainder of the Australian maritime domain, as well as achieve satisfactory outcomes for client agencies.

The increased operational tempo, including an increase in the number of safety-of-life-at-sea incidents, has continued to place pressure on maritime operations.

During 2011–12, increased output was required from the ACV *Triton*. The ACV *Ocean Protector* was diverted to northern waters to transport potential irregular immigrants. The ACV *Triton* completed 70 patrol days above its 240-day PBS target, and the ACV *Ocean Protector* achieved more than its 120-day target, completing 75 of its 121 patrol days in northern waters and 46 patrol days in the Southern Ocean. These are the two largest vessels in the Customs and Border Protection fleet; completing these additional days resulted in Customs and Border Protection consuming more fuel than was originally budgeted. The supplementation of ACV *Triton* crew also required redeployment of Bay Class personnel, which was partly responsible for the 2011–12 reduction in Bay Class patrol days.

Key activities

Our key risk management strategy for effectively addressing irregular maritime arrivals is to work with partner agencies and countries to detect, deter and disrupt maritime people smuggling activity ahead of the border.

Building on our role as the lead coordinating agency for whole-of-government efforts, the Counter Maritime People Smuggling Task Force was established within Customs and Border Protection in 2011–12. The taskforce works with the Australian intelligence community, law enforcement agencies and relevant regulatory agencies to deliver strategies and policies aimed at addressing irregular migration ahead of the border.

We continue to strengthen intelligence sharing and operational engagement with agencies here and overseas. 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 within Customs and Border Protection that provides assessments in support of operational action.

The taskforce undertakes a number of activities to promote international cooperation as the most effective way to address irregular migration in the region.

We enhanced our bilateral relationships with Malaysia and Pakistan through joint working group meetings and continued cooperation in operational, legal and policy measures to counter people smuggling.

We have coordinated messaging campaigns in source countries Afghanistan, Pakistan and the Persian region as well as the key transit country of Indonesia. Messaging has sought to dissuade potential irregular immigrants by informing them of the risks and consequences of irregular migrations and of alternative pathways to resettlement through established channels.

Staff profile

ROBERT BYRNE
MANAGER PEOPLE SMUGGLING
OPERATIONS, INTELLIGENCE AND
TARGETING DIVISION, JAKARTA



Growing up in Queensland, Robert was involved in a range of community-focused activities including the State Emergency Service and drug outreach for substance abusers. It was the latter role that Robert built upon, joining the Department of Health and ultimately its drug and precursor portfolio where he managed several national projects.

With an interest in the breadth of Customs and Border Protection's responsibilities, Robert joined the agency in 2007. He has managed topics including illicit drugs, counter-terrorism, emergency management and maritime security including people smuggling. It is the agency's diversity and its significant contribution to Australia that keeps Robert engaged and committed to the agency. Outside of work, Robert is married, has two daughters, is an officer with the Royal Australian Air Force (reserve) and volunteers with the Rural Fire Service.

Now posted to Jakarta, Indonesia, Robert works closely with Canberra, Indonesian authorities and our embassy's people smuggling taskforce as part of the regional strategy to counter maritime people smuggling. He runs people smuggling-focused awareness and capacity-building workshops throughout Indonesia and provides information to Canberra to support analysis and maritime response efforts.

A key part of Robert's work is maintaining effective relationships with Indonesia's Maritime Security Coordination Board and Indonesia's National Search and Rescue Agency. These relationships have been tested and strengthened as recent tragic events have been felt by all. During these challenging periods, Robert's collaboration with stakeholders has supported regional search and rescue efforts. Robert finds it a privilege to work with the many dedicated people in Australia and Indonesia to counter people smuggling and to respond as best as we can whenever lives are put at risk.

Case study

RESCUE OPERATION IN THE SUNDA STRAIT

Australian agencies maintain close relations with Indonesian counterparts to assist both countries in responding to the dangers associated with the irregular movement of people by sea.

On the morning of 8 April 2012, a distress call was received by Australian authorities from an asylum seeker vessel in the Sunda Strait.

A Customs and Border Protection Dash-8 aircraft, assigned to Border Protection Command, was released to the Australian Maritime Safety Authority's Rescue Coordination Centre for search and rescue operations and identified a vessel at the location provided. The Customs and Border Protection Dash-8 aircraft also established communications with a merchant ship in the area.

The Australian Maritime Safety Authority relayed the information to its Indonesian counterpart which assumed responsibility for coordinating a search and rescue response.

The commercial tanker MT *Hermia* was in the vicinity identified as the likely location of the distressed vessel and responded to the request for assistance. The distressed vessel was located in the Sunda Strait and 120 people were safely embarked on the tanker. The MT *Hermia* conveyed the asylum seekers to the port of Merak in West Java. Indonesian law enforcement and immigration officials, as well as representatives of the International Organization for Migration and the United Nations High Commissioner for Refugees, oversaw the disembarkation of the asylum seekers on 10 April 2012.

The successful rescue of 120 asylum seekers and their safe return to an Indonesian port demonstrates an effective outcome in the irregular movement of people—maritime risk area. It shows what can be achieved through the cooperative efforts of Australian and Indonesian agencies, as well as those international organisations that have an interest in managing the challenges of irregular migration.



Rescue operation in the Sunda Strait

Revenue (general)

Revenue includes revenue collected, revenue deferred, revenue repaid and revenue foregone. We use a range of strategies to mitigate risks to revenue collection, repayments and concessions to ensure that the residual risk to revenue is acceptable to government. These include having an effective risk-based compliance program that reduces the risk of non-compliance with trade controls and that deals proportionately with deliberate, reckless and inadvertent non-compliance. We also support traders to understand and meet their reporting and revenue obligations at the border by providing them with accurate and timely customs duty, tariff classification, valuation of goods and rules of origin advice; we assess, investigate and determine applications and claims under tariff concession and refund schemes. Table 30 details the revenue collected by Customs and Border Protection on behalf of other agencies, and Table 31 outlines the significant revenues managed by Customs and Border Protection.

We expect the gradual upward trend in duty and indirect tax collections that accompanies increasing trade levels over time to continue, subject to the influence of global economic conditions on trade.

Traditional revenue risk areas will continue to be a focus of attention including undervaluation, misuse of origin and concessions and misclassification. But integration and interconnection between markets is continuing apace, which means patterns of trade are becoming less predictable with goods sourced and delivered through increasingly complex chains of supply and ownership. Both trade liberalisation in the form of regional and bilateral trade agreements, and trade protectionism, increase complexity. Economic integration and complexity means more opportunity to obscure sources, origins, destinations and actors. This is important because we assess the risk associated with trade, including revenue leakage, from this information. This places workload pressures on Customs and Border Protection in ensuring correct revenue outcomes.

Table 30: Revenue collected on behalf of other agencies

	2009–10 (\$ million)	2010–11 (\$ million)	2011–12 (\$ million)
Indirect taxes collected from importers ^(a)			
GST collections ^(b)	2 832.3	3 009.9	3 149.3
LCT	2.8	4.4	3.4
WET	18.7	21.8	28.7
Total indirect taxes	2 853.8	3 036.1	3 181.4
Marine navigation levy ^(c)	44.8	37.6	13.6
Protection of the sea levy ^(c)	18.5	18.5	6.8
DAFF fees ^(d)	110.9	119.1	122.2
DAFF fines ^(e)	0.7	0.1	0.1
Wood levy	1.2	1.4	1.0
Total levies, fees and fines	3 029.9	3 212.8	3 325.1

GST = goods and services tax

LCT = luxury car tax

WET = wine equalisation tax

DAFF = Department of Agriculture, Fisheries and Forestry

(a) Indirect taxes collected do not include the value of GST and WET refunded through the Tourist Refund Scheme.

(b) Excludes the GST liability raised on imports, which is deferred rather than immediately collected. The Australian Taxation Office acquires these liabilities in subsequent business activity statements from importers. In 2011–12, GST deferred was \$22.4 billion.

(c) The collections for 2011–12 reduced as a result of a greater proportion of transactions received directly by the Australian Maritime Safety Authority (AMSA) as opposed to being collected by Customs and Border Protection on their behalf.

(d) Fees collected on behalf of DAFF.

(e) On-the-spot fines collected on behalf of DAFF, including the collection of quarantine infringement notices issued.

Note: Figures are on an accrual basis.

Table 31: Significant revenues managed by Customs and Border Protection

	2009–10 (\$ million)	2010–11 (\$ million)	2011–12 (\$ million)
Customs duty	5 745.7	5 826.4	7 103.9
GST collected	2 832.3	3 009.9	3 149.3
GST deferred	19 049.5	19 891.8	22 398.4
Passenger movement charge	571.3	615.5	646.3
Import processing charge	135.7	144.1	148.3
Non-taxation revenue	3.7	4.4	2.5
Total	27 338.2	29 492.1	33 448.7

GST = goods and services tax

Note: Figures are on an accrual basis except GST deferred.

In 2011–12, we faced a challenging environment, with industry continuing to experience economic uncertainty, increased passenger numbers and volumes of high-risk goods, external scrutiny, internal and external industrial unrest, internal restructuring, and increases in workload and continuing pressure to find efficiencies. In this environment, we reviewed our administration of a number of areas relevant to the revenue risk including the passenger movement charge, the taking of securities for payment of revenue, delivery of tariff classification, valuation and origin advisory services and our administration of the Tariff Concession Scheme.

In 2011–12, we commissioned a review of the administration of the passenger movement charge to determine if current administration and management arrangements were effective and to obtain a set of solutions that could be implemented to improve administration where appropriate. As part of this review, consultation was undertaken with the airline industry in relation to its remittance processes and the remittance processes of a small number of airlines were reviewed. To conclude this work, a compliance program will be developed and executed in the first half of 2012–13, which will assess if the controls in relation to passenger movement charge revenue are appropriate.

During the year, we also finalised a service level agreement and risk management plan for the passenger movement charge, which have helped define administration responsibility for the passenger movement charge within the agency.

Following an internal review of our administration of securities, recommended improvements have been implemented to improve efficiency, effectiveness and national consistency. These improvements include establishing the National Temporary Imports and Securities unit in Brisbane; and implementing a risk-based approach to the administration of securities, supported by changes to entry processing within the Integrated Cargo System and the adoption of a monitoring strategy for lower risk securities.

We also implemented key recommendations of an internal review of our delivery of tariff classification, valuation and origin advisory services. The establishment of the National Tariff Advice Centre in Melbourne is expected to deliver benefits in improved consistency and quality of advice, service delivery standards and sustainability in the longer term. While service standards were not met in the second half of 2011–12 (target 85 per cent within 30 days, achieved 64 per cent), it is anticipated that performance will improve over the next 12–18 months as new staff are recruited and trained in Melbourne.

Under the Tariff Concession Scheme a Tariff Concession Order (TCO) may be made where there are no Australian manufacturers of substitutable goods, which allows for duty-free import of specified products. TCO applications have increased by approximately 12 per cent from 860 in 2010–11, to 964 in 2011–12, reflecting the increasing awareness of the TCO system by importers and current economic pressures. There are also approximately 13 700 TCOs in force. In response to the continued economic uncertainty and concerns about local manufacturing and employment, we developed a risk-based strategy for the review of TCOs. While this strategy is intended to minimise the risk of harm to local manufacturers that could flow from concessional duty treatment being given to imported goods for which there is a locally manufactured substitute, it will also have implications for revenue forgone. This strategy is being implemented in 2012–13.

In 2011–12, Customs and Border Protection also supported and provided input into the Low Value Threshold Productivity Commission review into the future of the Australian retail sector and the subsequent Low Value Threshold Task Force.

We also delivered a significant revenue legislation program including:

- ▶ the government's policy for alternative fuels for imported gaseous fuels (liquefied petroleum gas, liquefied natural gas and compressed natural gas) via the *Customs Tariff Amendment (Taxation of Alternative Fuels) Act 2011*, which came into effect on 1 December 2011
- ▶ the fourth review of the World Customs Organization Harmonized System by legislating *Customs Tariff Amendment (2012 Harmonized System Changes) Act 2011*, which came into effect on 1 January 2012
- ▶ the *Clean Energy (Customs Tariff Amendment) Act 2011*, which is part of the government's Clean Energy Future Plan, imposes an amount equivalent to the carbon price on fuel emissions on aviation fuel and non-transport gaseous fuels, which came into effect on 1 July 2012
- ▶ *Clean Energy (Customs Tariff Amendment) Act 2012*, which contains provisions that exempt compressed natural gas for non-transport use from customs duty
- ▶ the *Customs Amendment (Reducing Business Compliance Burden) Act 2012*, which codified the arrangement for periodic settlement permission for excise equivalent goods being delivered from a warehouse
- ▶ the *Indirect Tax Laws Amendment (Assessment) Act 2012*, which introduced a self-assessment regime for GST, LCT and WET—this came into effect on 1 July 2012. Changes for Customs and Border Protection included amended forms and electronic statements and new delegations
- ▶ legislation to implement the outcomes of the Tariff Concession Rationalisation and Simplification—Better Regulation Ministerial Partnership. The partnership focused on the simplification of Schedule 4 of the *Customs Tariff Act 1995*. There are currently 150 concessional by-laws made under Schedule 4, which will be revoked and replaced with approximately 100 by-laws, which will significantly simplify concessional duty arrangements available to traders.

Customs and Border Protection is also pursuing a range of initiatives to address border risks including revenue leakage. Some examples follow.

- ▶ During 2011–12, the agency developed a roadmap for stronger compliance, which outlines the strategies and actions required to ensure compliance with the rules of trade. This approach should also have positive implications for revenue-related risk. Further information about the roadmap is available on page 38.
- ▶ Customs and Border Protection is also pursuing measures to address Operation Polaris findings, which should also have positive implications for revenue risk. Operation Polaris is a multi-agency taskforce commissioned in July 2010 to combat organised crime on the waterfront in New South Wales. Polaris identified a range of vulnerabilities at the waterfront and in the cargo supply chain. In response, Customs and Border Protection has strengthened licence conditions for depots, warehouses and brokers and is seeking

to impose similar obligations on cargo terminal operators and cargo handlers. We also propose to increase overt and covert patrols at the waterfront. Implementation of these measures will enhance Customs and Border Protection's ability to tackle and prevent crime on the waterfront and criminal infiltration in the cargo supply chain.

- ▶ An important element of the agency's approach to managing revenue risk is having a statistically valid method of measuring revenue leakage. The ANAO completed an audit into Customs and Border Protection's use of risk management in the processing of air and sea cargo, which was tabled on 30 November 2011. The report made three recommendations including one on improving the agency's revenue leakage estimation. In response to that recommendation, the agency engaged an academic, Dr Andrew Robinson, from the Australian Centre of Excellence for Risk Analysis at the University of Melbourne, to provide us with expert advice on improving our estimation of revenue leakage. This work is now complete.

Irregular movement of people—air

The irregular movement of people by air into Australia remains a key border risk for Customs and Border Protection. Air travellers who arrive in Australia without lawful authority either come of their own accord or have had their travel organised by criminal networks. A variety of motivators underpin the unauthorised movement of air travellers, including escape from political, economic or security instability. The global drivers of the risk of irregular movement of people by air are unlikely to change in the near future, so we expect the threat at the border to continue.

We perform the primary immigration clearance function for all arriving and departing air travellers on behalf of the Department of Immigration and Citizenship. We also work with other border, law enforcement and intelligence agencies to identify and respond to concerns about the risks that air travellers present. This collaborative approach supports risk-based intervention and efficient use of resources from a whole-of-government perspective.

There has been continued growth in international passenger numbers at major Australian airports for the last three years. In 2011–12, passenger numbers increased by 4.94 per cent compared to 2010–11.

Consistent with this growth, the number of travellers referred to the Department of Immigration and Citizenship also increased (Table 32). In 2011–12, referrals increased by 4.83 per cent compared to 2010–11.

Table 32: Traveller referrals to the Department of Immigration and Citizenship

	2009–10	2010–11	2011–12
Inwards referrals	46 038	49 217	51 254
Outwards referrals	7 238	8 805	9 570
Total referrals	53 276	58 022	60 824

Similarly, the number of travellers refused entry into Australia at airports has increased over the last three years (Table 33). In 2011–12, entry refusals increased by 12.88 per cent compared to 2010–11.

Table 33: Immigration clearance refused at airports

	2009–10	2010–11	2011–12
Traveller entry refusals	1 573	1 809	2 042

In 2011–12, we continued to adapt and revise our business processes to deal with the increased number of travellers and to maintain the effectiveness of our controls at the border.

In particular, we:

- ▶ continued to work closely with the Department of Immigration and Citizenship on monitoring and improving the effectiveness of our performance of the immigration clearance function
- ▶ continued the expansion of SmartGate, which supports identity management at the border through travel document authentication and through verification based on facial recognition biometrics
- ▶ completed the rollout of ePassport document readers at Australia's eight major international airports, which will enhance our ability to detect fraudulent travel documents and improve identity verification
- ▶ worked in partnership with the Australian Federal Police to pilot an internal body scanner, which enables us to better identify and manage passengers who are suspected of concealing drugs inside their bodies.

For more on the SmartGate, ePassport and internal body scanner initiatives, see 'Program 1.1: Passenger facilitation—Key achievements' in Part 2.

We also continued to work closely with industry stakeholders on improving the information for our risk assessment processes. A key information set used to counter serious transnational crime and terrorism is the passenger name record (PNR). We have made significant progress in reaching agreement with the airline industry on a global message standard for the transfer of PNR data. A standard message format makes it easier for airlines to meet government requirements and reduces the costs associated with providing PNR data to multiple governments in different formats. We also concluded a treaty-level agreement with the European Union for the transfer of PNR data. For more on the Australia–EU Passenger Name Record Agreement, see 'Program 1.1: Passenger facilitation—Key achievements' in Part 2.

Illegal movement of money

Clandestine movement across borders of cash and other items of value is a money laundering method that is common around the world. In Australia, efforts to gauge the nature and extent of cross-border money movement as a method of money laundering are ongoing.

Customs and Border Protection is responsible for preventing unreported movements of cash (both currency and bearer-negotiable instruments) across the border, while prosecution of such offences is the responsibility of the Australian Federal Police.

Our day-to-day activities in treating the risk of illegal movement of money are mainly focused on cash couriers in the air passenger environment. The perceived low cost, low risk and speed of using the air passenger stream makes it the most attractive and likely method of moving currency across borders. Although, it should be noted that the vast majority of undeclared cash detections are generally cases of non-compliance, rather than cases of serious organised criminal activity. In most cases, a warning or fine will be issued for not declaring excess cash on an Australian Transaction Reports and Analysis Centre (AUSTRAC) cross-border movement form.

Our primary focus during 2011–12 was on developing a better understanding of the risk of this activity occurring at the border.

In 2011–12, we:

- ▶ established a financial targeting team to identify emerging potential targets, methods and risks relevant to us and our partners
- ▶ fostered and strengthened partnerships with agencies to understand the level of threat at the border
- ▶ contributed to a whole-of-government national threat assessment on money laundering prepared by AUSTRAC
- ▶ monitored detections of undeclared cash at the border.

There were a total of 279 undeclared cash detections over \$10 000 at the Australian border in 2011–12. All detections except two (one detected on a ship and one in international mail) were in the air passenger stream. Of the 279 detections, three cases resulted in arrests and one resulted in the cash being seized by the Australian Federal Police.

The total cash amount detected for 2011–12 was \$5 478 165 (Australian dollar equivalent).

Economic

Customs and Border Protection collects trade information and is responsible for enforcing the rules of trade at the border. The policy context for the rules of trade is provided by Australia's trade policy, Australian law and our international commitments. We recognise that trade-related economic risks can have a significant effect on Australian traders and manufacturers.

Our role is to ensure compliance with the rules of trade so that competition occurs on a level playing field and the benefits of competition flow through to Australian consumers and investors. This includes providing front-line services to monitor, identify, intervene in and prevent unfair or illegal trade practices. We do this by assessing trade transactions and by investigating referrals from industry or law enforcement agencies. We also administer a number of industry assistance schemes, including the anti-dumping and countervailing system and the Tariff Concession Scheme, and provide technical advice to traders.

Despite the short- and medium-term impact of the global financial crisis, the long-term trend is for significant growth in trade volumes. This has a number of implications for economic risk. During times of economic constraint, traders can become focused on maximising profits and minimising costs, which can lead some to employ unlawful practices such as undervaluing goods or transaction costs, or to avoid or misuse the measures that are put in place to promote a level playing field.

While the overall trend is towards increased trade volumes, specific instances of economic downturn in overseas markets can result in foreign manufacturers experiencing an oversupply of their goods in their local markets. This can increase their tendency to engage in unfair international trade practices, such as dumping, as they strive to sell their oversupply of goods in international markets, including Australia.

The increasing complexity of international trade can mask attempts to circumvent the rules of trade. Patterns of trade and travel are becoming less predictable. Goods are being sourced and delivered through a more complex chain of supply and ownership, and people are travelling to and from more countries. Both trade liberalisation, in the form of regional and bilateral trade agreements, and trade protectionism further increase complexity and provide avenues that can be exploited by unscrupulous traders.

Under- and over-invoicing to evade duty, lower insurance or in other ways reduce the cost of a transaction are also believed to be methods criminals use to launder money through the trade system or to disguise the destination of their money. Trade-based money laundering and the associated vulnerability of the trade system is a growing area of focus for the Australian Government. We have a role to play in working with our partner agencies to detect and intervene in this activity at the border.

Also, during times of economic downturn or uncertainty, it is common for us to experience an increased demand for trade advice, support and assistance services.

We aim to support the Australian economy by facilitating legitimate cross-border trade and travel and improving the economic viability and competitive advantage of Australian industry. We do this by having efficient and streamlined support and processing systems for imports and exports and an effective risk-based compliance program that reduces the risk of non-compliance with trade controls and that deals proportionately with deliberate, reckless and inadvertent non-compliance.

In 2011–12, we focused on:

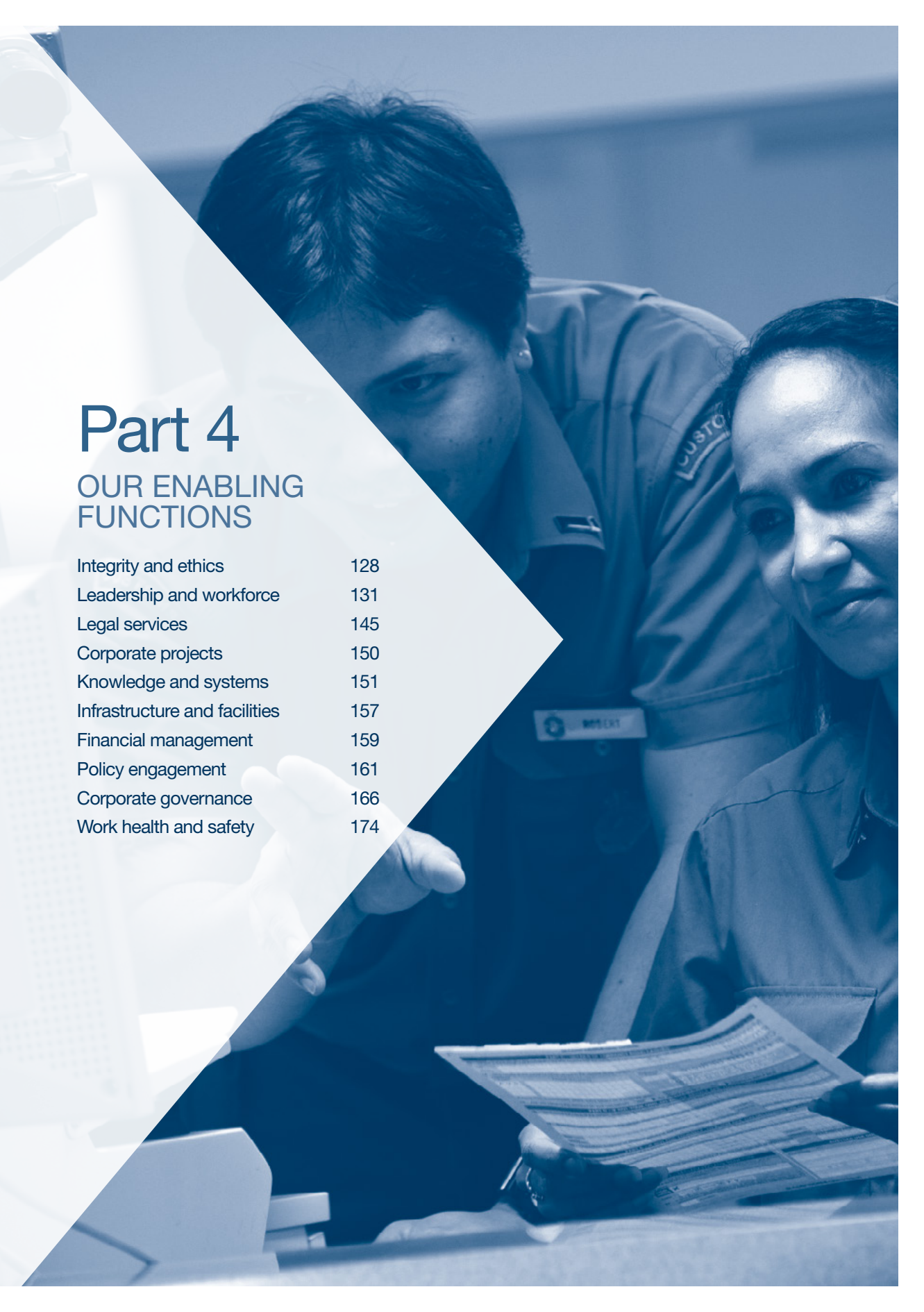
- ▶ working to strengthen our understanding of the issues surrounding the management of economic risks
- ▶ promoting understanding and cooperation across the agency and with our partners, and tailoring existing strategies and designing new ones to manage the risk
- ▶ prioritising our effort to deal with economic risk, and enhancing our capability to undertake broader analysis of our trade holdings and third-party data sources.

As noted on page 120, legislation has been introduced into parliament to implement the outcomes of the Tariff Concession Rationalisation and Simplification—Better Regulation Ministerial Partnership and Customs and Border Protection has also implemented the key recommendations of the review of the tariff advice system.

We successfully implemented a number of improvements to Australia's anti-dumping and countervailing system in line with the government's package of reforms, titled *Streamlining Australia's anti-dumping system*. This included developing a roadmap for a stronger compliance regime across all facets of Australia's import trade. For more on the anti-dumping system reforms and the roadmap, see 'Program 1.2: Trade facilitation—Key achievements' in Part 2.

We established the Stronger Compliance Working Group under the auspices of the International Trade Remedies Forum. The working group provides industry with an avenue to share their concerns and information with us. Our engagement with industry stakeholders helps us to tap into industry knowledge about behaviours in their sector, which may be indicative of non-compliance with, or circumvention of, anti-dumping or countervailing measures.

International cooperation was a key area of development and expansion for us during 2011–12 and will continue to be a focus in 2012–13. We increased our engagement with relevant agencies in the United States, Malaysia and the European Union to improve our capacity to identify and treat non-compliance with trade rules. We are working towards establishing similar relationships with agencies in other major trading partners, including China.



Part 4

OUR ENABLING FUNCTIONS

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Customs and Border Protection has a number of capabilities and functions that support our operations, including integrity and ethics, leadership and workforce, legal services, corporate projects, knowledge and systems, infrastructure and facilities, financial management, policy engagement, corporate governance and work health and safety.

Integrity and ethics

The Australian Government and community demand high standards of behaviour and ethical conduct from public servants entrusted with the responsibility of managing resources, providing and delivering services and making important decisions that affect the community.

Maintaining the highest standards of integrity and ethical conduct within Customs and Border Protection is essential to our work. This has only increased in importance as we have become more involved in joint operations with other law enforcement agencies, which has seen our security and integrity processes being scrutinised and questioned. We recognise that our integrity regime needs to better align with those of conventional law enforcement agencies as criminal networks will continue to seek out employees of government agencies to help progress their criminal activities.

Customs and Border Protection has progressed a considerable body of work in recent years to strengthen our defences against corruption and infiltration, and we continue to look for ways to manage the risks associated with serious criminal-related integrity issues better.

Our *Ethics and Integrity Handbook* was revised and reissued in January 2012. It explains the Australian Public Service Values as they apply in Customs and Border Protection. This handbook outlines the key characteristics of an ethical public service and serves as a conduct guide for Customs and Border Protection employees. It describes the ethical behaviour, professional standards and sound decision making expected of officers and outlines staff responsibilities in relation to ethics, integrity, corruption and fraud prevention.

Strengthening our framework

During 2011–12, we undertook an internal review on the management of our integrity risks. The review identified a number of specific strategies to employ and made recommendations to strengthen our integrity framework further. The Minister for Home Affairs, the Hon Jason Clare MP, announced several measures based on these recommendations that we will implement to improve the integrity and anti-corruption regime, including:

- ▶ conducting targeted integrity testing
- ▶ providing the CEO of Customs and Border Protection with the power to make a declaration terminating the employment of an officer for serious misconduct or other behaviour that led the CEO to lose confidence in the officer's integrity
- ▶ introducing mandatory legislative and/or administrative requirements for employees to report any misconduct or corrupt activity
- ▶ a drug and alcohol testing regime.

Customs and Border Protection's protective security operating model

The Australian Government's new Protective Security Policy Framework (PSPF), which came into effect in December 2011, established and identified 33 mandatory requirements, each of which affects the delivery of protective security within Customs and Border Protection. It builds on the national security focus and continues to drive the unification, control and direction around national security matters for all Australian Government agencies.

Customs and Border Protection assessed the full impact of changes through the Customs and Border Protection PSPF Task Force. The recommendations are being progressed through the Security Executive Governance Group and Security Committee. A major focus during 2011–12 was the transition to the new Single Security Classification System including:

- ▶ security education and training
- ▶ Customs and Border Protection PSPF Single Security Classification Handbook
- ▶ development and implementation of Business Practice Statements and Instruction and Guidelines to align with the new PSPF policy framework
- ▶ ongoing compliance with Personnel Security and Australian Government Security Vetting Agency requirements.

Case study

INTEGRITY PARTNERSHIP

Since 1 January 2011, Customs and Border Protection has come under the jurisdiction of the Australian Commission for Law Enforcement Integrity (ACLEI). The extension of ACLEI's jurisdiction to the law enforcement functions of Customs and Border Protection officers is an important element of the Australian Government's anti-corruption framework. This measure recognises the strategic role played by Customs and Border Protection officers in safeguarding Australia's borders, and the corruption risks associated with that role.

In February 2011, the Minister appointed Mr Peter Hamburger PSM to review the implementation of ACLEI's jurisdiction to deal with corruption issues within Customs and Border Protection. The review's focus was to ensure that appropriate resources and related operating arrangements have been directed effectively to strengthen resistance to corruption in Customs and Border Protection.

The review examined and reported on the effectiveness of ACLEI's operating arrangements for its Customs and Border Protection jurisdiction, including:

- ▶ management of investigations
- ▶ use and allocation of resources
- ▶ agency relations and communication.

The review also reported on ACLEI's resource requirements for detecting, disrupting and deterring possible corrupt conduct within Customs and Border Protection, and the effect on the agency's internal anti-corruption arrangements.

The review concluded that Customs and Border Protection and ACLEI established a strong integrity partnership in the first 12 months and continue to work well together to resolve matters under investigation. In April 2012, the government announced that additional resources would be made available to ACLEI from 1 July 2012 to further strengthen integrity arrangements in Customs and Border Protection, including corruption prevention initiatives and casework.



Leadership and workforce

Customs and Border Protection's success depends on our workforce being appropriately skilled and equipped to tackle the complex and ever-changing environment in which we operate.

As a knowledge-driven, people-dependent agency, we are committed to building a diverse workforce that:

- ▶ is flexible, adaptable, skilled and capable
- ▶ is engaged and high performing
- ▶ is safe and healthy
- ▶ displays the highest levels of professional ethics and integrity
- ▶ possesses sound leadership skills and behaviours
- ▶ is compliant with legislative requirements and policy frameworks.

During 2011–12, we introduced a number of initiatives and strategies aimed at engaging our staff, strengthening leadership capabilities, ensuring best practice and national consistency, and providing the foundation for the attraction, recruitment and retention of the workforce we will require in the future. These activities include:

- ▶ delivering the Listen, Respect, Lead leadership program, which is aimed at assisting managers and supervisors at all levels to deal with complex discussions with staff
- ▶ establishing the Career Streams Framework, which identifies workforce capabilities for current and future agency needs and improves broader workforce strategies such as performance management, learning and development, workforce planning, mobility and recruitment
- ▶ implementing a new human resources system (known as COMPASS), which streamlines our transactional activities, provides a more coordinated and holistic approach to the delivery of services and provides greater access and transparency for staff to personal records
- ▶ revising the way in which we recruit and train our base-level employees
- ▶ reimplementing mobility arrangements, which provide a refreshed approach to workforce development, alignment of staff to business requirements and risk mitigation
- ▶ initiating a performance management review, which aims to develop a new way of thinking about performance management, with a focus on frequent discussions between managers and staff and collaborative working environments.

