



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



2012–2013

ANNUAL REPORT

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Australian Government

**Australian Customs and
Border Protection Service**

2012–2013

ANNUAL REPORT

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LETTER OF TRANSMITTAL



Australian Government
Australian Customs and
Border Protection Service

Chief Executive Officer

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Phone: 02 6275 6800
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The Hon Scott Morrison MP
 Minister for Immigration and Border Protection
 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 (ACBPS) for the financial year ended 30 June 2013, 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 ACBPS, 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 2013.

This report details performance for ACBPS's five programs and their contribution to the effectiveness of Service Outcomes.

I certify that ACBPS has prepared fraud and corruption risk assessments and a fraud control and anti-corruption plan that complies with the requirements of the *Commonwealth Fraud Control Guidelines 2011*. We also have robust fraud prevention, detection, investigation, reporting and data collection procedures and processes in place 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
 Chief Executive Officer

2 October 2013

A WEEK IN THE LIFE OF...

Each week on average...

WE CLEAR



606,482
air passengers

arriving and departing Australia on
more than 3,449 flights



291 ships

arriving in Australian ports and intervene
with approximately 128 that have been
assessed as presenting a risk to the border



10,619 crew

arriving in Australia on commercial ships



13,835 passengers

arriving by sea during cruise ship season



28 pleasure craft

during pleasure craft season



24,817 export entries

543,511 air waybills and 52,017 sea cargo
manifest lines for imported cargo.

WE SURVEIL



3 million
square nautical miles

in conjunction with the Department of
Defence (Defence), 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,
robbery or violence at sea, maritime
terrorism and marine pollution.

WE DEPLOY



41 highly trained
detector dog teams

across our airports and wharfs.

WE COLLECT



\$235.3 million

in revenue on behalf of the Australian
Government (ACBPS and other agencies).

THE AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

WE PATROL



our coastline and sea

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



seaports, wharfs and remote Australian coastlines

to detect, deter and disrupt the movement of unlawful goods and people across the border



the waterfront

for an average of 857 hours



remote and coastal areas

for an average of 117 hours



airside locations

to identify and detect border breaches.

WE INSPECT



1,958

twenty-foot equivalent units in sea cargo



28,895 air cargo

consignments



298,387 letters

and more than 593,232 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



589 illicit drug imports

including performance- and image-enhancing drugs.

INTRODUCTION	Summarises key issues and trends in the reporting period, particularly those that had an impact on achieving our goals.
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 Portfolio Budget Statements (PBS).
PART 3 OUR BORDER RISKS	Reports 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 as well as their contributions to the achievement of outcomes in the reporting period.
PART 5 ACCOUNTABILITY AND RESOURCE MANAGEMENT	Provides information on any external scrutiny, client service standards, asset management, consultants and contractors, and other administrative activities.
PART 6 FINANCIAL STATEMENTS	Contains our audited financial statements for the year ending 30 June 2013.
PART 7 APPENDIXES	Provide information on specific aspects of our operations, including resource statement, environmental sustainability, advertising and market research, purchaser-provider arrangements and an overview of our legislative powers.
PART 8 END MATTER	Lists tables and figures, abbreviations and acronyms, an alphabetical index and where to find information specified in the <i>Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies</i> .

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ABOUT THE SERVICE

The Service performs a vital role protecting the safety, security and commercial interests of Australia. Over 5,000 dedicated officers undertake this task for the Australian community, working closely with industry, other law enforcement partners, government and international agencies.

MISSION

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

OUR PEOPLE

At 30 June 2013, we employed 5,516 people in offices around Australia and overseas.

OUR BUDGET

Our operating budget for 2012–13 was \$1,024.68 million.

OUR HISTORY

Our Service has a long and proud history with over 100 years of serving the Australian community. Beginning in 1901 as the Department of Trade and Customs, we have a strong history of supporting the economic prosperity of Australia. We have been at the forefront of establishing international standards for customs

and trade functions, including introducing electronic reporting in the 1970s.

We have also worked with our partners to protect Australia's borders. Our first vessel, the *Vigilant*, was acquired in 1938 and we launched our newest vessel, the *Cape St George*, in 2013. From the late 1990s, a number of operational officers have been armed with personal defensive equipment, including firearms.

In 2008, the Australian Customs Service was tasked by the Government with new border protection and national security responsibilities and renamed the Australian Customs and Border Protection Service. This new role kept the strength and history of our customs and trade function, while adding an enhanced border protection and national security focus.

Our function and performance have undergone several reviews in the past. In each case we

have risen to meet the challenge and reformed our Service to best serve traders, travellers and the Australian community.

OUR PARTNERSHIPS

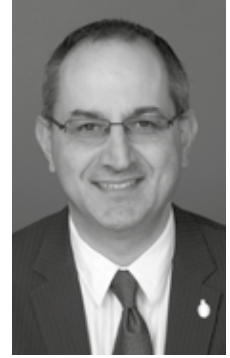
We work with, and on behalf of, dozens of other agencies to apply border controls as a national asset for economic prosperity, national security, law enforcement and community protection purposes.

Our key stakeholders include the community, the Australian Government, industry, travellers and other government agencies.

Recognising our roles supporting economic prosperity and protecting the community, we also support the World Customs Organization's Framework of Standards. This framework focuses on cooperation and collaboration between customs administrations and industry in managing the whole-of-trade supply chain.

FROM THE CHIEF EXECUTIVE OFFICER

The Australian Customs and Border Protection Service has a long and proud history of serving the community and protecting the border, having existed in various guises since Federation in 1901.



It was therefore a great honour to be commissioned Chief Executive Officer (CEO) in February 2013. On my appointment, I indicated that my focus would be on transforming the Service into the high performing organisation that the Government, our partners and the Australian community expects and deserves.

As the primary border agency, the Service holds a privileged place in Australia and manages the integrity of the border for the protection and prosperity of the community and the economy. Our role at the border relates very directly to our nation's security, prosperity, productivity and competitiveness.

Although we do a good job today, I believe we can, and must, do better.

We have a challenging operating environment, which is shaped by an increasing volume of cargo and traveller movement, the complexity of supply chains and travel routes together with the threat of sophisticated criminal activities. These factors, combined with internal challenges within the Service related

to culture, integrity and corruption, all contribute to the clear need for a comprehensive reform for the Service.

Our people are integral to the Service. We must ensure we have the most capable and cohesive leadership team to support them and take us into the future. With that in mind, I made a number of senior appointments in the first half of 2013. I did this to strengthen our existing leadership capability and better position the Service to meet both current and future operational challenges.

"In the history of many public agencies, only a few are granted the privilege of shaping their destiny in times of tribulation. Today we have an opportunity to make an enduring difference. History will judge our deeds in the months and years ahead. When it is written, we will be able to say that we served with honour, and that we made that enduring difference."

**CEO, Michael Pezzullo,
15 February 2013**

SIGNIFICANT ISSUES, CHALLENGES AND OUR RESPONSE

While we have a long and proud history, it has not been without controversies and difficulties. Combating the continuing and pervasive threat associated with organised crime demands a response that is dynamic, targeted, comprehensive and one that is integrated with our domestic and international law enforcement partners.

Meeting this challenge requires a sustained effort to ensure our workforce is hardened against corruption. Our officers must remain alert to the threat of infiltration and corruption and commit themselves to being part of a professional, disciplined culture with the highest levels of integrity.

I, like many hard-working and dedicated staff across the Service as well as the Australian community more broadly, was very disappointed following the arrests of a small number of officers this year for alleged corruption.

In response to these arrests, I implemented significant integrity reforms during the year.

These included the introduction of drug and alcohol testing, targeted integrity testing, mandatory reporting of serious misconduct or corruption, as well as formalising my powers as CEO, through legislative change, to issue mandatory orders. While these measures significantly improve and expand our defences against corruption, I will continue to aggressively strengthen our anti-corruption and integrity assurance approaches as required.

I am determined to ensure individuals within the Service uphold the high standards we expect of our fellow officers and that the community expects of us. Working with the majority of our staff who conduct themselves professionally and with integrity, I will deal with allegations of criminal behaviour and corruption resolutely, firmly and fairly.

The unpredictability of people smuggling organisers and their response to environmental conditions has continued to challenge our performance in the civil maritime domain. We have seen arrivals at points across the breadth of our northern regions—stretching our capacity to maintain effective maritime security and extending our surface assets and long haul capabilities. The number and size of Suspected Irregular Entry Vessel (SIEV) arrivals increased this year. This placed additional pressure on our officers and increased the importance of managing safety and security.

Our officers have responded to this sustained high operational tempo with dedication and compassion, particularly in instances involving the safety, or unfortunate loss, of

life at sea. I commend the efforts of all officers involved in these tragic, disturbing and volatile circumstances. I take our duty of care very seriously—we are working with partner agencies and continue to learn from our experiences to ensure we are doing all that we can in these situations and in support of our officers.

Our maritime operations will be bolstered by the first of the new *Cape Class* patrol boats, *Cape St George*, which was launched in 2013. These vessels represent a significant investment in Australia's long-term security and will better equip the Service to respond in this highly demanding environment.

During the year, we witnessed continuing change in global economic circumstances, which has heightened the pressure on Australia's international competitiveness. As a nation, we have faced intense, and in some cases, unfair international competition from dumped goods onto Australian markets. Consequently, we successfully implemented a number of improvements to Australia's anti-dumping system to ensure Australia's continued competitiveness and economic prosperity. This included establishing a new Anti-Dumping Commission and independent review panel, simplifying access for small and medium-sized enterprises and introducing stricter remedies against overseas producers who deliberately circumvent Australia's anti-dumping rules.

Despite all of these challenges, we continue to perform our role at the border with commitment, professionalism and success. On average, each week we cleared more than half a million passengers

travelling internationally and almost 300 cargo ships. We inspected around 2,000 twenty-foot equivalent units in sea cargo, almost 30,000 air cargo consignments and hundreds of thousands of letters and parcels. We achieved success through joint operations with our partners, averaging more than 580 drug seizures a week—including one of the largest in Australian history, the seizure of 585 kilograms of methamphetamine (ice) worth up to \$438 million in February 2013.

POSITIONING FOR REFORM

It has become very clear that the traditional methods we use to protect our border cannot be sustained, particularly in the face of the challenges I have already outlined.

This is a message I have delivered to my senior leadership team, reinforcing that they are directly and personally accountable for meeting the expectations of the Government and the Australian community. These changes lay a solid foundation for the further transformation as outlined in the *Blueprint for Reform 2013–18*, released in July 2013.

This Blueprint has drawn on many inputs including the Australian Public Service Commission's Capability Review, the Customs Reform Board and consultation with stakeholders and staff. The Blueprint provides the roadmap for a root-and-branch transformation program, which will encompass all of the Service.

It is also a key consultation document designed for our people and their representatives, industry, the community, partners here in Australia

and internationally, as well as the Government. The Blueprint will be the national strategy for strengthening our borders and fostering lawful trade and travel and will support our nation's security, law enforcement, our economic viability and prosperity.

During the year, I created a Reform Task Force to oversee our reform agenda and to ensure we engage with our people and our key stakeholders. Their active participation will be critical if we are to deliver a single, integrated and deliverable program necessary to achieve lasting and real change.