We undertook these initiatives in parallel with the delivery of regional and national services as well as routine policy and procedural review. Combined, these activities will ensure that we have:

- ▶ an appropriately skilled, knowledgeable and capable workforce assigned to the right places at the right time
- ▶ a diverse, flexible and engaged workforce that is able to readily adapt to changing business priorities.

Planning for our future workforce

We anticipate that our workforce planning landscape will change due to a range of financial, social, technological and political pressures. In 2011–12, we focused on identifying the factors that will shape our future workforce. These include:

- ▶ the imperative for our workforce capability to shift towards intelligence-led, risk-based decision making, which will require our people to develop enhanced skills in analysing and responding to threats using new technologies and to work seamlessly with industry and with national and international agencies
- ▶ a shortage of relevantly skilled and professional employees due to an ageing and limited labour market combined with competition in the marketplace
- ▶ an increasing need for flexibility in the types of employment options offered to staff
- ▶ the ongoing impact of the global economy, including delayed retirements and fiscal constraints
- ▶ the implementation of government policies and initiatives, such as recommendations from the Blueprint for the Reform of Australian Government Administration.

To meet these challenges, we have started developing a future workforce profile, strategic employment model and long-term roadmap for achieving our strategic goals. This work will build on and integrate our current strategies in conjunction with broader Australian Public Service initiatives.

Training and development initiatives

In 2011–12, we focused on building skills in the leadership cohort across the agency by:

- ▶ developing and implementing the Listen, Respect, Lead program
- ▶ maintaining leadership programs for middle management levels—these programs provided a core suite of skills, common expectations and language around leadership across the agency
- ▶ establishing new programs for both experienced and new supervisors that will roll out in 2012–13.

In addition to these key programs, we focused on developing a platform to support future training requirements by:

- ▶ reviewing the training service delivery model for Customs and Border Protection trainees
- ▶ progressing the implementation of the Career Streams Framework, which will link training and development requirements to each position, job role and function within the agency and enable the development of career pathways
- ▶ establishing a training management framework, which underpins our learning and development strategy, and embedding the learning and development functionality in the COMPASS system
- ▶ continuing to maintain our status as a registered training organisation and to deliver nationally recognised qualifications.

We have also continued to provide a range of core training and development activities, including the graduate program, online learning and other training delivery.

The Listen, Respect, Lead program was a major focus for the year. The program was designed to equip all supervisors and managers with the knowledge they need to effectively undertake open and constructive communication in the workplace. The program is expected to improve staff engagement and promote a shared understanding of agency goals. For more on this program, see the 'Building positive workplace engagement' case study on page 143.

Changes to our internal structure

In March 2012, Customs and Border Protection announced new senior management arrangements. The new arrangements reflect the challenging fiscal environment and the need to achieve efficiencies.

The new senior management arrangements resulted in:

- ▶ a 17.5 per cent reduction in the number of Senior Executive Service (SES) positions
- ▶ an expansion of SES leadership responsibilities
- ▶ the introduction of a new agency structure, with two programs (Border Management and Maritime, Corporate and Intelligence) and one non-aligned division (Strategy, Finance and Integrity).

Our internal structure will continue to evolve to reflect changing business requirements and our operating environment.

Improving productivity

Human resources system

During 2011–12, the COMPASS human resources system became fully operational. The system's launch integrated core payroll, leave entitlement and learning and development-related information. While there are still areas to address to improve our efficiency, the implementation of the system has led to:

- ▶ increased productivity through self-service functionality
- ▶ increased task efficiency through automation with a reduction in end-to-end processing times
- ▶ a reduction in manual processing
- ▶ increased compliance with whole-of-government policy.

Streamlining of workplace relations matters

In January 2012, we implemented a new operating model for coordinating all workplace relations matters within the agency. As part of this model, a central team now coordinates all workplace relations matters including Code of Conduct, review of actions under section 33 of the *Public Service Act 1999* and complaints regarding inappropriate behaviour, bullying and harassment.

In addition, we established a Professional Standards Coordination Unit. The unit's role is to assess allegations of inappropriate behaviour, misconduct and criminal behaviour, so that action is taken in as timely a manner as possible.

These initiatives have streamlined our approach to workplace relations matters and improved the coordination of cases between the Australian Commission for Law Enforcement Integrity and relevant areas within Customs and Border Protection.

Revised trainee recruitment and training model

During the year, we streamlined the recruitment and training model for trainees to ensure that we have a flexible and targeted system that is capable of responding to changing business needs in the short term.

The revised model has resulted in a number of productivity gains, including:

- ▶ higher quality candidates who are more suited to the work environment
- ▶ a streamlined recruitment process that requires less effort, time and resources
- ▶ a more flexible training model that can respond to different needs across the agency
- ▶ an increased focus on the quality of delivery and assessment so that we continue to develop job-ready trainees
- ▶ better alignment of training delivery with our learning and development strategy.

Our workforce

Our workforce spans over 50 locations around Australia and overseas. At 30 June 2012, we employed 5671 ongoing and non-ongoing employees under the *Public Service Act 1999*.

Compared to our workforce of 2010–11, we:

- ▶ had significantly fewer officers separate from the agency (a decrease of 102)
- ▶ employed more graduates (an increase of 12)
- ▶ employed fewer SES (a decrease of 11)
- ▶ had more staff undertaking work on a part-time basis (an increase of 48) and flexible working arrangements (66 staff have taken up this new employment condition as part of the new enterprise agreement)
- ▶ maintained our gender profile, with women representing about 42 per cent of the workforce.

Tables 34 to 37 provide statistics on staffing by gender, classification, location and employment status and comparisons with figures for 2010–11.

Table 34: Staff numbers by gender, 2010–11 and 2011–12

	2010–11	2011–12
Female	2 389	2 415
Male	3 285	3 256
Total	5 674	5 671

Table 35: Staff numbers by classification and gender as at 30 June 2011 and 30 June 2012

	30 June 2011		30 June 2012	
	Male	Female	Male	Female
Indigenous Cadets	1	6	2	3
Customs and Border Protection Trainees	33	27	31	31
Customs and Border Protection Graduate Trainees	8	11	15	16
Customs Level 1 (Customs Officers)	1 351	1 043	1 306	1 030
Customs Level 2 (Senior Customs Officers)	777	612	779	610
Customs Level 3 (Customs Supervisors)	616	376	596	420
Customs Level 4 (Customs Managers)	321	203	346	210
Customs Level 5 (Customs Directors)	140	86	149	75
Senior Executive Service ^(a)	38	25	32	20
Total	3 285	2 389	3 256	2 415

(a) Senior Executive Service (SES) includes ongoing SES employed under the *Public Service Act 1999*, non-SES employees on higher duties and the Chief Executive Officer.

Note: Figures include staff employed under the *Public Service Act 1999*, staff on leave, staff 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). Financial statements report on staff numbers by average staffing levels.

Table 36: Staff numbers by location and classification as at 30 June 2012

	ACT ^(a)	NSW	VIC	QLD	SA	WA	TAS	NT	Overseas
Indigenous Cadets	5	—	—	—	—	—	—	—	—
Customs and Border Protection Trainees	—	24	24	14	—	—	—	—	—
Customs and Border Protection Graduate Trainees	20	4	4	2	—	1	—	—	—
Customs Level 1 (Customs Officers)	246	724	492	436	81	275	10	72	—
Customs Level 2 (Senior Customs Officers)	369	344	278	187	49	109	10	43	—
Customs Level 3 (Customs Supervisors)	520	152	147	84	26	63	8	16	—
Customs Level 4 (Customs Managers)	391	50	42	32	8	22	—	4	7
Customs Level 5 (Customs Directors)	161	21	19	9	1	5	1	1	6
Senior Executive Service ^(b)	43	3	2	2	—	1	—	—	1
Totals as at 30 June 2012	1 755	1 322	1 008	766	165	476	29	136	14
Totals as at 30 June 2011	1 630	1 356	1 018	807	172	500	31	141	19

(a) The figures provided for the ACT also include the agency's maritime workforce. At 30 June 2012, there were 359 officers employed as part of this workforce with 334 employed at 30 June 2011.

(b) Senior Executive Service (SES) includes ongoing SES employed under the *Public Service Act 1999*, non-SES staff on higher duties and the Chief Executive Officer.

Note: Figures include staff employed under the *Public Service Act 1999*, staff on leave, staff 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). Financial statements report on staff numbers by average staffing levels.

Table 37: Staff numbers by full-time and part-time status and classification as at 30 June 2011 and 30 June 2012

	30 June 2011		30 June 2012	
	Full-time	Part-time	Full-time	Part-time
Indigenous Cadets	7	—	5	—
Customs and Border Protection Trainees	50	10	41	21
Customs and Border Protection Graduate Trainees	19	—	31	—
Customs Level 1 (Customs Officers)	1 949	445	1 880	456
Customs Level 2 (Senior Customs Officers)	1 270	119	1 257	132
Customs Level 3 (Customs Supervisors)	917	78	929	87
Customs Level 4 (Customs Managers)	484	40	510	46
Customs Level 5 (Customs Directors)	202	6	220	4
Senior Executive Service ^(a)	63	—	52	—
Total	4 976	698	4 925	746

(a) Senior Executive Service (SES) includes ongoing SES employed under the *Public Service Act 1999*, non-SES staff on higher duties and the Chief Executive Officer.

Note: Figures include staff employed under the *Public Service Act 1999*, staff on leave, staff 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). Financial statements report on staff numbers by average staffing levels.

Staff attrition and retention

Our attrition rate in 2011–12 was 6.71 per cent compared to 9.68 per cent for the previous year.

In 2011–12, we continued our approach to workforce adjustment by using a coordinated approach to reducing overall staffing levels while maximising staffing levels in front-line areas and maintaining employee and business capability.

During 2011–12, we processed 419 employee commencements and 220 promotions. Workforce separations comprised:

- ▶ 169 resignations
- ▶ 96 transfers to other Australian Public Service agencies
- ▶ 57 retirements
- ▶ 39 voluntary redundancies
- ▶ 2 dismissals
- ▶ 11 contract expirations
- ▶ 6 separations for other reasons.³

³ Other reasons can include death, early term non-ongoing, failure to meet conditions or initial training not completed.

The annual separation rates are consistent with our expectations for 2011–12, except in Western Australia where there were higher-than-expected separation rates due to strong competition in the employment market.

Workforce diversity

We value and harness the diversity of our workforce and promote awareness of our policies on workplace diversity, respect and courtesy.

To ensure that all employees are aware of their roles and responsibilities, we provide information at induction, online learning and general awareness-raising activities. We also have an active Harassment Contact Officer Network.

We are further enhancing our workplace diversity reference documentation in line with whole-of-government requirements by promulgating a workforce equity and diversity plan that will complement the existing workplace diversity policy. The plan will provide a strong foundation for an agency-wide approach to the employment of Aboriginal and Torres Strait Islander Australians, people with disability, women, mature-age workers and people from culturally and linguistically diverse backgrounds.

We continued to participate in celebrating Indigenous events during the year with particular emphasis on National Aboriginal and Islander Day Observance Committee Week. In July 2011, we launched the Customs and Border Protection Reconciliation Action Plan. The plan sets out a vision for reconciliation where all employees, Indigenous and non-Indigenous, work together to create opportunities for ‘closing the gap’.

As Customs and Border Protection is not a principal agency within the social policy agenda, reporting is not provided against the social inclusion change indicators developed by the Department of the Prime Minister and Cabinet.

Table 38 shows representation of staff within workplace diversity groups.

Table 38: Representation of equity and diversity groups by staff classification as at 30 June 2012

	Female		Non-English-speaking background		People with disability		Indigenous	
	No.	%	No.	%	No.	%	No.	%
Indigenous Cadets	3	60.00	—	—	—	—	4	80.0
Customs and Border Protection Trainees	31	50.00	3	4.84	—	—	1	1.61
Customs and Border Protection Graduate Trainees	16	51.16	1	3.45	—	—	—	—
Customs Level 1 (Customs Officers)	1 030	44.09	145	6.20	27	1.15	44	1.88
Customs Level 2 (Senior Customs Officers)	610	43.92	72	5.18	29	2.09	14	1.01
Customs Level 3 (Customs Supervisors)	420	41.34	63	6.20	22	2.17	3	0.30
Customs Level 4 (Customs Managers)	210	37.77	31	5.58	5	0.90	3	0.54
Customs Level 5 (Customs Directors)	75	33.48	6	2.68	3	1.34	1	0.45
Senior Executive Service ^(a)	20	38.46	2	3.85	—	—	—	—
Total	2 415	42.59	323	5.70	86	1.52	70	1.23

(a) Includes ongoing Senior Executive Service (SES) employed under the *Public Service Act 1999*, non-SES staff on higher duties and the Chief Executive Officer.

Notes: Figures include staff employed under the *Public Service Act 1999*, staff on leave, staff 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).

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

Employment agreements

Enterprise agreement

In 2011, after extensive negotiations, Customs and Border Protection successfully negotiated a new enterprise agreement to replace the 2010–11 Enterprise Agreement, which nominally expired on 30 June 2011.

The 2011–14 Enterprise Agreement was approved by Fair Work Australia on 16 December 2011 and has been in effect since 23 December 2011. The agreement has a nominal expiry date of 30 June 2014. It covers pay and conditions for 5619 employees. Table 39 shows the current salary ranges for employees covered by the agreement.

The agreement, negotiated with the Community and Public Sector Union, the Australian Institute of Marine and Power Engineers, the Customs Officers Association and staff bargaining representatives, complies with the Australian Public Service Bargaining Framework.

The agreement addressed some key longstanding issues, including district and geographic allowances, work location allowances, marine employee conditions, competency assessment training officers, and operational safety trainers.

Australian workplace agreements and section 24 determinations

In accordance with government direction, the *Workplace Relations Amendment (Transition to Forward with Fairness) Act 2008* and the *Fair Work Act 2009*, Australian workplace agreements are no longer established. At 30 June 2012, there were no non-SES Australian workplace agreements in place.

As at 30 June 2012, 20 of our substantive SES employees had Australian workplace agreements and the remaining 28 substantive SES employees had their terms and conditions covered by a determination under section 24 of the *Public Service Act 1999*.

Individual flexibility arrangements

The current enterprise agreement allows for the making of individual flexibility arrangements that vary the terms of the agreement in relation to a number of matters, including overtime rates, penalty rates, allowances, remuneration and leave. As at 30 June 2012, 66 employees had agreed individual flexibility arrangements in place.

Remuneration

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

Senior executive remuneration

The Remuneration Tribunal sets remuneration and conditions for our Chief Executive Officer. The CEO sets remuneration and conditions for our senior executives. The CEO reviews the remuneration and sets performance payments for SES Band 3 employees. When reviewing remuneration and determining performance payments for SES Band 1 and SES Band 2 employees, the CEO takes into consideration recommendations from a Remuneration Committee consisting of the Chief Operating Officer and the Deputy CEOs.

In 2011–12, the base salary ranges for senior executives were as follows:

- ▶ SES Band 1: \$138 957 – \$187 779
- ▶ SES Band 2: \$174 286 – \$235 159
- ▶ SES Band 3: \$221 151 – \$298 504.

Other employee remuneration

The Enterprise Agreement 2011–14 covers remuneration arrangements for all non-SES employees. Base rates of pay are set out in the current agreement, with provision for salary advancement subject to satisfactory performance.

Table 39: Staff classification, Australian Public Service—equivalent level and salary range as at 30 June 2012

Customs classification	APS level	Salary range (\$)
Indigenous Cadets	Not applicable	42 025 – 47 379
Customs and Border Protection Trainees	Not applicable	42 025 – 47 379
Customs and Border Protection Graduate Trainees	Not applicable	52 085 – 60 755
Customs Level 1 (Customs Officers)	APS Level 3	39 366 – 60 755
Customs Level 2 (Senior Customs Officers)	APS Level 5	65 345 – 71 378
Customs Level 3 (Customs Supervisors)	APS Level 6	72 028 – 85 219
Customs Level 4 (Customs Managers)	Executive Level 1	92 178 – 106 700
Customs Level 5 (Customs Directors)	Executive Level 2	108 414 – 140 287

Performance pay

Performance pay is available to SES employees and may take the form of an annual bonus, bonus payments during the cycle, or movement to a higher salary. Such payments recognise outstanding contributions to particular work outcomes.

During 2011–12, 51 of a possible 61 substantive SES employees received performance pay. The total amount of performance pay for senior executives was \$693 483.

Performance pay is also available through the performance management system to non-SES employees who receive a rating of 'performed above agreed requirements' or 'met agreed requirements' and who are at the top of their salary range.

Details of performance ratings and pay awarded in 2011–12 are given in Tables 40 and 41. Customs and Border Protection has no non-SES employees on Australian workplace agreements, so no performance pay was awarded in this manner.

Table 40: Number of staff who rated as 'performed above agreed requirements', by classification, 2011–12

	CL 1	CL 2	CL 3	CL 4	CL 5	Total
Number of staff who rated as 'performed above agreed requirements'	30	46	82	65	46	269

CL = Customs Level

Table 41: Performance pay outcomes (enterprise agreement), 2011-12

	CL 1	CL 2	CL 3	CL 4	CL 5	Total
Number of staff receiving bonuses ^(a)	1 056	907	534	330	80	2 907
Total amount paid (\$)	1 222 120	1 287 790	980 593	755 392	274 569	4 520 464
Bonus amount average (\$)	1 157.31	1 419.83	1 836.32	2 289.07	3 432.11	NA
Minimum bonus paid (\$)	313	117	9	9	29	NA
Maximum bonus paid (\$)	3 569	3 710	4 261	5 335	7 015	NA

CL = Customs Level

(a) Not all staff who performed above agreed requirements received a performance bonus. Some 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.

Non-salary benefits

A range of non-salary benefits are available to SES and director-level (Customs Level 5) staff. These benefits include a motor vehicle allowance, onsite car parking, home garaging, limited personal use of an official mobile phone and airline lounge membership.

Manager-level (Customs Level 4) staff have access to limited personal use of an official mobile phone and airline lounge membership.

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

Case study

BUILDING POSITIVE WORKPLACE ENGAGEMENT

The Listen, Respect, Lead program was developed in direct response to staff feedback received from two key people-related activities—the most recent enterprise agreement negotiations and the reintroduction of the mobility policy. In both cases, the need for better communication between managers and their staff in their current environment was highlighted.

Listen, Respect, Lead is aimed at assisting those managing and supervising staff at all levels to deal with complex staff discussions. The program is designed to be more than a one-day workshop—it is about changing the way we work as leaders over the longer term and an opportunity to improve engagement and communication. It is also about the responsibility we



all have to create a positive workplace where managers have the confidence and capability to undertake difficult discussions as well as communicate and support organisational change.

The goal of the program is for Customs and Border Protection staff to trust their leaders, be fully engaged and come to work with the energy, commitment and goodwill to deliver the services required today and to create the organisation of the future. Customs and Border Protection wants to develop a culture that gives staff a legitimate voice to express their concerns about change, as well as contribute practical ideas about how changes might be implemented. The program aims to provide our leaders with the confidence and skills to undertake productive conversations with their staff about local issues and the goals and future -direction of the organisation.

A key element of success with Listen, Respect, Lead was the use of a collaborative approach to the development of a program that included:

- ▶ four focus groups held across a number of regional offices, followed by five pilot programs, to ensure agency-wide relevance and participation
- ▶ the inclusion of SES and Customs Level 5 officers in the program design
- ▶ a co-facilitation model involving senior officers and an external facilitator.

CASE STUDY (CONTINUED)

BUILDING POSITIVE WORKPLACE ENGAGEMENT

Attendance levels at the Listen, Respect, Lead workshops were excellent. A total of 1526 participants from Customs Level 1 to SES attended a version of the program between November 2011 and June 2012. A total of 83 one-day workshops were held across all states and territories during the period from February to June 2012.

The program has led to significant improvements in engagement and communication in the agency and has promoted a shared understanding of agency goals.

Feedback showed that the content was well received; the workshops achieved positive participant attitudes and evaluation data averaged an 85 per cent satisfaction rate.

Key messages from workshops have shown success in the delivery of program goals. In particular:

- ▶ the senior officer and co-facilitator model worked very well, particularly in regional offices as it increased the profile and accessibility of SES officers across the agency
- ▶ the program provided a unique and valuable opportunity for personal development beyond the operational skills base
- ▶ participation helped to equip managers with tools and language to 'manage', which is considered vital in our continually changing and challenging business environment
- ▶ the workforce is engaged with the program and is supportive of working on next steps to further embed these themes across the agency.

Embedding Listen, Respect, Lead behaviours in a sustainable manner is our next priority.

In 2012-13, we will develop a comprehensive change management and communication strategy that will incorporate the behaviours into a broad cross-section of agency initiatives, including the performance review pilot program, divisional and branch plans, the performance assessment and feedback process and existing leadership programs.

Legal services

Legal Services Branch is an in-house team that assists Customs and Border Protection to meet its administrative, legislative and policy objectives, and to protect the Commonwealth's interests. The advice given by the Legal Services Branch provides assurance that the way Customs and Border Protection has acted, or proposes to act, is legally appropriate and within the scope of its powers, and that legal risks are being adequately managed.

Legal Services Branch provides assistance through six core teams: Operations and Information Law, People, Legislation, Litigation and Trade, Commercial Law and Legal Policy. The branch also provides a General Counsel function and ad hoc support to specific projects.

Legal Services Branch also fulfils the role of 'informed purchaser' of external legal services, procured on an as-needed basis. This may take the form of secondments, engagement for specific advice or specific matters, or prosecutions.

Legal services expenditure

Table 42 shows expenditure on legal services to contracted service providers from 2009–10 to 2011–12. Table 43 shows total expenditure on legal services and the number and value of briefs to counsel by gender over the same period.

Table 42: Expenditure on legal services to contracted service providers

	2009–10 (\$)	2010–11 (\$)	2011–12 (\$)
Australian Government Solicitor	6 375 798.22	4 339 790.27	3 329 475.05
Ashurst (formerly Blake Dawson)	—	—	10 719.19
Clayton Utz	107 761.90	90 721.29	74 130.21
King & Wood Mallesons (formerly Malleson Stephen Jacques)	18 090.00	2 928.27	10 253.00
Middletons	582 169.95	191 066.24	—
Minter Ellison	152 740.50	254 027.97	53 411.16
Norton Rose	22 935.00	203 370.08	174 650.36
DLA Piper (formerly DLA Phillips Fox)	14 103.91	95 056.30	28 961.21
Proximity Legal	—	—	192 604.98
Sparke Helmore	—	35 615.47	4 813.60
Total	7 273 599.48	5 212 575.89	3 879 018.76

Table 43: Total expenditure on legal services and number and value of briefs to counsel by gender

	2009–10 (\$)	2010–11 (\$)	2011–12 (\$)
Total external legal services expenditure	8 001 970.43	5 917 274.39	4 495 988.46
Total number of counsel briefed	51	33	34
Male counsel briefed	44	27	30
Female counsel briefed	7	6	4
Total number of counsel direct briefed	—	—	—
Male counsel direct briefed	—	—	—
Female counsel direct briefed	—	—	—
Total value of counsel briefs	509 654.93	406 874.47	407 214.64
Value of male counsel briefs	448 732.08	378 794.00	352 485.80
Value of female counsel briefs	60 922.85	28 080.50	54 728.84
Total disbursements (excluding counsel)	218 716.02	297 824.03	209 755.06
Total professional fees paid	7 273 599.48	5 212 575.89	3 879 018.76
Total internal legal services expenditure	756 899.75	1 897 319.59	2 536 831.70
Total costs recovered^(a)	662 592.76	570 839.00	426 329.00

(a) Recovered costs are reported exclusive of goods and services tax.

Legislation

Customs and Border Protection–related Bills that were passed in parliament during the year are listed below.

- ▶ *Passenger Movement Charge Amendment Act 2012*—increases the passenger movement charge by \$8 from 1 July 2012.
- ▶ *Customs Amendment (New Zealand Rules of Origin) Act 2012*—amends the *Customs Act 1901* to implement amendments to the Australia – New Zealand Closer Economic Relations Trade Agreement. These amendments arose from the review of the agreement by Australia and New Zealand.
- ▶ *Customs Amendment (Anti-dumping Measures) Act 2011*—amends Division 5 of Part XVB of the *Customs Act 1901* to clarify the circumstances for considering revocation of anti-dumping and countervailing measures. It also inserts a legislative test, in line with the World Trade Organization Anti-Dumping Agreement and Agreement on Subsidies and Countervailing Measures, clarifying the conditions for revoking anti-dumping and countervailing measures on application to the Minister for review.
- ▶ *Customs Amendment (Anti-dumping Improvements) Act 2011*—implements the government's first tranche of measures in the *Streamlining Australia's anti-dumping system* reform package.

- ▶ *Clean Energy (Customs Tariff Amendment) Act 2011*—one in a package of 18 acts implementing the government's Clean Energy Future package. The Act imposes an amount of customs duty equivalent to the carbon price on fuel emissions on domestic aviation fuel and non-transport gaseous fuels from 1 July 2012.
- ▶ *Clean Energy (Customs Tariff Amendment) Act 2012*—contains provisions that exempt compressed natural gas for non-transport use from customs duty.

More information in relation to our revenue legislation can be found under 'Revenue (general)' on page 117.

Key legal matters in 2011–12

The number of applications and requests for reasons under the *Administrative Decisions (Judicial Review) Act 1977* from 2009–10 to 2011–12 are shown in Table 44. Federal Court judicial review matters are outlined in Table 45.

Table 44: Federal Court judicial review applications and *Administrative Decisions (Judicial Review) Act 1977* requests for reasons

	2009–10	2010–11	2011–12
Federal Court applications for review	4	1	5
Requests for statement of reasons	—	—	2
Matters settled during the year	—	—	—
Matters withdrawn during the year	—	—	20

Table 45: Federal Court decisions in judicial review matters

	2009–10	2010–11	2011–12
Matters resolved in favour of Customs and Border Protection	2	2	—
Matters resolved against Customs and Border Protection	1	1	—
Total	3	3	—

CEO of Customs v Toyota Materials Handling [2012] FCAFC 78

In the case of *CEO of Customs v Toyota Material Handling* [2012] FCAFC 78, the Full Court of the Federal Court allowed an appeal by Customs and Border Protection and set aside the decision of the Administrative Appeals Tribunal. The Full Court restored the original decision of Customs and Border Protection to refuse to grant a Tariff Concession Order (TCO) for certain forklift trucks. This is the first Full Court decision regarding the definition of 'substitutable goods', which is the central concept in the TCO scheme.

The Full Court found that:

- ▶ the ‘substitutable goods’ definition requires a comparison of the actual and potential uses of the TCO goods with those of the Australian-made goods
- ▶ the Administrative Appeals Tribunal had erred by taking a different approach, by taking into account whether the Australian goods and TCO goods competed in a market.

Administrative Appeals Tribunal cases

Details of Customs and Border Protection–related cases in the Administrative Appeals Tribunal are shown in tables 46 to 50.

Table 46: Administrative Appeals Tribunal applications for review

	2009–10	2010–11	2011–12
Tariff classification and Schedule 4 ^(a) items	10	12	4
Valuation and origin	4	4	—
Tariff concessions	14	5	15
Refunds	—	—	—
Freedom of information	—	—	—
Other	3	—	1
Total applications for review	31	21	20

(a) *Customs Tariff Act 1995*.

Note: Applications relate to section 37 of the *Administrative Appeals Tribunal Act 1975*.

Table 47: Administrative Appeals Tribunal decisions handed down

	2009–10	2010–11	2011–12
Customs and Border Protection decisions set aside	3	2	2
Customs and Border Protection decisions affirmed	5	4	1
Tariff classification and Schedule 4 ^(a) items	2	3	2
Valuation and origin	1	—	—
Tariff concessions	2	2	1
Freedom of information	—	1	—
Other	—	—	—
Total decisions affirmed and set aside	8	6	3

(a) *Customs Tariff Act 1995*.

Table 48: Federal Court appeals from decisions by the Administrative Appeals Tribunal

	2009–10	2010–11	2011–12
Appeals resolved in favour of Customs and Border Protection	—	1	2
Appeals resolved against Customs and Border Protection	—	—	—
Tariff classification and Schedule 4 ^(a) items	—	—	—
Valuation and origin	—	—	—
Tariff concessions	—	—	2
Other	—	—	—
Total appeals in favour and against	—	1	2

(a) *Customs Tariff Act 1995*.

Table 49: Matters resolved before being heard by the Administrative Appeals Tribunal

	2009–10	2010–11	2011–12
Matters withdrawn/dismissed (section 42A) ^(a)	6	12	9
Matters settled by consent (section 42C) ^(a)	11	1	5
Tariff classification and Schedule 4 ^(b) items	7	4	4
Valuation and origin	—	—	2
Tariff concessions	8	9	5
Refunds	—	—	1
Freedom of information	—	—	—
Other	2	—	2
Total matters dismissed and settled	17	13	14

(a) *Administrative Appeals Tribunal Act 1975*.

(b) *Customs Tariff Act 1995*.

Table 50: Administrative Appeals Tribunal requests for reasons

	2009–10	2010–11	2011–12
Tariff classification and Schedule 4 ^(a) items	1	1	—
Valuation and origin	—	—	—
Tariff concessions	—	—	—
Refunds	—	—	—
Freedom of information	—	—	—
Other	—	—	—
Total requests for reasons	1	1	—

(a) *Customs Tariff Act 1995*.

Note: Requests relate to section 28 of the *Administrative Appeals Tribunal Act 1975*.

Corporate projects

Our Project Framework contains the tools and guidelines to assist projects to deliver the required outcomes, and to realise benefits on time, on budget and to the necessary quality for facilitating change. We are continuing to develop and streamline the framework to ensure its ongoing effectiveness throughout the agency.

In 2011–12, we continued to build our capability to implement our investment in projects. A Project Assurance Team monitors and reports on the status of the agency's portfolio of programs and projects to ensure change initiatives are strategically aligned with corporate priorities and continue to remain viable. Program and project management expertise represents a key capability into the future for implementing strategic business initiatives.

Project Framework

The Project Framework integrates a project management approach with administrative design for effectively managing organisational projects. Our organisational capability to commission, manage and realise benefits from our investments is still maturing. We are currently trialling a new investment prioritisation model to better align our projects with strategic priorities. A key development has been delivered in the area of benefits realisation with the establishment of a benefits management process that tracks benefits in defined business cases.

Throughout 2011–12, we continued implementing the P3M3 (portfolio, program and project management maturity model) requirements within the agency set by the Department of Finance and Deregulation. We are on track to fully implement those requirements by the September 2012 deadline.

Knowledge and systems

Capabilities in the management of knowledge and systems are essential for effectively managing border risks and for supporting organisational and whole-of-government outcomes. Information management is at the core of our ability to direct our operations to the areas of highest risk, as well as our ability to deliver more streamlined management of border transactions.

Knowledge and information systems and technology services:

- ▶ provide security and continuity for critical business functions
- ▶ deliver ICT support for each business process, border risk and emerging priority
- ▶ respond quickly to changes in the business and threat environment
- ▶ drive a whole-of-agency and whole-of-government approach to knowledge and information management.

Maintaining the efficiency and effectiveness of our ICT services in the face of increasing financial constraints is a challenge. To achieve outcomes more effectively, we are continuing to develop an enterprise approach and realign business and ICT responsibilities, while optimising the efficiency, capability and cost-effectiveness of baseline ICT services.

We also face a range of internal and external information security threats, including an increasing need for integrated information—across government and internationally—and a continuing need to maintain appropriate capabilities to manage and support the complex ICT environment.

During 2011–12, we continued to work on:

- ▶ transforming the ICT function to a more agile, client-focused, value-driven enterprise capability
- ▶ developing whole-of-agency knowledge and information that contributes to whole-of-government outcomes
- ▶ developing a corporate and operational decision-making model based on an enterprise view of knowledge and systems
- ▶ providing high-availability ICT services across all critical operational environments
- ▶ using security awareness programs to create a culture of awareness and diligence
- ▶ implementing measures to ensure the adequacy of recordkeeping.

Our key initiatives in 2011–12 focused on developing a strategy and roadmap to guide our approach to information management. Alongside this strategy, we worked to develop a risk assurance and reporting framework and gap analysis to strengthen and improve our management of risk.

We made significant improvements to infrastructure including successfully deploying IT systems to support operations such as upgrading our offices in the Northern Territory, Queensland and Western Australia to next-generation desktop computing. We also implemented foundation

technology to mitigate cybersecurity threats and to support new requirements stemming from the changes made to the Information Security Manual in November 2010.

Other significant initiatives included enhancing our enterprise data warehouse to improve our ability to quickly provide information for a number of critical business activities such as targeting criminal activity.

We also started work on a strategy for sourcing services that conforms to whole-of-government ICT procurement contracting arrangements. We began market-testing several of our major ICT vendor partnerships under the new arrangements and expect to complete the project in 2012–13. We are also leading one of the multi-agency groups in the Australian Government Internet Gateway Reduction Program.

Improvements to infrastructure and IT systems

During 2011–12, we made significant improvements to infrastructure and a range of systems to support operations and to provide a more stable and robust ICT environment. The infrastructure improvements, using a Commonwealth allocation from the ICT Business-as-Usual Reinvestment Fund, include:

- ▶ deploying a flexible storage capability to meet the needs of next-generation computing
- ▶ introducing email archiving to reduce our overall storage needs and meet National Archives of Australia requirements
- ▶ upgrading the mainframe and optimising its use
- ▶ increasing our use of virtual servers and optimising our network infrastructure.

System improvements include implementing the first stage of the Enhanced Passenger Assessment and Clearance Program (see below) and upgrading ePassport readers. A contract, project implementation plan and schedule are also in place for the deployment of the enterprise document and records management system.

Enhanced Passenger Assessment and Clearance Program

In February 2012, we completed the first stage of the Enhanced Passenger Assessment and Clearance Program. The program is designed to position us to meet the challenges of assessing and clearing an increasing number of international travellers while maintaining the integrity of Australia's border. Stage one of the program involved delivering a number of projects that provide our officers with increased confidence in the identification of travellers of interest and subsequent interventions. This has resulted in improved facilitation of legitimate travellers by minimising unnecessary interventions.

Enterprise Information Management Project

During 2011–12, the Enterprise Information Management Project delivered a number of enhancements to our enterprise data warehouse. These enhancements have greatly improved our ability to provide more responsive reporting on passenger movements, to monitor and target criminal syndicate activity, and to undertake a more detailed risk analysis of cargo.

The project team made significant improvements to the source data used by analysis teams so that they can conduct more informed risk assessments and monitor potential criminal activity. This has allowed a more in-depth view of all traveller details while highlighting any potential risks that need further analysis. Cross-stream risk analysis can also now be undertaken on both passenger and cargo data. This has led to a significant increase in the volume and scope of information available to target consignments and passengers in real time. Monitoring activity recently identified a number of containers of undeclared tobacco, representing millions of dollars in duty.

Customs and Border Protection is developing an enterprise-wide information management capability that will enable the delivery of organisational and whole-of-government outcomes and effective management of border risks.

The Information Management Strategy describes a set of initiatives that will develop and enhance Customs and Border Protection's information management capability to the desired level. The roadmap prioritised a list of 14 initiatives from the strategy that will progressively lead to the efficient, collaborative use of information by Customs and Border Protection, other border agencies and government agencies more broadly.

A consistent approach to information management will allow us to realise our vision of having a system that gets the right information to the right person at the right time. This provides the foundation for Customs and Border Protection to better target profiling and analytics. Ultimately, these foundation aspects will deliver improvements to corporate and operational performance.



Staff profile

ANDREW PADOS
SENIOR DESKTOP ANALYST,
INFORMATION TECHNOLOGY DIVISION,
CANBERRA



Andrew Pados works in the IT Operations End User Computing team in Canberra. With more than 20 years of experience in electrical engineering and IT under his belt, Andrew joined Customs and Border Protection a little more than a year ago to manage our transition to next-generation desktop computing platforms.

In his role as a senior desktop analyst, Andrew manages software and technology deployments to Customs and Border Protection work sites in ports, airports and offices around the nation. The team that is working on the next-generation desktop project has benefited from Andrew's deep understanding of and experience with technology and software deployment.

Andrew loves motorcycling, and says he enjoys the time he spends travelling between work sites deploying technology and assisting local staff. From remote Weipa, Gove and Thursday Island, to Cairns, Launceston and major capital cities, Andrew has enabled Customs and Border Protection staff to use newer and faster technology at the border.

'It's great to meet people in the different offices, provide them with new technology and solve their technical issues,' says Andrew. 'The people are so friendly, and it makes a real difference seeing the technology being used in the workplace.'

Staff profile

TRAVIS KIRK
ACTING SUPERVISOR, IT INCIDENT
MANAGEMENT, INFORMATION
TECHNOLOGY DIVISION, CANBERRA



Travis Kirk works in the IT Incident Management team in Canberra. During his 11 years of service with Customs and Border Protection, Travis has worked in a broad array of roles, including security, records management, intelligence, recruitment, corporate research and even detector dog training.

As a supervisor, Travis coordinates many different teams and service providers to resolve IT issues. This includes managing high-impact incidents with the knowledge that staff, industry and the public are relying on him to coordinate their resolution as quickly and effectively as possible.

The nature of Travis's role means that at any time, day or night, he has to be ready to respond to an IT incident. Depending on the nature of the incident, this may require him to communicate with stakeholders, provide executive updates, and in some cases form a joint response team to deal with a high-impact incident.

'I work with a great bunch of people,' he says. 'We have a culture of cooperation that means that any incident can be resolved efficiently—particularly the major ones. It's really satisfying to coordinate the resolution of a major incident and be the one who brings it all together.'

Other staff within Customs and Border Protection have commended Travis for his responsible attitude and attention to detail in resolving issues to their satisfaction.

Infrastructure and facilities

Infrastructure and facilities management is centrally coordinated. We have a property team that provides guidance and management of infrastructure. Our land, buildings and leased assets are managed by third parties under outsourced contracts.

Property Management Plan

The Property Management Plan is in accordance with guidelines set out by the Department of Finance and Deregulation. In addition to promoting efficient, effective and ethical use of Commonwealth resources in the delivery of our property requirements, information contained in this plan has enabled a more targeted use of Commonwealth property resources.

During 2011–12, Customs and Border Protection strengthened its relationships with other Commonwealth agencies—particularly border agencies—within the infrastructure and facilities environments. This has resulted in agreements to share accommodation with other Commonwealth agencies. A number of airport-initiated expansions have significantly impacted border agencies located in these airport facilities. Customs and Border Protection has taken the lead on behalf of border agencies in facilitating consistent outcomes at airport facilities.

Customs and Border Protection has taken the opportunity to sublease facilities from the Australian Federal Police as well as to provide office space for the Department of Agriculture, Fisheries and Forestry.

Customs and Border Protection's average portfolio density remains above the occupational density target of 16 square metres where it has not been cost-effective to reach this target. We have taken steps to work towards this target when opportunities arise. Port Adelaide Customs House was refitted during 2011–12 to better support our business requirements and reduce the occupational density.

Staff housing

In 2011–12, we commenced the 2020 Housing Strategy. This strategy supports the delivery of business priorities and promotes staff wellbeing in remote locations. Flowing from this strategy, Customs and Border Protection surrendered 11 houses, five new residential leases were entered into, three houses were purchased in Gladstone (1) and Mackay (2), and construction commenced on six houses in Port Hedland (2) and Thursday Island (4).

We completed the implementation of occupancy agreements with all staff occupying a Customs and Border Protection-owned or leased house. We also updated inventory and condition reports.

The Domestic Staff Housing Management Practice Statement was finalised.

Property portfolio management

The contract relationship with Jones Lang LaSalle has continued to develop since commencing in April 2011. During 2011–12, a number of lease management and capital works activities were undertaken.

Lease management

The Lease Management team coordinates the commercial property portfolio (including communication and closed-circuit television sites) nationally and internationally. The Leasing team provides guidance and facilitates new leases, extensions and terminations in line with operational requirements and the Property Management Plan.

The type and number of leasing tasks undertaken during 2011–12 are shown in Table 51.

Table 51: Number of leasing tasks undertaken during 2011–12

Leasing task	Number
New leases/lease renewals	43
Market assessments	3
Rent reviews	96
Subleases	2
Expiries/terminations	2

A number of significant lease renewals were negotiated during 2011–12, including:

- ▶ Canberra Head Office leases—5 Constitution Avenue, 48–56 Allara Street and 2 Constitution Avenue—renewal to 2016
- ▶ Fyshwick, ACT—five-year renewal
- ▶ Newcastle District Office—five-year renewal
- ▶ Launceston District Office—three-year renewal with 18-month termination clause.

Capital works

During 2011–12, we invested over \$10.7 million on capital improvements to Customs and Border Protection properties. Capital projects included the upgrade, refurbishment and alteration of existing fit-outs. Key capital projects delivered included:

- ▶ refurbishment of Customs House, Port Adelaide
- ▶ construction of a taskforce facility to accommodate a joint agency taskforce in the Fremantle office
- ▶ refurbishment of Customs and Border Protection accommodation at Sydney Airport
- ▶ outwards passenger processing refit at Cairns Airport
- ▶ air cargo deconstruction rooms in Melbourne and Sydney.

Financial management

Our financial management function is a core accountability mechanism for the agency and one of the fundamental components of good corporate governance. Proper management of risks ensures that we use our resources efficiently while complying with the Commonwealth's financial framework. Failure to manage our finances appropriately would lead to lost business opportunities, increased external scrutiny and damage to our reputation.

Our operating and fiscal environments require sound decision making that is based on reliable data and analysis. This assists in managing operational or tactical activities to ensure that resources are focused on meeting government and organisational objectives.

Our current control strategies are commensurate with the risk environment. We use well-established business processes and audit scrutiny, both internal and external, to continually assess the financial control environment. There are no known risks that are not being treated, although we will continue to look for ways to improve our processes.

During 2011–12, we dealt with a multitude of risk factors in the financial management sphere, including:

- ▶ operating within an increasingly tight budget both now and across the forward estimates period
- ▶ navigating the increasing complexity of processes such as the federal budget, changes in accounting standards, procurement arrangements, and legislative and taxation compliance
- ▶ responding to increased scrutiny of our financial activities by bodies such as the Australian National Audit Office (ANAO) and the Department of Finance and Deregulation
- ▶ ensuring that we have appropriately qualified and skilled staff in a difficult labour market.

In 2011–12, we made significant progress in achieving our identified objectives.

We made substantial progress on our Budget and Resource Management Framework to the stage where it now plays an integral role in our internal budget and multi-year planning process. Our approach in developing our 2012–13 internal budget focused resource allocation decisions according to the organisation's major business functions, rather than by a more traditional organisational structure-based approach. We applied the government's efficiency dividend savings after our border risk and enabling function work areas conducted detailed assessments of their risk environment, with reductions targeted, wherever possible, in non-front-line functions and areas of lower corporate risk. This approach facilitated a closer alignment of resourcing decisions with organisational business strategy and risks, and better positioned the organisation to manage within the tight fiscal environment in which we will be operating for the near future.

The upgrade to our financial management information system took place as planned and provided a smooth transition to a platform that provides increased functionality and reliability.

Customs and Border Protection has well-developed processes in place to ensure that value-for-money procurement is achieved. These processes have, until recently, been largely manual

and paper-based. During 2011–12, we implemented a new electronic procurement and contract management system that has a planned launch date in early 2012–13. The new system will facilitate our procurement processes, including approvals, through electronic means and will support improved contract management by encouraging reviews of contract performance more regularly and prompting of contract renewal processes earlier. All of the processes will support the achievement of improved value-for-money outcomes.

One area of particular focus during the year was in relation to our administered revenue debt management processes. The work throughout the year on improved policies, processes and management of debt resulted in the downgrading of an ANAO category B finding. The project involved a number of areas of the agency and also included a seconded officer from the Australian Taxation Office who provided advice on best-practice approaches and ensured that our respective agency processes were aligned.

Policy engagement

As the lead agency at the border, Customs and Border Protection contributes to border management policy deliberations in a way that is evidence-based, innovative, part of a coherent strategy and collaborative. We engage in whole-of-government decisions and implement policy decisions in a way that is within our capability and reinforces our credibility with stakeholders.

Our first control strategy is to maintain environmental awareness of our immediate operating environment, of broader trends in the wider world and of opportunities and vulnerabilities in the government policy space.

Our second control strategy is to maintain a sufficient level of engagement with internal and external stakeholders. Through good governance and strong leadership, we ensure that appropriate senior officers are members of committees and other groups that drive whole-of-government policy affecting the border domain. Our governance arrangements are effective.

Since the National Security Statement of December 2008, Customs and Border Protection has been the lead border agency in a border community that is moving from cooperation and collaboration to truly integrated approaches. The Border Management Group was established in 2009, bringing together deputy secretaries from 12 border agencies. This forum continued to mature in 2011–12 and is in a strong position to plan and apply whole-of-border policy and provide a central source of border information for whole-of-government processes.

In 2011–12, we maintained a lead role in driving a collaborative border environment through the Border Management Group. We also continued to work closely with law enforcement and broader public sector stakeholders through forums such as the Australian Crime Commission Board.

Influencing border policy and legislation

As the lead border agency, we play an important role in influencing policy and legislation. In 2011–12, we contributed to the amendments to the *Customs Act 1901* through the *Crimes Legislation Amendment (Powers and Offences) Act 2012*. The amendments support the seizure of border-controlled drug analogs by removing a legislative anomaly in relation to the ability of our officers to seize illicit substances without a warrant. This amendment has enhanced our ability to prevent prohibited goods from entering the Australian community by enabling us to consistently apply our powers to seize border-controlled drugs, plants and precursors.

International engagement

We have a range of engagement and capacity-building responsibilities with our international counterparts.

Our overseas officers contribute to the strategic policy agenda by staying abreast of the activities of our key partners and engaging in Customs and Border Protection-specific multilateral forums, including the:

- ▶ World Customs Organization
- ▶ Asia-Pacific Economic Cooperation (APEC) Sub-Committee on Customs Procedures
- ▶ Asia-Europe Meeting Working Group on Customs Matters.

We also actively contribute to Australia's whole-of-government multilateral negotiations, including negotiations for a UN arms trade treaty and the Anti-Counterfeiting Trade Agreement.

Our enablers

During 2011–12, we worked closely with regional counterparts to deliver targeted capacity-building programs designed to support sustainable development outcomes.

A significant example of our capacity-building effort is our work under the Southeast Asia Border Security Program, which provides funding for the delivery of counter-terrorism capacity-building activities in Southeast Asia from 2009 to 2013. The program's objective is to manage risks ahead of the Australian border, with a focus on strengthening regional security in Southeast Asia.

During the year, our key achievements under this program included:

- ▶ delivering a range of training, workshops and officer placement programs to enhance detection capabilities, communication and border management processes of border-related agencies in Southeast Asia
- ▶ strengthening cooperation between border management agencies within Southeast Asia through the delivery of passenger risk-assessment workshops specially developed in collaboration with the Department of Immigration and Citizenship and the Department of Infrastructure and Transport
- ▶ gifting a range of dual-purpose trace detection technology, portable generators and associated training to counterpart agencies in Southeast Asia. This technology has resulted in improved screening and detection capabilities at key air and sea ports in the region.

We also supported regional capacity-building efforts by contributing to the:

- ▶ Regional Assistance Mission to Solomon Islands (RAMSI) Customs Modernisation Program—we provided a range of training, technical, policy and operational assistance to the Solomon Islands Customs and Excise Division at Honiara's international airport
- ▶ Papua New Guinea – Australia Customs Twinning Scheme—we supported the delivery of this AusAID-funded scheme to Papua New Guinea Customs Service, which assisted in reforming and modernising the organisation and delivered substantial capacity-building assistance
- ▶ Oceania Customs Organisation (OCO)—we continued to engage with the OCO, a regional organisation designed to strengthen the capability of customs administrations in Pacific island countries and East Timor, and contributed towards a revision of governance arrangements within the organisation.

External consultation

We interact with a number of external groups in the conduct of our operations, and continue to participate in whole-of-government forums on national and border security.

Secretaries Committee on National Security

As a member of the Secretaries Committee on National Security, our CEO contributes to the development of border protection policy within the context of major international security issues of strategic importance to Australia.

National Security Policy Coordination Group

The National Security Policy Coordination Group assists in developing new whole-of-government approaches to national security issues. The group takes a prominent role in building and maintaining an interconnected national security community. We are represented on the group by our Deputy CEO, Maritime, Corporate and Intelligence.

Border Management Group

Customs and Border Protection has a lead role in driving collaboration between border agencies, and one way we exercise this responsibility is through the Border Management Group. The group is responsible for strategic border synchronisation and for performing the detailed work required to implement, review and evaluate strategic border management planning activity. The group was established in October 2009 and is represented at the deputy secretary level by 12 border agencies. Our Deputy CEO, Maritime, Corporate and Intelligence is the chair of the group and the agency provides secretariat support.

Among other things, the Border Management Group is currently developing the Australian Border Management Strategy, which will outline the strategy to deliver effective border management, and will guide border and partner agencies in responding to current and emerging risks and challenges.

Australian Crime Commission Board

Through membership of the Australian Crime Commission Board, our CEO contributes to setting the strategic direction and priorities of the commission, including determining investigations and operations to reduce serious and organised crime nationally.

Heads of Commonwealth Operational Law Enforcement Agencies

The Heads of Commonwealth Operational Law Enforcement Agencies is the broad consultative mechanism for Commonwealth law enforcement policy and is the body that oversees the implementation of whole-of-government strategy on organised crime. It meets twice a year and comprises agency heads from 12 law enforcement and regulatory agencies. Our CEO and Deputy CEO, Maritime, Corporate and Intelligence represent Customs and Border Protection.

National Passenger Facilitation Committee

Our National Director, Passengers, chairs 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 was formed in 2009 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*) ports. The committee, chaired by Customs and Border Protection's National Director, Compliance and Enforcement, 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. The committee meets twice a year and is a national forum which discusses strategic trade and border protection issues that affect the trading community, business and import/export specialists. Membership includes representatives from:

- ▶ Australia Post
- ▶ Australian Chamber of Commerce and Industry
- ▶ Australian Federation of International Forwarders
- ▶ Conference of Asia Pacific Express Carriers
- ▶ Customs Brokers and Forwarders Council of Australia
- ▶ Department of Agriculture, Fisheries and Forestry
- ▶ Law Council of Australia
- ▶ Qantas Group/Board of Airline Representatives of Australia
- ▶ Shipping Australia
- ▶ the stevedoring industry.

The Customs and Border Protection National Consultative Committee is supported by both the Business and Technology sub-committees. The role of the Business Sub-Committee is to provide technical advice and recommendations to the main committee on Customs and Border Protection matters affecting industry, and to share best practices and act as a sounding board to resolve problems.

The Technology Sub-Committee's purpose is to establish a closer working relationship between Customs and Border Protection and third-party and in-house software developers.

Deputy Secretaries Steering Committee

The Deputy Secretaries Steering Committee of Customs and Border Protection and the Department of Immigration and Citizenship was established in 2007 and operates to formalise and strengthen the strategic relationship between the two agencies. It is a forum to discuss and progress matters of interest to both agencies and activities covered by the memorandum of understanding between Customs and Border Protection and the Department of Immigration and Citizenship.

Strategic Working Group

The Strategic Working Group of Customs and Border Protection and the Department of Agriculture, Fisheries and Forestry was established in 2010 to formalise the strategic relationship between the two agencies. It is a forum to progress matters of interest to both agencies, which delivers greater efficiencies and improvements to Australia's operations at the border. The launch and publication of the new Customs – DAFF Memorandum of Understanding was marked by a joint signing on 21 July 2011 attended by staff from both agencies. Annexures supporting the MOU are being developed addressing specific business areas. These annexes detail the collaborative approach to joint activities between the two agencies and set out the high-level principles and objectives for each arrangement.

Border Protection Task Force

The Border Protection Task Force is chaired by the National Security Adviser, with our CEO as the deputy chair. Its charter is to drive the government's response to people smuggling, particularly around policy issues, and our membership reflects the leading role we take at the border.

Secretaries' ICT Governance Board

As a member of the Secretaries' ICT Governance Board, our CEO contributes to the whole-of-government strategic leadership in ICT by maximising its benefits in delivering services while addressing issues and trends from a national perspective. The board's endorsement of policies and standards, in conjunction with guiding whole-of-government projects and forums, enables alignment with the needs of the Customs and Border Protection community.

International Trade Remedies Forum

The International Trade Remedies Forum is chaired by our CEO and comprises members representing manufacturers, producers and importers, industry associations, trade unions and relevant government agencies. The forum continues to play an ongoing advisory role, including reporting to government on options for further improvements to Australia's anti-dumping and countervailing system.

Corporate governance

Our corporate governance arrangements provide the framework for good decision making and for implementing and communicating our decisions both internally and externally. We achieve this by designing, implementing and maintaining robust approaches to corporate planning and risk management, as well as by providing efficient, effective and responsive parliamentary and executive services.

Like all Australian Government agencies, we are operating in an era of fiscal constraint. At the same time, risks to the border are increasing and transforming. Supply chains and travel routes are becoming more complex, as are the methods being used to circumvent border controls. People and organisations trying to breach Australia's borders are becoming increasingly responsive to intervention measures.

In these challenging times, we are focused on refining our corporate governance frameworks to make sure the resources we do have are allocated to the highest priorities. Our intelligence-led, risk-based approach is key to this, and in 2011–12 we took a number of steps forward in increasing the sophistication of our model, as outlined in the case study on page 169.

The cornerstone document of our intelligence-led, risk-based strategic planning process is the Customs and Border Protection Risk Plan. The Risk Plan provides the definitive statement of Customs and Border Protection's strategic position and articulates the challenges posed by border risk. The plan assesses how well our control framework is meeting those challenges, and addresses how well the agency's enabling functions are meeting our needs. The CEO has appointed individual SES officers as 'risk leads' to act as a single point of accountability for each risk. Risk leads perform a leadership role, providing strategic assurance, analysis, monitoring, evaluation and reporting to the Risk Board and the Executive.

The Risk Plan informs the development of our Strategic Planning Guidance document and the Customs and Border Protection Annual Plan. The Strategic Planning Guidance connects our strategic position—as outlined in the Risk Plan—with our decision-making processes. It translates the judgments made in the Risk Plan into guidance for all planning decisions, including the allocation of resources. Any strategic decisions are captured in our Annual Plan, which sets out the agency's key strategic priorities and activities for the year and informs the development of divisional and branch plans. These documents detail the contributions and activities that each branch and division will make towards achieving our outcomes and fulfilling our commitment to government. Our approach to corporate governance and the relationship between our planning documents are shown in Figure 12.

A key element of our governance practice is the committee structure, which is led by two senior governance bodies—the Executive Committee and the Operations Committee—and supported by nine other committees. The Executive Committee is our senior decision-making forum and 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.

The Operations Committee provides a line of sight to the Executive Committee for program performance and business improvement. It enables decision makers to understand how and to what extent key inputs are enabling progress toward Customs and Border Protection goals. The committee meets every month for a full day, and may refer matters to the Executive Committee or CEO for decision or information. The Operations Committee encompasses the Risk Board and the Project Board.

The intelligence-led, risk-based approach is driven through the Risk Board, which operates as an adjunct to the Operations Committee and is chaired by the Chief Risk Officer (see 'Risk Board' on page 170).

Through the Risk Board, risk-based strategies are supported by assurance mechanisms that are designed to assess the effectiveness of our interventions, keep us alert to emerging risks, and continuously enhance our expertise.

The Audit Committee is another key body within our governance framework. The committee was established by the CEO to provide independent assurance and assistance regarding the agency's risk, control and compliance framework, and our external accountability responsibilities. The committee is authorised to seek any internal information or external advice it requires to meet its responsibilities. The committee is also authorised to request the attendance of any employee—including the CEO—at committee meetings.

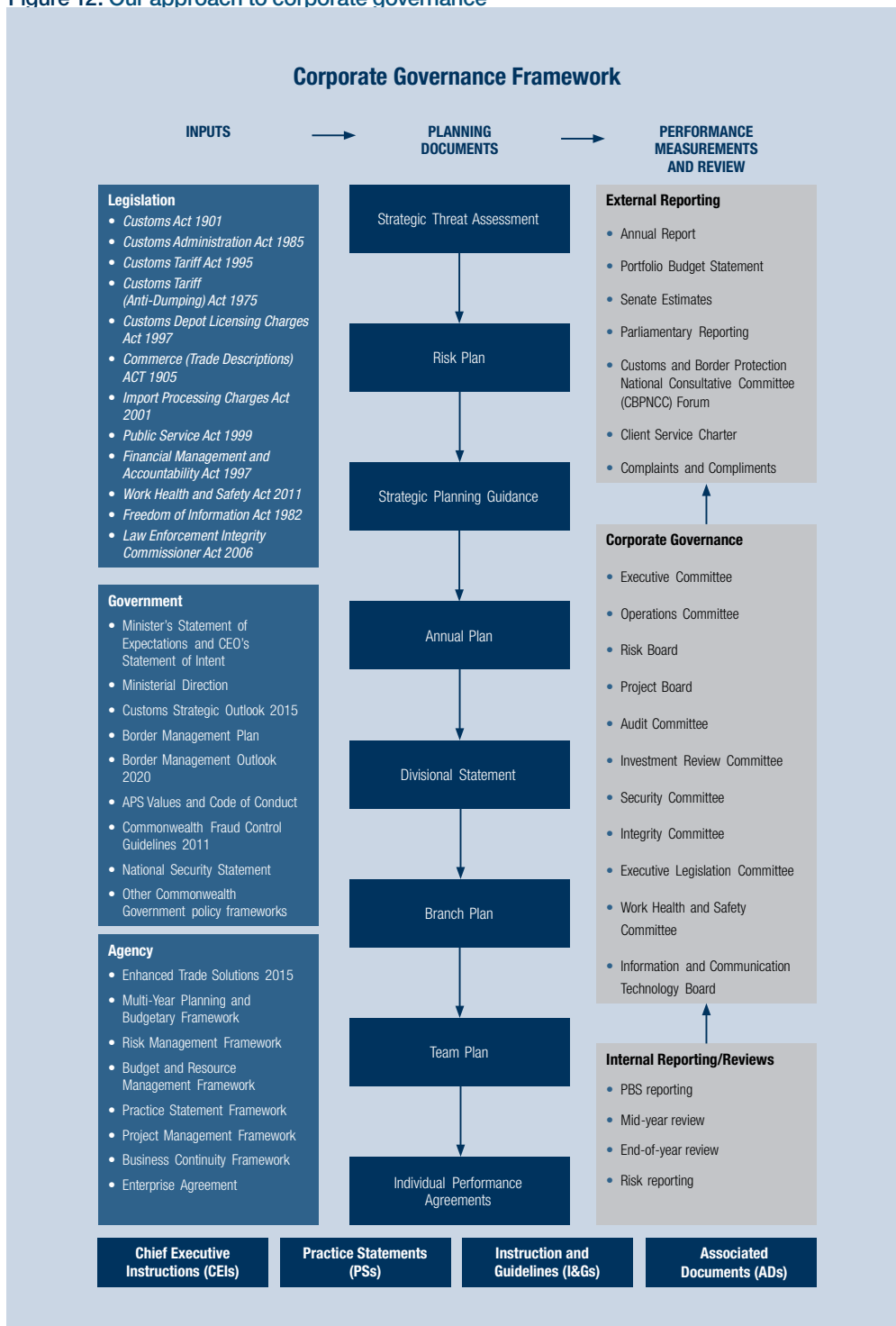
The Internal Audit Section reports to and derives its authority from the Audit Committee, and reviews risk management procedures, internal control systems, information systems and governance processes (see 'Audit Committee' on page 171).

Other aspects of corporate governance that received attention in 2011–12 include our communication processes and our media management function. A key initiative implemented was the Listen, Respect, Lead program, which models open and constructive communication styles at all levels of the agency. Our media management function, although already mature, was also identified as an area that could be improved, especially where issues span multiple branches or require priority input in very short timeframes. Whole-of-agency media strategies were developed and implemented, and we will maintain this focus into the future.

Additional improvements to corporate governance in 2011–12 include:

- ▶ increasing awareness across the agency of our reporting and accountability obligations to parliament, the government and the executive
- ▶ reviewing, improving and embedding protocols and processes for parliamentary workflow and improving the processes for executive governance committees
- ▶ revising our practice statement framework so that its governance and administrative review processes better reflect our objectives and conform to best practice
- ▶ reviewing our committee structure and accountability framework to ensure a consistent and effective corporate governance structure for the organisation
- ▶ reviewing and improving our internal audit reports, including streamlining the reporting process and providing improved information to the Audit Committee.

Figure 12: Our approach to corporate governance



Case study

REFINING AND IMPROVING OUR RISK MANAGEMENT AND PLANNING FRAMEWORKS

Customs and Border Protection was awarded an Honourable Mention at the 2011 Comcover Awards for Excellence in Risk Management. This award recognised our approach to strategic planning based on a rigorous risk management model. Our nomination highlights the innovative way we have used risk management concepts and theory to coordinate and control the allocation of agency resources.

In recent years, we have made substantial progress in incorporating judgments about risk into our strategic decision making. We took several steps during 2011–12 to further consolidate and embed our intelligence-led, risk-based approach. The model has provided improved visibility of the border risk environment, while linking risk directly with our strategic planning and resource allocation processes.

A key achievement in 2011–12 was the explicit use of risk assessments to reprioritise resources without materially affecting our operations and achieve significant savings in the 2012–13 Federal Budget that were required by the government's fiscal strategy. At the beginning of the budget process, risk leads prepared assessments of each border risk and enabling function to frame our internal budget discussions. These risk assessments were then compared against agency spending on our major controls. By aligning risks with resources, we were better able to determine how to apply the savings in a way that minimised any increase in exposure to border risks.

Other areas of the risk-based planning process that were enhanced in 2011–12 include:

- ▶ embedding accountability for responding to risk gaps into core corporate planning documents such as the Strategic Threat Assessment, Risk Plan, Annual Plan, Strategic Planning Guidance, divisional statements, branch plans, team plans and individual performance agreements
- ▶ reducing our uncertainty by measuring our performance against risk indicators and validating that our controls effectively treat current and emerging threats to our operating environment
- ▶ increasing organisational agility in response to changing government priorities by reviewing our business—to identify strategic priorities for the agency—in order to guide our planning and investment decisions.

Senior management committees and their roles

A key element of our governance practice is the committee structure, which is led by two senior governance bodies—the Executive Committee and the Operations Committee—and supported by nine other committees.

Executive Committee

Chair: CEO

Members: Deputy CEO, Maritime, Corporate and Intelligence and
Deputy CEO, Border Management

The Executive Committee is our senior decision-making forum and meets each month. The 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

Chair: Deputy CEO, Maritime, Corporate and Intelligence

Members: Deputy CEO, Border Management and all national directors

The Operations Committee provides a line of sight to the Executive Committee for program performance and business improvement. It enables decision makers to understand how and to what extent key inputs are enabling progress towards the agency's outputs and outcomes. The committee meets every month for a full day, and may refer matters to the Executive Committee or the CEO for decision or information.

The Operations Committee includes the Risk Board and the Project Board.

Risk Board

Chair: Deputy CEO, Maritime, Corporate and Intelligence

Members: Operations Committee members and risk leads

The intelligence-led, risk-based approach is driven through the Risk Board, which operates as an adjunct to the Operations Committee. The chair of the committee holds the role of Chief Risk Officer when the committee discusses risk-related agenda items. The Risk Board promotes a positive risk culture within the agency by:

- ▶ coordinating input from the risk leads as the single points of accountability for the analytical management of each border risk and enabling function
- ▶ coordinating the management of 'conventional' enterprise risks across the agency
- ▶ providing assurance on the performance of critical border controls
- ▶ overseeing the implementation of the business continuity framework (as of April 2012)
- ▶ providing risk management advice
- ▶ managing and reporting on risk performance.

Project Board

Chair: Deputy CEO, Maritime, Corporate and Intelligence

Members: Deputy CEO, Border Management and all national directors

The role of the Project Board is to:

- ▶ provide detailed management oversight for major projects to ensure that they are delivered in line with approved outcomes, scope, timelines and budgets within agreed tolerances
- ▶ review and approve project documentation and reports
- ▶ identify major issues and exceptions to be escalated to the Operations Committee for approval or resolution.

Audit Committee

Chair: Deputy CEO, Border Management

Members: National Director, Cargo; Regional Director, Queensland;
and two external members

The CEO established the Audit Committee in compliance with section 46 of the *Financial Management and Accountability Act 1997* and the Financial Management and Accountability Orders 2.1.1 and 2.1.2. The Audit Committee provides independent assurance and assistance to the CEO on the agency's risk, control and compliance framework, and on the agency's external accountability. The CEO authorises the committee, within the scope of its role and responsibilities, to:

- ▶ obtain any information it needs from any employee or external party (subject to their legal obligation to protect information)
- ▶ discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations)
- ▶ request the attendance of any employee, including the CEO, at committee meetings
- ▶ obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the agency's expense.