OUR FINANCIAL PERFORMANCE

Underpinning our efforts across all operations of the Service is our fiscal environment. Our operating environment this year, and for the foreseeable future, will be one of constrained resources with which to manage increasing numbers and complexity of border transactions across a diverse and vast range of physical and electronic environments.

During the year, our financial result was a loss of \$115.7 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 two significant components need to be excluded:

- + depreciation and amortisation expenses of \$103.7 million because under the Commonwealth's revised net cash arrangements, agencies are no longer funded for these expenses as part of their appropriation funding

- + expenses of \$2.0 million associated with routine reassessments of various make good provisions for vessels and property.

After adjusting for these items, our net cash result from operations is a loss of \$10.0 million (1.0 per cent), \$5.0 million of which was approved by the Minister for Finance and Deregulation. This minor variance reflects the ongoing scrutiny we apply to our financial management with very slight variations from an otherwise balanced result.

OUR OUTLOOK

To ensure our nation's protection and economic prosperity, we must act now to both anticipate and prepare for the challenges facing the border. In the near future we expect:

- + significant increases in the amount of international trade and travel
- + more complex cargo supply chains and passenger travel routes
- + increasingly sophisticated serious and organised crime.

Our Reform Programme will focus on three main tracks:

- + our people and operating model—a professional and agile Service that is adaptive to change
- + modernisation—efficient business systems, streamlined processes and sophisticated intelligence
- + integrity—a disciplined Service culture and workforce hardened against corruption.

In 2013–14, key areas of focus under our Reform Programme will include:

- + preliminary work on the formation of a National Border Targeting Centre
- + enhanced integrity and anti-corruption measures including the appointment of a Special Integrity Adviser
- + development of a new people strategy
- + expansion of SmartGate capability
- + further improvements to the trader experience
- + embedding our strategic partnership with the Australian Federal Police
- + utilising and piloting strategic border command arrangements
- + refining our case to Government to support the implementation of the Service's Reform Programme
- + the introduction of an awards and recognition framework
- + the implementation of dedicated career pathways for officers within the Service.

Our people will be fundamental to our Reform Programme, to the ongoing success of the Service and continued protection of Australia's borders. I thank the dedicated and professional members of the Service and recognise their hard work and commitment through these challenging times to protect our border and foster legitimate trade and travel.

Michael Pezzullo
Chief Executive Officer



PART 1

OVERVIEW

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ROLE AND FUNCTION

The Service plays a critical role in protecting the safety, security and commercial interests of Australia through border protection and ensuring the Australian community can embrace opportunities for economic growth and prosperity.

OUR ROLE

Our role is to:

- + facilitate legitimate trade and travel
- + deliver Australia's trade and industry policy, including through tariffs, tariff concessions and the anti-dumping and countervailing schemes
- + prevent, deter and detect the irregular movement of people across Australia's border
- + prevent, deter and detect the unlawful movement of prohibited, restricted or regulated goods into Australia
- + investigate suspected breaches of a range of border controls
- + counter civil maritime security threats in Australian waters through the Border Protection Command, a joint partnership between the Service and Defence
- + collect border-related revenue.

MANAGING AUSTRALIA'S BORDER

The border is a strategic national

asset—it is fundamental both to our national security and to our economic prosperity. In today's world, the border can no longer be considered a purely physical barrier that separates nation states.

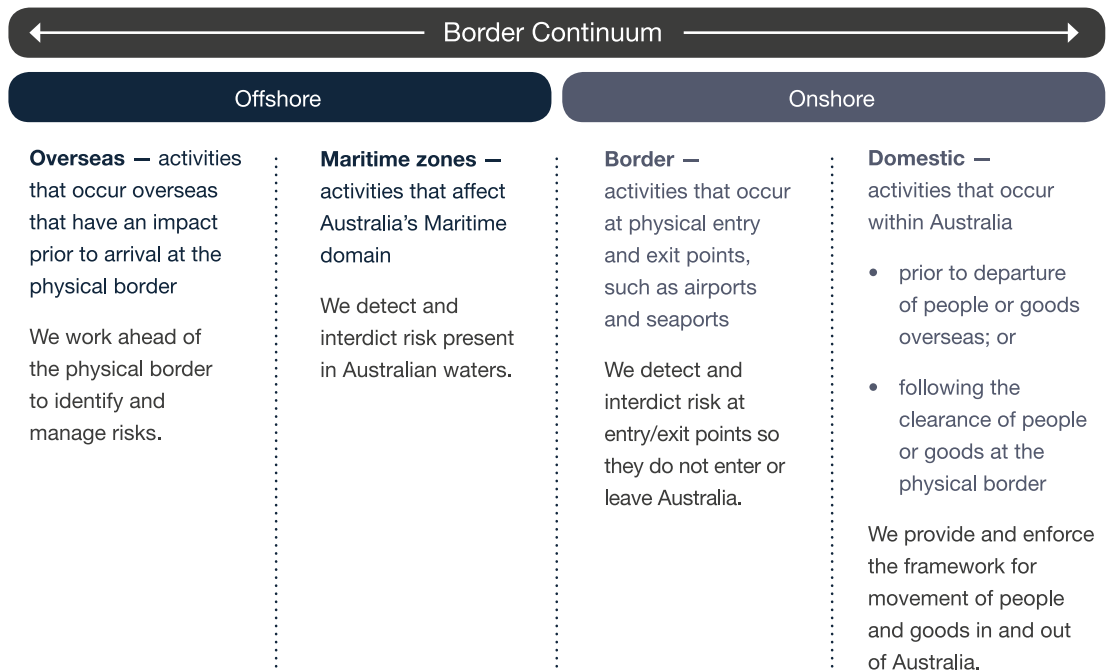
The border is a complex continuum that enables and controls the flow of people and the movement of goods through dynamic supply chains.

The continuum stretches onshore and offshore and includes the overseas, maritime, physical border and domestic dimensions of the border, referred to as the border continuum (Figure 1).

By working effectively across each dimension of the continuum, we are able to control who and what has the right to enter or exit and under what conditions. To protect the

safety, security and commercial interests of Australia, we work with our partner agencies to employ an intelligence-led, risk-based model across the border continuum.

This includes significant effort in the maritime area to identify and respond to unauthorised arrivals and to conduct surveillance for other maritime threats. It also means we aim to make it as seamless as possible for legitimate trade and travel and focus our efforts and resources where they will have the greatest impact. This includes working beyond the border to get early access to information to target high-risk travellers and goods.

Figure 1: The border continuum

THE NEED FOR REFORM

The outlook for Australia's border is particularly challenging. Ensuring the security and integrity of our borders is vital for the protection of the Australian community and economic prosperity.

In just four years, we will need to cope with an expected increase of 85 per cent in air cargo and 20 per cent in containerised sea cargo. This trend will place enormous pressure on our container ports over the next ten years.

We have a productive, open and resilient economy where our exports in 2012 exceeded \$300 billion and represented more than 20 per cent of our gross domestic product—making it one of the strongest economies in the world. With one

in five Australian jobs connected to trade, we are in a good position to make the most of forecast growth in our region, particularly those growth opportunities presented by the Asian century.

Our traveller numbers are forecast to increase by seven million in the next four years. By 2020, tourism from our top 10 visitor countries will be worth an estimated \$34 billion to our economy. Efficient and seamless traveller experiences will not only be expected, but will also be critical to meeting, and continuing to grow, the forecast increase in tourism numbers to our shores.

Shifts in manufacturing, technology and the continued emergence and wealth of the global middle class will see our ports, airports and other infrastructure hubs used in new and different ways.

Wide-bodied aircraft and increasing use of larger, containerised cargo ships means supply chains and travel routes will become more dynamic. These global shifts will require a more sophisticated civil maritime surveillance and response effort. At the same time, this will create new complexities that can obscure the true point of origin of goods and travellers and make determining the real value of goods more difficult.

Correspondingly, we will need to continue to improve the responsiveness, efficiency and effectiveness of the anti-dumping system—reduce its cost and complexity for industry—and ensure Australian industry remains competitive and viable. The introduction of the Anti-Dumping Commission is one way we are working to ensure this.

Australians continue to embrace the online environment with the internet continuing to drive growth and complexity in trade, including self-service and travel. This has seen an increase in individual customers buying online directly from foreign suppliers, which has been matched by an expansion in small shipments through the air and mail stream. In response, we need to adapt our intelligence and border targeting practices to protect the community from new and emerging risks that might see their way through the supply chain.

Australia has one of the largest and most challenging border environments in the world. Our border includes approximately 37,000 kilometres of coastline—much of this coastline passes through remote regions of our nation—eight major international airports, over 60 international seaports and a maritime area covering approximately 11 million square kilometres of ocean.

We will need to carry out our approaches and interventions in a limited intervention window in a way that is not detrimental to the timely clearance of legitimate goods. The effect of any slowdown in our border processing cannot be understated—every additional day that a product is delayed before being shipped impacts trade, which in an Australian context equates to \$8 million in exports per day.

Through our Reform Programme, we are taking steps to ensure the continued economic prosperity of our nation.

Changes in the digital environment, such as emerging new manufacturing technology—for example 3D printing—means we will face interesting and complex challenges. These technologies are likely to be exploited by criminals to circumvent import controls and will increasingly shape our future economy and society and, therefore, border management.

We will need to continue to strengthen our partnerships with law enforcement counterparts through a range of initiatives, including joint operations and secondments. This will allow us to leverage and build unique skills and capabilities needed to meet the challenges posed by organised crime and corruption.

The complex trade and travel environment will result in huge volumes of data that we will need to both collect and analyse. This will not only be essential to border protection but is necessary to produce vital trade statistics to give the Government the evidence it needs to guide our continued economic prosperity.

To meet this ‘big data’ challenge, we will need to overhaul our information management and intelligence capabilities, including the technical capabilities which connect us to other government intelligence, law enforcement and

border agencies, domestically and internationally. These changes will need to be supported by a workforce of highly skilled intelligence analysts capable of exploiting this information for better border outcomes.

Criminal enterprises will continue to seek new and varied ways to move people and illicit goods across our borders. The nature and extent of criminal activity will not be limited to illicit drug markets. The activities of criminal enterprises are expected to expand across the entire border continuum and they will seek to take full advantage of the speed and complexity of new travel and trade routes as well as supply chains.

These criminal enterprises will be highly adaptable, agile and opportunistic and will invariably have some form of international connection. Our responses will also need to be adaptable, agile, global in reach and supported by an organisational integrity framework hardened against corruption.

While our previous efforts to combat serious and organised crime have resulted in success, we will also need to ensure that our officers have the right tools, capabilities and characteristics to continue to meet these challenges. This means we will need to strengthen our workforce capability and leadership skills through enhanced recruitment processes, active career management and structured professional development.

This environment paints the background for the need for significant and lasting reform. Serious and organised crime, including the arrest of some of our officers, increasing complexity of our operating environment and increasing trade and travel volumes has culminated in a structured, formalised and long-term agenda for reform.

The nature and extent of our reform agenda has been—and will continue to be—guided by a number of inputs, including suggestions from our staff, interim findings of Operation Heritage—an investigation into the alleged corrupt conduct among some of our officers at Sydney International Airports—the Australian Public Service Commission (APSC) Capability Review and the Customs Reform Board. The first of the Reform Board's reports was released on 3 July 2013.

To better align functions, position the Service to deliver into the future and achieve lasting and

effective change, we made significant structural changes to our business model this year.

Part of this included the establishment of a Reform Task Force—headed by an SES Band 2 Officer—in January 2013 to coordinate the Reform Programme. Over the coming year, milestones will include business cases to Government on the reform track initiatives and engagement with stakeholders. Staff engagement is already a key component of our stakeholder engagement, with a complete engagement strategy under development. An internal communication framework will ensure staff are meaningfully engaged to have their say about the reform strategy and throughout the Reform Programme.

We have engaged a reform partner, comprising of internationally-recognised leaders in organisational change to assist us to develop initiatives outlined in our *Blueprint for Reform: 2013–18*.

We have drawn on many inputs to develop our Blueprint, including from our people, industry and government stakeholders, the Customs Reform Board and the APSC Capability Review.

The Blueprint not only sets out our vision—to protect Australia's borders and foster lawful trade and travel—it will also help to reinvigorate the Service and outlines the roadmap to change through three reform tracks:

- + our people and operating model—a professional and agile Service that is adaptive to change
- + modernisation—efficient business systems, streamlined processes and sophisticated intelligence
- + integrity—a disciplined Service culture and workforce hardened against corruption.

CUSTOMS REFORM BOARD

The Minister for Home Affairs, the Hon Jason Clare, MP, announced the Customs Reform Board in December 2012 in response to the integrity challenges faced by the Service as well as the changing nature of our operational environment.

The Board has oversight of the implementation of the Reform Programme, which reports directly to the Minister and provides him with advice and recommendations about any further reform initiative and measures that may be required as we travel along our reform path.

The Board consists of the Honourable James Wood AO QC, former Royal Commissioner of the NSW Royal Commission into the NSW Police Service, Mr Ken Moroney AO APM, former NSW Police Force Commissioner and Mr David Mortimer AO, former CEO of TNT, former Deputy Chairman of Ansett, former Chairman of Australia Post and Leightons Holdings.

APSC CAPABILITY REVIEW

The Service underwent an APSC Capability Review in early 2013. Capability reviews are forward-looking, whole-of-agency reviews that assess an agency's ability to meet future objectives and challenges. Reviews focus on leadership, strategy and delivery capabilities. The Service's Capability Review identified a number of areas where we are doing well as well as areas to build capability for the future.



Significantly, the Review noted that our officers are a key strength of the Service and their commitment and motivation is an important contributor to achieving our role protecting the Australian community. The findings from the Capability Review have informed the development of the Blueprint, which sets out the future vision for the Service and initiatives to improve and build capability across the Service.

We have also developed a response plan to treat deficiencies identified in the APSC Review. The Capability Review Report was released in July 2013.

ORGANISATIONAL STRUCTURE

The Australian Customs and Border Protection Service (ACBPS) is within the Attorney-General's portfolio and is responsible to the Minister for Home Affairs, the Hon Jason Clare, MP. The organisational structure of the Service is represented in Figure 2.

REORGANISING THE SERVICE

Following 44 years of public service and over six of years as CEO of ACBPS, Michael Carmody retired from ACBPS in September 2012. The new CEO, Michael Pezzullo, was officially appointed on 14 February 2013 after acting in the position from the time of the previous CEO's retirement.

A number of senior leadership changes also took place during the year, including the appointment of Deputy CEO Border Enforcement, Roman Quaedy and four new national directors—all of whom have broad ranging skills and experience needed to deliver our business and benefit the Service during this time of significant reform. We also created a Chief of Staff role, a coordination role working across the Service in support of the Executive, strategic and integrated decision-making, effective issues management and planned engagement strategies across both domestic and international environments. The role will support a more coordinated, cohesive and proactive approach to issues management, particularly as the business of the Service continues to become more diverse and complex.

Further structural changes were also made during the year. We formed a new Intelligence Division that is led by a Chief Information Officer to ensure a Service-wide approach to information management.

We also created a Support Division responsible for the delivery of people policy and practice, which includes a Chief Technology Officer responsible for IT delivery and infrastructure services.

We integrated all non-maritime operational border command and control functions, field operations relating to cargo movements across the border, compliance operations, seaport operations and our investigators in a single division—Compliance and Enforcement.

A new Integrity, Security and Assurance Division was created to bring together corporate and legal governance and decision making, integrity, professional standards capability and security.

We strengthened our relationship with the Australian Federal Police (AFP) through the permanent secondment of a senior AFP officer and through the establishment of stronger

operational coordination between the two agencies in a strategic partnership involving joint triaging and decision-making on all border detections of illicit goods.

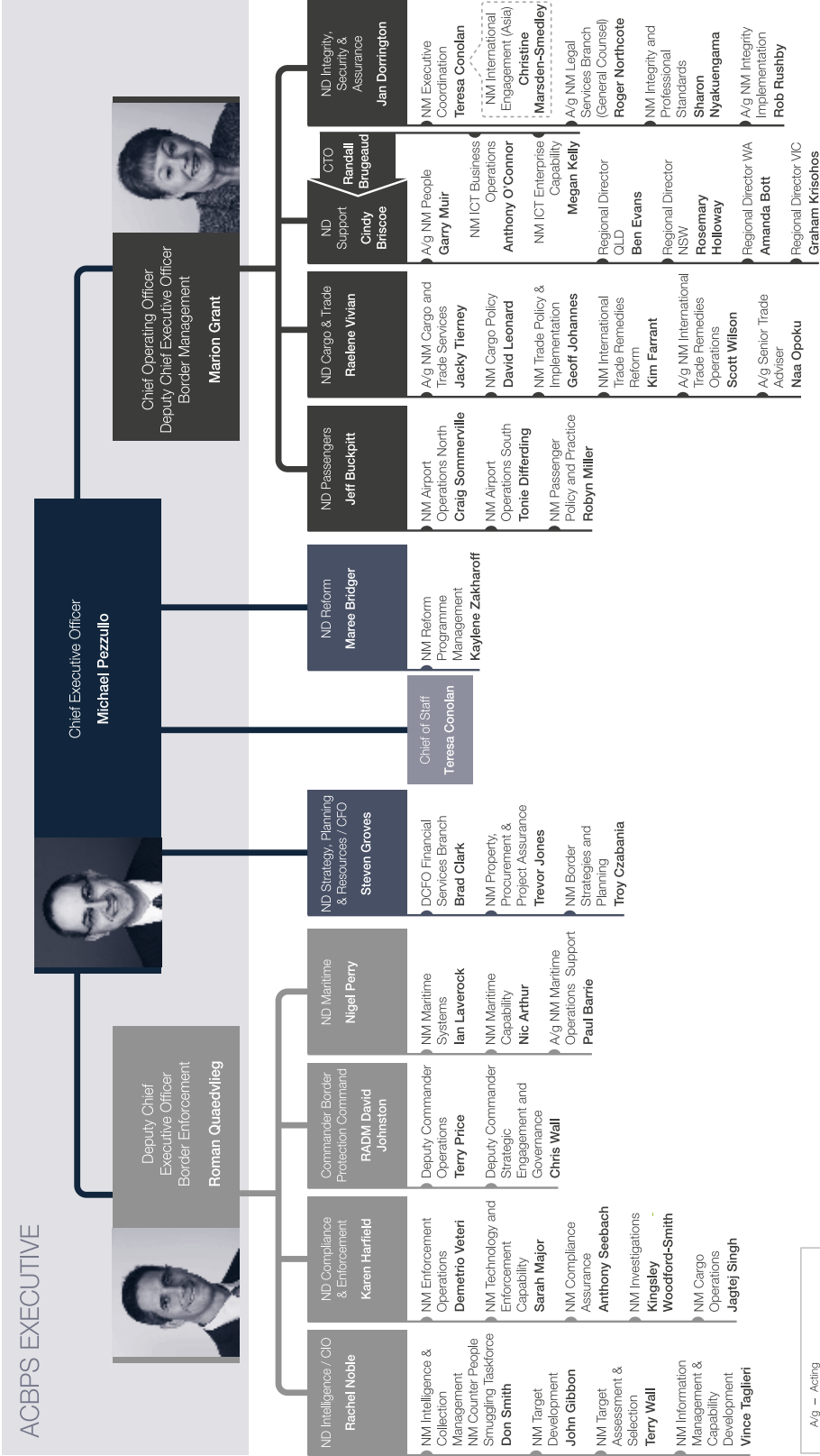
OUR PEOPLE

The CEO heads the Service with the support of the Chief Operating Officer/DCEO Border Management and the DCEO Border Enforcement who lead national programs. Senior managers in all Australian states and territories report directly to national directors or managers. There is an illustration of this structure in Figure 2.

Our staff are located throughout Australia and overseas with the central office in Canberra and permanent representation at Australian Embassies and High Commissions in Bangkok, Beijing, Brussels, Jakarta, Kuala Lumpur, Colombo, Washington DC and New Delhi. Staff undertaking capacity building projects are also located in Papua New Guinea and the Solomon Islands.

At 30 June 2013, we employed 5,516 people in offices around Australia and overseas.

Figure 2: ACBPS organisation chart as at 30 June 2013



A/g – Acting
CFO – Chief Finance Officer
CIO – Chief Information Officer
DCFO – Deputy Chief Finance Officer
ND – National Director
NM – National Manager
RADM – Rear Admiral

Figure 3: ACBPS Australian office locations**Figure 4: ACBPS international presence**

ANNUAL REPORTING FRAMEWORK

Our annual reporting framework consists of three elements, namely:

- + Portfolio Budget Statements (PBS) Programs—the programs through which we work to achieve our outcome as set out in the PBS
- + border risks—the risks to our border that require a response and effective management
- + enabling functions—the corporate and support services that assist us to mitigate border risks and deliver our PBS Programs.

OUTCOME AND PROGRAM STRUCTURE

The PBS sets out our commitments to the Government and the Australian people, and represents one of the key accountability mechanisms between our Service 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 us.

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 ensure collection of border revenue and trade statistics.