The Audit Committee is supported by the Internal Audit Section of the agency, which reports to and derives its authority from the committee. The scope of internal audit work includes reviewing risk management procedures, internal control systems, information systems and governance processes. Internal audits may focus on an array of matters including compliance, efficiency, effectiveness, control and framework design, or risk management. The section conducts an annual program of internal audits and reports its findings to the Audit Committee.

Investment Review Committee

Chair: Chief Financial Officer

Members: All national directors and National Manager, Property, Procurement and Project Assurance

The Investment Review Committee is an advisory committee that provides advice to the Executive Committee and the Operations Committee on the overall agency investment agenda. While not a formal governance board, the committee complements various project governance boards, primarily focusing on project delivery. It is now a whole-of-agency advisory board to the Executive. An internal review of the Investment Review Committee was conducted in the latter part of 2010–11 (see page 173).

Security Committee

Chair: Deputy CEO, Maritime, Corporate and Intelligence

Members: All national directors and National Manager, Integrity and Professional Standards

The committee provides leadership, guidance and strategic direction to ensure that the agency has a relevant, comprehensive and nationally consistent approach to security issues. It also encourages business areas to consider the agency's security culture as a fundamental principle in all operational and strategic decisions.

Integrity Committee

Chair: Deputy CEO, Maritime, Corporate and Intelligence

Members: All national directors; National Manager, Integrity and Professional Standards; and members of the Internal Audit Section as required

The role of the Integrity Committee is to provide independent assurance to the Operations Committee and the CEO on the appropriateness of the agency's risk control and compliance framework with respect to fraud control and corruption prevention, including external accountability responsibilities. The committee promotes strong performance management and accountability within the fraud and corruption risk environment.

Executive Legislation Committee

Chair: CEO

Members: Deputy CEO, Maritime, Corporate and Intelligence; Deputy CEO, Border Management; national directors; General Counsel

The role of the Executive Legislation Committee is to establish strategic priorities to support effective management and governance of the Customs and Border Protection legislation program. The committee has a role in monitoring agency risk processes to ensure that legislative options are considered in dealing with risks that pose a threat to the agency.

Work Health and Safety Committee

Chair: Deputy CEO, Maritime, Corporate and Intelligence

Members: Deputy CEO, Border Management and all national directors

The Work Health and Safety Committee is the peak consultative body for senior management to consider, consult, advise, monitor, evaluate and escalate work health and safety performance and management with the aim of identifying key risks, developing mitigation strategies and enhancing safety outcomes across the agency.

Business Continuity and Crisis Management Committee

Chair: Deputy CEO, Maritime, Corporate and Intelligence

Members: Selection of relevant national directors and national managers, and members of the Internal Audit Section as required

The role of the Business Continuity and Crisis Management Committee was to ensure that the agency has effective business continuity and crisis management frameworks. It was responsible for strategic oversight and coordination of business continuity and crisis management for the agency. As of April 2012, the function of the Business Continuity and Crisis Management Committee was absorbed into the Risk Board.

Investment Review Committee—internal review

During the latter part of 2010–11, an internal review was conducted of the Investment Review Committee's processes. The review identified many positive areas of improvement, including:

- ▶ establishing proposal artefacts, which are designed to ensure that resourcing decisions are made on the basis of best-practice business cases
- ▶ establishing a standard cycle of meetings with pre-established goals
- ▶ implementing a cross-organisation process for prioritising proposals
- ▶ introducing processes to consider the capability of the organisation, specifically IT-related capability, to deliver across the portfolio of projects
- ▶ implementing quality-assurance processes to ensure proposals come to the committee with the appropriate level of review and scrutiny from corporate support areas.

The review acknowledged scope for continuous improvement across the committee's processes. In particular, the review made a specific recommendation for the introduction of a two-pass approval process for complex proposals. The review also noted the need for improved strategic alignment of the committee's processes with annual and risk planning processes, with proposals to take a more enterprise-centred approach. Implementation of the changes began in 2011–12 and the new processes governed which projects were approved for the 2012–13 budget year.

Work health and safety

Customs and Border Protection is committed to ensuring the health, safety and welfare at work of all staff, visitors and contractors. During 2011–12, Customs and Border Protection developed and implemented a range of policies, procedures and instructions and conducted targeted training and awareness-raising initiatives in preparation for, and since the implementation of, the *Work Health and Safety Act 2011*. In addition, we have implemented a range of strategies to reaffirm our commitment to compliance with the *Safety, Rehabilitation and Compensation Act 1988*. Our work health and safety activities are focused on building a sustainable safety culture where:

- ▶ all workers share responsibility for managing hazards and risks in the workplace
- ▶ work health and safety incidents are reported and investigated
- ▶ targeted strategies for injury prevention and early intervention are in place to support the safe, durable and early return to work of ill and injured workers.

Work health and safety initiatives and outcomes

In 2011, we engaged legal firm Norton Rose to conduct a gap analysis of our health and safety governance and systems against the requirements of the *Work Health and Safety Act 2011*. Our General Counsel has since completed an audit of the recommendations and established that we are on track to complete the required actions.

We have strengthened our governance arrangements and developed and implemented an agency-wide work health and safety framework to ensure effective identification of key risk areas and appropriate risk mitigation strategies.

As part of the framework, we developed a hierarchy of committees to gather data, identify issues and inform senior decision makers of key risk areas, and established a cross-agency Work Health and Safety Network Forum with representation from each division. The forum meets monthly to discuss key risks affecting the agency and to facilitate agency-wide responses and mitigation strategies to address the key risk areas.

We have rolled out a number of key initiatives, including training on mental health awareness, and a review and update of our health and safety management arrangements. We now also have an agency Work Health and Safety Plan to identify priority areas for activity in 2012–13.

Of significant note, we developed a communication and awareness campaign to ensure that all staff and managers are aware of their responsibilities under the *Work Health and Safety Act 2011* and information is readily available on work health and safety matters. This has been supported by a rolling program of feature articles in our internal newsletter, *CustomsNews*, and posters in the workplace alerting staff to the hazards associated with high-risk activities.

These actions led to a substantial increase in general organisational awareness and proactive responses to work health and safety matters.

During 2011–12, we also renewed our efforts to enhance work health and safety in our operational work areas. For example, new deconstruction and testing rooms were built in Sydney and Melbourne and rooms in Brisbane, Perth and Adelaide are to be finalised in early 2012–13. The new rooms are equipped with advanced fume cabinet technologies to minimise the risks associated with the sampling and testing of substances that our officers undertake for border protection purposes. Complementing this, additional personal protective equipment, including upgraded filtered face masks, were distributed across operational areas. Additional fume cabinets were also purchased and installed in container examination facilities.

During 2011–12, we implemented two key injury prevention strategies. As part of an overall risk management strategy for viewing objectionable material, we commenced a psychological health monitoring program to reduce the potential harm associated with this work. Early intervention is an important part of injury prevention for both body stressing and psychological conditions. Customs and Border Protection has now established a structured early intervention program for all employees to ensure early workplace assistance and referral to rehabilitation.

Overall work health and safety performance reflected an increased organisational commitment to this area of risk management. It was highlighted by a more intensive focus on risk assessments, awareness raising, targeted training for operational managers and employees, communication of requirements, early intervention for injured workers and revising policy and contract documentation to reflect legislative changes. Appendix B provides information on notifiable incidents, investigations and notices.

Case study

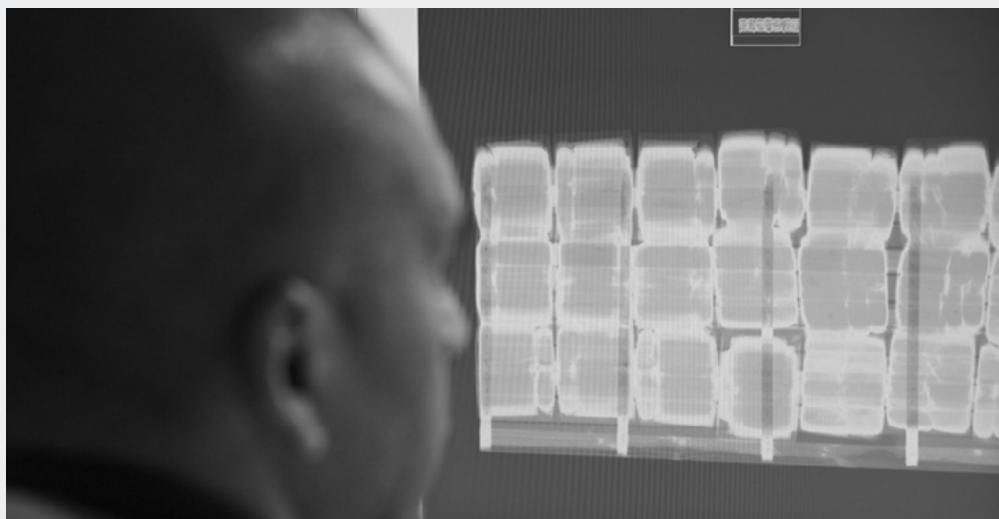
WELLCHECK PROGRAM

Customs and Border Protection is committed to providing a safe and healthy workplace and to ensuring the wellbeing of all employees. Our employees work in a diverse range of environments with some unique hazards. The viewing of objectionable material by employees during the course of their work is a known workplace hazard that has the potential to cause psychological harm. The range of inappropriate material found in border work environments (including pornography) is an issue of concern for many employees and managers. In recognition of this, we developed a program to ensure our officers undertaking this important work are protected and supported.

We completed a risk assessment that formed the basis for risk control strategies, including mental health awareness training and ongoing mandatory psychological health monitoring. Other identified controls aim to minimise exposure and to enhance aspects of the job design that introduce additional protective factors.

Mandatory psychological health monitoring began in April 2012 through the Wellcheck Program. Wellcheck is an individual session with a psychologist to monitor wellbeing and identify employees who are at increased risk.

The Wellcheck Program is a model initiative in the prevention of psychological injury. The program and other identified control measures were developed through a collaborative and consultative approach to risk management. What we learned during the risk assessment and program development has created an organisational framework for future injury prevention strategies.



Staff profile

JANICE LEWIS
SUPERVISOR, NATIONAL
UNIFORM STORE, BRISBANE



Janice Lewis joined Customs and Border Protection in Brisbane in 1984 and has worked in a number of roles including registry, import–export, inland revenue, personnel, cargo, and border operations.

One of Janice’s earliest memories with Customs is working in the invoice room in the old Brisbane Customs House. The area was a hive of activity. The agents and the public were all in one big space under the great dome, which captured most of the noise.

Janice started working in the National Uniform Store in 2001 and has seen numerous changes during her time there. The area has overseen two dress standards policies and the introduction of an online ordering system. The online ordering system was built in-house and has changed the way we order our uniforms. More than 600 online orders are placed each month.

In November 2009, the National Uniform Store moved from its old location in Newstead to Banyo. The move enabled the installation of new shelving, which increased the warehouse capacity by 40 per cent. Staff also have access to specialised warehouse equipment, which has improved the efficiency and safety of the warehouse.

Over the past 18 months, the team at the National Uniform Store has been working on the rollout of the new dress uniform. It was a huge project that involved distributing uniforms to more than 3000 officers Australia-wide.

Janice says that she enjoys working in her role as supervisor of the National Uniform Store because she gets to work with a committed and professional team who have the ability to cope under extreme pressure.

‘It’s the camaraderie of the team that achieves the results, and a good laugh during the day also helps,’ she says.

Staff profile

BRIAN MADIGAN
PAYROLL MANAGER,
MELBOURNE



As the payroll manager, Brian Madigan oversees the delivery of a national payroll function that is responsible for fortnightly payments of salaries, superannuation, salary sacrifice, compensation payments, leave, allowances, staff relocations, commencements and terminations.

The National Pay and Accounts Centre Payroll team works closely with Pay and Conditions Applications, Corporate Systems, Finance, Employee Relations and the People and Corporate Services areas in the delivery of services.

The payroll team is also responsible for transacting enterprise agreement pay increases, processing performance and assessment pay outcomes and performing the annual reconciliation of payment summaries.

'While dealing with employees of all levels and vocations, I have gained a very good, albeit distant, appreciation of the operational challenges faced by Customs and Border Protection employees,' Brian says.

A key focus of the payroll team is to support Customs and Border Protection business areas and employees by providing a legislatively compliant payroll service.

Part 5

ACCOUNTABILITY AND RESOURCE MANAGEMENT

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Accountability

Customs and Border Protection is accountable to the Australian Government through the Minister for Home Affairs, the Australian National Audit Office, the court system, parliamentary committees and the Commonwealth Ombudsman. We also have a client service charter and standards that establish benchmarks for service delivery to the community and other stakeholders.

External scrutiny

Privacy matters

There were no complaints to the Office of the Australian Information Commissioner (OAIC) against Customs and Border Protection in 2011–12.

Under an agreement reached in 2008, the OAIC has provided ongoing privacy advice and conducted a number of audits each year covering various aspects of Customs and Border Protection's use of passenger name record data. PNR data is airline passenger information used by the Australian Customs and Border Protection Service for countering serious transnational crime and terrorism.

The most recent OAIC audit, which concluded in June 2012, focused on our handling of PNR data during the post-arrival risk assessment process. The audit team found no breaches of the Information Privacy Principles but made two best privacy practice suggestions.

Audits conducted by the OAIC have helped us to reduce privacy risks and promote best practice in our handling of personal information. We will negotiate a new agreement with the OAIC in 2012 so that we can continue to benefit from the OAIC's oversight of and advice on the way we manage and process personal information.

Ministerial representations

In 2011–12, the Minister for Home Affairs received 2254 items of correspondence related to Customs and Border Protection's operations. The Minister was provided with advice and recommendations on the 1690 items that required a response. Customs and Border Protection also supplied 460 briefings on significant activities and detections. Table 52 provides information on ministerial correspondence for 2011–12 and the previous two years, and Table 53 provides figures for questions on notice for the same period.

Table 52: Ministerial correspondence and briefings

	2009–10	2010–11	2011–12
Ministerial correspondence received on Customs and Border Protection-related matters	5 184	3 166	2 225
Ministerial briefings provided by Customs and Border Protection	466	397	460

Table 53: Questions on notice directed to Customs and Border Protection

	2009–10	2010–11	2011–12
Questions on notice received from the House of Representatives	2	2	14
Questions on notice received from the Senate	7	8	143
Questions on notice received from Senate Estimates	50	53	147

Reports by the Auditor-General

As the statutory auditor under the *Financial Management and Accountability Act 1997*, the Australian National Audit Office (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 also conducts regular audits of various aspects of our performance, and our Audit Committee actively monitors ANAO activity in other agencies to determine whether other recommendations may be relevant to us.

The Auditor-General completed four audits of our operations during 2011–12.

Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework (September 2011)

This was a cross-agency audit involving Customs and Border Protection. The objective of the audit was to assess how effectively entities had developed and implemented appropriate key performance indicators to support stated program objectives. The ANAO suggested that entities could improve the quality and relevance of performance information. The changes we made to our key performance indicators in the 2012–13 Portfolio Budget Statements are outlined in Part 1 under 'Our PBS outcome and programs'.

Processing and Risk Assessing Incoming International Air Passengers (June 2012)

The objective of the audit was to assess the effectiveness of our risk-based management of end-to-end processing of incoming international air passengers in achieving border security and passenger facilitation outcomes. The ANAO concluded that we are managing the clearance of incoming international air passengers effectively, in terms of meeting the performance target.

The ANAO identified areas for improvement in pre-arrival risk assessment and SmartGate performance. The ANAO made two recommendations aimed at improving SmartGate

presentation and clearance rates, and one recommendation aimed at improving assurance that passenger risk assessment is achieving effective border security outcomes.

Risk Management in the Processing of Sea and Air Cargo Imports (November 2011)

The objective of this audit was to assess our use of risk management to assist in the processing of sea and air cargo imports. The ANAO concluded that we effectively use risk management strategies to process sea and air cargo imports. The report noted the enhancements we have made to our risk management arrangements, stating that we have a sound risk management framework in place, with mature strategic and operational risk assessment and planning arrangements that are underpinned by a well-developed set of system-based profiles and alerts.

The ANAO made three recommendations:

- ▶ to review the processing arrangements of sea and air cargo low-value self-assessed clearance imports to better assess and manage the risks
- ▶ to review the Infringement Notice Scheme to improve its usefulness as a mechanism for improving compliance and discouraging non-compliance
- ▶ to improve the usefulness of the Infringement Notice Scheme as a mechanism for improving compliance and discouraging non-compliance.

Records Management in the Australian Public Service (June 2012)

This was a cross-agency audit involving Customs and Border Protection. The objective of the audit was to assess the extent to which agencies create, manage and dispose of records in accordance with key business, legal and policy requirements. While highlighting the challenges for agencies in achieving robust records management arrangements in today's digital environment, the ANAO noted that records are largely created, captured and managed within our records management systems (both paper and electronic). We accepted the three recommendations for improving recordkeeping practices.

Judicial decisions or decisions of administrative tribunals

During 2011–12, Customs and Border Protection was subjected to external scrutiny by applications for judicial review to the Federal Court and by applications to the Administrative Appeals Tribunal for merits review. The only review decision that is likely to have a significant (positive) impact on our operations is the decision of the full Federal Court in *CEO of Customs v Toyota Materials Handling Pty Ltd* [2012] FCAFC 78.

The full Federal Court allowed the CEO's appeal, set aside the decision of the Administrative Appeals Tribunal constituted by Justice Downes, and restored the original decision of Customs and Border Protection to refuse to grant a Tariff Concession Order (TCO) for certain forklift trucks. This is the first Full Court decision to address the definition of 'substitutable goods', which is the central concept in the TCO scheme.

The Full Court found that:

- ▶ the ‘substitutable goods’ definition requires a comparison of the actual and potential uses of the TCO goods with those of the Australian-made goods
- ▶ the tribunal had erred by taking a different approach, and by taking into account whether the Australian goods and TCO goods competed in a market, which is prohibited by section 269B(3) of the *Customs Act 1901*.

The clear and succinct guidance of the court’s decision is entirely consistent with our view on the definition of ‘substitutable goods’, and the irrelevance of market considerations. The guidance will be very useful in the administration of the scheme. If the original decision of the Administrative Appeals Tribunal had been upheld, we may have needed to consider legislative amendments. Because of the decision, no amendments will be necessary.

Coronial inquest into SIEV 221

On 23 February 2012, the State Coroner of Western Australia released his report into the incident on 15 December 2010 in which a suspected irregular entry vessel, now known as SIEV 221, foundered on rocks off Christmas Island. The coroner made a total of 14 recommendations. The government released its response to the recommendations on 24 April 2012.

Parliamentary committee reports

Senate Legal and Constitutional Affairs Committee—Inquiry into Crimes Legislation Amendment Bill (No. 2) 2011

The Crimes Legislation Amendment Bill (No. 2) 2011 was introduced into the House of Representatives on 23 March 2011 by the Minister for Home Affairs. One of the main purposes of the Bill was to bring Customs and Border Protection within the jurisdiction of the Australian Commission for Law Enforcement Integrity.

Commonwealth Ombudsman

In 2011–12, Customs and Border Protection received six approaches from the Commonwealth Ombudsman, a decrease of 50 per cent from the previous year. Five approaches were finalised during the year. Table 54 provides information on Customs and Border Protection–related approaches and complaints to the Commonwealth Ombudsman in 2011–12 and the previous two years.

Table 54: Ombudsman approaches and complaints, 2009–10 to 2011–12

	2009–10	2010–11	2011–12
Number of approaches received	18	12	6
Number of approaches finalised	10	11	5
Findings of administrative deficiency following investigation	1	2	—
Decided not to investigate, or not to investigate further	10	8	4
Own motion investigations	—	1	—

Client service charter and standards

Our client service charter and standards establish benchmarks for service delivery to the community and other stakeholders to improve our service and ensure that we are open and accountable to the public.

We welcome feedback on the range of services we provide and monitor that feedback to identify areas for improvement. The community and industry can provide feedback through a detachable portion of our *Complaints and Compliments* brochure, available on the Customs and Border Protection website; by telephone, mail or email; or by speaking directly to one of our officers. Detail on compliments and complaints can be found in Tables 55 and 56.

Table 55: Our top five complaint sentiments

Sentiment	2011–12
Officer was rude	107
Hold not removed	88
Queue delay	86
Goods were seized	42
Always held	40

Note: The sentiment categories have changed from previous years and would therefore not allow for precise or meaningful comparison.

Table 56: Our top five compliment sentiments

Sentiment	2011–12
Appreciated assistance	129
Officer was helpful	85
Officer was professional	34
Appreciated facilitation	27
Facilities were appreciated	21

Note: The sentiment categories have changed from previous years and would therefore not allow for precise or meaningful comparison.

We manage all feedback centrally through our Complaints and Compliments Management Unit. In 2011–12 we commenced a review of our Complaints and Compliments Policy which, when completed, will be available on the Customs and Border Protection website.

We aim to respond to all complaints and compliments within 15 working days of receipt. Our average response time in 2011–12 for complaint cases was 19 working days, and the average response time for compliments was two days.

In 2011–12 we received and investigated 1156 complaints, which is a 6 per cent decrease overall from 2010–11. We continue to implement strategies to improve service delivery to clients, resolve systemic issues and any remaining dissatisfaction or concerns of clients.

Table 57 shows the ratio of complaints in relation to cargo, passenger and client service volumes in 2011–12 compared to 2010–11.

This year we received 363 compliments, an 8 per cent decrease overall from 2010–11.

Table 57: Ratio of complaints to cargo, passenger and client service volumes, 2010–11 and 2011–12

	2010–11	2011–12
Ratio of complaints to compliments	3:1	3.2:1
Ratio of complaints to air and sea passengers movements ^(a)	1:61 720	1:57 830
Ratio of complaints to TEU inspected at container examination facilities ^(b)	1:1 922	1:2 493
Ratio of complaints to Customs and Border Protection Information and Support Centre contacts ^(c)	1:7 081	1:4 809

TEU = twenty-foot equivalent units

- (a) All complaints cases related to air and sea movements (passenger and crew) compared to total passengers and crew movements.
- (b) Sea cargo complaints to total TEU inspected at container examination facilities.
- (c) All Information and Support Centre–related complaints made to Information and Support Centre contacts. The figure for 2011–12 reflects a change in methodology of counting client contacts since 2010–11. Under the revised methodology, the 2010–11 figure would be 1:4 927.

Resource management

We pay careful attention to the management of our assets and our procurement arrangements to optimise our activities while minimising resource use. In 2011–12, we improved our asset management systems, reviewed our purchasing guidelines, and effectively managed our consultancies and competitive tendering and contracting arrangements.

By improving our financial systems, policies, procedures, processes and advice, we ensured a higher level of compliance with our financial responsibilities, and we achieved a more effective use of resources. Our processes to ensure compliance with our asset management and procurement responsibilities include:

- ▶ coordinating Commonwealth budget processes
- ▶ managing the internal budget and allocations in line with our strategic direction and priorities
- ▶ providing reliable financial systems and reporting to support effective budget and resource management
- ▶ reporting financial performance internally to executive management and externally to the Department of Finance and Deregulation
- ▶ continually reviewing Chief Executive's Instructions and other financial policies and delegations to ensure compliance with financial and procurement policies without compromising the efficient and effective delivery of functions.

We follow these processes to maintain our high levels of compliance with the Commonwealth's financial framework, ensuring the proper discharge of our financial responsibilities while meeting our statutory budgeting, governance, procurement and taxation reporting requirements.

Asset management

Asset management continued to be an area of focus in 2011–12. In its interim management letter the ANAO reclassified a category C audit finding relating to asset management to specifically focus on IT assets. This was in recognition of improvements made in asset management across other parts of Customs and Border Protection business. The ANAO suggested ways to improve our documentation of procedures and policies surrounding IT asset management that will assist us to better manage our assets. The ANAO also recommended that we conduct periodic alignment between our financial management information system and the IT assets database. This alignment will help to ensure the accuracy of our balance sheet and will be a key priority in 2012–13. We have taken action to implement the ANAO's recommendations.

As at 30 June 2012, we held non-financial assets with a value of \$590.7 million. This compares to \$493.8 million at 30 June 2011. The rise reflects the net addition of a number of assets acquired during the year and the asset revaluation performed by the Australian Valuation Office, which had an overall impact of \$34.2 million on the asset balance.

Purchasing

We operate within the Commonwealth's financial management framework, of which the procurement policy framework is a subset. To assist the agency to meet these requirements, our procurement Chief Executive's Instructions interpret the procurement policy and financial management frameworks, focusing on our particular needs, and provide the primary operational instructions to officials in carrying out their procurement duties.

We monitor compliance with legislative requirements and relevant government procurement policies, such as the *Financial Management and Accountability Act 1997* (FMA Act), the Financial Management and Accountability Regulations 1997 and the Commonwealth Procurement Guidelines.

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 Commonwealth Procurement Guidelines. 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 23, effective from July 2009.

Consultants

Customs and Border Protection engages consultants where it lacks specialist expertise or when independent research, review or assessment is required. Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined reviews or evaluations; or provide independent advice, information or creative solutions to assist in Customs and Border Protection decision making.

Before engaging consultants, Customs and Border Protection takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the FMA Act and related regulations, the Commonwealth Procurement Guidelines, and relevant Customs and Border Protection Chief Executive Instructions and supporting documents. The majority of Customs and Border Protection consultancies are sourced from the agency's Consultancy and Business Panel; however, open tender, select tender and direct source procurement methods are also used.

During 2011–12, 42 new consultancy contracts were entered into totalling actual expenditure of \$4 450 980.52. In addition, 22 ongoing consultancy contracts were active in 2011–12, with a total contract value of \$2 166 695.00.

Table 58 shows the number and value of consultancy contracts entered into during 2011–12 and the previous two years.

Table 58: Number and value of consultancy contracts entered into, 2009–10 to 2011–12

	2009–10	2010–11	2011–12
Number of consultancy contracts	47	47	42
Actual expenditure	\$4 528 800	\$3 639 413	\$4 450 981

Annual reports contain information about total actual expenditure on contracts for consultancies. Information on the value of all individual government contracts and consultancies is available on the AusTender website at www.tenders.gov.au.

ANAO access clauses

Customs and Border Protection officials only enter into arrangements that represent proper use of Commonwealth resources and, in particular, are not inconsistent with the policies of the Commonwealth. Customs and Border Protection standard contract terms provide the Auditor-General access to contractor's premises and records as part of the arrangements.

Exempt contracts

Customs and Border Protection did not enter into any contracts that were exempt from being published on AusTender in 2011–12.

Grants programs

Information on grants awarded by Customs and Border Protection during the period 1 July 2011 to 30 June 2012 is available at www.customs.gov.au/site/grants.asp. We made four grant payments during the year.

Part 6

FINANCIAL STATEMENTS



Our financial statements incorporate Customs and Border Protection's financial statements and the schedules relating to items that we administer on behalf of the government.

We provide a comprehensive set of notes to the financial statements 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 Chief Finance Officer that financial records are maintained properly and that they give a true and fair view of the matters required by the Finance Minister's Orders. The Auditor-General provided Customs and Border Protection with an unmodified independent audit report for the financial statements and this report has been included.

Agency statements

We reported a net operating deficit of \$79.9 million for 2011–12, compared with a net operating deficit of \$79.7 million last year. The operating deficit results largely from the government's decision to no longer provide appropriation funding to agencies for depreciation and amortisation under the Commonwealth's Net Cash Funding arrangements.

Note 31 to the financial statements outlines the 'net cash' operating result excluding depreciation and amortisation expenses. Note 31 outlines a \$10.9 million surplus for 2011–12 compared to a \$3.6 million deficit for 2010–11. The result for both financial years reflects the scrutiny we apply over our financial management with very slight variations for an otherwise balanced result.

Our total operating income for this year was \$1 021.3 million, compared to \$1 006.8 million in 2010–11. This operating income consisted of:

- ▶ revenue from government of \$935.4 million
- ▶ sale of goods and service income of \$63.7 million
- ▶ rental income of \$2.8 million
- ▶ other revenue of \$5.0 million
- ▶ total gains of \$14.3 million.

The operating income increase is predominantly due to the recognition of assets first found in the other gains item. The balance of the operating income is largely in line with the prior financial year.

Our total operating expenses for this year were \$1 135.4 million, compared to \$1 086.5 million last year. They comprised:

- ▶ employee expenses of \$564.3 million
- ▶ supplier expenses of \$477.5 million
- ▶ depreciation and amortisation expenses of \$90.8 million
- ▶ other expenses of \$2.8 million.

Total expenses increased by \$48.9 million predominantly due to the recognition of the bond rate movement on employee provisions and other new employee costs reflected for the first time as part of the new enterprise agreement. In addition, an increase in the depreciation and amortisation was the other major contributing item for 2011–12.

As at 30 June 2012, we held non-financial assets of \$590.7 million, compared to \$493.8 million at 30 June 2011. The rise reflects the net addition of a number of assets acquired during the year. The ongoing financial sustainability of the agency remains strong, with our cash holding and appropriation receivable balance totalling \$193.3 million as at 30 June 2012, up from \$183.1 million at the end of 2010–11.

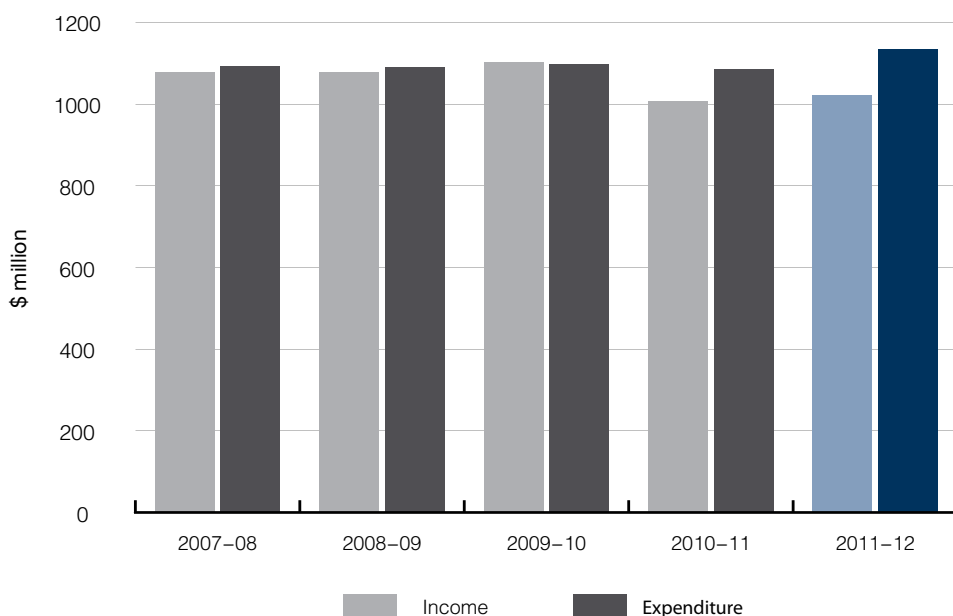
Total equity is reported as \$484.3 million this year, compared with \$424.8 million at the end of 2010–11. The increase of \$59.5 million reflects:

- ▶ \$60.2 million in additional equity provided by the government for capital acquisitions as outlined in the 2011–12 Portfolio Budget Statements and Portfolio Additional Estimates Statements
- ▶ 2011–12 Departmental Capital Budget funding of \$79.2 million provided to the agency replacing depreciation funding which was previously funded as regular appropriation from government
- ▶ the operating deficit for 2011–12 of \$79.9 million.

Table 59 and Figure 13 outline our income and expenses over a five-year period.

Table 59: Departmental income and expenditure

	2007–08 (\$'000)	2008–09 (\$'000)	2009–10 (\$'000)	2010–11 (\$'000)	2011–12 (\$'000)
Income	1 078 945	1 079 580	1 102 213	1 006 763	1 021 272
Expenditure	1 094 424	1 091 428	1 097 713	1 086 467	1 135 359

Figure 13: Departmental income and expenditure

Administered schedule

A schedule of administered items is presented in Tables 60 and 61 and Figure 14, with the financial statements disclosing all revenues, expenses, assets, liabilities, cash flows, commitments, contingent assets and liabilities.