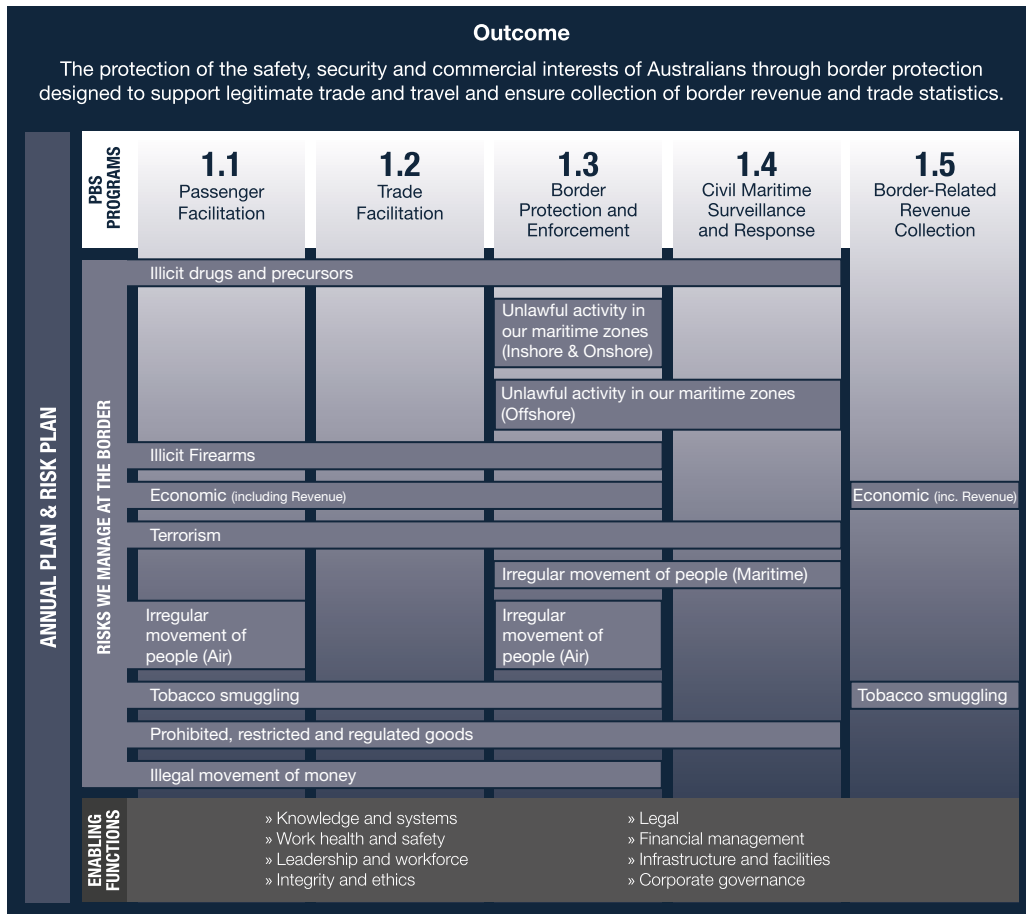
We assess and measure our performance and the success of our programs by using performance indicators and deliverables for each program as well as providing high-level details of financial performance—the delivery of outcomes within budget. We regularly review our key performance indicators and deliverables to ensure that they accurately reflect our operations and our priorities.

BORDER RISKS

One of our key responsibilities is to mitigate the border risks that threaten the safety, security and commercial interests of Australians. We continue to focus on an intelligence-led, risk-based approach that aligns our resourcing, coordination and application of border controls across the breadth of the border continuum. In addition, we have introduced an enterprise-wide risk management model, which aims to ensure our internal management mechanisms can meet the most significant risks in achieving our organisational objectives. The model also supports our delivery of the annual plan.

ENABLING FUNCTIONS

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

Figure 5: 2012–13 reporting framework



PART 2

OUR PROGRAM PERFORMANCE

Our Program performance	14
PBS Program 1.1: Passenger Facilitation	16
PBS Program 1.2: Trade Facilitation	24
PBS Program 1.3: Border Protection and Enforcement	34
PBS Program 1.4: Civil Maritime Surveillance and Response	41
PBS Program 1.5: Border-Related Revenue Collection	49

OUR PROGRAM PERFORMANCE

OUR PERFORMANCE CONTEXT

The diversity and constant change in our operating environment continued to shape our performance against our Portfolio Budget Statement (PBS) deliverables and key performance indicators during this financial year. These characteristics have never been so readily defined by increasing travel and trade volumes, increasing criminal sophistication and inventive concealment methods and complex, globalised trade patterns.

Our strategies and interventions were carried out against a background of continued fiscal constraint, rapid advances in technology and shifts in economic and global power, for example the continued growth in the middle-class in Asia. At the same time, the expectations of the Government and the Australian community that we protect the border with integrity and professionalism remain unchanged and, rightly, very high.

As our Service embarks upon a major Reform Programme, we will continue to refine our intelligence-led, risk-based approaches to maximise the national value and benefit of our systems of border controls and strategies and continue to strive for a disciplined culture that upholds the highest levels of integrity and professionalism.

MEETING OUR PERFORMANCE CHALLENGES

The Service has made several improvements to our indicators and deliverables this year by introducing new performance measures, consolidating existing measures and providing targets where performance can be reliably estimated. These changes will continue to 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*.¹

During the year, we also developed a balanced corporate performance dashboard to report key operational, financial, workforce and project performance on a monthly basis to the Operations Committee. The dashboard has provided our Executive with improved tools to monitor our highest priority measures and to make the necessary adjustments to achieve program objectives better. These changes will provide a solid foundation to continue work on better linking our PBS, strategic planning documents and annual report providing greater transparency, clear lines of accountability and commensurate performance monitoring and evaluation.

1 <http://www.anao.gov.au/~media/Uploads/Audit%20Reports/2011%2012/201112%20Audit%20Report%20No%205.pdf>

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 2012–13^(a)	(B) Actual 2012–13	Variation (B) – (A)	Budget 2013–14^(b)
	\$'000	\$'000	\$'000	\$'000
Administered revenue				
Taxation	8,775,614	9,097,930	322,316	9,940,761
Non-taxation	7,000	5,254	(1,746)	2,500
Total administered revenue	8,782,614	9,103,184	320,570	9,943,261
Administered expenses				
Administered expenses	3,416	6,714	3,298	3,428
Total administered expenses	3,416	6,714	3,298	3,428
Departmental programs				
Program 1.1: Passenger Facilitation	235,069	234,490	(579)	238,220
Program 1.2: Trade Facilitation	218,856	227,238	8,382	222,760
Program 1.3: Border Protection and Enforcement	273,629	281,696	8,067	259,600
Program 1.4: Civil Maritime Surveillance and Response	328,656	317,970	(10,686)	342,189
Program 1.5: Border-Related Revenue Collection	74,366	76,968	2,602	73,600
Total price of departmental programs	1,130,576	1,138,362	7,786	1,136,369
Total for outcome (administered expenses and price of department programs)	1,133,992	1,145,076	11,084	1,139,797
Average staffing level (no. of staff)	5,100	5,118	18	5,000

(a) Data derived from 2012–13 Portfolio Additional Estimates Statements (PAES).

(b) Data derived from 2013–14 PBS.

PBS 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.

The number of travellers who crossed our border this year was 34.3 million. By 2017, we expect to process in excess of 40 million travellers each year with the figure projected to exceed 50 million by 2023.

This trend—coupled with the changing nature of the travel and tourism industries and the continuing need for fiscal constraint—has required the Service to develop a set of strategies to expand and extend automated border processing. The popularity of Australia as a

travel destination for the increasing Asian middle-class as well as rising popularity of tourism in the cruise ship industry has required strategies that allow us to keep pace with future growth while also acknowledging that operational responses must work within existing or reduced funding and resource levels.

To illustrate this point, the volume of cruise ship traveller processing at seaports has seen an increase of 67 per cent over the three years with growth expected to continue at 18 per cent over the coming year.

In order to sustain the seamless facilitation of legitimate travel in both the air and sea environment, our processing system will need to be flexible and agile. Such a system will allow us to cope with the increased volumes, traveller expectations and variances in operating locations. Over the next few years, we will need to embrace new and existing capabilities to respond to the increased volume, speed and complexity of travel through Australia's eight major international airports.



Automated border processing through SmartGate

REPORT AGAINST THE PBS

The following tables summarise our performance against PBS targets for passenger facilitation this year.

Table 2: Program 1.1: Passenger Facilitation—performance against PBS targets

Deliverables	Target ^(a) (\$ million)	Actual (\$ million)	Target met
Processing of international passengers (air and sea)			
+ arrivals	16.312	15.878	✗
+ departures	16.138	15.659	✗
Processing of international crew (air and sea)			
+ arrivals	1.384	1.404	✓
+ departures	1.395	1.398	✓
Total number of eligible travellers who presented at SmartGate kiosk	4.600	4.236	✗
Total number of eligible travellers who successfully cleared SmartGate	3.700	3.476	✗
Key performance indicators	Target^(a)	Actual	Target met
Percentage of passengers processed within 30 minutes of joining the inwards queue	92%	94.4%	✓
Number of arriving international air passenger referrals to the Department of Immigration and Citizenship and to the Department of Health and Ageing	— ^(b)	194,082	NA
Percentage of eligible arriving travellers who presented at a SmartGate kiosk	65%	60.7%	✗
Percentage of total arriving travellers who presented at a SmartGate kiosk	29%	26.54%	✗
Traveller satisfaction with primary line services	95%	95.5%	✓
Percentage of eligible travellers who successfully cleared SmartGate	52%	49.8%	✗
Program budget	\$235.069 million^(c)	\$234.490 million	

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

(b) Performance cannot be forecast reliably.

(c) Revised forecast provided at PAES.

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 (air and sea)	While international traveller numbers for both arrivals and departures continue to grow, the actual figures are below the forecast figures. Factors including increased fuel prices, higher airfare prices, a strong Australian dollar and an uncertain global economy contributed to forecasts not reflecting actual numbers.
SmartGate targets	<p>Factors contributing to targets not being met included:</p> <ul style="list-style-type: none">+ The low uptake rate for SmartGate usage at Sydney International Airport, which accounts for 40% of international travel to and from Australia caused by:<ul style="list-style-type: none">– a period of around a month in late 2012 where half of Sydney's SmartGate capacity was unavailable due to expansion construction activity– later than expected implementation of the second half of the SmartGate expansion program in Sydney. Work is now expected to be completed by September 2013.+ Impacts on existing SmartGate capacity at Melbourne Airport while the expansion construction activity was underway during November 2012.+ It is also relevant to note that the targets were being achieved late in the financial year—but were not achieved when averaged across the full twelve months.

**AUTOMATING
OUR BORDER
TO FACILITATE
LEGITIMATE TRAVEL**

SMARTGATE EXPANSION

SmartGate is an automated system for eligible travellers to self-process at the inwards primary line. As passenger volumes are forecast to grow, SmartGate is a key element of future traveller processing.

The Service received additional funding of \$7.9 million—allocated over two financial years—in the 2012–13 Federal Budget for the installation of an additional 20 SmartGate terminals.

The expansion of SmartGate at Melbourne Airport was completed in

late November 2012 and effectively doubled our capacity at this airport. The expansion included the relocation of 12 existing kiosks and five existing gates as well as the addition of five new gates.