Table 60: Administered revenue

	2007-08 (\$'000)	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)	2011-12 (\$'000)
Income	6 629 765	6 920 825	6 456 481	6 590 364	7 901 009

Figure 14: Administered revenue

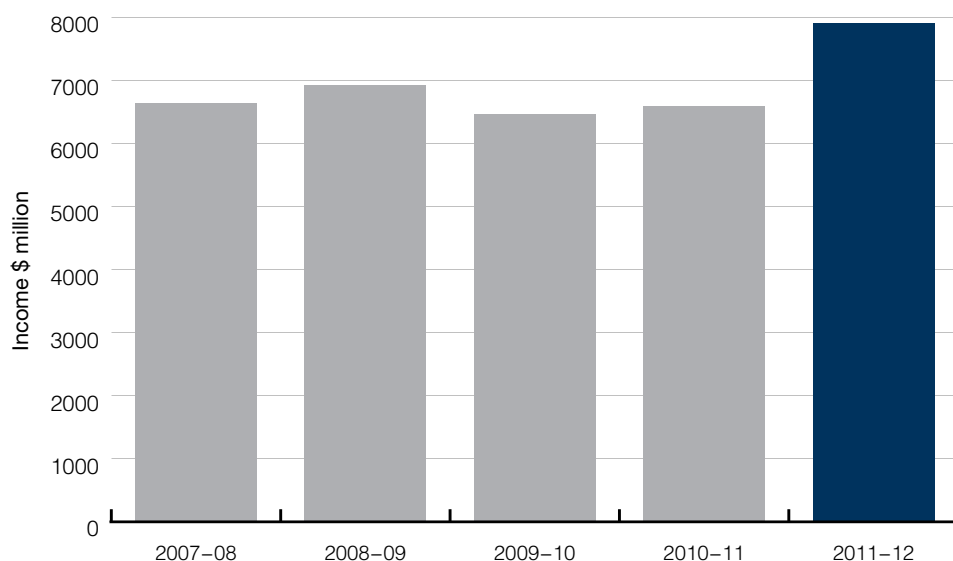


Table 61: Components of administered revenue

	2009-10 (\$'000)	2010-11 (\$'000)	2011-12 (\$'000)
Taxation revenue			
Customs duty	5 745 700	5 826 426	7 103 848
Passenger movement charge	571 322	615 469	646 343
Suppliers import processing and depot charges	135 739	144 101	148 337
Total taxation revenue	6 452 761	6 585 996	7 898 528
Fees, fines and prosecutions	1 724	1 882	538
Interest	60	76	231
Other revenue	1 936	2 410	1 712
Total non taxation revenue	3 720	4 368	2 481
Total administration revenue	6 456 481	6 590 364	7 901 009

The ongoing strength of the Australian dollar has been one of the main drivers underpinning the increase in revenue across the majority of income streams that Customs and Border Protection administers on behalf of the Australian Government. The effect of the strong Australian dollar increases the volume of goods being imported as imports are cheaper to acquire overseas when compared to domestic prices. The strong exchange rate has contributed to the substitution away from domestic products to similar imported goods, including stronger demand for alcoholic beverages and passenger motor vehicles—two of the strongest areas of revenue collections for

2011–12. However, the impact of the strength of the Australian dollar is offset by the reduction in duty collected as a result of the reduction in the customs value against which duty is assessed.

Collections of passenger movement charge were 5.0 per cent higher for 2011–12 when compared to 2010–11, due to the growth in international passenger numbers. However, passenger movement charge collections for 2011–12 of \$646.3 million was \$24.2 million (3.6 per cent) lower than the budget estimate of \$670.6 million as the growth in international passenger numbers was not as strong as estimated due to the impact of both a strong Australian dollar which made Australia a more expensive destination for overseas tourists and the impact of the European Union debt crisis and the economic slowdown in China.




INDEPENDENT AUDITOR'S REPORT

To the Minister for Home Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Australian Customs and Border Protection Service for the year ended 30 June 2012, which comprise: a Statement by the Chief Executive and Chief Finance Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Statement of Cash Flows; Schedule of Commitments; Schedule of Contingencies; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; Schedule of Administered Contingencies; and Notes to and forming part of the Financial Statements including Significant Accounting Policies and other explanatory information.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive of the Australian Customs and Border Protection Service is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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 about 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 and Border Protection Service's preparation of the financial statements that give a true and fair view 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

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also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the Australian Customs and Border Protection Service, 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 my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession:

Opinion

In my opinion, the financial statements of the Australian Customs and Border Protection Service:

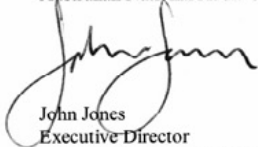
- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Australian Customs and Border Protection Service's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

Note 27 *Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund* discloses information on the Australian Customs and Border Protection Service's review of its exposure to risks of not complying with statutory conditions on payments from special appropriations and special accounts, and annual appropriations which fund statutory programs. Non-compliance with statutory conditions may lead to a contravention of section 83 of the Constitution, which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.

As disclosed in Note 27, payments totalling \$24,616.69 were made in 2011-12 in breach of section 83 of the Constitution.

Australian National Audit Office

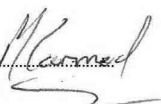


John Jones
Executive Director
Delegate of the Auditor-General
Canberra
4 September 2012

Australian Customs and Border Protection Service**Financial Statements***for the period ended 30 June 2012*

Australian Customs and Border Protection Service
STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2012 are 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

3 September 2012

Signed.....

Steven Groves
 Chief Finance Officer

3 September 2012

Australian Customs and Border Protection Service
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
EXPENSES			
Employee benefits	3A	564,286	526,658
Supplier expenses	3B	477,525	469,423
Grants	3C	158	1,016
Depreciation and amortisation	3D	90,759	76,120
Finance costs	3E	713	767
Write-down and impairment of assets	3F	1,735	11,966
Losses from asset sales	3G	178	416
Other expenses	3H	5	101
Total expenses		1,135,359	1,086,467
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	63,736	64,823
Rental income	4B	2,769	2,480
Other revenue	4C	5,037	4,973
Total own-source revenue		71,542	72,276
Gains			
Sale of Assets	4D	392	45
Other gains	4E	13,952	740
Total gains		14,344	785
Total own-source income		85,886	73,061
Net cost of (contribution by) services		1,049,473	1,013,406
Revenue from Government	4F	935,386	933,702
Surplus (Deficit) attributable to the Australian Government		(114,087)	(79,704)
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus		34,211	-
Total other comprehensive income		34,211	-
Total comprehensive income (loss) attributable to the Australian Government		(79,876)	(79,704)

The above statement should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	7,423	7,390
Trade and other receivables	5B	199,832	187,830
Other financial assets	5C	814	174
Total financial assets		208,069	195,394
Non-Financial Assets			
Land and buildings	6A	174,929	141,010
Property, plant and equipment	6B	180,783	146,912
Intangibles	6D	218,278	186,151
Inventories	6F	2,362	2,459
Other non-financial assets	6G	14,355	17,241
Total non-financial assets		590,707	493,773
Total assets		798,776	689,167
LIABILITIES			
Payables			
Suppliers	7A	77,938	67,704
Other payables	7B	36,270	32,393
Total payables		114,208	100,097
Provisions			
Employee provisions	8A	176,446	147,333
Other provisions	8B	23,852	16,939
Total provisions		200,298	164,272
Total liabilities		314,506	264,369
Net assets		484,270	424,798
EQUITY			
Contributed equity		575,938	440,160
Reserves		80,102	45,891
Retained surplus (accumulated deficit)		(171,770)	(61,253)
Total equity		484,270	424,798

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 2012

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Opening balance								
Balance carried forward from previous period	(61,253)	18,451	45,891	45,891	440,160	332,840	424,798	397,182
Adjustment for errors	3,570	-	-	-	-	-	3,570	-
Adjusted opening balance	(57,683)	18,451	45,891	45,891	440,160	332,840	428,368	397,182
Comprehensive income								
Other comprehensive income	-	-	34,211	-	-	-	34,211	-
Surplus (Deficit) for the period	(114,087)	(79,704)	-	-	-	-	(114,087)	(79,704)
Total comprehensive income	(114,087)	(79,704)	34,211	-	-	-	(79,876)	(79,704)
of which:								
Attributable to the Australian Government	(114,087)	(79,704)	34,211	-	-	-	(79,876)	(79,704)
Transactions with owners								
Contributions by owners								
Equity injection - Appropriation	-	-	-	-	56,537	28,212	56,537	28,212
Departmental Capital Budget (DCBs)	-	-	-	-	79,241	79,108	79,241	79,108
Reduction in prior year appropriation	-	-	-	-	-	-	-	-
Sub-total transactions with owners	-	-	-	-	135,778	107,320	135,778	107,320
Transfers between equity components	-	-	-	-	-	-	-	-
Closing balance attributable to the Australian Government	(171,770)	(61,253)	80,102	45,891	575,938	440,160	484,270	424,798

The above statement should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
STATEMENT OF CASH FLOWS
for the period ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		69,970	70,757
Appropriations (FMA Act only)		1,004,951	1,002,258
Net GST received		58,153	54,037
Other		380	737
Total cash received		1,133,454	1,127,789
Cash used			
Employees		526,695	522,454
Suppliers		471,490	475,306
Net GST paid		58,337	53,314
Section 31 receipts transferred to OPA		78,101	74,117
Tax paid		2,157	2,859
Other		5	101
Total cash used		1,136,785	1,128,151
Net cash from (used by) operating activities	9	(3,331)	(362)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		3,648	5,164
Total cash received		3,648	5,164
Cash used			
Purchase of property, plant and equipment		61,742	69,194
Purchase of intangibles		72,696	30,523
Total cash used		134,438	99,717
Net cash from (used by) investing activities		(130,790)	(94,553)
FINANCING ACTIVITIES			
Cash received			
Contributed equity		134,154	99,716
Total cash received		134,154	99,716
Net cash from (used by) financing activities		134,154	99,716
Net increase (decrease) in cash held		33	4,801
Cash and cash equivalents at the beginning of the reporting period		7,390	2,589
Cash and cash equivalents at the end of the reporting period	5A	7,423	7,390

The above statement should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
SCHEDULE OF CONTINGENCIES
as at 30 June 2012

	2012	2011
	\$'000	\$'000
BY TYPE		
Commitments receivable		
Sublease rental income	(2,181)	(3,159)
Net GST recoverable on commitments	<u>(31,494)</u>	<u>(22,969)</u>
Total commitments receivable	<u>(33,675)</u>	<u>(26,128)</u>
Commitments payable		
Capital commitments		
Intangibles	<u>65</u>	<u>130</u>
Total capital commitments	<u>65</u>	<u>130</u>
Other commitments		
Operating leases ¹	330,016	234,039
Other	<u>18,068</u>	<u>20,228</u>
Total other commitments	<u>348,084</u>	<u>254,267</u>
Net commitments by type	<u>314,474</u>	<u>228,269</u>
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	(1,620)	(1,586)
From one to five years	(562)	(1,573)
Over five years	<u>-</u>	<u>-</u>
Total operating lease income	<u>(2,182)</u>	<u>(3,159)</u>
Other commitments receivable		
One year or less	(9,140)	(8,589)
From one to five years	(12,615)	(8,490)
Over five years	<u>(9,738)</u>	<u>(5,890)</u>
Total other commitments receivable	<u>(31,493)</u>	<u>(22,969)</u>
Commitments payable		
Capital commitments		
One year or less	65	130
From one to five years	-	-
Over five years	<u>-</u>	<u>-</u>
Total capital commitments	<u>65</u>	<u>130</u>
Operating lease commitments		
One year or less	79,264	75,104
From one to five years	143,629	94,144
Over five years	<u>107,123</u>	<u>64,791</u>
Total operating lease commitments	<u>330,016</u>	<u>234,039</u>
Other Commitments		
One year or less	18,068	20,228
From one to five years	-	-
Over five years	<u>-</u>	<u>-</u>
Total other commitments	<u>18,068</u>	<u>20,228</u>
Net commitments by maturity	<u>314,474</u>	<u>228,269</u>

Australian Customs and Border Protection Service
SCHEDULE OF CONTINGENCIES
as at 30 June 2012

NB: Commitments are GST inclusive where relevant.

¹ Operating leases included are effectively non-cancellable and comprise:

Nature of leases	General description of leasing arrangement
Lease 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 commitments for aerial and maritime surveillance activities.

Australian Customs and Border Protection Service
SCHEDULE OF CONTINGENCIES
as at 30 June 2012

	2012 \$'000	2011 \$'000
Contingent assets		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	-	-
Total contingent assets	<u>-</u>	<u>-</u>
Contingent liabilities		
Guarantees	-	-
Indemnities	-	288
Claims for damages or costs	-	273
Total contingent liabilities	<u>-</u>	<u>561</u>
Net contingent assets (liabilities)	<u>-</u>	<u>(561)</u>

Details of each class of contingent liabilities and contingent assets listed above are disclosed in Note 10: Contingent Assets and Liabilities, along with information on significant remote contingencies and contingencies that cannot be quantified.

The above schedule should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
EXPENSES			
Supplier expenses	16A	862	877
Write-down and impairment of assets	16B	6,758	1,475
Total expenses administered on behalf of government		7,620	2,352
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Taxation revenue			
Customs Duty	17A	7,103,848	5,826,426
Passenger Movement Charge	17B	646,343	615,469
Import Processing and Deport Charges	17C	148,337	144,101
Total taxation revenue		7,898,528	6,585,996
Non-taxation revenue			
Fees, Fines and Prosecutions	17D	538	1,882
Interest	17E	231	76
Other	17F	1,712	2,410
Total non-taxation revenue		2,481	4,368
Total own-source revenue administered on behalf of government		7,901,009	6,590,364
Total own-source income		7,901,009	6,590,364
Net cost of (contribution by) services		(7,893,389)	(6,588,012)
Surplus (Deficit) attributable to the Australian Government		7,893,389	6,588,012
Total comprehensive income (loss) attributable to the Australian Government		7,893,389	6,588,012

The above statement should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	18A	1,146	49
Taxation receivables	18B	175,244	102,966
Trade and other receivables	18C	553	5,701
Total financial assets		176,943	108,716
Total assets administered on behalf of Government		176,943	108,716
LIABILITIES			
Payables			
Unearned revenue	19A	3,701	2,276
Other	19B	3,462	1,158
Total payables		7,163	3,434
Non-interest bearing liabilities			
Security deposits	20A	2,839	4,313
Total non-interest bearing liabilities		2,839	4,313
Total liabilities administered on behalf of government		10,002	7,747
Net assets / (liabilities)		166,941	100,969

The above statement should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
ADMINISTERED RECONCILIATION SCHEDULE
for the period ended 30 June 2012

	2012	2011
	\$'000	\$'000
Opening administered assets less administered liabilities as at 1 July	100,969	122,398
Adjusted opening administered assets less administered liabilities	100,969	122,398
Surplus (deficit) items:		
Plus: Administered income	7,901,009	6,590,364
Less: Administered expenses (non CAC)	(7,620)	(2,352)
Administered transfers to / from Australian Government:		
Appropriation transfers from OPA		
Appropriation Act No.1	862	877
Special account	3,398	3,530
Special appropriations (unlimited) (non CAC)	227,603	369,300
Transfers to OPA	(7,960,714)	(6,585,481)
Transfers to other entities	(98,567)	(397,667)
Net drawings from OPA on behalf of the ATO**	101,465	87,043
Net payments on behalf of the ATO out of Special Appropriations**	(101,465)	(87,043)
Closing Administered assets less Administered liabilities as at 30 June	166,941	100,969

** The Australian Tax Office is the responsible entity for these appropriations and the subsequent returns.

The above statement should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
ADMINISTERED CASH FLOW STATEMENT
as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
OPERATING ACTIVITIES			
Cash received			
Customs Duty		7,178,295	5,952,803
Passenger Movement Charge		639,410	607,025
Import Processing and Depot Charges		148,926	144,187
Interest		231	76
Tourist Refund Scheme drawings		527	1,106
Other non-taxation revenue		4,317	2,651
Special accounts		1,924	3,904
Total cash received		7,973,630	6,711,752
Cash used			
Refunds of duty and other taxes		229,136	368,148
Refunds of GST ¹ (on imports), WET ² & LCT ³		14,483	13,949
Tourist Refund Scheme		87,509	74,200
Special account		3,398	3,530
Suppliers		862	1,342
Total cash used		335,388	461,169
Net cash from (used by) operating activities	21	7,638,242	6,250,583
Net increase (decrease) in cash held			
		7,638,242	6,250,583
Cash and cash equivalents at the beginning of the reporting period		49	981
Cash from Official Public Account for:			
- Appropriations		227,603	369,300
- Refunds of GST ¹ (on imports), WET ² & LCT ³		14,483	13,949
- Tourist Refund Scheme		87,509	74,200
- Special accounts		3,398	3,530
- Supplier expenses		862	877
		333,855	461,856
Cash to Official Public Account for:			
- Administered receipts		(7,968,497)	(6,708,329)
- Return of Tourist Refund Scheme drawings		(527)	(1,106)
- Special accounts		(1,976)	(3,936)
		(7,971,000)	(6,713,371)
Cash and cash equivalents at the end of the reporting period			
	18A	1,146	49

The above schedule should be read in conjunction with the accompanying notes.

¹ Goods and Services Tax (GST)

² Wine Equalisation Tax (WET)

³ Luxury Car Tax (LCT)

Australian Customs and Border Protection Service
SCHEDULE OF ADMINISTERED CONTINGENCIES
as at 30 June 2012

	2012 \$'000	2011 \$'000
Administered contingent assets		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	-	1,894
Total administered contingent assets	-	1,894
Administered contingent liabilities		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	-	-
Total administered contingent liabilities	-	-
Net administered contingent assets (liabilities)	-	1,894

Details of each class of contingent liabilities and contingent assets in the above table are disclosed in Note 22: Administered Contingent Assets and Liabilities, along with information on significant remote contingencies and contingencies that cannot be quantified.

Statement of Activities Administered on Behalf of the Government

The major Administered activities of the Australian Customs and Border Protection Service (Customs and Border Protection) 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 Administered financial activities are the collection of Duty, the Passenger Movement Charge and Import Processing Charges. Details of planned activities for the year can be found in the Agency Portfolio Budget and Portfolio Additional Estimates Statement for the 2011-12 financial year which have been tabled in the Parliament.

Customs and Border Protection had no Administered Commitments for 2011-12 or 2010-11.

The above schedule should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1:	Significant Accounting Policies
Note 2:	Events after balance sheet date
Note 3:	Expenses
Note 4:	Income
Note 5:	Financial Assets
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Note 7:	Payables
Note 8:	Provisions
Note 9:	Cash Flow Reconciliation
Note 10:	Contingent Assets and Liabilities
Note 11:	Senior Executive Remuneration
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Note 16:	Administered Expenses
Note 17:	Administered Income
Note 18:	Administered Financial Assets
Note 19:	Administered Payables
Note 20:	Administered Non-Interest Bearing Liabilities
Note 21:	Administered Cash Flow Reconciliation
Note 22:	Administered Contingent Assets and Liabilities
Note 23:	Administered Financial Instruments
Note 24:	Administered Financial Assets Reconciliation
Note 25:	Appropriations
Note 26:	Special Accounts and FMA Act Section 39
Note 27:	Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund
Note 28:	Compensation and Debt Relief
Note 29:	Reporting of Outcomes
Note 30:	Competitive Neutrality and Cost Recovery
Note 31:	Net Cash Appropriation Arrangements

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies

1.1 Objective 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 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.

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 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:

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

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 general purpose financial statements and are required by section 49 of the *Financial Management and Accountability Act 1997*.

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; 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 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 an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity 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 executory contracts 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.

Unless alternative treatment is specifically required by an accounting standard, 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 to 1.29

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 judgements that have 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.

On 7 December 2011, the Australian Taxation Office (ATO) released a Private Binding Ruling (PBR) in relation to Fuel Tax Credits that resulted in a refund to Customs and Border Protection. On the basis that the key event of the PBR occurred during the 2011-12 financial year, the full amount of the refund was recognised in the 2011-12 financial statements despite some components of the refund relating to prior periods.

As part of the asset revaluation process undertaken by an independent valuer combined with comprehensive internal reviews, a number of assets were "first identified" and recognised for the first time in the 2011-12 financial statements. One particular asset generated from a complex lease arrangement that expired during the reporting period was recognised as a gain. The remaining assets "first identified" reflected immaterial prior year errors and were recognised as gains against opening retained earnings.

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

The following new standards, amendments to standards and interpretations were issued prior to the sign-off date, were applicable to the current reporting period and had a financial impact on the operations of Customs and Border Protection:

AASB 7	<i>Financial Instruments: Disclosures - November 2010 (Compilation)</i>
AASB 101	<i>Presentation of Financial Statements - May 2011 (Compilation)</i>
AASB 107	<i>Statement of Cash Flows - May 2011 (Compilation)</i>
AASB 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors - May 2011 (Compilation)</i>
AASB 110	<i>Events after the Reporting Period - December 2009 (Compilation)</i>
AASB 118	<i>Revenue - October 2010 (Compilation)</i>
AASB 119	<i>Employee Benefits - October 2010 (Compilation)</i>
AASB 132	<i>Financial Instruments: Presentation - May 2011 (Compilation)</i>
AASB 137	<i>Provisions, Contingent Liabilities and Contingent Assets - October 2010 (Compilation)</i>
AASB 139	<i>Financial Instruments: Recognition and Measurement - October 2010 (Compilation)</i>
AASB 1031	<i>Materiality - December 2009 (Compilation)</i>
AASB 1054	<i>Australian Additional Disclosures - May 2011 (Principal)</i>
Interp. 4	<i>Determining whether an Arrangement contains a Lease - December 2009 (Compilation)</i>
Interp. 14	<i>AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - December 2009 (Compilation)</i>
Interp. 115	<i>Operating Leases – Incentives - October 2010 (Compilation)</i>

Other new standards, amendments to standards and interpretations that were issued prior to the sign-off date 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.

Future Australian Accounting Standard Requirements

The following amendments to standards were issued by the Australian Accounting Standards Board prior to the sign-off date, which are expected to have a financial impact on Customs and Border Protection for future reporting periods.

AASB 9	<i>Financial Instruments - December 2010 (Principal)</i>
AASB 13	<i>Fair Value Measurement - September 2011 (Principal)</i>
AASB 119	<i>Employee Benefits - September 2011 (Principal)</i>
AASB 2010-2	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]</i>

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

AASB 2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]</i>
AASB 2011-3	<i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]</i>
AASB 2011-4	<i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</i>
AASB 2011-8	<i>Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]</i>
AASB 2011-9	<i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]</i>
AASB 2011-10	<i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]</i>
AASB 2011-12	<i>Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]</i>
AASB 2011-13	<i>Amendments to Australian Accounting Standard – Improvements to AASB 1049</i>

Other new amendments to standards and interpretations that were issued prior to the sign-off date and are applicable to the future reporting period are not expected to have a future financial impact on the entity.

1.5 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 or 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 will flow 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.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of reporting period. 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*.

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.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Revenue from Government

Amounts appropriated for Departmental programs for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government 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.

Paid Parental Leave Scheme

Amounts received under the Paid Parental Leave Scheme by the entity not yet paid to employees were represented gross as cash and a liability (payable). The total amount payable at reporting date under this scheme was \$61,728.18 (2011: Nil).

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 entity 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 Transactions with the Australian Government as Owner

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity 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 2011-2012 financial year.

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 reporting period 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.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

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.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The liability for long service leave as at 30 June 2012 has been determined by reference to the work of an actuarial review conducted during 2011-12. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Customs and Border Protection does not make a provision for separation and redundancy benefit payments. The entity recognises an expense for separation and redundancy when it has developed a detailed formal plan for the separation and has a formal agreement with those employees affected that it will carry out the separation.

Superannuation

Approximately 94% of 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 in the Department of Finance and Deregulation's administered schedules and notes.

Customs and Border Protection makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. 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 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 is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand;
- b) 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;
- c) cash held by outsiders ; and
- d) cash in special accounts.

1.12 Financial assets

Customs and Border Protection classifies its financial assets in the following categories:

- a) financial assets 'at fair value through profit or loss;
- b) held-to-maturity investments;
- c) available-for-sale financial assets; and
- d) 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 de-recognised upon trade date.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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'.

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:

- a) have been acquired principally for the purpose of selling in the near future;
- b) are derivatives that are not designated and effective as a hedging instrument; or
- c) 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.

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 cannot be established for unlisted investments in equity instruments, these instruments are valued at cost. 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 on an 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.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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.

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. These 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 income 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's accounts immediately prior to restructuring.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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).

Asset Class	Threshold
Internally developed software (New)	\$250,000
Internally developed software (Enhancements)	\$100,000
Purchased software	\$100,000
Buildings and leasehold improvements	\$5,000
All other assets	\$5,000

The asset threshold for leasehold improvements was lowered from \$50,000 to \$5,000 on 1 July 2011 to capture numerous lower value fitout assets associated with offices and residential staff housing properties which previously did not meet the threshold. This change more accurately reflects the use of assets over the timeframe in which they benefit the organisation, rather than expensing these items upfront which does not currently capture the future year benefit this expenditure provides to the agency.

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.

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 (or depreciated replacement cost where no active market exists for the asset)
Artworks and antiques	Market selling price

Following initial recognition at cost, property plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did 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 were made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation surplus/deficit 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 were 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 down over their estimated useful lives to Customs and Border Protection using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives) 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.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

When assessing 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 based on the following useful lives:

	2012	2011
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	3 to 15 years	3 to 15 years
Operational equipment	5 years	5 years
X-Ray equipment	7 years	7 years
Artworks and antiques	50 years	50 years

Impairment

All assets were assessed for impairment at 30 June 2012. 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 (2010-11: 3 to 10 years). When reassessing the useful lives of some intangibles their total useful life may extend beyond the initial useful lives identified. Any extension in useful life is performed with reference to the useful lives specified above and will not exceed the useful life range applying to intangible assets.

All software assets were assessed for indications of impairment as at 30 June 2012.

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:

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- a) raw materials and stores - purchase cost on a first in first out basis; and
- b) finished goods and work in progress - cost of direct materials and labour plus attributable costs that can be 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:

- a) where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- b) for receivables and payables.

1.24 Reporting of Administered Activities

The Schedule of Administered Items reflects the transactions Customs and Border Protection administers on behalf of the Australian Government.

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Administered Financial Statements 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 Official Public Account

Administered cash transfers to and from the Official Public Account (OPA), maintained by the Department of Finance and Deregulation, are reported in the Administered Financial Statements. These transfers are adjustments to the Administered cash held by Customs and Border Protection on behalf of the Australian Government and are reported as such in the Administered Cash Flow Statement in the Administered Financial Statements and in the Administered Reconciliation Schedule.

1.25 Administered Revenue

Customs and Border Protection recognises Administered taxation and non-taxation revenues in the Administered Financial Statements when the Australian Government gains control of, and can reliably measure or estimate, the future economic benefits that flow from the revenue items that it administers.

In line with the relevant applicable legislative provisions, the revenue recognition policy adopted for the major classes of Administered revenue collected by Customs and Border Protection on behalf of the Australian Government is as follows:

- Customs Duty – is recognised when the imported goods are entered into home consumption;
- Passenger Movement Charge (PMC) - is recognised within the reporting period when a passenger departs Australia, subject to certain legislative exemptions;
- Import Processing and Depot Charges – Includes Import Processing Charge, Depot Charge and the Depot Licence Charge. Import Processing Charges and Depot Charges are recognised when the imported goods are entered into home consumption. The Depot Licence Charges are recognised in the appropriate reporting period to which the licences relate;
- Fees, Fines and Prosecutions - are recognised at the time the fees and fines are imposed under the law or when a Court passes judgement; and
- Other Revenue – is made up predominately of warehouse licence fees which are recognised in the appropriate reporting period to which the licences relate.

Customs and Border Protection has a compliance program, in an environment where importers largely self-assess, providing for targeting and intervention of transactions proportionate to the perceived levels of risk in a given situation. Customs and Border Protection's compliance activity is intelligence driven and has been developed to deliver high levels of compliance in an environment where importers largely self assess their liabilities to the Commonwealth. This compliance activity is designed to provide the community with confidence that:

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- Reporting of all cargo and vessels entering and 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.

In relation to the PMC, this charge is the administrative responsibility of Customs and Border Protection and it is levied under the *Passenger Movement Charge Act 1978*. The PMC is recognised on the basis of departing passenger numbers and is collected by airlines and sea carriers under formal arrangements with the Commonwealth. The revenue remitted to Customs and Border Protection is paid into the Official Public Account and therefore is not a cost recovery arrangement. Arrangements exist to monitor and verify the accuracy of the PMC revenue remitted to Customs and Border Protection by carriers and remediation action is undertaken when necessary.

1.26 Administered Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this Note, Customs and Border Protection has applied the following changes to the way that estimates are calculated that have a significant impact on the amounts recorded in the financial statements.

Customs and Border Protection reviewed the methodology associated with the recognition of administered revenue used for the calculation of the accrual of the Customs Duty. The methodology used for 2011-12 now includes an estimate of revenue for those goods that have entered into home consumption at the reporting period, but for which duty has not yet been paid. Under the current legislative arrangements, goods can be moved into home consumption with certain importers having up to seven days from the date of release of the goods to make the requisite payment. The value of revenue included in the financial statements is a best estimate of the amount of revenue that would have been payable, and is therefore recognised, for this seven day period.

1.27 Administered Expenses

Administered expenses include supplier expenses relating to an annual Administered program, the write-off of Administered debts and the impairment of Administered receivables.

Provisions are raised for any doubtful Administered debts and are based on a review of outstanding accounts as at year end.

1.28 Administered Assets

Administered assets include cash and cash equivalents, receivables and accrued revenues. The collectability of Administered receivables is reviewed on an on-going basis. Debts which are irrecoverable at law or are uneconomic to pursue are written off. However, this does not preclude these debts from being reinstated, should information subsequently become available which indicates that recoverability action may now be viable.

Administered Financial Instruments

Customs and Border Protection has assessed that Administered cash is the only financial asset which meets the definition of a financial instrument and is reported in the financial instrument disclosure. Administered receivables are statutory receivables and as such are not classified as financial assets.

1.29 Administered Liabilities

Administered liabilities relate to unearned revenue for warehouse and broker licences. Payables are recognised for claims on hand for refunds.

Administered Financial Instruments

Financial liabilities are considered financial instruments if they give rise to a financial asset of one entity and financial liability or equity instrument of another entity. Customs and Border Protection has assessed that the only Administered liability that meets this criterion is the liability relating to security deposits and amounts held in trust where the owner of those monies cannot be identified (Refer to Note 26).

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2: Events after balance sheet date

Departmental

No events occurred after the balance date.

(2011: On 12 August 2011, Customs and Border Protection entered into a \$350 million contract for the design, build and support of eight new Cape Class Patrol Boats for an initial eight year period. This arrangement is not reflected in Customs and Border Protection's 2010-11 Financial Statements.)

Administered

No events occurred after the balance date.

(2011: No events occurred after the balance date.)