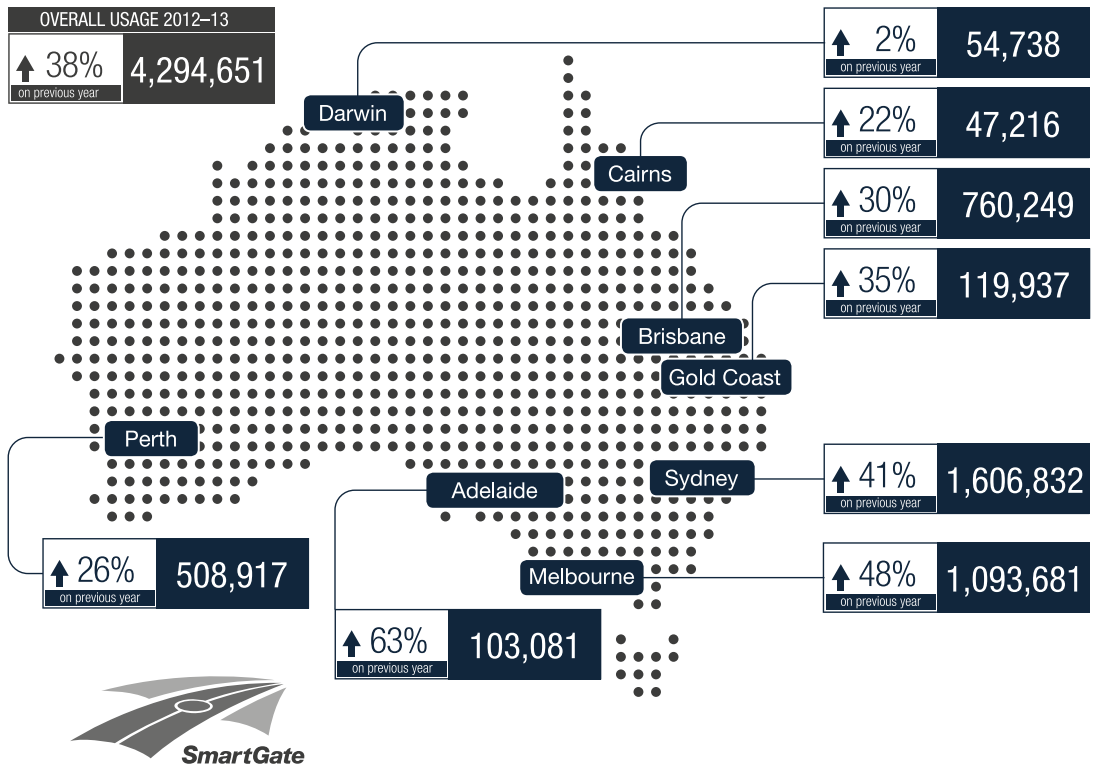
The Sydney Airport Pier C expansion was completed in mid-December 2012 and included the installation of an additional four gates and an extra kiosk. This brought the total number of Pier C gates to nine. An additional four gates are planned for installation for Sydney Pier B by September 2013.

While the expansion activities in Melbourne and Sydney—undertaken during peak travel periods—were a factor in the PBS forecast being unmet, the installation of additional

gates will allow up to 80 per cent of eligible Australian and New Zealand travellers to use SmartGate by the end of 2013–14.

Based on modelling of potential SmartGate usage—together with increasing traveller volumes—new gates are planned for the Gold Coast and Brisbane in 2014. Further expansion may be necessary following assessment of the United States of America (US) Global Entry and United Kingdom (UK) trials.

During the year, we conducted a number of trials to expand the use of SmartGate to eligible travellers from a number of countries including the US, the UK and China.

Figure 6: SmartGate use in Australia, 2012–13

Note: These figures refer to those travellers who presented at SmartGate, regardless of their eligibility to use SmartGate.

AUTOMATED DEPARTURES FEASIBILITY STUDY

Announced by the Prime Minister in February 2013, the Traveller Processing of the Future Project is a two-year work programme—in partnership with Department of

Immigration and Citizenship (DIAC)—to evaluate the latest technology offerings to extend the use of SmartGate technologies, systems and processes to support automated departures processing.

The two-phase project forms a key strategy to support the movement of legitimate travellers across our border through automated traveller processing over the next 10 years.

A VISION FOR TRAVELLER PROCESSING

The Traveller Processing of the Future Project is developing a vision for the future of passenger processing in response to forecasted challenges in the air and sea environments over the next decade. These challenges include the expected increase in traveller numbers together with the changing nature of travel and tourism in the face of continued fiscal constraint.

We want the travelling experience of the future to be fast and seamless for legitimate travellers—a low-touch experience beyond traditional barriers. We will work with other border agencies, airport operators and the airline industry to explore how our vision of a seamless airport zone can be brought to life. This includes looking at future technologies, such as ‘face on the move’ and ‘face in the crowd’ and building on improvements for travellers through the expansion of current and next generation e-Gates.

Initial efforts have focused on developing strategies to expand and extend existing automated border processing and developing options for an automated departures process. These strategies

will increase and expand uptake and usage of SmartGate by actively marshalling eligible travellers to the system, broadening eligibility to other nationalities and identifying options for processing children under 16 through SmartGate.

While the long-term vision is central to the Service's Reform Programme, removing low impact business tasks such as passport stamping for departures has seen early gains. A trial with US ePassport holders also started in November 2012 and has allowed technical issues to be identified and options for resolution to be developed by the Service in conjunction with DIAC. This work lays the foundation for further trials with UK, Singaporean and Chinese ePassport holders starting in 2013–14.



A fast and seamless travel experience for legitimate travellers

THE CHALLENGE OF VOLUME GROWTH

The changing demographic of travellers—facilitated by the constant growth in passenger volumes arriving in Australia—continues to challenge our border processing systems and capabilities.

Overall international arriving passenger numbers for air and sea continue to grow and, although the figures are slightly below the PBS forecasts, they still represent an increase of

5.38 per cent on the same period last year. Similarly, international crew numbers for air and sea increased over the same period and were 1.49 per cent above the PBS forecast. Factors such as fuel prices, higher airfare prices, a strong Australian dollar and an uncertain global economy contributed to passenger number forecasts not reflecting actual numbers.

Variability and volatility in the travel and tourism markets—evidenced through the rising use of wide-bodied, long-haul aircraft,

the increasingly competitive nature of travel and tourism and the expansion of Australia as a travel destination for Asian markets—has meant that the demand for passenger facilitation services are challenging to meet. Despite incremental efficiency initiatives to offset the projected traveller increases, we do not always have the option to physically expand in order to meet the demand.

Differing growth rates in passenger numbers across Australia's eight international airports are illustrated in Table 4.

Table 4: Passenger numbers and growth per airport

Location	2011–12	2012–13	Difference	Variance
Sydney	11,929,277	12,482,822	553,545	↑ 4.64%
Melbourne	6,773,090	7,098,612	325,522	↑ 4.81%
Brisbane	4,490,651	4,528,583	37,932	↑ 0.84%
Perth	3,541,178	3,820,498	279,320	↑ 7.89%
Cairns	545,561	571,935	26,374	↑ 4.83%
Adelaide	637,137	734,318	97,181	↑ 15.25%
Gold Coast	726,649	882,254	155,605	↑ 21.41%
Darwin	421,107	390,611	(30,496)	↓ 7.24%

In response to these numbers, we are implementing an Automated Border Management Strategy to strengthen existing capabilities, increase self-processing rates and extend existing functionality beyond its current usage. Over the short to medium terms, this will streamline traveller movements and reduce airport congestion.

THE CHANGING NATURE OF TOURISM

The increasing popularity of the cruise ship industry is taking travellers to some interesting destinations and, at the same time, throws up some interesting challenges for our traveller processing role. The *Voyager of the Seas*, the eighth largest ship in the world, received a warm welcome from a number of our officers and hundreds of locals berthed in Port Hedland late last year.

The *Voyager of the Seas* occupied all of the Port Authority Berths 1 and 2 and stood out magnificently with a backdrop of large 'capesize' iron ore vessels, more regularly seen in port.

The cruise ship, which has a maximum capacity of 3,800, arrived at Port Hedland on 2 November 2012 with 3,166 passengers and 1,236 crew onboard.



The *Voyager of the Seas* enters the Port Hedland harbour

The majority of the passengers were West Australians, including four of our officers, who completed the en route clearing function of all passengers and crew during the six-day voyage.

Fremantle Waterfront Supervisor Ray Goodson said it was a well-run ship, given its size and the large number of passengers onboard.

"We were able to maintain a primary line while ensuring we didn't detract from the cruise ship experience for the passengers."

While some might wonder why a cruise ship would go to Port Hedland, the answer is industrial tourism. BHP ran tours of its stockpile and wharf facilities while the town of Port Hedland provided free tours of the town and surrounding areas.

This was the fourth cruise ship to arrive at Port Hedland in the past 12 months. A further six visits are planned over the next 18 months.

DANIELE VEGIARD-CROMPTON CUSTOMS OFFICER, AIRPORT OPERATIONS

The challenges faced by our frontline officers are complex and diverse. These officers wear their uniform with pride and face the ever-changing environment in which they operate with a sense of purpose and commitment.

In her role, Dani works closely with partner agencies to process passengers through airport checkpoints and provide real-time assessment and response to alerts on particular flights and individuals attempting to enter Australia.

"I am the last barrier at the border; the Australian public trusts my judgment to determine whether a traveller is legitimate or warrants further scrutiny and it's a responsibility I take very seriously." Dani explained.

As a certified trainer in the Detention and Search and Passenger Assessment training courses, Dani shares her knowledge and expertise with colleagues both in the classroom and on the job.

Our officers working in airport operations are required to undergo regular classroom as well as field training to ensure they are aware of their rights and responsibilities, as well as the rights of travellers, when carrying out their duties at the frontline.

Dani has also been selected to represent the Service in Malaysia later this year as part of the

Southeast Asia Border Security Program to deliver a real-time passenger risk assessment workshop to the Royal Malaysian Customs Department.

The significance of this opportunity is not taken for granted by Dani, who noted, "There's no greater honour than to represent the Service overseas."

"The people I work with are fantastic. We work together for the same outcomes. For me, as an immigrant to Australia, this is a way of protecting and giving back to the country that adopted me."



PBS 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.

We continue to play a vital role in fostering legitimate trade that crosses the border and intercepting prohibited items that have the potential to harm the Australian community. Our intelligence-led, risk-based approach to cargo intervention—working closely with other border agencies to select and intervene with goods that pose a risk to the border—ensures examination of all identified high-risk goods and the facilitation of low-risk goods.

The Service continued to respond to increasing trade volumes through air and sea ports and, most significantly, in international mail. The rise in volumes was matched by increasingly complex trade patterns and diversification in source countries. These changes are largely driven by changing consumer patterns of Australians who are making purchases from international online stores in greater numbers with an expectation of short delivery times.

We face the challenge of dealing with these large volumes—using our intelligence-led, risk-based approach—to foster legitimate trade in a limited intervention window. Strengthening Australia's supply chain against criminal infiltration means we must recognise and be ever vigilant to increased criminal sophistication and innovative concealment methods.

The Service has achieved PBS targets across air and sea cargo and exceeded the target for international mail inspections by a significant number. The number of international mail detections was correspondingly high with sea cargo also yielding a number of large and complex concealments.

Anti-dumping and countervailing measures continue to be a vital part of Australia's participation in the international trade system. In December 2012, the Australian

Government agreed to implement all recommendations of the Brumby Review into Anti-Dumping Arrangements including the key recommendation to establish a new Anti-Dumping Commission. The Commission will administer Australia's anti-dumping system and will be headed by a statutory Anti-Dumping Commissioner.

On 14 March 2013, Parliament passed the *Customs Amendment (Anti-Dumping Commission) Bill 2013* enabling the establishment of the Commission and the Commissioner's position².

The Commission commenced operations as an administration within ACBPS on 1 July 2013 and is principally located in Melbourne, along with a presence in Canberra. The Commission's new Melbourne office will help facilitate closer links with Australian industry and small businesses.

² The Minister for Home Affairs, the Hon Jason Clare, MP announced the appointment of the new Commissioner, Mr Dale Seymour on 10 July 2013. Mr Seymour is not expected to join the team until September 2013. In the interim, an Acting Commissioner will undertake these duties.