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 3: Expenses

	2012 \$'000	2011 \$'000
Note 3A. Employee Benefits		
Wages and salaries	336,252	323,982
Superannuation:		
Defined contribution plans	19,646	17,917
Defined benefit plans	50,319	52,455
Leave and other entitlements	143,245	115,603
Separations and redundancies	4,842	6,772
Other employee expenses	9,982	9,929
Total employee benefits	564,286	526,658
Note 3B. Supplier Expenses		
Goods and services		
Vessels and coastal surveillance (excludes operating leases)	49,991	59,951
Contractors & consultants	42,704	43,292
IT (excludes operating leases)	40,519	38,999
Property (includes overseas posts and excludes operating leases)	18,512	14,641
Travel	23,189	21,691
HR related expenses	14,695	14,738
Legal & insurance	7,070	8,406
General operational	43,328	41,489
Other	14,033	11,549
Total goods and services	254,041	254,756
Goods and services are made up of:		
Provision of goods – related entities	545	59
Provision of goods – external parties	17,338	30,498
Rendering of services – related entities	13,231	9,291
Rendering of services - external parties	222,927	214,908
Total goods and services	254,041	254,756
Other supplier expenses		
Operating lease rentals – external parties:		
Minimum lease payments	209,968	206,486
Workers compensation expenses	13,516	8,181
Total other supplier expenses	223,484	214,667
Total supplier expenses	477,525	469,423
Note 3C. Grants		
Public sector:		
Overseas government	158	1,016
Total grants	158	1,016

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012 \$'000	2011 \$'000
<u>Note 3D. Depreciation and Amortisation</u>		
Depreciation:		
Property, plant and equipment	31,990	30,239
Buildings	19,025	15,791
Total depreciation	51,015	46,030
Amortisation:		
Intangibles	39,744	30,090
Total amortisation	39,744	30,090
Total depreciation and amortisation	90,759	76,120
<u>Note 3E. Finance Costs</u>		
Unwinding of discount for makegood provision	713	767
Total finance costs	713	767
<u>Note 3F. Write-Down and Impairment of Assets</u>		
Asset write-downs and impairments from:		
Impairment on financial instruments	90	338
Impairment on intangible assets	-	198
Impairment of property, plant and equipment	1,207	1,503
Revaluation decrement - property, plant and equipment	-	-
Write off bad debts	438	9,927
Total write-down and impairment of assets	1,735	11,966
<u>Note 3G. Losses from Asset Sales</u>		
Land and buildings:		
Proceeds from sale	(1,049)	-
Carrying value of assets sold/disposed	1,127	-
Selling expense	78	-
Property, plant and equipment:		
Proceeds from sale	(1)	(1,071)
Carrying value of assets sold/disposed	22	1,487
Selling expense	1	-
Intangibles:		
Proceeds from sale	-	-
Carrying value of assets sold/disposed	-	-
Selling expense	-	-
Total losses from asset sales	178	416
<u>Note 3H. Other Expenses</u>		
Defective administration claims	5	20
Other	-	81
Total other expenses	5	101

Australian Customs and Border Protection Service **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 4: Income

	2012	2011
	\$'000	\$'000

OWN SOURCE REVENUE

Note 4A. Sale of Goods and Rendering of Services

Provision of goods - related entities	148	18
Provision of goods - external parties	252	322
Rendering of services - related entities	55,750	59,750
Rendering of services - external parties	7,586	4,733
Total sale of goods and rendering of services	63,736	64,823

Note 4B. Rental Income

Operating lease	2,769	2,480
Total rental income	2,769	2,480

Note 4C. Other Revenue

Resources received free of charge	4,211	4,236
Other non-tax revenues	826	737
Total other revenue	5,037	4,973

GAINS

Note 4D. Sale of Assets

Land and buildings:		
Proceeds from sale	2,767	4,091
Carrying value of assets sold	(2,285)	(4,046)
Selling expense	(157)	-
Property, plant and equipment:		
Proceeds from sale	78	-
Carrying value of assets sold	-	-
Selling expense	(11)	-
Intangibles:		
Proceeds from sale	-	-
Carrying value of assets sold	-	-
Selling expense	-	-
Net gain from sale of assets	392	45

Note 4E. Other Gains

Resources received free of charge	740	740
Other - Fuel tax credit	4,767	-
Other - Melbourne Container Examination Facility	8,445	-
Total other gains	13,952	740

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

REVENUE FROM GOVERNMENT

Note 4F. Revenue from Government

Appropriations:

Departmental appropriations

<u>935,386</u>	<u>933,702</u>

Total revenue from Government

<u>935,386</u>	<u>933,702</u>

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Financial Assets

	2012	2011
	\$'000	\$'000
<u>Note 5A. Cash and Cash Equivalents</u>		
Cash on hand or on deposit	4,883	5,439
Cash held by outsiders	<u>2,540</u>	<u>1,951</u>
<i>Total cash and cash equivalents</i>	<u>7,423</u>	<u>7,390</u>

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012 \$'000	2011 \$'000
Note 5B. Trade and Other Receivables		
Good and Services:		
Goods and services - related entities	577	1,101
Goods and services - external parties	2,200	2,282
Total receivables for goods and services	2,777	3,383
Appropriations receivable:		
For existing programs	185,879	175,719
For departmental supplementations	-	-
Total appropriations receivable	185,879	175,719
Other receivables:		
GST receivable from the Australian Taxation Office	6,381	6,265
Other	6,609	4,230
Total other receivables	12,990	10,495
Total trade and other receivables (gross)	201,646	189,597
Less impairment allowance account:		
Goods and services	(1,814)	(1,644)
Other	-	(123)
Total impairment allowance account	(1,814)	(1,767)
Total trade and other receivables (net)	199,832	187,830
Receivables are expected to be recovered in:		
No more than 12 months	199,832	187,830
More than 12 months	-	-
Total trade and other receivables (net)	199,832	187,830
Receivables are aged as follows:		
Not overdue	199,439	187,512
Overdue by:		
0 to 30 days	178	34
31 to 60 days	50	226
61 to 90 days	34	1
More than 90 days	1,945	1,824
Total receivables (gross)	201,646	189,597
The impairment allowance account is aged as follows:		
Not overdue	-	-
Overdue by:		
More than 90 days	(1,814)	(1,767)
Total impairment allowance account	(1,814)	(1,767)

Credit terms for goods and services were within 30 days.

Reconciliation of the Impairment Allowance Account:

Australian Customs and Border Protection Service **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Movements in relation to 2012

	Goods and services \$'000	Other receivables \$'000	Total \$'000
Opening balance	(1,644)	(123)	(1,767)
Amounts written off	400	-	400
Amounts recovered and reversed	-	-	-
Increase/decrease recognised in net surplus	(570)	123	(447)
Closing balance	(1,814)	-	(1,814)

Movements in relation to 2011

	Goods and services \$'000	Other receivables \$'000	Total \$'000
Opening balance	(80)	(1,349)	(1,429)
Amounts written off	14	-	14
Increase/decrease recognised in net surplus	(1,578)	1,226	(352)
Closing balance	(1,644)	(123)	(1,767)

	2012 \$'000	2011 \$'000
Note 5C. Other Financial Assets		
Accrued Revenue	814	174
Total other financial assets	814	174

Total other financial assets - are expected to be recovered in:

No more than 12 months	814	174
More than 12 months	-	-
Total other financial assets	814	174

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Non-Financial Assets

	2012 \$'000	2011 \$'000
Note 6A. Land and Buildings		
Land at fair value	27,670	25,515
Buildings on freehold land:		
Fair value	45,726	36,729
Accumulated depreciation	-	(2,998)
Total buildings on freehold land	73,396	59,246
Leasehold improvements:		
Work in progress	12,396	14,546
Fair value	89,137	101,217
Accumulated depreciation	-	(33,999)
Total leasehold improvements	101,533	81,764
Total land and buildings	174,929	141,010

No indicators of impairment were found for land and buildings.

All independent valuations were conducted by the Australian Valuation Office in accordance with the revaluation policy stated at Note 1.19.

A revaluation increment of \$2.75m for land, \$4.34m for buildings on freehold land and \$14.66m for leasehold improvements was credited to the asset revaluation surplus by asset class and included in the equity section of the balance sheet; no decrements were expensed.

Note 6B. Property Plant and Equipment

Other property, plant and equipment:		
Work in progress	67,678	63,951
Fair value	113,105	150,042
Accumulated depreciation	-	(67,081)
Total other property, plant and equipment	180,783	146,912
Total property, plant and equipment	180,783	146,912

No indicators of impairment were found for property, plant and equipment assets.

All independent valuations were conducted by the Australian Valuation Office in accordance with the revaluation policy stated at Note 1.19.

A revaluation increment of \$12.46m for plant and equipment was credited to the asset revaluation surplus by asset class and included in the equity section of the balance sheet; no decrements were expensed. An additional \$0.45m for plant and equipment was recognised as other revenue in the statement of comprehensive income to reverse a net revaluation decrease of the same class of assets previously recognised in the statement of comprehensive income in 2008-09.

**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 (2011-12)

	Land \$'000	Buildings \$'000	Total land and buildings \$'000	Other property, plant & equipment \$'000	Total \$'000
As at 1 July 2011					
Gross book value	25,515	152,492	178,007	213,993	392,000
Accumulated depreciation and impairment	-	(36,997)	(36,997)	(67,081)	(104,078)
Net book value 1 July 2011	25,515	115,495	141,010	146,912	287,922
Additions:					
By Purchase or internally developed	695	23,167	23,862	51,704	75,566
By donation/gift	-	8,445	8,445	-	8,445
Other additions	565	1,456	2,021	1,549	3,570
Revaluations and impairments recognised in other comprehensive income					
Revaluations recognised in the operating result	2,755	18,996	21,751	12,460	34,211
Impairments recognised in the operating result	-	-	-	447	447
Reversals of impairments recognised in the operating result	-	-	-	-	-
Assets held for sale or in a disposal group held for sale	-	-	-	-	-
Depreciation expense	-	(19,025)	(19,025)	(31,990)	(51,015)
Other movements*	-	277	277	(277)	-
Disposals:					
From disposal of entities or operations (including restructuring)	-	-	-	-	-
Other	(1,860)	(1,552)	(3,412)	(22)	(3,434)
Net book value 30 June 2012	27,670	147,259	174,929	180,783	355,712
Net book value as of 30 June 2012 represented by:					
Gross book value	27,670	147,259	174,929	180,783	355,712
Accumulated depreciation and impairment	-	-	-	-	-
Net book value 30 June 2012	27,670	147,259	174,929	180,783	355,712

* Other movements – reclassification of asset category

**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 (2010-11)

	Land \$'000	Buildings \$'000	Total land and buildings \$'000	Other property, plant & equipment \$'000	Total \$'000
As at 1 July 2010					
Gross book value	25,700	135,484	161,184	174,712	335,896
Accumulated depreciation and impairment	-	(21,360)	(21,360)	(39,334)	(60,694)
Net book value 1 July 2010	25,700	114,124	139,824	135,378	275,202
Additions:					
By Purchase or internally developed	1,725	20,783	22,508	43,837	66,345
By finance lease	-	-	-	-	-
By donation/gift	-	-	-	-	-
Revaluations and impairments recognised in other comprehensive income	-	-	-	-	-
Revaluations recognised in the operating result	-	-	-	-	-
Impairments recognised in the operating result	-	(1,027)	(1,027)	(576)	(1,603)
Reversal of impairments recognised in the operating result	-	100	100	-	100
Assets held for sale or in a disposal group held for sale	-	-	-	-	-
Depreciation expense	-	(15,791)	(15,791)	(30,239)	(46,030)
Other movements*	-	(558)	(558)	(1)	(559)
Disposals:					
From disposal of entities or operations (including restructuring)	-	-	-	-	-
Other	(1,910)	(2,136)	(4,046)	(1,487)	(5,533)
Net book value 30 June 2011	25,515	115,495	141,010	146,912	287,922
Net book value as of 30 June 2011 represented by:					
Gross book value	25,515	152,492	178,007	213,993	392,000
Accumulated depreciation and impairment	-	(36,997)	(36,997)	(67,081)	(104,078)
Net book value 30 June 2011	25,515	115,495	141,010	146,912	287,922

* Other movements – Reduction to make good assets

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2012 \$'000	2011 \$'000
<u>Note 6D. Intangibles</u>		
Computer software:		
Internally developed – in progress	28,178	18,284
Internally developed – in use	400,044	345,591
Purchased	25,189	18,238
<i>Total computer software (gross)</i>	453,411	382,113
Accumulated amortisation	(217,905)	(178,734)
Accumulated impairment losses	(17,228)	(17,228)
<i>Total computer software (net)</i>	218,278	186,151
<i>Total intangibles</i>	218,278	186,151

Indicators of impairment have been reflected in the above balance for intangibles.

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles (2011-12)

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2011			
Gross book value	363,875	18,238	382,113
Accumulated amortisation and impairment	(186,455)	(9,507)	(195,962)
Net book value 1 July 2011	177,420	8,731	186,151
Additions:			
By purchase or internally developed	66,127	6,951	73,078
By finance lease	-	-	-
By donation/gift	-	-	-
Revaluations and impairments recognised in other comprehensive income	-	-	-
Revaluations recognised in the operating result	(1,207)	-	(1,207)
Impairments recognised in the operating result	-	-	-
Reversal of impairments recognised in the operating result	(34,520)	(5,224)	(39,744)
Amortisation	-	-	-
Other movements	-	-	-
Disposals:			
From disposal of entities or operations (including restructuring)	-	-	-
Other	-	-	-
Net book value 30 June 2012	207,820	10,458	218,278
Net book value as of 30 June 2012 represented by:			
Gross book value	428,222	25,189	453,411
Accumulated amortisation and impairment	(220,402)	(14,731)	(235,133)
Net book value 30 June 2012	207,820	10,458	218,278

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 6E. Reconciliation of the Opening and Closing Balances of Intangibles (2010-11)

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2010			
Gross book value	351,513	10,148	361,661
Accumulated amortisation and impairment	(161,000)	(5,499)	(166,499)
Net book value 1 July 2010	190,513	4,649	195,162
Additions:			
By purchase or internally developed	22,391	8,475	30,866
By finance lease	-	-	-
By donation/gift	-	-	-
Revaluations and impairments recognised in other comprehensive income	-	-	-
Revaluations recognised in the operating result	-	-	-
Impairments recognised in the operating result	(198)	-	(198)
Reversal of impairments recognised in the operating result	-	-	-
Amortisation	(25,697)	(4,393)	(30,090)
Other movements	(9,589)	-	(9,589)
Disposals:			
From disposal of entities or operations (including restructuring)	-	-	-
Other	-	-	-
Net book value 30 June 2011	177,420	8,731	186,151
Net book value as of 30 June 2011 represented by:			
Gross book value	363,875	18,238	382,113
Accumulated amortisation and impairment	(186,455)	(9,507)	(195,962)
Net book value 30 June 2011	177,420	8,731	186,151

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012	2011
	\$'000	\$'000
<u>Note 6F. Inventories</u>		
Inventories held for distribution	2,362	2,459
<i>Total inventories</i>	2,362	2,459

During 2011-12 \$5,675,064 of inventory held for distribution was recognised as an expense (2010-11: \$6,617,957).
 All inventories are expected to be distributed in the next 12 months.

Note 6G. Other Non-Financial Assets

Prepayments	14,355	17,241
<i>Total other non-financial assets</i>	14,355	17,241
Total other non-financial assets - are expected to be recovered in:		
No more than 12 months	13,172	13,842
More than 12 months	1,183	3,399
<i>Total other non-financial assets</i>	14,355	17,241

No indicators of impairment were found for other non-financial assets.

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 7: Payables

	2012 \$'000	2011 \$'000
Note 7A. Suppliers		
Trade creditors and accruals	66,576	50,355
Operating lease rentals	11,362	17,349
Total supplier payables	77,938	67,704
Supplier payables expected to be settled within 12 months:		
Related entities	3,444	2,001
External parties	74,494	65,703
Total	77,938	67,704
Supplier payables expected to be settled in greater than 12 months:		
Related entities	-	-
External parties	-	-
Total	-	-
Total supplier payables	77,938	67,704

Settlement is usually made within 30 days.

Note 7B. Other Payables

Salaries and wages	18,344	11,147
Superannuation	1,931	2,752
Other employee entitlements	2,089	1,949
Workers compensation	-	63
Prepayments received/unearned revenue	1,418	994
Fringe Benefits Tax	520	715
Lease incentive	2,555	2,598
Deferred rental	4,431	6,747
GST payable	124	192
Other payables	4,858	5,236
Total other payables	36,270	32,393
Total other payables are expected to be settled in:		
No more than 12 months	31,107	22,974
More than 12 months	5,163	9,419
Total other payables	36,270	32,393

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Provisions

	2012 \$'000	2011 \$'000
Note 8A. Employee Provisions		
Leave	176,446	147,333
Total employee provisions	176,446	147,333
Employee provisions are expected to be settled in:		
No more than 12 months	48,202	41,981
More than 12 months	128,244	105,352
Total employee provisions	176,446	147,333
Note 8B. Other Provisions		
Provision for restoration obligations	23,852	16,801
Provision for legal costs	-	138
Total other provisions	23,852	16,939
Other provisions are expected to be settled in:		
No more than 12 months	2,400	4,610
More than 12 months	21,452	12,329
Total other provisions	23,852	16,939

	Provision for restoration \$'000	Provision for legal costs \$'000	Total \$'000
Carrying amount 1 July 2011	16,801	138	16,939
Additional provisions made	10,295	-	10,295
Amounts used	-	(11)	(11)
Amounts reversed	(3,957)	(127)	(4,084)
Unwinding of discount or change in discount rate	713	-	713
Closing balance 2012	23,852	-	23,852

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

	2012 \$'000	2011 \$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	7,423	7,390
Balance sheet	7,423	7,390
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(1,049,473)	(1,013,406)
Add revenue from Government	935,386	933,702
Adjustments for non-cash items		
Resources received free of charge	(13,658)	-
Depreciation / amortisation	90,759	76,120
Net write down of assets	1,207	11,291
Gain on disposal of assets	(392)	(45)
Loss on disposal of assets	178	416
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(6,251)	(2,396)
(Increase) / decrease in inventories	97	(372)
(Increase) / decrease in GST receivable	-	187
(Increase) / decrease in other non financial assets	2,886	(3,918)
Increase / (decrease) in employee provisions	29,113	(636)
Increase / (decrease) in supplier / other payables	(520)	(553)
Increase / (decrease) in other provisions	6,913	210
Increase / (decrease) in other liabilities	424	(962)
Net cash from (used by) operating activities	(3,331)	(362)

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10: Contingent Assets and Liabilities

	Guarantees		Indemnities		Claims for damages or costs		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Contingent assets								
Balance from previous period	-	-	-	-	-	-	-	-
New	-	-	-	-	-	-	-	-
Assets recognised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-	-
Total contingent assets	-	-	-	-	-	-	-	-
Contingent liabilities								
Balance from previous period	-	-	288	-	273	782	561	782
New	-	-	-	288	-	13	-	301
Re-measurement	-	-	-	-	-	-	-	-
Liabilities recognised	-	-	-	-	-	(330)	-	(330)
Obligations expired	-	-	(288)	-	(273)	(192)	(561)	(192)
Total contingent liabilities	-	-	-	288	-	273	-	561
Net contingent assets (liabilities)	-	-	-	(288)	-	(273)	-	(561)

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Quantifiable Contingencies

The 2010-11 Schedule of Contingencies reported contingent liabilities in respect of claims and liability based damages/costs of \$273,000. This obligation has now expired as a result of the claims having reached their statute of limitation.

Customs and Border Protection had no contingent assets in respect for damages/costs in 2010-11 and 2011-12.

Last financial year, due to a change in service provider for the Tourist Refund Scheme, Customs and Border Protection assumed responsibility for unredeemed cheques issued by the outgoing service provider for a combined value of \$288,481.80 at 17 May 2011. This obligation has now expired.

Unquantifiable Contingencies

As at 30 June 2012, Customs and Border Protection had a number of legal claims lodged against it for damages and costs. Customs has denied liability and is defending the claims. In addition, Customs and Border Protection has lodged a number of claims to recover damages costs which are also being defended. It is not possible to estimate the amount of any eventual payments or receipts in relation to these claims.

A recent software audit led to a discovery of a possible under licensing for a particular software product utilised by Customs and Border Protection. Until the software provider involved establishes a position on these findings there is no clear understanding as to the impact of this issue.

The Australian Government has entered into contractual arrangements with Gardline Australia Pty Ltd until 30 June 2013 for the provision of two vessels to strengthen enforcement activities in Australia's northern waters and to patrol and respond to incursions in the Ashmore Reef National Nature Reserve and the Cartier Island Marine Reserve. The Australian Government has also entered into a contract with dmaa Seaforce Pty Ltd to provide a Civil Charter Vessel to conduct patrols in the Southern Ocean as well as the northern waters to undertake law enforcement activities in relation to illegal, unregulated and unreported fishing as well as people smuggling activities. This agreement will remain in force until 30 June 2014.

The contracts with Gardline Australia Pty Ltd contain unquantifiable indemnities relating to the use or other operations of armaments or the presence of the armaments on the vessel. The contract with dmaa Seaforce Pty Ltd for a Civil Charter Vessel contains unquantifiable indemnities relating to the use or other operations of armaments and ammunition or the presence of the armaments and ammunition on the vessel. These contracts also contain unquantifiable indemnities relating to damage to any property or injury to any person caused by the apprehended or escorted persons or their vessels.

In relation to these patrols, the Australian Government will indemnify Gardline Australia Pty Ltd and dmaa Seaforce 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

As at 30 June 2012, Customs and Border Protection holds a number of contingent assets in the form of bank guarantees and other indemnities. The number of these securities that may be surrendered to Customs and Border Protection due to a failure to meet contractual requirements is considered remote and not quantifiable.

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11: Senior Executive Remuneration

Note 11A. Senior Executive Remuneration Expense for the Reporting Period

	2012 \$'000	2011 \$'000
Short-term employee benefits:		
Salary	8,325	8,519
Annual leave accrued	841	783
Performance bonuses	692	402
Other	1,292	1,656
Total short-term employee benefits	11,150	11,360
Post-employment benefits:		
Superannuation	1,457	1,367
Total post-employment benefits	1,457	1,367
Other long-term benefits:		
Long-service leave	378	367
Total other long-term benefits	378	367
Termination benefits	568	72
Total	13,554	13,166

Notes:

1. Note 11A is prepared on an accrual basis (therefore the performance bonus expenses disclosed above may differ from the cash 'Bonus paid' in Note 11B).
2. Note 11A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$150,000.
3. "Other" includes motor vehicle allowances, value of reportable fringe benefits and other allowances.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11B. Average Annual Reportable Remuneration Paid to Substantive Senior Executives during the Reporting Period

Average annual reportable remuneration ^(a)	Senior Executives No.	Reportable salary ^(b)	2011-12				Reportable allowances ^(d)	Bonus paid ^(e)	Total
				Contributed superannuation ^(c)					
		\$	\$	\$	\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):									
less than \$150,000	2	41,119	4,366	-	-	3,873	49,358		
\$150,000 to \$179,999	1	154,264	20,160	739	-	-	175,163		
\$180,000 to \$209,999	9	162,191	26,098	332	9,246	197,867			
\$210,000 to \$239,999	26	175,712	35,075	622	11,325	222,734			
\$240,000 to \$269,999	3	205,805	42,288	68	8,259	256,420			
\$270,000 to \$299,999	7	224,908	37,519	185	18,500	281,110			
\$300,000 to \$329,999	4	266,076	34,939	119	12,197	313,330			
\$360,000 to \$389,999	2	306,047	47,646	-	26,941	380,634			
\$510,000 to \$539,999	1	426,779	112,061	-	-	538,840			
Total	55								

Notes:

(a) This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

(b) 'Reportable salary' includes the following:

- gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- exempt foreign employment income years due to various factors such as individuals commencing with or leaving the entity during the financial year.

(c) The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.

(d) 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

(e) 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Various salary sacrifice arrangements were available to senior executive staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Average annual reportable remuneration ^(a)	Senior Executives No.	Reportable salary ^(b) \$	2010-11		
			Contributed superannuation ^(c) \$	Reportable allowances ^(d) \$	Bonus paid ^(e) \$
Total remuneration (including part-time arrangements):					
less than \$150,000	11	60,739	13,143	-	-
\$150,000 to \$179,999	3	153,309	16,368	66	-
\$180,000 to \$209,999	22	161,133	31,485	82	5,564
\$210,000 to \$239,999	11	163,796	44,081	1,014	9,596
\$240,000 to \$269,999	5	213,310	29,921	251	11,106
\$270,000 to \$299,999	4	225,208	35,577	14	17,069
\$300,000 to \$359,999	2	275,807	48,845	-	24,540
\$360,000 to \$389,999	1	289,606	54,445	-	25,194
\$390,000 to \$419,999	1	348,797	34,069	-	7,893
\$480,000 to \$509,999	1	390,246	116,378	-	-
Total	61				

Notes:

^(a) This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

^(b) 'Reportable salary' includes the following:

- gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- exempt foreign employment income years due to various factors such as individuals commencing with or leaving the entity during the financial year.

^(c) The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.

^(d) 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

^(e) 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Various salary sacrifice arrangements were available to senior executive staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 11C. Other Highly Paid Staff

Average annual reportable remuneration ^(a)	Staff No.	2011-12				Total
		Reportable salary ^(b) \$	Contributed superannuation ^(c) \$	Reportable allowances ^(d) No.	Bonus paid ^(e) \$	
Total remuneration (including part time arrangements):						
\$150,000 to \$179,999	45	134,214	29,143	95	-	163,453
\$180,000 to \$209,999	10	159,107	27,891	100	-	187,097
\$210,000 to \$239,999	1	146,607	68,394	-	-	215,001
\$240,000 to \$269,999	2	216,847	18,347	194	5,368	240,756
<i>Total</i>	58					

Notes:

(a) This table reports staff:

- who were employed by the entity during the reporting period;
- whose reportable remuneration was \$150,000 or more for the financial period; and
- were not required to be disclosed in Tables A, B or director disclosures.

Each row is an averaged figure based on headcount for individuals in the band.

(b) 'Reportable salary' includes the following:

- gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column). Gross payments include: salary; higher duties allowance; overtime allowances; location based allowances; job specific allowances; penalties etc;
- reportable fringe benefits (at the net amount prior to grossing up to account for tax benefits); and
- exempt foreign employment income years due to various factors such as individuals commencing with or leaving the entity during the financial year.

(c) The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.

(d) 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

(e) 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Average annual reportable remuneration ^(a)	2010-11				Total
	Reportable salary ^(b) \$	Contributed superannuation ^(c) \$	Reportable allowances ^(d) No.	Bonus paid ^(e) \$	
Total remuneration (including part time arrangements):					
\$150,000 to \$179,999	131,894	26,819	74	50	158,837
\$180,000 to \$209,999	152,250	29,279	620	2,193	184,341
\$210,000 to \$239,999	203,379	21,746	-	-	225,125
Total			86		

Notes:

^(a) This table reports staff:

- who were employed by the entity during the reporting period;
- whose reportable remuneration was \$150,000 or more for the financial period; and
- were not required to be disclosed in Tables A, B or director disclosures.

Each row is an averaged figure based on headcount for individuals in the band.

^(b) 'Reportable salary' includes the following:

- gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column). Gross payments include: salary; higher duties allowance; overtime allowances; location based allowances; job specific allowances; penalties etc;
- reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- exempt foreign employment income years due to various factors such as individuals commencing with or leaving the entity during the financial year.

^(c) The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.

^(d) 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

^(e) 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12: Remuneration of Auditors

	2012	2011
	\$	\$
Financial statement audit services were provided free of charge to the Australian Customs and Border Protection Service by the Australian National Audit Office (ANAO).		
Fair value of the service provided		
Financial statement audit services	740,000	740,000
Other paid services	24,896	13,510
Total	764,896	753,510

Note 13: Average Staffing Levels

	2012	2011
The average staffing levels for Customs and Border Protection during the year were	5,222	5,318

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14: Financial Instruments

	2012 \$'000	2011 \$'000
Note 14A. Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	7,423	7,390
Trade receivables	2,777	3,383
Other receivables	6,609	4,230
Accrued revenue	814	174
Total	17,623	15,177
Carrying amount of financial assets	17,623	15,177
Financial Liabilities		
At amortised cost:		
Trade creditors	77,938	67,704
Other payables	4,858	5,236
Total	82,796	72,940
Carrying amount of financial liabilities	82,796	72,940

Note 14B. Fair Value of Financial Instruments

	Carrying amount 2012 \$'000	Fair value 2012 \$'000	Carrying amount 2011 \$'000	Fair value 2011 \$'000
Financial Assets				
Cash and cash equivalents	7,423	7,423	7,390	7,390
Trade receivables	2,777	2,777	3,383	3,383
Other receivables	6,609	6,609	4,230	4,230
Accrued revenue	814	814	174	174
Total	17,623	17,623	15,177	15,177
Financial Liabilities				
Payables - suppliers	77,938	77,938	67,704	67,704
Other payables	4,858	4,858	5,236	5,236
Total	82,796	82,796	72,940	72,940

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14C. Credit Risk

Customs and Border Protection is exposed to minimal credit risk as loans and receivables are cash, trade receivables and accrued revenue.

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 and accrued revenue (2012: \$10,200,000 and 2011: \$7,787,000). Customs and Border Protection has assessed the risk of the default on payment and has allocated \$1,814,000 in 2012 (2011: \$1,767,000) 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 2012 \$'000	Not past due nor impaired 2011 \$'000	Past due or impaired 2012 \$'000	Past due or impaired 2011 \$'000
Cash and cash equivalents	7,423	7,390	-	-
Trade receivables	609	1,421	2,168	1,962
Other receivables	6,570	4,107	39	123
Accrued revenue	814	174	-	-
Total	15,416	13,092	2,207	2,085

Ageing of financial assets that were past due but not impaired for 2012

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Trade receivables	138	50	34	132	354
Other receivables	39	-	-	-	39
Accrued revenue	-	-	-	-	-
Total	177	50	34	132	393

Ageing of financial assets that were past due but not impaired for 2011

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Trade receivables	34	226	1	57	318
Other receivables	-	-	-	-	-
Accrued revenue	-	-	-	-	-
Total	34	226	1	57	318

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 2012

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Trade creditors	-	77,938	-	-	-	77,938
Other payables	-	4,858	-	-	-	4,858
Total	-	82,796	-	-	-	82,796

Maturities for non-derivative financial liabilities 2011

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Trade creditors	-	67,704	-	-	-	67,704
Other payables	-	5,236	-	-	-	5,236
Total	-	72,940	-	-	-	72,940

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 AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Financial Assets Reconciliation

		2012	2011
		\$'000	\$'000
Financial assets	Notes		
Total financial assets as per balance sheet		208,069	195,394
Less: non-financial instrument components			
Appropriation receivables		185,879	175,719
GST receivable from the ATO		6,381	6,265
Impairment allowance account		(1,814)	(1,767)
Total non-financial instrument components		190,446	180,217
Total financial assets as per financial instruments note	14A	17,623	15,177

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16: Administered Expenses

	2012	2011
	\$'000	\$'000
<u>Note 16A. Suppliers</u>		
Consultants	862	877
<i>Total supplier expenses</i>	862	877
<u>Note 16B. Write-Down and Impairment of Assets</u>		
Impairment expense	(5,013)	(1,597)
Write off non-current assets held for sale	-	25
Write-offs	11,771	3,047
<i>Total write-down and impairment of assets</i>	6,758	1,475

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 17: Administered Income

	2012 \$'000	2011 \$'000
Taxation revenue		
<u>Note 17A. Customs Duty</u>		
Customs Duty	7,103,848	5,826,426
Total Customs Duty	7,103,848	5,826,426
<u>Note 17B. Passenger Movement Charge</u>		
Passenger Movement Charge	646,343	615,469
Total Passenger Movement Charges	646,343	615,469
<u>Note 17C. Import Processing and Depot Charges</u>		
Import Processing and Depot Charges	148,337	144,101
Total Import Processing and Depot Charges	148,337	144,101
Non-Taxation revenue		
<u>Note 17D. Fees, Fines and Prosecutions</u>		
Fees, Fines, and Prosecutions	538	1,882
Total Fees, Fines and Prosecutions	538	1,882
<u>Note 17E. Interest</u>		
Interest received	231	76
Total Interest	231	76
<u>Note 17F. Other Revenue</u>		
Other revenue	1,712	2,410
Total Other Revenue	1,712	2,410

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Administered Financial Assets

	2012	2011
	\$'000	\$'000
Note 18A. Cash and Cash Equivalents		
Cash at bank	1,146	49
Total cash and cash equivalents	1,146	49
Note 18B. Taxation Receivables		
Customs duty *	97,282	30,098
Passenger Movement Charge	94,553	87,620
Import Processing and Depot Charges	36	553
Total taxation receivables (gross)	191,871	118,271
Less: impairment allowance account	(16,627)	(15,305)
Total Taxation receivables (net)	175,244	102,966
Taxation receivables were aged as follows:		
Not overdue	172,201	89,755
Overdue by:		
0 to 30 days	1,958	12,020
31 to 60 days	331	163
61 to 90 days	754	1,028
More than 90 days	16,627	15,305
Total receivables (gross)	191,871	118,271
The impairment allowance is aged as follows:		
Not overdue	-	-
Overdue by:		
More than 90 days	(16,627)	(15,305)
Total receivables (gross)	(16,627)	(15,305)
Note:		
* Refer to Administered Note 1 paragraph 1.26 for further explanation.		

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012 \$'000	2011 \$'000	
Note 18C. Non-Taxation Receivables			
Fees, fines and prosecutions	29,259	40,742	
Total non-taxation receivables (gross)	29,259	40,742	
Less: impairment allowance account	(28,706)	(35,041)	
Total non-taxation receivables (net)	553	5,701	
Receivables are aged as follows:			
Not overdue	373	114	
Overdue by:			
0 to 30 days	73	445	
31 to 60 days	47	446	
61 to 90 days	60	4,696	
More than 90 days	28,706	35,041	
Total non-taxation receivables (gross)	29,259	40,742	
The impairment allowance account is aged as follows:			
Not overdue	-	-	
Overdue by:			
61 to 90 days	-	-	
More than 90 days	(28,706)	(35,041)	
Total impairment allowance account	(28,706)	(35,041)	
Reconciliation of the Impairment Allowance Account:			
Movements in relation to 2012			
	Taxation receivables \$'000	Non- taxation receivables \$'000	Total \$'000
Opening balance	(15,305)	(35,041)	(50,347)
Amounts written off	465	11,306	11,770
Amounts recovered and reversed	-	-	-
Increase/decrease recognised in net surplus	(1,787)	(4,971)	(6,757)
Closing balance	(16,627)	(28,706)	(45,333)
Movements in relation to 2011			
	Taxation receivables \$'000	Non-taxation receivables \$'000	Total \$'000
Opening balance	(13,189)	(38,659)	(51,848)
Amounts written off	2,459	589	3,048
Amounts recovered and reversed	50	-	50
Increase/decrease recognised in net surplus	(4,625)	3,029	(1,597)
Closing balance	(15,305)	(35,041)	(50,347)

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Administered Payables

	2012	2011
	\$'000	\$'000
<u>Note 19A. Unearned Revenue</u>		
Unearned revenue	3,701	2,276
<i>Total unearned Revenue</i>	3,701	2,276
Total unearned revenue are expected to be settled in:		
No more than 12 months	2,888	2,276
More than 12 months	813	-
<i>Total unearned revenue</i>	3,701	2,276
<u>Note 19B. Other Payables</u>		
Other payables	3,462	1,158
<i>Total other payables</i>	3,462	1,158
Total other payables are expected to be settled in:		
No more than 12 months	3,462	1,158
More than 12 months	-	-
<i>Total other payables</i>	3,462	1,158

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 20: Administered Non-Interest Bearing Liabilities

	2012 \$'000	2011 \$'000
<u>Note 20A. Security deposits</u>		
Security deposits	2,839	4,313
Total deposits	2,839	4,313
Total security deposits are expected to be settled in:		
No more than 12 months	-	-
More than 12 months	-	-
On demand	2,839	4,313
Total security deposits	2,839	4,313

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 21: Administered Cash Flow Reconciliation

	2012 \$'000	2011 \$'000
Reconciliation of cash and cash equivalents as per Schedule of Administered Assets and Liabilities to Schedule of Administered Cash Flows		
Cash and cash equivalents as per:		
Schedule of administered cash flows	1,146	49
Schedule of administered assets and liabilities	1,146	49
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(7,893,389)	(6,588,012)
Refunds of duty and taxes transferred to other entities	(190,273)	(357,927)
Changes in assets / liabilities		
(Increase) / decrease in taxation receivables	(72,278)	24,153
(Increase) / decrease in non-taxation receivables	5,148	(3,911)
(Increase) / decrease in inventories	-	25
Increase / (decrease) in unearned revenue	1,425	(831)
Increase / (decrease) in other payables	2,304	687
Increase / (decrease) in security deposits	(1,474)	374
Net cash from (used by) operating activities	7,638,242	6,250,582

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 22: Administered Contingent Assets and Liabilities

	Guarantees		Indemnities		Claims for damages or costs		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contingent assets								
Balance from previous period	-	-	-	-	1,894	1,894	1,894	1,894
New	-	-	-	-	-	-	-	-
Assets recognised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	(1,894)	-	(1,894)	-
Total contingent assets	-	-	-	-	-	1,894	-	1,894
Contingent liabilities								
Balance from previous period	-	-	-	-	-	-	-	-
New	-	-	-	-	-	-	-	-
Re-measurement	-	-	-	-	-	-	-	-
Liabilities recognised	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-
Total contingent liabilities	-	-	-	-	-	-	-	-
Net contingent assets (liabilities)	-	-	-	-	-	1,894	-	1,894

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**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 2012, 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

As at 30 June 2012, Customs and Border Protection had a number of legal claims lodged for damages. It is not possible to estimate the amount of any eventual payments or receipts relating to these decisions. (2011: \$17,600,722).

Unquantifiable Contingent Assets

As at 30 June 2012, Customs and Border Protection hold a number of contingent assets in the form of securities that it collects as part of its revenue collection processes. The number of these securities that may be surrendered to the Commonwealth due to a failure to meet legislative requirements is considered remote and not quantifiable.

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 23: Administered Financial Instruments

	2012 \$'000	2011 \$'000		
Note 23A. Categories of Financial Instruments				
Financial Assets				
Loans and receivables:				
Cash at bank	1,146	49		
Total	1,146	49		
Carrying amount of financial assets				
	1,146	49		
Financial Liabilities				
At amortised cost:				
Other security deposits	2,839	4,313		
Total	2,839	4,313		
Carrying amount of financial liabilities				
	2,839	4,313		
Note 23B. Fair Value of Financial Instruments				
	Carrying amount 2012 \$'000	Fair value 2012 \$'000	Carrying amount 2011 \$'000	Fair value 2011 \$'000
Financial Assets				
Cash at bank	1,146	1,146	49	49
Total	1,146	1,146	49	49
Financial Liabilities				
Security deposits	2,839	2,839	4,313	4,313
Total	2,839	2,839	4,313	4,313
Note 23C. 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.				

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23D. 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 2012

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Security deposits	2,839	-	-	-	-	2,839
Total	2,839	-	-	-	-	2,839

Maturities for non-derivative financial liabilities 2011

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Security deposits	4,313	-	-	-	-	4,313
Total	4,313	-	-	-	-	4,313

Note 23E. Market Risk

As at 30 June 2012, 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 24: Administered Financial Assets Reconciliation

		2012 \$'000	2011 \$'000
<u>Financial assets</u>	Notes		
Total financial assets as per schedule of administered assets and liabilities		176,943	108,716
Less: non-financial instruments components			
Taxation receivables	18B	175,244	102,966
Non-Taxation receivables	18C	553	5,701
Total non-financial instrument components		175,797	108,667
Total financial assets as per financial instruments note	23A	1,146	49

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 25: Appropriations

Note 25A: Annual Appropriations ('Recoverable GST exclusive')

	2012 Appropriations							Appropriation applied in 2012 (current and prior years) \$'000	Variance \$'000
	Appropriation Act		FMA Act				Total appropriation \$'000		
	Annual Appropriation \$'000	Appropriations reduced ^(a) \$'000	AFM \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000			
DEPARTMENTAL									
Ordinary annual services	1,014,627	-	-	-	78,101	-	1,092,728	1,077,759	14,969
Other services	56,537	-	-	-	-	-	56,537	61,374	(4,837)
Equity	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-
Total departmental	1,071,164	-	-	-	78,101	-	1,149,265	1,139,133	10,132
ADMINISTERED									
Ordinary annual services									
Outcomes	894	(32)	-	-	-	-	862	862	-
Payments to CAC Act bodies	-	-	-	-	-	-	-	-	-
Other services									
States, ACT, NT and Local government	-	-	-	-	-	-	-	-	-
New administered outcomes	-	-	-	-	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-	-	-	-	-
Payments to CAC Act bodies	-	-	-	-	-	-	-	-	-
Total administered	894	(32)	-	-	-	-	862	862	-

Notes:

^(a) For administered appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. Administered appropriations are reduced under section 11 of Appropriation Acts (No. 1, 3 and 5) 2011-12 and section 12 of Appropriation Acts (No. 2, 4 and 6) 2011-12, the appropriation is taken to be reduced to the required amount specified in Table F of this note once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament.

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2011 Appropriations							Appropriation applied in 2011 (current and prior years) \$'000	Variance \$'000	
	Appropriation Act		FMA Act							
			Annual Appropriation \$'000	Appropriations reduced ^(a) \$'000	AFM \$'000	Section 30 \$'000	Section 31 \$'000			Section 32 \$'000
DEPARTMENTAL										
Ordinary annual services		1,019,643	(380)	-	1	74,117	-	1,093,381	1,084,871	8,510
Other services		28,212	-	-	-	-	-	28,212	20,608	7,604
Equity		-	-	-	-	-	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-
Total departmental		1,047,855	(380)	-	1	74,117	-	1,121,593	1,105,479	16,114
ADMINISTERED										
Ordinary annual services		877	-	-	-	-	-	877	877	-
Administered items		-	-	-	-	-	-	-	-	-
Payments to CAC Act bodies		-	-	-	-	-	-	-	-	-
Other services		-	-	-	-	-	-	-	-	-
States, ACT, NT and Local government		-	-	-	-	-	-	-	-	-
New administered outcomes		-	-	-	-	-	-	-	-	-
Administered assets and liabilities		-	-	-	-	-	-	-	-	-
Payments to CAC Act bodies		-	-	-	-	-	-	-	-	-
Total administered		877	-	-	-	-	-	877	877	-

Notes:

^(a) On 30 June 2011, the Finance Minister determined a reduction in Departmental appropriations following a request by the Attorney-General. The amount of the reduction determined under Appropriation Act (No. 1) 2010-2011 was: \$81,888.54. In addition a reduction of \$298,000 for the Passenger Workload Agreement was made against Appropriation Act (No. 1) 2010-2011.

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 25B. Departmental and Administered Capital Budgets ('Recoverable GST exclusive')

	2011-12 Capital Budget Appropriations			Capital Budget Appropriations applied in 2011-12 (current and prior years)			
	Appropriation Act		FMA Act	Total Capital Budget Appropriations \$'000	Payments for non-financial assets ^(a) \$'000	Payments for other purposes \$'000	Total payments \$'000
	Annual Capital Budget \$'000	Appropriations reduced \$'000	Section 32 \$'000				
DEPARTMENTAL Ordinary annual services Capital Budget ^(a)	79,241	-	-	79,241	72,780	-	72,780
							6,461

Notes:

^(a) Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations.

^(b) Payments made on on-financial assets include purchase of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Australian Customs and Border Protection Service
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	2010-11 Capital Budget Appropriations		Capital Budget Appropriations applied in 2010-11 (current and prior years)			
	Appropriation Act	FMA Act	Total Capital Budget Appropriations \$'000	Payments for non- financial assets ^(a) \$'000	Payments for other purposes \$'000	Total payments \$'000
	Annual Capital Budget \$'000	Appropriations reduced \$'000				
DEPARTMENTAL Ordinary annual services Capital Budget ^(a)	79,108	-	79,108	79,108	-	79,108
						Variance \$'000
						-

Notes:

- ^(a) Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations.
- ^(b) Payments made on on-financial assets include purchase of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 25C. Unspent Departmental Annual Appropriations ('Recoverable GST exclusive')

	2012	2011
Authority	\$'000	\$'000
DEPARTMENTAL		
<i>Appropriation Act (No. 1) 2010-11</i>	147,415	163,071
<i>Appropriation Act (No. 2) 2010-11</i>	2,707	7,604
<i>Appropriation Act (No. 3) 2010-11</i>	5,044	5,044
<i>Appropriation Act (No. 1) 2011-12</i>	28,610	-
<i>Appropriation Act (No. 2) 2011-12</i>	58	-
<i>Appropriation Act (No. 3) 2011-12</i>	1,337	-
<i>Appropriation Act (No. 5) 2011-12</i>	708	-
Total	185,879	175,719
ADMINISTERED		
<i>Appropriation Act (No. 1) 2011-12</i>	32	-
Total	32	-

Note 25D. Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2012	2011
			\$'000	\$'000
<i>Financial Management and Accountability Act 1997 - Section 28 (Repayments Required or Permitted by Law), Administered*</i>	Unlimited Amount	Repayments required or permitted by Law	243,619	382,097
	Refund	Refunds of receipts to individuals under the Tourist Refund Scheme	86,982	74,200
<i>Taxation Administration Act 1953 - Section 16 (Administered)</i>				
Total			330,601	456,297

* The Australian Taxation Office is responsible for \$14,482,967 for 2011-12 (2010-11: \$13,949,171) of this appropriation relating to GST, WET and LCT on imports.

* The then Department of Innovation, Industry, Science and Research (now the Department of Innovation, Industry, Science, Research, Technology and Education) is responsible for \$9,757,897 (2010-11: \$126,783,357) of this appropriation relating to the Automotive Competitiveness and Investment Scheme (ACIS).

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 25E. Disclosure by agent in relation to Annual and Special Appropriations
(‘Recoverable GST exclusive’)**

	Australian Taxation Office ^(a) \$’000s
2012	
Total receipts	86,982
Total payments	(86,982)
	Australian Taxation Office ^(a) ’000s
2011	
Total receipts	74,200
Total payments	(74,200)

Notes:

^(a) Customs and Border Protection administer the Tourist Refund Scheme (TRS) on behalf of the Australian Taxation Office.

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 25F. Reduction in Administered Items (Recoverable GST exclusive)

2011-12	Amount required - by Appropriation Act		Total amount required ^(a)	Total amount appropriated ^(b)	Total reduction ^(c)
Ordinary Annual Services	Act (No.1)	Act (No.3)	Act (No. 5)		
Outcome 1	862,181.82	0	0	862,181.82	31,818.18
Other services	862,181.82	0	0	862,181.82	31,818.18

Notes:

1. Administered items for 2011-12 were reduced to these amounts when these financial statements were tabled in Parliament as part of the entity's 2011-12 Annual Report. This reduction to the appropriation will be made effective by a legislative instrument in 2012-13, but the amounts relate to the 2011-12 financial year. This adjustment is reflected in Note 25A in the 2011-12 financial statements in the column 'Appropriations reduced' as they were adjustments to 2011-12 appropriations.

^(a) Amount required as per Appropriation Act (Act 1 section 11; Act 2 section 12).

^(b) Total amount appropriated in 2011-12.

^(c) Total reduction was made effective by a legislative instrument in 2012-13.

2010-11	Amount required - by Appropriation Act		Total amount required ^(a)	Total amount appropriated ^(b)	Total reduction ^(c)
Ordinary Annual Services	Act (No.1)	Act (No.3)	Act (No. 5)		
Outcome 1	877,000.00	0	0	877,000.00	0
Other services	877,000.00	0	0	877,000.00	0

Notes:

1. There was no reduction to the Administered items for 2010-11.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 26: Special Accounts and FMA Act Section 39

Note 26A. Special Accounts ('Recoverable GST exclusive')

	Services for Other Entities and Trust Monies Special Account ¹		Other Trust Reserve ¹		Security Deposits Reserve ²	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance carried forward from previous period			363	363	3,950	3,576
Other receipts	-	-	11	-	1,913	3,904
Amounts transferred	374	-	-	-	-	-
Total increase	-	-	11	-	1,913	3,904
Available for payments	374	-	374	363	5,863	7,480
Decreases:						
Administered						
Payments made to suppliers	-	-	-	-	(3,398)	(3,530)
Amounts transferred	-	-	(374)	-	-	-
Total decrease	-	-	(374)	-	(3,398)	(3,530)
Total balance carried to the next period	374	-	-	363	2,465	3,950

¹Appropriation: *Financial Management and Accountability Act 1997*; section 21.

Establishing Instrument: *Financial Management and Accountability Act 1997*; section 20.

Purpose: For the receipt of moneys temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth.

The *Financial Management and Accountability (Establishment of SOETM Special Account – Customs) Determination 2012/14* established the Services for Other Entities and Trust Monies Special Account on the 26 June 2012. Prior to this, the equivalent of this account was the Other Trust Reserve account which was abolished on the same day under the *Financial Management and Accountability (Abolition of 24 Special Accounts) Determination 2012/02*.

²Appropriation: *Financial Management and Accountability Act 1997*; section 21.

Establishing Instrument: *Financial Management and Accountability Act 1997*; section 20.

Purpose: For expenditure dealing with moneys required to be lodged under Section 42 and 162 of the *Customs Act 1901*.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 27: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance and Deregulation (DoFD) provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts. The possibility of this being an issue for Customs and Border Protection was reported in the notes to the 2010-11 financial statements and Customs and Border Protection undertook to investigate the issue during 2011-12.

During 2011-12, Customs and Border Protection developed a formal work plan and formed an internal consultative forum to address the issues raised by DoFD that extended to a review of all processes implemented within Customs and Border Protection for making payments. The outcomes of this forum and review were reported to the Executive and the Audit Committee in order to provide them with assurance that Customs and Border Protection is compliant with the relevant statutory conditions for processing payments. The plan involved:

- identifying each special appropriation and special account;
- mapping the type of payments processed to relevant statutory conditions supporting appropriations;
- determining the risk of non-compliance by assessing the difficulty of administering the statutory conditions and assessing the extent to which existing payment systems and processes satisfy those conditions;
- determining procedures to confirm risk assessments in medium risk cases and to quantify the extent of non-compliance, if any, in higher risk situations;
- obtaining legal advice as appropriate to resolve questions of potential non-compliance;
- considering legislative or procedural changes to reduce the risk of non-compliance in the future; and
- engaging Internal Audit to undertake a comprehensive review of compliance with the requirements of Section 83 which included limited substantive testing of payments processed under various statutory conditions.

Customs and Border Protection identified five (5) appropriations involving statutory conditions for payment, comprising:

- two special appropriations;
- two special accounts; and
- one annual appropriation (Administered)¹

Customs and Border Protection operates under a self-assessment regime for its Customs Duty collection, which facilitates legitimate trade and ensures collection of border related revenue in a cost effective manner. This process involves importers/brokers undertaking self-assessments to determine duty payable and refunds of that duty. This self-assessment regime is supported by a compliance function which targets high risk transactions with a view to identifying unintentional misstatement and fraud. Work undertaken as at 30 June 2012 identified three transactions which the Australian Government Solicitor (AGS) assessed as being in contravention of Section 83.

In relation to the amount paid in contravention of Section 83, the following transactions were identified:

- two amounts related to overpayments with a combined total of \$24,484.69; and
- one amount related to a refund payment of \$132 which was processed to the incorrect bank account due to an officer error.

Recovery action was undertaken on all three contraventions.

In order to reduce the risks of non-compliance:

- current system controls within the Integrated Cargo System are being reviewed to ensure they facilitate compliance with relevant legislation when clients undertake self assessments;
- manual outside of system controls and procedures are being reviewed and where required being improved to support the existing system controls to further improve compliance with relevant legislation; and

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- staff were educated in relation to the risk of contravention or breaches of Section 83 and formal advice is currently being drafted to this effect which will be circulated in the 1st quarter of 2012-13.

The next stage is to develop an ongoing structured annual risk assessment plan with a view to provide stakeholders with assurance that the requirements of Section 83 are being complied with. Customs and Border Protection will investigate the possibility of including a regular compliance review of payments/refunds processed including substantive testing of transactions within its Annual Internal Audit Plan.

The annual risk assessment will be undertaken internally and will form part of the annual financial statements preparation and review. The current risk of non-compliance is determined as low and Customs and Border Protection will ensure that this risk will be maintained at this level on an ongoing basis.

Note:

¹ Customs and Border Protection were advised of specific statutory conditions that needed to be complied with when drawing upon this annual administered appropriation, these related to using the funds to facilitate payments that met certain criterion and agreed upon purpose.

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Summary

Appropriations identified as subject to conditions	Payments in 2011-12	Review complete ?	Breaches identified to date				Potential breaches to date yet to be resolved		Remedial action taken or proposed ¹
			Number	Total \$'000	Incorrect \$'000	Recovered / offset As at date \$'000	Yes / No	Indicative extent	
Special Appropriations									
Section 28 Refunds and Drawbacks (Duty and GST)	243,619	Yes	3	24.61	24.61	24.61	No	N/A	SP
Section 16 (Tourist Refund Scheme)	87,509	Yes	Nil	N/A	N/A	N/A	No	N/A	N/A
Special Accounts									
Security Deposits Reserve (Administered)	3,398	Yes	Nil	N/A	N/A	N/A	No	N/A	N/A
		Yes	Nil	N/A	N/A	N/A	No	N/A	
Annual Appropriations									
People Smuggling Communications Campaign ^(a)	862	Yes	Nil	N/A	N/A	N/A	No	N/A	N/A

¹L = legislative change, S = systems change, and P = planned, M = made (eg SM, or LP)

Note:

^(a) Customs and Border Protection were advised of specific statutory conditions that needed to be complied with when drawing upon this annual administered appropriation, these related to using the funds to facilitate payments that met certain criterion and agreed upon purpose.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 28: Compensation and Debt Relief

	2012 \$	2011 \$
Departmental		
Two payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2011: Four payments).	<u>16,096</u>	<u>20,150</u>
No waiver of amounts owing to the Australian Government was made pursuant to subsection 34 (1) of the <i>Financial Management and Accountability Act 1997</i> (2011: One waiver).	<u>Nil</u>	<u>4,663</u>
No payment was provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999 (PS Act)</i> during the reporting period (2011: Two payments).	<u>Nil</u>	<u>78,006</u>
Administered		
No 'Act of Grace' expenses were incurred during the reporting period (2011: No 'Act of Grace' expenses incurred).	<u>Nil</u>	<u>Nil</u>
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> (2011: one waiver).	<u>Nil</u>	<u>3,818</u>
No ex-gratia payments were provided for during the reporting period (2011: No ex-gratia payments were provided).	<u>Nil</u>	<u>Nil</u>

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 29: Reporting of Outcomes

Note 29A. Net Cost of Outcome Delivery

	Outcome 1		Total	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Departmental				
Expenses	1,135,359	1,086,467	1,135,359	1,086,467
Own-source income	85,886	73,061	85,886	73,061
Administered				
Expenses	7,620	2,352	7,620	2,352
Own-source income	7,901,009	6,590,364	7,901,009	6,590,364
Net cost/(contribution) of outcome delivery	(6,843,916)	(5,574,606)	(6,843,916)	(5,574,606)

Note 29B. Major Classes of Departmental Expense Income Assets and Liabilities by Outcome

	Outcome 1		Total	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Departmental Expenses:				
Employees	564,286	526,658	564,286	526,658
Suppliers	477,525	469,423	477,525	469,423
Grants	158	1,016	158	1,016
Depreciation and amortisation	90,759	76,120	90,759	76,120
Finance costs	713	767	713	767
Write-down and impairment of assets	1,735	11,966	1,735	11,966
Losses from asset sales	178	416	178	416
Other expenses	5	101	5	101
Total	1,135,359	1,086,467	1,135,359	1,086,467
Departmental Income:				
Income from Government	935,386	933,702	935,386	933,702
Sale of goods and services	63,736	64,823	63,736	64,823
Other non-taxation revenue	7,806	7,453	7,806	7,453
Gains	14,344	785	14,344	785
Total	1,021,272	1,006,763	1,021,272	1,006,763
Departmental Assets				
Financial assets	208,069	195,394	208,069	195,394
Non-financial assets	590,707	493,773	590,707	493,773
Total	798,776	689,167	798,776	689,167
Departmental Liabilities				
Payables	114,208	100,097	114,208	100,097
Provisions	200,298	164,272	200,298	164,272
Total	314,506	264,369	314,506	264,369

Australian Customs and Border Protection Service **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 29C. Major Classes of Administered Expenses, Income, Assets, and Liabilities by Outcomes

	Outcome 1		Total	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Administered Expenses:				
Supplier expenses	862	877	862	877
Write-down and impairment of assets	6,758	1,475	6,758	1,475
Total	7,620	2,352	7,620	2,352
Administered Income:				
Taxation revenue	7,898,528	6,585,996	7,898,528	6,585,996
Non-taxation revenue	2,481	4,368	2,481	4,368
Total	7,901,009	6,590,364	7,901,009	6,590,364
Administered Assets				
Financial assets	176,943	108,716	176,943	108,716
Non-financial assets	-	-	-	-
Total	176,943	108,716	176,943	108,716
Administered Liabilities				
Payables	7,163	3,434	7,163	3,434
Non-interest bearing liabilities	2,839	4,313	2,839	4,313
Total	10,002	7,747	10,002	7,747

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 30: Competitive Neutrality and Cost Recovery

	2012	2011
	\$'000	\$'000
Note 30A. Administered Receipts Subject to Cost Recovery Policy		
Significant cost recovery arrangements		
Import Processing Charge ¹	149,564	146,179
Total receipts subject to cost recovery	149,564	146,179

¹ Import Processing Charge is inclusive of the Import Processing Charge and Depot, Warehouse and Broker Licences. Warehouse and Broker licences are included under Other Revenue.

**Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 31: Net Cash Appropriation Arrangements

	2012 \$'000	2011 \$'000
Total comprehensive income (loss) less depreciation/amortisation expense previously funded through revenue appropriations ¹	10,883	(3,584)
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(90,759)	(76,120)
Total comprehensive income (loss) - as per the Statement of Comprehensive Income	(79,876)	(79,704)

¹ From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through a capital appropriation. Capital budgets are appropriated in the period when cash payment for capital expenditure is required.



APPENDIXES

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Appendix A

Agency resource statement and resources for outcome

Table A1: Agency resource statement 2011-12

	Actual Available appropriation for 2011-12 ^(a) (\$000) (A)	Payments made for 2011-12 ^(b) (\$000) (B)	Balance remaining 2011-12 (\$000) =(A)-(B)
Ordinary annual services^(c)			
Appropriation receivable	175 719	185 879	-10 160
Departmental appropriation ^{(d)(e)}	1 014 627	814 468	200 159
Section 31 receipts	71 335	78 101	-6 766
Total	1 261 681	1 078 448	183 233
Administered expenses			
Outcome 1	894	862	
Total	894	862	
Total ordinary annual services [A]	1 262 575	1 079 310	
Departmental non-operating			
Equity injections ^(f)	56 537	61 376	-4 839
Total	56 537	61 376	-4 839
Total other services [B]	56 537	61 376	
Total available annual appropriations and payments	1 319 112	1 140 686	

Table A1 (continued)

	Actual Available appropriation for 2011–12 ^(a) (\$000) (A)	Payments made for 2011–12 ^(b) (\$000) (B)	Balance remaining 2011–12 (\$000) =(A)–(B)
Special appropriations			
Special appropriation (section 28 FMA Act)		243 619	
Total special appropriations [C]		243 619	
Special accounts			
Opening balance	4 313		
Special accounts	4 040		
Payments made		3 398	
Total special accounts [D]	8 353	3 398	4 955
Total resourcing and payments			
[A]+[B]+[C]+[D]	1 327 465	1 387 703	

FMA Act = Financial Management and Accountability Act 1997

(a) Data sourced from 2012–13 Portfolio Budget Statements.

(b) Data sourced from 2011–12 Financial Statements, Cash Flow Statement, but excludes Net GST paid.

(c) Appropriation Bill (No. 1) 2011–12.

(d) This includes amounts for Appropriation Bill (No. 3) 2011–12 and Appropriation Bill (No. 5) 2011–12.

(e) This includes \$79.24 million in 2011–12 for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contributed by owners'.

(f) Appropriation Bill (No. 2) 2011–12.

Table A2: Resources for outcome

	Budget ^(a) 2011–12 (\$'000) (A)	Actual expenses 2011–12 (\$'000) (B)	Variation 2011–12 (\$'000) =(A)–(B)
Program 1.1: Passenger facilitation			
Departmental expenses	237 246	248 907	–11 661
Subtotal for Program 1.1	237 246	248 907	–11 661
Program 1.2: Trade facilitation			
Departmental expenses	224 245	232 997	–8 752
Subtotal for Program 1.2	224 245	232 997	–8 752
Program 1.3: Border enforcement			
Departmental expenses	267 746	277 409	–9 663
Subtotal for Program 1.3	267 746	277 409	–9 663
Program 1.4: Civil maritime surveillance and response			
Departmental expenses	304 705	307 662	–2 917
Subtotal for Program 1.4	304 705	307 662	–2 917
Program 1.5: Border-related revenue collection			
Departmental expenses	65 952	68 424	–2 472
Subtotal for Program 1.5	65 952	68 424	–2 472
Total departmental expenses	1 099 894	1 135 359	–35 465
Administered expenses	894	862	32
Special Appropriations			
FMA Act s28—repayments required or permitted by law	360 000	243 619	116 381
Special accounts	—	—	—
Services for other entities and trust moneys special account	—	374	–374
Other trust moneys—FMA Act s20	40	—	40
Security deposits—FMA Act s20	4 000	3 398	602
Total for outcome	1 464 828	1 383 612	81 216
Departmental expenses	1 099 894	1 135 359	–35 465
Administered expenses	894	862	32
Administered refunds (FMA Act s28)	360 000	243 619	116 381
Special accounts	4 000	3 398	602
Average staffing level (number)	5 190	5 222	–32

FMA Act = Financial Management and Accountability Act 1997

(a) Budget relates to the revised budget estimate reported in the Portfolio Additional Estimates Statements 2011–12.

Appendix B

Work health and safety statistics

This appendix provides information on work health and safety incidents, investigations and notices in accordance with the requirements of section 74 of the *Occupational Health and Safety Act 1991* (before 1 January 2012) and the requirements of Schedule 2, Part 4 of the *Work Health and Safety Act 2011* (from 1 January 2012).

Table B1: Comcare claim data and unscheduled absences, 2009–10 to 2011–12

	2009–10	2010–11	2011–12
Accepted compensation incident claims	98	118	118
Claims per 100 staff (headcount)	1.68	2.08	2.38
Accepted compensation incident claims with time off work	93	129	106
Accepted compensation incident claims resulting in five or more days incapacity	70	101	84
Claims of five or more days incapacity per 100 staff (headcount)	1.20	1.78	1.48
Quality of return-to-work outcomes ^(a)	95%	86%	87%
Annual absenteeism (days per full-time equivalent)	12.23	13.25	13.10

(a) Proportion of staff who successfully returned to employment following the implementation of a return-to-work plan.

Notifiable incidents

We have an obligation to notify Comcare of incidents prescribed in section 68 of the *Occupational Health and Safety Act 1991* for the period 1 July 2011 to 31 December 2011.

The categories prescribed in section 68, in order of severity, are:

- ▶ death
- ▶ dangerous occurrence
- ▶ serious personal injury
- ▶ incapacity.

We have an obligation to notify Comcare of notifiable events under the *Work Health and Safety Act 2011* for the period 1 January 2012 to 30 June 2012. The categories prescribed in section 35, in order of severity, are:

- ▶ death
- ▶ dangerous incident
- ▶ serious injury or illness.

In 2011–12, we notified 53 incidents to Comcare, the same number as we reported in 2010–11. This indicates a sustained level of awareness from Customs and Border Protection managers to notify Comcare of incidents meeting the notifiable definitions. It should be noted that the definition of a notifiable event was altered with the introduction of the new work health and safety legislation.

Table B2: Notifiable incidents, 2009–10 to 2011–12

	2009–10	2010–11	2011–12
Death	—	—	—
Dangerous occurrence	21	22	22
Serious personal injury	9	21	31
Incapacity	3	10	—
Total	33	53	53

Table B3: Notifiable incidents—mechanism of injury for 2011–12

Mechanism of injury	2011–12	
	Number	%
Falls, trips and slips	8	15.09
Hitting objects with body	8	15.09
Being hit by moving objects	5	9.43
Sound and pressure	0	—
Body stressing	5	9.43
Heat, electricity and other environmental factors	1	1.88
Chemical and other substances	8	15.09
Biological factors	2	3.77
Mental stress	0	—
Hazard	11	20.75
Vehicle accidents and other	5	9.43
Other and unspecified	0	—
Total	53	100

Investigations and notices

Comcare investigations

On 1 June 2011, a Customs and Border Protection officer onboard a contracted (Cobham) Border Protection Command aircraft was exposed to aircraft engine fumes. Following approved procedures the officer sought medical testing, which did not reveal that the officer had suffered an injury. On 21 September 2011, Comcare found Customs and Border Protection in breach of section 16 of the *Occupational Health and Safety Act 1991* following its investigation, and recommended the implementation of actions already identified by Customs and Border Protection.

On 22 July 2011, a seized air pistol was found to be fully loaded after having been transported for destruction to the detained goods store. Customs and Border Protection was not found in breach following an investigation by Comcare; however, it was noted that the individuals involved did not follow agreed procedure.

Comcare investigated an event that occurred in March 2012 involving fumigants in a shipping container at the Darwin container examination facility. Comcare supplied an inspector's report on 4 May 2012 with a finding that Customs and Border Protection had taken reasonable management action in response to the fumigant incident.

In March 2012, an incident occurred at the Adelaide container examination facility where workers were exposed to mislabelled substances during a routine inspection. Comcare initiated an investigation in April 2012. The inspector's report made recommendations to review procedures and associated documentation regarding procedures for the safe handling of unidentified liquids and powder chemicals and associated risk documentation.

A Comcare investigation was initiated into an event that occurred in February 2012 with the launch of an Australian Customs vessel's tender vessel (a smaller vessel used to support the larger vessel's operations). The device lowering the tender accelerated, causing the tender to jolt as it stopped, injuring a Customs and Border Protection officer. The Comcare investigation determined that no further action was required.

Comcare sought additional information regarding the collision of two tender vessels, deployed from their main Australian Customs vessels in May 2012. The Comcare inspector was satisfied that Customs and Border Protection had implemented appropriate preventative measures, but also identified refresher training and review of procedures associated with the operation of tender vessels.

Notices

During 2011–12, Comcare did not issue any prohibition notices, non-disturbance notices or improvement notices to Customs and Border Protection.