REPORT AGAINST THE PBS

The following tables summarise our performance against PBS targets for trade facilitation this year.

Table 5: Program 1.2: Trade Facilitation—performance against PBS targets

Deliverables	Target ^(a)	Actual	Target met
Number of customs import declarations finalised	3,600,000	3,500,738	✗
Number of export declarations finalised	1,300,000	1,290,496	✗
Number of imported air cargo consignments reported	21,900,000	28,262,621	✓
Number of imported sea cargo manifest lines reported	2,800,000	2,704,891	✗
Volume of cargo subject to inspection and examination:			
+ Sea cargo: ^(b)			
– number of TEU inspected ^(c)	101,500	101,842	✓
– number of TEU examined ^(d)	14,000	14,220	✓
+ Air cargo:			
– number of consignments inspected ^(c)	1.5 million	1,502,521	✓
– number of consignments examined ^(d)	— ^(e)	84,365	NA
+ Mail:			
– number of parcels/express mail system/registered items inspected ^(c)	25.0 million ^(f)	30,848,085	✓
– number of letter class mail items inspected ^(c)	15.0 million ^(f)	15,516,131	✓
– number of mail items examined ^(d)	— ^(e)	223,150	NA
Customs broker licences:^(g)			
+ Number of applications received	— ^(e)	74	NA
+ Number issued	— ^(e)	53	NA
Customs depot licences:^(g)			
+ Number of applications received	— ^(e)	81	NA
+ Number issued	— ^(e)	40	NA
Customs warehouse licences:^(g)			
+ Number of applications received	— ^(e)	32	NA
+ Number issued	— ^(e)	12	NA
Number of tariff classification, valuation and rules of origin advices completed	— ^(e)	2,499	NA

continued

Deliverables	Target ^(a)	Actual	Target met
Number of anti-dumping/countervailing investigations, reviews, accelerated reviews, continuations, reinvestigations and duty assessments:			
+ received ^(h) (i)	— ^(e)	99	NA
+ finalised ^(h) (i)	— ^(e)	74	NA
Compliance assurance activity:^(g)			
+ number of customs cargo control and compliance checks ^(k)	— ^(e)	81,384	NA
+ targeted import/export declaration lines assessed post-transaction ^(l)	7,500	32,313	✓
+ targeted import/export declarations assessed pre-clearance	— ^(e)	189,362	NA
+ import/export declarations assessed pre-clearance through general monitoring program	7,000	7,020	✓
+ import/export declarations assessed as a result of voluntary disclosures	— ^(e)	570,689	NA
Key performance indicators			
Availability of electronic cargo systems to ACBPS clients (excluding scheduled outages)	99.7%	99.1%	✗
Proportion of electronically lodged cargo documents where a response message is transmitted within five minutes	98%	78.4%	✗
Proportion of tariff classification, valuation and rules of origin advices completed in accordance with client service standards	85%	22.9%	✗
Proportion of cargo (total bills) reporting in line with legislated timeframes			
+ sea cargo	— ^(e)	89.70%	NA
+ air cargo	— ^(e)	91.91%	NA
Number of infringement notices served ^(h)	— ^(e)	471	NA
Proportion of customs broker, depot, warehouse licence applications processed in accordance with client service standards ^(g)	100%	94.94%	✗
Proportion of compliance activities identifying a significant control breach:^(g)			
+ Number of customs cargo control and compliance checks ^(k)	— ^(e)	48.63%	NA
+ targeted import/export declaration lines assessed post-transaction ^(l)	— ^(e)	86.95%	NA
+ targeted import/export declarations assessed pre-clearance	— ^(e)	7.93%	NA

continued

Key performance indicators	Target ^(a)	Actual	Target met
Number of external merit and judicial review applications on matters, including tariff classification under Schedule 4 of the Customs Tariff Act, valuation or rules of origin finalised during the performance period where the duty was paid under protest under section 167 of the <i>Customs Act 1901</i>	— ^(e)	4	NA
Number of external merit and judicial review applications finalised that overturned an ACBPS administrative review decision where the duty was paid under protest	— ^(e)	2	NA
Proportion of anti-dumping/countervailing investigations, reviews, continuations and duty assessments completed within 155 days or timeframe as extended by the minister	100%	100%	✓
Program budget	\$218.856 million	\$227.238 million	

TEU = twenty-foot equivalent units

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

(b) All cargo is risk assessed.

(c) Inspection may include the use of x-ray technology, detector dogs.

(d) Examination means physically opened by ACBPS.

(e) Performance cannot be forecast reliably.

(f) Revised forecast provided at PAES.

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

(h) The statutory time limit of up to 155 days for these activities means that not all applications received in a particular financial year will be finalised in the same financial year.

(i) Of the 99 applications received during the year, all proceeded to investigation except for 11. These 11 consisted of six applications which are still in the screening phase and being carried forward to next year (therefore have not been initiated), one application rejected prior to initiation and five applications which were received however were subsumed into other ongoing cases. There was one case received in the previous financial year and initiated this financial year.

(j) During the year, 23 finalised investigations resulted in imposition or amendments to anti-dumping and/or countervailing duties. The lesser duty rule was applied to eight out of the 23 investigations (noting that in some cases it was only applied to a single country or specific models/products).

(k) Customs cargo control and compliance activity conducted at wharves, airport, depots, warehouses and cargo terminal operators.

(l) This includes company audit activity.

Table 6: Explanation of shortfall against target in Program 1.2

Deliverable or key performance indicator not met	Explanation of shortfall
Number of customs import declarations finalised	The target is a projection based on anticipated trade activity. The projection was overstated by 3.0%.
Number of export declarations finalised	The target is a projection based on anticipated trade activity. The projection was overstated by 1.1%.
Number of imported sea cargo manifest lines reported	The target is a projection based on anticipated trade activity. The projection was overstated by 3.4%.
Availability of electronic cargo systems to ACBPS clients (excluding scheduled outages)	The Integrated Cargo System (ICS) availability was 0.6% below the PBS target of 99.7%. ACBPS experienced intermittent difficulties with the performance of the Customs Connect Facility since implementation in September 2012. Significant progress has been made identifying the cause of these complex and unpredictable issues.
Proportion of electronically lodged cargo documents where a response message is transmitted within five minutes	Changes to the Customs Connect Facility occurred in September 2012. Following the cut-over, system issues affected a range of cargo industry stakeholders and cargo response messaging was significantly impacted. A number of changes have been made to stabilise the system and improve performance.
Proportion of Tariff Classification, valuation and rules of origin advices completed in accordance with client service standards (target 85%)	The backlog of requests for Tariff Advance Rulings remained high over the period. Spikes in demand combined with reduced supply capacity were largely responsible.
Proportion of customs broker, depot, warehouse licence applications processed in accordance with client service standards	In 2012–13, licence applications were 6% below the 100% service standard. This is a result of the security vetting process taking longer than expected.

Table 7: Explanation of changes to PBS through PAES Statements in Program 1.2

Targets differ from PBS to PAES	Explanation of changed targets
Number of parcels/express mail system/registered items inspected—amended from 20 million to 25 million	5 million of the letter class PBS target transferred to the parcel target to offset growth within this category.
Number of letter class mail items inspected—amended from 20 million to 15 million	See above. The transfer of 5 million from the letter PBS target to parcels is budget neutral.
Number of internal reviews of tariff classification, valuation and rules of origin advices completed—removed at PAES	The internal review program is not legislated, hence removed.
Proportion of internal reviews of tariff classification, valuation and rules of origin advices completed in accordance with client service standards—removed at PAES	Replaced with ' <i>Proportion of anti-dumping/countervailing investigations, reviews, continuations and duty assessments completed within 155 days or timeframe as extended by the minister</i> '.
Proportion of external merit and judicial review applications finalised during the performance period that overturned a ACBPS advice on tariff classification, valuation or rules of origin	<p>Removed at PAES.</p> <p>Replaced with '<i>Number of external merit and judicial review applications on matters, including tariff classification under Schedule 4 of the Customs Tariff Act, valuation or rules of origin finalised during the performance period where the duty was paid under protest under section 167 of the Customs Act 1901</i>', and '<i>Number of external merit and judicial review applications finalised that overturned a Customs and Border Protection administrative review decision where the duty was paid under protest</i>'.</p>
Proportion of external merit and judicial review applications finalised during the performance period that overturned a ACBPS decision on refund or drawback claim	Moved to Program 1.5 where it is better aligned.
Number of external merit and judicial review applications on matters, including tariff classification under Schedule 4 of the <i>Customs Tariff Act</i> , valuation or rules of origin finalised during the performance period where the duty was paid under protest under section 167 of the <i>Customs Act 1901</i> —measure added at PAES	<p>In replacement of '<i>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</i>'.</p> <p>These measures have been designed to remove uncertainty as to the nature of the decision being appealed and where it is to be counted.</p>
Number of external merit and judicial review applications finalised that overturned a ACBPS administrative review decision where the duty was paid under protest—measure added at PAES	As above.
Proportion of anti-dumping/countervailing investigations, reviews, continuations and duty assessments completed within 155 days or timeframe as extended by the Minister—measure added at PAES	<p>The '<i>timeframe as extended by the minister</i>' part of this measure was a footnote prior to PAES—placed within the measure for clarity.</p> <p>Cases are increasingly complex, involving many countries and companies requiring investigation, therefore the ability for the Minister to approve an extension has been placed within this measure.</p>

REGULATING AND FACILITATING TRADE

SIMPLIFYING IMPORT CONCESSIONS FOR INDUSTRY

Schedule 4 of the *Customs Tariff Act 1995* lists numerous import concessions covering a range of goods including goods for industry assistance and subject to an international treaty. Schedule 4 was reviewed and simplified in 2012–13 as a result of a *Better Regulation Ministerial Partnership* between the Minister for Finance and Deregulation, the Minister for Innovation, Industry, Science and Research and the Minister for Home Affairs.

Schedule 4 has been updated by:

- + repealing redundant and rarely used concessions
- + remaking the concessions in plain English
- + consolidating items of similar coverage under headings for ease of use.

The number of concessions was reduced from 100 items to 55 items and the number of prescribed by-laws from 150 down to 74 by-laws. The new Schedule 4 came into effect 1 March 2013 with minimal disruption to industry.

INTERNATIONAL TRADE REMEDIES REFORMS AND THE NEW ANTI-DUMPING COMMISSION

Our ability to maintain the confidence of industry and manage our anti-dumping and countervailing

measures—while meeting our international trade obligations under the World Trade Organization (WTO) standards—has been challenged in recent years. As a result, we identified the need for more robust administration of the system.

This was a key element that guided the establishment of the Anti-Dumping Commission from 1 July 2013. The *Customs Amendment (Anti-Dumping Commission) Act 2013*—the legislation to establish the Commission led by a statutory Anti-Dumping Commissioner—was passed by Parliament on 14 March 2013 and implements the key recommendations of the Brumby Review into Anti-Dumping Arrangements.