One provisional improvement notice was issued to Airport Operations Sydney (AOS) under section 29 of the *Occupational Health and Safety Act 1991* by an AOS health and safety

representative. The notice related to long-term car park arrangements implemented by Sydney Airport Corporation Limited and alleged a breach of section 16 of the Act. Airport Operations Sydney conducted an occupational health and safety risk assessment on the long-term car park and AOS health and safety representatives and staff were provided with the opportunity for site inspections of the car park and proposed transport system. The provisional improvement notice compliance date of 28 September 2011 passed and no further escalation action was instigated by the health and safety representative.

Implementation of the enforceable undertaking

In 2011, Customs and Border Protection entered into an enforceable undertaking with Comcare following an incident that had occurred in December 2008. The actions identified in the enforceable undertaking relate to risk management and contractor arrangements and all the required actions to date have been completed effectively and on time.

Comcare has given us positive feedback on the required actions, which have included the establishment of a risk management consultancy panel of preferred providers. A key action of the enforceable undertaking is the commitment statement signed by the SES officers and displayed in all sites. This is augmented by a comprehensive employee communication strategy and enhanced risk management and contractor arrangements.

Appendix C

National Disability Strategy

The Commonwealth, state and territory and local governments, in partnership under the auspices of the Council of Australian Governments, developed the National Disability Strategy. The strategy sets out a ten-year national plan for improving life for Australians with disability, their families and carers. It represents a commitment by all levels of government, industry and the community to a unified, national approach to policy and program development.

The National Disability Strategy replaced the Commonwealth Disability Strategy on 13 February 2011, from which point departments and agencies were no longer required to report on these functions under the previous Commonwealth Disability Strategy.

Customs and Border Protection provides reportable disability data through our COMPASS human resources system. Reporting on the employer role transferred to the Australian Public Service Commission's State of the Service Report and the APS Statistical Bulletin, available at www.apsc.gov.au.

In response to a key policy objective of the National Disability Strategy 'to improve the workforce participation of people with a disability across Australia', the Australian Public Service Commission is implementing the *As One* Australian Public Service Disability Employment Strategy, which will ensure that a consistent approach is adopted over the period 2012–13 to 2013–14. Customs and Border Protection's Disability Action Strategy, which is under development, will guide our delivery of programs and services for people with disability until the end of 2014. Progress on implementation of the strategy will be reviewed and reported to our Executive Committee quarterly. Achievements from the strategy will also be reported in our 2013–14 annual report.

Appendix D

Ecologically sustainable development and environmental performance

This appendix provides information on our environmental performance in accordance with the requirements of section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*.

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 with environmental tasks.

Risk management guidance, which includes the assessment of environmental, geographical, social, commercial and trading risks, underpins our planning and project activities wherever possible. We recognise the risk to the health and safety environment in Australia 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.

Environmental management

Our Environmental Practice Statement outlines our commitment to improving environmental performance and to instituting better practices. We have an Environmental Management System that seeks to minimise environmental impacts, including by:

- ▶ educating staff through our intranet page, internal news articles and signage to reinforce environmentally friendly practices
- ▶ using improved ICT equipment with energy savers
- ▶ providing recycling facilities for paper, aluminium, glass, plastics, toner cartridges and lighting
- ▶ using contract clauses for recycling services and environmentally friendly products
- ▶ increasing the use of recycled paper
- ▶ adopting maintenance practices such as:
 - installing water-saving devices
 - servicing plant equipment and air-conditioning systems to ensure effective operation
 - regular light inspections and replacement

- ▶ installing water-efficient shower heads and taps and dual-flush toilets where possible
- ▶ increasing the ratio of fuel-efficient vehicles in our fleet
- ▶ increasing staff-to-printer ratios
- ▶ conducting energy audits at key locations.

We measure performance against set energy targets and energy audit requirements, and will continue with an environmental management program, implemented under the Environmental Management System, to target major issues such as consumption of energy, generation of waste, water usage and management of hazardous materials.

Energy use

Environmental data for 2011–12 will be reported to the Department of Climate Change and Energy Efficiency on 31 October 2012. Therefore, figures were not available at the time of publication and figures from 2010–11 have been used.

Overall energy consumption in 2010–11 decreased by 10 per cent to 862 357 gigajoules compared to the previous year's 958 541 gigajoules (Table D1). This was mainly due to the large decrease in the 'other transport' category, with reduced fuel usage for diesel, unleaded petrol, liquefied petroleum gas and aviation fuel (avgas). Other factors included the amalgamation of the 'central services' category (consisting of lifts, lobby lights, security and hot-water systems) under 'tenant light and power' as they are not separately metered areas. The consumption of 'green' power (renewable energy) under 'tenant light and power' also increased and will offset electricity consumption in this category.

Table D1: Direct energy use—tenant light and power, 2008–09 to 2010–11

	2008–09	2009–10	2010–11
Office—tenant light and power			
Electricity (kilowatt hours)	15 008 160	14 819 642	16 105 684
Green power (kilowatt hours)	–526 178	–630 095	–693 203
Total gigajoules	54 029	53 351	57 980
Occupancy (people)	5 211	4 494	4 769
Area (square metres)	103 541	99 274	98 909
Megajoules/occupancy (people)	10 368	11 872	12 158
Megajoules/area (square metres)	521	537	586
Area (square metres)/person	20	22	21
Office—central services			
Electricity (kilowatt hours)	482 302	513 688	— ^(a)
Natural gas (megajoules)	2 967 935	2 219 996	— ^(a)
Green power (kilowatt hours)	—	—	— ^(a)
Total gigajoules	4 704	4 069	— ^(a)
Area (square metres)	5 126	3 489	— ^(a)
Megajoules/area (square metres)	918	1 166	— ^(a)
Other buildings			
Electricity (kilowatt hours)	3 252 735	3 241 157	3 205 829
Green power (kilowatt hours)	–188 471	–196 177	–185 384
Total gigajoules	11 710	11 668	11 541
Area (square metres)	36 342	116 733	112 143
Megajoules/area (square metres)	322	100	103
Other uses			
Electricity (kilowatt hours)	1 469 017	1 303 919	1 071 883
Green power (kilowatt hours)	–16 305	–14 144	–16 823
Total gigajoules	5 288	4 694	3 859
Area (square metres)	—	49 757	49 765
Key performance indicator (megajoules per square metre)	—	94	78
Total gigajoules	803 466	958 541	862 357

(a) The data for these categories has been amalgamated under 'tenant light and power'.

Note: Figures for 2011–12 were not available at the time of publication.

Transport use

We recorded a decrease in overall transport use in 2010–11 compared to the previous year (Table D2). The ‘passenger vehicles’ consumption decreased by 6 per cent from 17 919 to 16 855 gigajoules and ‘other transport’ consumption decreased by 11 per cent from 866 840 to 772 121 gigajoules, primarily due to an overall decrease in use of ‘other transport’. Officers are continuing to increase their use of ethanol-blended fuel (E10); in 2010–11, 77 342 litres of E10 were used. Officers were also choosing greener fleet vehicles. The number of fleet vehicles scoring over the preferred 10.5 Green Vehicle Guide rating increased from 35.7 per cent in 2009–10 to 46.3 per cent in 2010–11.

Fleet vehicles are represented under ‘passenger vehicles’ and vessels are represented under ‘other transport’. These modes of transport are separated to give an accurate summary of our operating vehicle requirements and to identify contributors to greenhouse gas emissions.

Table D2: Direct energy use—transport, 2008–09 to 2010–11

	2008–09	2009–10	2010–11
Passenger vehicles			
LPG (litres)	5 489	1 564	8 000
Automotive diesel (litres)	107 260	103 819	120 068
Petrol (litres)	396 585	350 540	276 350
E10 biofuel (litres)	69 499	56 856	77 342
Total (gigajoules)	20 148	17 919	16 855
Distance travelled (km per year)	4 824 434	4 339 511	4 056 876
Megajoules/distance travelled (km per year)	4.18	4.13	4.15
Other transport			
LPG (litres)	3 822	4 275	1 996
Automotive diesel (litres)	8 325 184	11 756 604	10 001 148
Automotive petrol (litres)	84 974	61 996	17 879
Aviation fuel (avgas) (litres)	11 577 900	12 410 956	11 643 899
Total (gigajoules)	707 587	866 840	772 121
Transport energy totals (gigajoules)	727 734	884 759	788 977

LPG = liquefied petroleum gas

Note: 2011–12 figures were not available at the time of publication.

Table D3 shows the direct conversion into greenhouse gas emissions of the energy consumption captured in Tables D1 and D2. The calculations are provided by the Clean Energy Regulator’s Online System for Comprehensive Activity Reporting.

Table D3: Greenhouse gas emissions, 2008–09 to 2010–11

	2008–09	2009–10	2010–11
Office—tenant light and power			
CO ₂ /person (tonnes)	2.61	2.93	3.38
CO ₂ /m ² (tonnes)	0.13	0.13	0.16
Total CO ₂ (tonnes)	13 622.44	13 164.59	16 124.24
Office—central services			
CO ₂ /m ² (tonnes)	0.11	0.15	— ^(a)
Total CO ₂ (tonnes)	588.41	528.75	— ^(a)
Other buildings			
CO ₂ /m ² (tonnes)	0.08	0.03	0.03
Total CO ₂ (tonnes)	3 055.94	3 040.97	3 503.85
Passenger vehicles^(b)			
CO ₂ (tonnes)—LPG	8.66	2.49	13.79
CO ₂ (tonnes)—diesel	289.03	282.05	348.52
CO ₂ (tonnes)—petrol	907.65	834.40	707.89
CO ₂ (tonnes)—biofuel	80.33	71.52	187.43
Total CO ₂ (tonnes)	1 285.67	1 190.46	1 257.63
Total CO ₂ emissions (tonnes) ^(c)	18 552.46	17 924.77	20 885.72
Other transport^(d)			
CO ₂ (tonnes)—LPG	6.03	6.81	3.44
CO ₂ (tonnes)—diesel	22 433.59	31 720.96	29 030.53
CO ₂ (tonnes)—petrol	248.14	147.57	45.80
CO ₂ (tonnes)—avgas	25 691.64	27 540.21	27 880.78
Total CO ₂ (tonnes)	48 326.00	59 415.55	56 960.55
Other uses			
Total CO ₂ (tonnes)	1 302.00	1 155.91	1 025.83
Total CO ₂ emissions (tonnes) ^(e)	68 180.46	78 496.23	78 872.10

LPG = liquefied petroleum gas

(a) 'Office—central services' amalgamated with 'office—tenant light and power' in 2010–11.

(b) LeasePlan fleet data only.

(c) Does not include 'other transport' and 'other uses' categories.

(d) 'Other transport' includes owned and specialised transport, including all sea and air craft, x-ray vans, motorcycles, gas bottles and forklifts.

(e) Includes 'other transport' and 'other uses' categories.

Note: Figures for 2011–12 were not available at the time of publication.

Environmental goals

We continued with various environmental initiatives throughout 2011–12 (Table D4).

In June 2010, Customs and Border Protection completed its implementation of key energy-saving initiatives over nine locations around Australia. The energy savings from these sites continue to be monitored. One of the top performers is 5 Constitution Avenue, Canberra. After a complete lighting upgrade, the electricity consumption remains consistent with the previous year (2010–11) as shown in Figure D1.

The 2011–12 reporting period shows electricity usage remains consistent with the previous year where the largest drop of energy was seen due to energy upgrades that were implemented. The site remains on target to meet the payback period, prior to the lease end date.

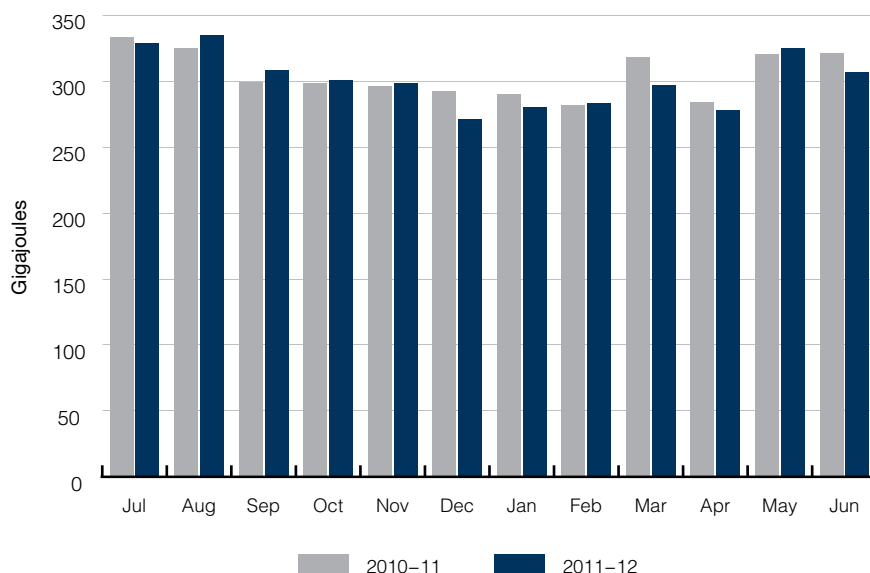
Table D4: Environmental initiatives and performance

Environmental goals for 2011–12	Result	Ongoing environmental goals for 2012–13
Introduce 80% recycled paper	Individual sections are now responsible for purchasing office paper. The recommended minimum recycled content is 50%.	Sections will continue to purchase recycled paper as recommended in the Environmental Practice Statement.
Jones Lang LaSalle continues to provide Environmental Management System targets	Jones Lang LaSalle reviewed performance against targets.	Jones Lang LaSalle will continue to monitor and provide Environmental Management System targets in future.
Monitor and report on the energy savings from the completed upgrades over nine sites, providing an average three-year payback period and expected savings of 6000 gigajoules	Monitoring is ongoing. Overall reductions at the nine sites are estimated to meet the three-year payback period.	Monitoring and reporting on energy savings will continue.
Implement energy-saving solutions for office lighting	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.

Table D4 (continued)

Environmental goals for 2011–12	Result	Ongoing environmental goals for 2012–13
Introduce energy-saving solutions for computers and office equipment	Information Technology Division continues to revise practices in accordance with the Australian Government Data Centre Strategy 2010–2025 and the ICT Sustainability Plan 2010–2015.	Information Technology Division will adhere to the recommendations for ICT equipment in the Australian Government Data Centre Strategy 2010–2025 and the ICT Sustainability Plan 2010–2015. Introduction of energy-efficient computers and office equipment will continue. Staff will continue to be reminded of good practices in energy saving.
Complete new practice statements with instruction and guidelines covering a range of preferred environmental practices	Practice statements with instruction and guidelines were completed and made available on the intranet.	Annual review of practice statements will continue.

Figure D1: Electricity consumption for 5 Constitution Avenue, Canberra



Government policy

We comply with government policies contributing to sustainable development, including environmental policies as outlined in the Energy Efficiency in Government Operations policy and the Department of Finance and Deregulation's Financial Management Guidance

No. 10—Guidance on Complying with Legislation and Government Policy in Procurement. 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 as outlined in the Energy Efficiency in Government Operations 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. We aim to improve energy efficiency and reduce the whole-of-life cost and environmental impact throughout a product's life cycle—production, use or disposal.

We also include criteria such as hazardous or ozone-depleting substances and energy ratings in our procurement decisions. We consider a wide range of other government policies and requirements for effective purchasing, including:

- ▶ APS values, ethics and code of conduct
- ▶ Chief Executive Instructions and practice statements
- ▶ work health and safety policy
- ▶ the *Freedom of Information Act 1982*
- ▶ the *Privacy Act 1988*.

Heritage

In accordance with the *Environment Protection and Biodiversity Conservation Act 1999*, each Commonwealth agency that owns or controls heritage properties is required to complete a heritage strategy and use it to manage those properties.

Customs and Border Protection conserves the Commonwealth heritage values of the one property we occupy and control that is on the Commonwealth Heritage List, the National Operational Training Centre at Neutral Bay, New South Wales. In addition, we adhere to a 'good neighbour' policy to protect and conserve the heritage values of the five other heritage properties we occupy. In accordance with the good neighbour policy, we comply with state, territory or local government heritage management standards wherever practical.

We lease each of the heritage properties we occupy, and we consulted with the respective property owners on heritage-related matters as they arose in 2011–12.

In 2011–12, we finalised a heritage training program, which has been designed to be used as a best-practice resource to train staff who have responsibility for managing heritage properties.

Appendix E

Freedom of information

As an agency subject to the *Freedom of Information Act 1982* (FOI Act), we are required to publish information to the public as part of the Information Publication Scheme. This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report.

An agency plan showing what information we publish in accordance with the Information Publication Scheme requirements is available on the Customs and Border Protection website.

Freedom of information statistics

From 1 July 2011 to 30 June 2012, Customs and Border Protection received 133 requests under section 15 of the FOI Act, up from 113 requests last year (Table E1).

Requests for access to information covered such matters as:

- ▶ import or export data associated with our operational matters
- ▶ processing of passengers at airports
- ▶ enquiries from media organisations on various issues
- ▶ staffing matters.

Table E1: Requests made under the FOI Act

	2009–10	2010–11	2011–12
Requests received			
Section 15 ^(a)	51	113	133
Section 54/Part VI (internal review) ^(b)	1	6	6
Part VII (Information Commissioner review) post–1 November 2010 ^(c)	NA	—	3
Section 55/Part VIIA (Administrative Appeals Tribunal review) ^(d)	—	1	—
Total	52	120	142
Decisions on section 15 requests			
Access granted in full	10	34	33
Access granted in part	24	48	37
Access refused	3	14	26
Requests transferred	—	2	3
Requests withdrawn	10	5	15

Table E1 (continued)

	2009–10	2010–11	2011–12
Time taken to process section 15 requests—before 1 November 2010^(a)			
0–30 days	25	59	NA
31–60 days (consultation under subsections 26A, 27 or 27A)	—	6	NA
31–60 days	11	2	NA
61–90 days	—	—	NA
90 plus days	1	—	NA
Time taken to process section 15 requests—from 1 November 2010^(a)			
Statutory time period met	NA	25	56
Up to 30 days over statutory time period	NA	2	26
31–60 days over statutory time period	NA	1	10
61–90 days over statutory time period	NA	1	3
More than 90 days over statutory time period	NA	—	1
Fees and charges collected for section 15 and section 54 requests			
Total application fees collected ^(f)	\$1 150	\$620	NA
Total charges notified	\$13 354	\$26 481	\$36 164
Total charges collected	\$3 810	\$8 060	\$10 782

NA = not applicable

- (a) A section 15 request is a request for access to information. This number includes requests carried over from the previous financial year and requests still being processed at the end of the financial year, as well as requests transferred from other agencies.
- (b) A Part VI request is a request for Customs and Border Protection to review a section 15 request decision (internal review). Prior to 1 November 2011, requests for internal review were dealt with under section 54 of the FOI Act.
- (c) A Part VII request is a request for the Information Commissioner to review a section 15 request or a decision made by Customs and Border Protection on internal review under Part VI of the FOI Act.
- (d) A Part VIIA request is a request for review of a decision about a section 15 request to be reviewed by the Administrative Appeals Tribunal (external review). Prior to 1 November 2011, reviews by the Administrative Appeals Tribunal were dealt with under section 55 of the FOI Act.
- (e) As at 1 November 2010, the timeframes for processing freedom of information requests were modified to include the possibility of extensions of time to process requests.
- (f) Application fees for access requests and requests for internal review were abolished on 1 November 2010. Further information on such requests is available in the FOI Act.

Freedom of information enquiries

Enquiries regarding freedom of information can be made by contacting the FOI Coordinator on 02 6275 5621, via email at foi@customs.gov.au or by writing to the FOI Coordinator at 5 Constitution Avenue, Canberra ACT 2601.

Formal freedom of information requests must be made in writing and sent to the FOI Coordinator. Further information about requesting access to documents under the FOI Act can be found on our website at www.customs.gov.au/foi/requesting-access.asp.

Appendix F

Legislative authority and power

On 10 June 1985, subsection 4(1) of the *Customs Administration Act 1985* established Customs and Border Protection in its current form. 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, who, reporting to the Minister, controls Customs and Border Protection. The Governor-General appoints the CEO. 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 delegate (by signed instrument) 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

The following Acts and Regulations are some of the important Acts and Regulations under which the CEO and/or Customs and Border Protection officers exercise powers and perform functions:

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

Work Health and Safety Act 2011

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 G

Advertising and market research

Under section 311A of the *Commonwealth Electoral Act 1918*, any payments we make for advertising or market research greater than \$11 900 (inclusive of GST) must be reported in the annual report.

In 2011–12, we paid a total of \$2 194 422.11 (inclusive of GST) to advertising and market research organisations (excluding payments under \$11 900). The names of the organisations, the services they provided and the amounts paid are detailed in Table G1.

Table G1: Payments over \$11 900 to advertising and market research organisations, 2011–12

Organisation	Services	Amount (inclusive of GST)
ORC International	Traveller satisfaction surveys	\$257 494.46
ADCORP Australia Limited	Online and newspaper advertising for Customs Flexible Employee campaign Tender advertising Recruitment advertising Print media Advertising Public notices Dumping notice Media placement	\$418 223.52
Statt Consulting Market Research	Surveys	\$1 493 066.30
SALMAT BUSINESSFORCE Pty Ltd	Advertising public notice Electronic public record	\$25 637.83
Total		\$2 194 422.11

Appendix H

Purchaser–provider arrangements

Customs and Border Protection's container and cargo examination facilities have arrangements with logistics providers for the movement of containers to and from the facilities and the unpacking and repacking of containers requiring examination. In 2011–12, the facilities inspected 10 233 twenty-foot equivalent units and physically examined 14 543 twenty-foot equivalent units.

The arrangements for these services have worked effectively. Throughout 2011–12, services were delivered to the cost and standard required by Customs and Border Protection and this is reflected in the achievement of the annual PBS targets. Some logistical challenges were experienced in Port Botany, but this did not affect overall delivery of services. More detail on the factors affecting logistics services in Sydney is provided in Part 2 of this report under 'Program 1.2: Trade facilitation'.

Our logistics services arrangements were renewed in March 2012 following an open tender process and overall service standards have been maintained or have improved.

Customs and Border Protection's civil maritime surveillance and response program is delivered with the assistance of a number of providers. A number of Customs and Border Protection vessels are contracted vessels (the ACV *Ocean Protector*, the ACV *Triton* and the ACV *Ashmore Guardian*) with both contracted crew and Customs and Border Protection officers embarked, and Customs and Border Protection's aerial and satellite surveillance programs are both delivered by contracted providers.

Each of the vessel contracts is performing to expectations; no patrol days have been lost due to contract non-performance. The contractors are very flexible not only in terms of performance, but also in performing above contract requirements to assist with the delivery of government priorities.

Customs and Border Protection's aerial surveillance provider is similarly performing to expectations. In particular, the contracted air crews have performed professionally in relation to the many search and rescue operations in which they have been involved, in the Torres Strait, in Papua New Guinean and Solomon Islands waters, and between Indonesia and Christmas Island.

Customs and Border Protection has a purchaser–provider arrangement in place with the Department of Foreign Affairs and Trade (DFAT) for the provision of management services, information and communications technology services and payroll services at overseas posts.

The service level agreements (SLAs) remove the potential for duplication of services and support an efficient, whole-of-government use of resources overseas. The SLAs detail the provision of services, agency responsibilities, performance indicators and cost recovery arrangements. The management services fees are based on the agency's portion of the cost of DFAT providing locally engaged staff, incidental costs and the administrative costs of implementing Customs and Border Protection programs.

During 2011–12 Customs and Border Protection's extended the ICT services agreement and renewed the management services and payroll services agreements with DFAT for a further two years.

Customs and Border Protection's internal audit function is delivered through an outsourcing arrangement with KPMG. The Internal Audit Section supports the Audit Committee, which meets quarterly to approve, administer and oversee the delivery of the Annual Internal Audit Plan.

In 2011–12, the Internal Audit Section completed 23 internal audit reports which were approved by the Audit Committee. These included performance and compliance audits which were conducted over a diverse range of subjects, risk areas and business units across Customs and Border Protection. The section also undertook extensive follow-up of recommendations to monitor progress of open recommendations and verify activities undertaken to fully implement recommendations.

Reporting to a Customs and Border Protection National Manager, the Internal Audit Section's management and administrative roles include servicing of the Audit Committee, the CEO and senior management; liaison with the Australian National Audit Office (ANAO); operational management of the Internal Audit team; follow-up of audit recommendations (external and internal); assessment against ANAO reports and better practice guides; and ongoing advice to management on control, risk and assurance matters.

Customs and Border Protection has a commercial arrangement with Morpho Australasia for the delivery, implementation, and support and maintenance of SmartGate units. During 2011–12, an additional 11 gates and four kiosks were implemented at three of Australia's eight international airports. Further detail in regard to the SmartGate program of work is referred to in Part 2 of this report under 'Program 1.1: Passenger facilitation'.

The partnership approach adopted for the delivery of these services has enabled Customs and Border Protection to increase its capacity for automated border processing, thereby reducing the number of passengers who are required to be manually processed by Customs and Border Protection officers. The current arrangement with Morpho Australasia for provision of support and maintenance services was reviewed during 2011–12.

Appendix I

Correction of errors in the 2010–11 annual report

Page 19—Case study: ‘The Christmas Island Tragedy: SIEV 221’. The number of survivors should read 42. The figure reported in the 2010–11 annual report represented survivors rescued offshore by HMAS *Pirie* and ACV *Triton*, and did not account for the one survivor who made it safely to Christmas Island.

Page 20—Case study: ‘The Christmas Island Tragedy: SIEV 221’. The Western Australian Coroner’s inquest formally commenced on 9 May 2011 to deal with procedural matters. The date of 18 May 2011 cited in the 2010–11 annual report refers to when Counsel assisting the Coroner made his opening submissions.

Page 71—PBS Program 2 Trade facilitation Program Objective. The Program objective is only the first paragraph in the shaded box, the other two paragraphs are not part of the objective.

Page 75—Table 15: ‘Performance against targets set in the 2010–11 PBS Program 2: Trade Facilitation’. Due to an inconsistency in the calculation of the proportion of licensed premises subject to compliance visits/checks during 2010–11, the proportion of licensed depots subject to compliance visits for this period has been adjusted from 60.2 per cent to 59.6 per cent.

Page 89—Table 18: ‘Number of firearms imported and exported’. The figure for Commercial Importations under the Handgun column should read 15 564, not 19 561. This error was identified on a single importation where it was incorrectly lodged as an importation of 4000 handguns when it should have only been three.

Page 104—Table 21: ‘SIEVs and PILs’. The number of undetected offshore potential irregular immigrant (PIL) arrivals was amended to 114 following the declaration by the Western Australian Coroner that the deaths of the 20 people from SIEV 221 who were not recovered from the ocean had been proved beyond reasonable doubt.

Page 141—Table 29: ‘Staff classification, Australian Public Service equivalent level and salary range as at 30 June 2011’. The information in the ‘APS level’ column was incorrect. The correct APS levels are shown in the table below.

Customs classification	APS level	Salary range(\$)
Indigenous Cadets	Not applicable	23 768 – 44 663
Customs and Border Protection Trainee	Not applicable	23 768 – 44 663
Customs and Border Protection Graduate Trainee	Not applicable	43 788 – 49 714
Customs Level 1 Customs Officer	APS Level 3	45 651 – 57 273
Customs Level 2 Senior Customs Officer	APS Level 5	57 273 – 67 287
Customs Level 3 Customs Supervisor	APS Level 6	67 287 – 80 335
Customs Level 4 Customs Manager	EL 1	86 895 – 100 584
Customs Level 5 Customs Director	EL 2	100 584 – 132 246

Page 317—Appendix 8 Advertising and market research. The amount reported as being paid to Media Monitors was overstated; the amount paid to Media Monitors for media monitoring services in 2010–11 was actually \$314 430.15.

The total amount paid for advertising or market research has been amended to remove the amount paid for media monitoring services; as per the criteria for mandatory reporting under Advertising and Market Research or Consultants, amounts paid for media monitoring services do not meet the description for services required to be reported. The total payment made for advertising and market research in 2010–11 was actually \$3 911 524.13.



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Abbreviations and acronyms

ACLEI	Australian Commission for Law Enforcement Integrity
ACV	Australian Customs vessel
ADF	Australian Defence Force
ADV	Australian Defence vessel
AFP	Australian Federal Police
ANAO	Australian National Audit Office
AOS	Airport Operations Sydney
APEC	Asia–Pacific Economic Cooperation
APS	Australian Public Service
ATS	amphetamine-type stimulants
AusAID	Australian Agency for International Development
AUSTRAC	Australian Transaction Reports and Analysis Centre
ATO	Australian Taxation Office
CEO	Chief Executive Officer
CHOGM	Commonwealth Heads of Government Meeting
CL1	Customs Level 1
CL2	Customs Level 2
CL3	Customs Level 3
CL4	Customs Level 4
CL5	Customs Level 5
DAFF	Department of Agriculture, Fisheries and Forestry
DFAT	Department of Foreign Affairs and Trade
DHEA	dehydroepiandrosterone/prasterone
E10	ethanol-blended fuel
EEG	excise equivalent goods
EU	European Union
FCAFC	Federal Court of Australia Full Court
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FOI	freedom of information
FOI Act	<i>Freedom of Information Act 1982</i>
FV	fishing vessel
GBL	gammabutyrolactone
GHB	gamma-hydroxybutyrate (fantasy)
GST	goods and services tax
HMAS	Her Majesty's Australian Ship

ICS	Integrated Cargo System
ICT	information and communications technology
IT	information technology
IUU	illegal, unregulated and unreported
LCT	luxury car tax
LPG	liquefied petroleum gas
LSD	lysergic acid diethylamide
MDA	3,4-methylenedioxyamphetamine
MDEA	3,4-methylenedioxy-N-ethylamphetamine
MDMA	3,4-methylenedioxymethamphetamine (ecstasy)
MDP-2-P	3,4 methylenedioxyphenyl-2-propanone
MP	Member of Parliament
MV	merchant vessel
OAIC	Office of the Australian Information Commissioner
OCO	Oceania Customs Organisation
P3M3	portfolio, program and project management maturity model
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PIEDs	performance- and image-enhancing drugs
PII	potential irregular immigrant
PMC	passenger movement charge
PMV	passenger motor vehicle
PNR	passenger name record
PSM	Public Service Medal
RAAF	Royal Australian Air Force
RAMSI	Regional Assistance Mission to Solomon Islands
RRFC	Resources Received Free of Charge
SES	Senior Executive Service
SIEV	suspected irregular entry vessel
SLA	Service Level Agreement
TAFE	technical and further education
TCO	Tariff Concession Order
TCF	textiles, clothing and footwear
TEU	twenty-foot (container) equivalent units
US	United States (of America)
WET	wine equalisation tax
WTO	World Trade Organization

Glossary

anti-dumping and countervailing system	A system of laws and regulations that seeks to remedy the injurious effects on local industry caused by imports that are deemed to be unfairly priced
ArcGIS	A computer system for designing and managing solutions through the application of geographic knowledge
AusTender	Australian Government's tendering system
Comcare	Commonwealth work health and safety regulator
Comcover	Australian Government's general insurance fund
COMPASS	A human resources system
ecstasy	<i>Colloquial</i> 3,4-methylenedioxymethamphetamine (MDMA)
ePassport	Passport with an embedded chip
examination	Examination of cargo by a Customs and Border Protection officer
Exclusive Economic Zone	The area beyond and adjacent to Australia's territorial sea, the outer limit of which does not extend beyond 200 nautical miles from the baseline
fantasy	<i>Colloquial</i> gamma-hydroxybutyrate
ice	<i>Colloquial</i> crystalline methamphetamine
inspection	May include use of non-intrusive examination through x-ray technology (static or mobile), trace particle detection, detector dogs
intelligence-led, risk-based approach	Customs and Border Protection's strategic planning model whereby the agency collects data from an extensive range of sources, conducts comprehensive analysis, and generates informed judgments to direct and shape the agency's operational, investment and resourcing decisions
intervention	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 and people
potential irregular immigrant	Non-Australian citizen who attempts to arrive or arrives in Australia's migration zone by sea
SmartGate	Automated border processing system
Tariff Concession Scheme	A system that assists Australian industry to become more internationally competitive and reduces costs to the general community by removing customs duties where there is no local industry to protect
payback period	In capital budgeting terms the payback period refers to the period of time required for the return on an investment to 'repay' the sum of the original investment
water column	a conceptual column of water from the waters' surface to the seabed surface

List of requirements

This list identifies information required by the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* issued by the Department of the Prime Minister and Cabinet in June 2012.

Items not applicable to Customs and Border Protection have been noted as such. Any items referred to as 'not applicable' have been assessed against the requirements.

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