Legislation came into effect on 10 June 2013 to implement the ‘Streamlining Australia’s anti-dumping system’ reforms to allow better access to the anti-dumping system, improve timeliness and quality of decision making and enable stronger compliance with anti-dumping and countervailing measures through the implementation of an anti-circumvention framework. The reforms also included a new Anti-Dumping Review Panel to provide an independent administrative appeal mechanism for anti-dumping and countervailing investigation decisions.

In response to the Report of the non-government members of the Prime Minister’s Task Force on Manufacturing, legislation to implement changes to the lesser duty rule was passed by Parliament on 25 June 2013. The legislation will clarify the operation of the retroactive duty provisions and introduce a new

review mechanism dealing with ‘sales at a loss’, was passed by Parliament on 25 June 2013. The new legislation will begin on 1 July 2014.

Managing a growing number of increasingly complex dumping and subsidisation investigations targeting multiple countries of export, and implementation of measures continued uninterrupted during implementation of these reforms.

FREE TRADE AGREEMENTS AND MULTILATERAL FORUMS

Throughout the year, negotiations were held on a range of bilateral and multilateral free trade agreements—including the Pacific Agreement on Closer Economic Relations Plus; the Japan-Australia Free Trade Agreement; the Trans-Pacific Partnership Agreement; and the Regional Comprehensive Economic Partnership—which maintained the Service’s focus on achieving trade facilitation through comprehensive and high-quality trade agreements.

The successful implementation of the Malaysia-Australia Free Trade Agreement—signed on 22 May 2012 in Kuala Lumpur, Malaysia—led to implementation of Australia’s obligations under the Rules of Origin Chapter. This was achieved through amendment of the *Customs Act 1901* (Customs Act) and enactment of the *Customs (Malaysian Rules of Origin) Regulation 2012* with new arrangements coming into force on 1 January 2013.

The Service has worked closely with the Department of Foreign Affairs and

Trade (DFAT) and across government to progress the Doha Round negotiations in the WTO Trade Facilitation Forum. The focus of the WTO Trade Facilitation negotiations is to harmonise, streamline and improve the transparency of customs procedures for all its members.

Together with DFAT and other Commonwealth agencies, the Service will continue to promote trade facilitation initiatives in all bilateral and multilateral fora by streamlining and simplifying customs procedures to reduce non-tariff barriers to trade.

WORKING AHEAD OF THE BORDER: INTERNATIONAL COOPERATION AND DATA SHARING

On 19 September 2012 we signed a trade data sharing agreement with United States (US) Immigration and Customs Enforcement which will allow us to work together to combat a range of trade related offences.

This agreement will allow the Service access to the US Analysis and Research for Trade Transparency System (DARTTS), a computer system that enables matching of domestic and foreign trade data.

Access to DARTTS will assist officers identify international trade anomalies and financial irregularities suggestive of trade-based money laundering, movement of counterfeit goods, customs fraud and other import export crimes.

International cooperation will be a key area of development and expansion. We will continue to progress other trade data sharing arrangements with countries such as India and China.

PARTNERING TO COMBAT TRADE CRIME

The signing in September 2012 of a trade data sharing agreement with US Immigration and Customs Enforcement will mean greater collaboration and information sharing to combat a range of trade-related offences.



Anthony Seebach – National Manager Compliance Assurance with Jim Ink – US ICE, Regional Attaché

At the signing, National Manager Compliance Assurance, Anthony Seebach, welcomed the partnership, which will assist both agencies carry out their missions.

“This agreement, which also provides our officers with access to the Integrated Cargo computer system called DARTTS, will increase the capabilities of both agencies to target people attempting to exploit global trade system, particularly trade between the US and Australia,” Mr Seebach said.

“DARTTS is yet another tool we can use to identify criminal and terrorist organisations who seek to disguise illegal activities, such as money laundering, as legitimate trade.

Mr Seebach also acknowledged the efforts of Compliance Assurance staff who worked tirelessly to put the partnership in place.

WORKING WITH INDUSTRY

In July 2012, we introduced a mandatory continuing professional development (CPD) scheme for licensed customs brokers.

We recognise that many licensed customs brokers make a considerable effort to make sure they have the right skills, knowledge and relevant experience necessary to provide a full range of professional services to their clients. As we are responsible for the oversight of the conduct of licensees, we must also ensure that licensed customs brokers maintain the currency of their knowledge and skills.

To uphold these standards, we developed the CPD scheme for Australia's licensed customs brokers. The scheme requires licence holders to undertake a range of accredited activities in a number of skills streams deemed mandatory to maintenance of

professional skills and knowledge, such as Broker Obligations, Risks and Ethics and Professional Brokerage Skills.

There are now over 40 activities accredited under the CPD scheme, which have proved to be valuable to the professional development of licensed customs brokers.

SECONDMENT TO US CUSTOMS AND BORDER PROTECTION TO ENHANCE INTERNATIONAL TARGETING AND RISK ASSESSMENT

On 19 July, the Minister for Home Affairs and the US Secretary for Homeland announced the secondment of an ACBPS officer to the US Customs and Border Protection Office of Intelligence and Investigations Liaison and the International Targeting Centre.

The secondment—which commenced in September 2012—will further enhance our cooperation in international targeting and risk assessment to better address the common threats faced by Australia and the US. It will do this by deepening our collaboration, improving the capability of our targeting systems through joint development, enhancing the exchange of intelligence and strengthening our understanding of the firearms trade and the supply chain in the US.

We are also aiming to progress broader targeting collaboration with the US, UK, Canada and New Zealand through participation in the US pilot of the multilateral International Targeting Centre for Passengers.

DES FITZGERALD DISTRICT MANAGER, ENFORCEMENT OPERATIONS

The variety of roles and the different locations Des Fitzgerald has seen during his service since joining in May 2000 reflects the complexity and diversity of the work of the Service itself.

Des has had the opportunity to work in many areas including Darwin (both Enforcement Operations and Air Operations), Torres Strait, Yorke Peninsula and now the Eyre Peninsula.

He has enjoyed the challenges of working in District Offices and the chance to see our diverse country and meet many interesting people. Des says that working in Port Lincoln has its own challenges, in particular the distances between the four ports in our area of operation can be an eight hour drive in some cases. These challenges are offset by the variety of work undertaken in District Offices and the opportunity to be challenged on a daily basis.



STRENGTHENING THE SUPPLY CHAIN AGAINST CRIMINAL INFILTRATION

Two reports have highlighted organised crime threats and vulnerabilities in the maritime and aviation sectors: the Parliamentary Joint Committee on Law Enforcement 2011 report following its inquiry into the adequacy of aviation and maritime security measures to combat serious and organised crime, and a 2012 report prepared by joint Task Force Polaris that examined criminality in the Sydney maritime environment.

The Service has responded by pursuing a range of measures, some already implemented and some underway, to mitigate vulnerabilities at Australia's borders.

- + Adjusting other controls and sanctions in the Custom Act, including increasing penalties for certain offences and improving the utility of the infringement notice scheme.

NEW LEGISLATION

The *Customs and AusCheck Legislation Amendment (Organised Crime and Other Measures) Act 2013* received Royal Assent on 28 May 2013.

The amendments to the Customs Act strengthen the cargo supply chain against criminal infiltration by:

- + Placing statutory obligations on cargo terminal operators and those that load and unload cargo, which are similar to those that the Customs Act imposes on holders of customs depot and warehouse licence holders. These obligations include ensuring the physical security of relevant premises and cargo, and fit and proper person checks on management at Custom's request.
- + Creating new offences for using information from the Integrated Cargo System (ICS) to aid a criminal organisation.
- + Providing that the CEO can consider the suspension, refusal or cancellation of an Aviation or Maritime Security Identification Card when determining whether the person is fit and proper under the Customs Act.
- + Aligning aspects of the broker licensing scheme with that of depots and warehouses, including providing the CEO with the power to impose new licence conditions at any time and making it an offence to breach certain licence conditions.

OTHER MEASURES

The legislation complements a range of other measures, including the following:

- + Strengthened customs depot, warehouse and broker licence conditions, which came into effect on 1 July 2012.
- + Changes to the ICS on 9 May 2012, which limit access to specific cargo information to those in the private sector who have reported a direct and legitimate interest in the movement and clearance of specific consignments. On 23 September 2012, we introduced an on screen warning for those that log into the ICS, which also requires them to accept the terms and conditions of use. Work is progressing on increasing the real-time auditing capabilities of the ICS to detect anomalies and gather intelligence.
- + To build on the success of joint agency Task Force Polaris in Sydney, the Commonwealth has established similar taskforces in Melbourne and Brisbane (although Brisbane will not be fully operational until July 2013). The taskforces comprise representatives from the Australian Federal Police (AFP), Australian Crime Commission (ACC), ACBPS and associated state police services.
- + The Service has also increased targeted patrolling of the waterfront and has work underway to improve security and access to Container Examinations Facilities, which it will complete progressively throughout 2013.

PBS 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
- + providing on-shore/in-shore capability in relation to illegal foreign fishing and irregular maritime arrivals (IMA)

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
- + cross-jurisdictional efforts at both domestic and international levels to prevent, detect and disrupt the activities of organised crime syndicates.

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

The circumstances in which the Service responds to the unlawful movement of prohibited, harmful or illegal goods and unauthorised movement of people across our border is shaped by our role to protect one of the largest and most challenging border environments in the world.

Recognising our border as a strategic national asset that is fundamental

to both our national security and economic prosperity means that we must strike the right balance between controls that support the legitimate flow of people and goods and interventions to disrupt and detect activities of those intent on harming the safety, security and commercial interests of Australia. Our intelligence-led model and collaborative efforts with our partner agencies continued to guide us in our work this year.

These challenges, and our responses, were no less evident this year where—in the commercial shipping sector—the Service saw an increase in diversity of the industry operating model, both on the mainland and through offshore installations. In particular, the automation of port and wharf facilities have demanded new thinking regarding vessel access and intervention.

Our focus on intelligence-led, risk-based interventions in the waterfront domain—including in response to risks identified through Task Force Polaris—has also directed resources towards areas of highest risk. This year, we increased our waterfront patrol activity nationally by 26 per cent including linkages with intelligence and operational activity by new multi-agency taskforces. A key goal for 2013–14 will be further refinement of the ship and waterfront intervention framework to ensure

that known and emerging risks can be appropriately treated through a broad range of onboard and onshore options.

Our detection rates continue to provide solid evidence of our ability to prevent harmful and illegal goods as well as high-risk people from entering Australia through intelligence-led interventions. Our targeted initiatives and strategies mean that our resources are focused where they will have the greatest impact and where our borders are most vulnerable.

We continue to meet these challenges through collaboration and joint agency activities with other border, intelligence and law enforcement agencies—domestically and internationally. We share intelligence, expertise and capability strengths with our partners to better understand our threats, vulnerabilities and risks and we work together to respond with effective and targeted approaches and disruption activities.

REPORT AGAINST THE PBS

The following tables summarise our performance against PBS targets for border protection and enforcement this year.

Table 8: Program 1.3: Border Protection and Enforcement—performance against PBS targets

Deliverables	Target ^(a)	Actual	Target met
Number of referrals received by Investigations Branch	— ^(b)	3,000	NA
Commercial vessels arrivals	— ^(b)	15,132	NA
Key performance indicators	Target ^(a)	Actual	Target met
Number of illegal foreign fishers apprehended and processed	400	53	✗
Percentage of referrals accepted for investigation ^(c)	18–25%	21.3%	✓
Percentage of high-priority cases accepted for investigation	80–90%	39.9%	✗
Percentage of prosecution briefs completed that resulted in a conviction ^(d)	85–95%	92.2%	✓
Number of commercial vessels boarded at the first port	6,450	6,322	✗
Number and weight of illicit drug detections ^(e) :			
+ Number	— ^(b)	30,641	NA
+ Weight	— ^(b)	5,169.4kg	NA
Program budget	\$273.629 million^(f)	\$281.696 million	

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

(b) Performance targets cannot be reliably forecast.

(c) Investigations of suspected breaches of Australia's border controls identified by, or referred to, the Investigations Branch that meet the threshold for acceptance as a case.

(d) This indicator refers to prosecution briefs prepared by the Investigations Branch and dealt with by the courts.

'Conviction' includes guilty verdicts where no conviction is recorded.

(e) Number includes all drug types, weight however excludes PIEDs and other due to the method of measurement.

(f) Revised forecast provided at PAES.

Table 9: Explanation of result against target in Program 1.3

Deliverable or key performance indicators not met	Explanation of result
Number of illegal foreign fishers apprehended and processed	The comprehensive response to illegal foreign fishing and the deterrence effect of our air and sea presence in northern waters has had a positive effect. Foreign fishing vessels have retreated from, but remain just outside of, Australian waters.
Number of commercial vessels boarded at first port	Slightly under target due to the significant increase in deployment of staff from all offices to Christmas and Cocos (Keeling) Islands for IMA processing. Patrol and waterfront intervention activities have also increased nationally, in response to risks identified in the waterfront through Task Force Polaris. We have also established joint agency taskforces in Sydney, Fremantle, Melbourne and Brisbane ports to allow us to concentrate our resources on high-level interventions.
Percentage of high-priority cases accepted for investigation	Performance for 2012–13 (39% accepted) is significantly below the PBS target range of 80–90%. This result is mainly due to geographical and timing issues—more than 70% of all high priority referrals were received in NSW, and more than 40% of these referrals were received in the last quarter of the financial year, exceeding our Investigations capacity to respond. However, in line with the intent of this performance measure, higher priority referrals were significantly more likely to be accepted for investigation than lower priority referrals. For example, 77% of priority one referrals were accepted for investigation during 2012–13, compared with 4% of priority four referrals.

Table 10: Summary of investigations, 2010–11 to 2012–13

Summary of investigations	2010–11	2011–12	2012–13
Referrals received	2,766	2,746	3,000
Cases adopted	646	506	567
Cases completed			
+ with prosecution (through courts)	143	157	153
+ without prosecution	517	327	305
Cases where prosecution briefs completed	160	176	116

ENSURING THE INTEGRITY AND SECURITY OF OUR BORDERS

TRANSFORMING OUR INTELLIGENCE APPROACH

A major milestone in the introduction of a more sophisticated intelligence approach to target high-risk international passengers and cargo was realised in March 2013 following the Government's announcement to create a new National Border Targeting Centre. A key early initiative in our Reform Programme to transform our intelligence approach, the National Border Targeting Centre will provide stronger, nationally coordinated risk approaches through increased data integration and improved analytical capability.

PARTNERING TO COMBAT WATERFRONT CRIMINALITY

Analysis of historical information together with data resulting from Task Force Polaris indicated that the ports of Brisbane, Fremantle, Melbourne and Sydney were at greatest risk of criminal infiltration and criminality at the waterfront. Our response has been to join forces with our law enforcement partners at state and federal levels on joint operations and taskforces to tackle waterfront criminality more collaboratively.

Task Force Polaris in Sydney was established in July 2010, followed by Task Force Yelverton in Fremantle in December 2010. Due to the success

of Task Force Polaris identifying vulnerabilities in the cargo supply chain at the waterfront, Task Force Trident was established in Melbourne in July 2012.

Up until May 2013, Task Forces Polaris, Yelverton and Trident have been responsible for:

- + **58 arrests**
- + **the seizure of over 12 tonnes of illicit substances and precursor chemicals**
- + **the seizure of 249 tonnes of illicit tobacco and 92 million cigarettes preventing the evasion of approximately \$140 million in tax revenue**
- + **the seizure of over \$1 million in cash and 15 firearms; a prescribed weapon and a urine-secreting device.**

These results have been made possible through the close cooperation between taskforce agencies comprising the ACBPS, AFP, ACC, Australian Taxation Office, Australian Transactions Reporting and Analysis Centre, the New South Wales (NSW) Crime Commission, NSW Police Force, Victoria Police and Western Australia Police.

TARGETED BOARDINGS AND INTERVENTIONS

This year—while we risk-assessed 100 per cent of all reported commercial vessels and their crew before their arrival in Australia and intervened with all vessels assessed as being of high-risk to

the border on their arrival—we were unable to achieve our PBS target for commercial vessel boarding. Details of our results against this are detailed on page 36.

Risks were treated through a range of activities including boarding at anchorage—prior to berthing, or at any time during the vessel's stay in port—and targeted or routine patrols or wharf based interventions. These interventions were often supplemented through CCTV and other detection technologies. This allowed more targeted risk treatments to address where risks of a specific nature existed within the waterfront environment.

OPERATION ROSELLE

Operation Roselle, a joint taskforce investigation into the suspected importation of methamphetamine (ice), resulted in the largest single seizure (575 kilograms) of this substance in Australia—with a value of over \$434 million.

In February 2013, we identified four sea cargo consignments of interest. The cargo, comprising of 68 bags weighing in at one tonne each of Sodium Metabisulphite (a disinfectant and food preservative agent) were targeted for examination at the Sydney Container Examination Facility.

The images from the container x-ray machine revealed a number of anomalies inside one of the containers. The search proved extremely difficult because of the nature of the product. After opening

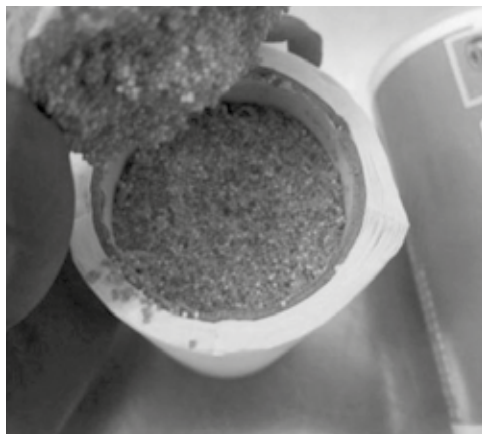
and sifting through the first of these bags, container examination facility officers found a smaller vacuum-sealed bag hidden under the powdered surface, which appeared to contain a crystallised substance.

They continued with the examination of all six bags locating 38 smaller plastic bags all containing the same crystallised substance, which later tested positive for methamphetamine.

On 27 February, the Joint Organised Crime Group executed six search warrants across Sydney resulting in the arrest of three persons of interest, an Australian national, a Singaporean national and a Hong Kong national in relation to the seizure.

RESPONDING TO INCREASED DETECTIONS OF ContacNT

ContacNT is a cold and flu medication that contains a high proportion of pseudoephedrine as an active ingredient. While ContacNT is manufactured legitimately in China, pseudoephedrine is a precursor chemical regularly used in the manufacture of methamphetamine.



ContactNT is manufactured legitimately in China and contains a high proportion of pseudoephedrine

been used to manufacture almost 400 kilograms of 'ice' (methamphetamine). That quantity of ice has a wholesale value of about \$78 million and an estimated potential street value of up to \$300 million.

Since Operation Quadrel began our officers have made 347 seizures of ContacNT, with a combined weight of over 1,365 kilograms. The operation has had 28 successful prosecutions relating to ContacNT offences, resulting in custodial sentences ranging from three months to three years.

In recognition of this outstanding work, Operation Quadrel staff were presented with the ACBPS 2013 CEO Award for their efforts in developing a specific strategy in response to a border risk.

In response to increased detections of ContacNT at the Australian border, we initiated a joint agency operation with key law enforcement partners to identify and prosecute those involved.

Operation Quadrel is a joint operation between ACBPS, NSW Police Force and Victoria Police that targets ContacNT importing organisers, coordinators and couriers. Since starting in September 2011, Operation Quadrel has seized more than 1.3 tonnes of ContacNT that could have

Our officers in Beijing have also actively worked to raise the awareness of their counterpart agencies in China with regard to the issues posed by ContacNT importations into Australia. In addition to working with ACBPS to target exporters, China has also reinterpreted existing legislation to allow for criminal penalties for the illegal exportation of pseudoephedrine preparations. China has advised that this legislation specifically includes ContacNT.

STRENGTHENING RELATIONS WITH OUR NEAR NEIGHBOURS

To optimise intervention of high-risk smallcraft trafficking cocaine from South America through Pacific Island nations, we work hard to strengthen international engagement and collaboration with relevant Customs administrations in the region.



Course participants and instructors

With our Pacific Island nation partners, we focused on building capacity, promoting awareness of shared border risks and developing levels of interoperability to make these nations less attractive conduits for transnational criminal networks. We did this by equipping them with effective border management processes, support systems, staff skills and knowledge.

In June 2013, we hosted a maritime intelligence course as the second phase of a capacity building project for many of our Customs colleagues from Tonga, Fiji, Vanuatu and Indonesia. The course was

a major success in developing specialist technical skills, enhancing relationships, expanding the Asia Pacific Network and establishing new friendships among all the participants and instructors. A major focus throughout the course was the smallcraft threat in the Asia Pacific region and the scenarios throughout the course reflected real life case studies involving smallcraft illicit drug importations into Australia. At the conclusion of the training, attendees spoke warmly of the opportunity provided to them to learn and expand their intelligence skills.

NIKI PEDEMONTE ENFORCEMENT OFFICER, MARINE UNIT

Working in the marine environment is like no other job and might not be everyone's cup of tea. It is unique, challenging, dynamic and exciting.

On any given day our marine officers could be involved in interceptions or dealing with threats from people smuggling ventures, illegal foreign fishing, and transnational drug related crimes on patrols.

"Growing up I was always very determined not to be put into a conventional female role," Niki Pedemonte said.

Niki's career started with the South Australian Police and over 10 years spent time in a variety of sections ranging from general duties to Operational Safety Training Unit, Advanced Driver Training Unit and finally a member of the Explosives Coordination Section. Following this, Niki began looking for a career change that would see her pushed beyond her comfort zone.

"My desire was to find something that quenched my thirst for challenge and pushed the boundaries of what I thought I was capable of," she said.

Niki was intrigued by stories of rough seas, travel, tactical response roles and other opportunities in the Marine Unit. These stories may have deterred others, but only spurred her on. Three years later Niki has not looked back.

"I have been a Marine Unit Enforcement Officer with the Marine Unit for almost three years and have completed numerous patrols all around Australia.

"I have sailed on two different ACBPS vessels in the warm and occasionally cyclonic Timor Sea through to the sub-zero Antarctic temperatures of the Southern Ocean. I have seen a vast range of marine life from manta rays, sharks and whales to giant penguins, sea lions, robber crabs and rare birds.

"I've had some fantastic opportunities while being in the Marine Unit including .50 calibre machine gun training, marine radio operators certification and lay surgical assistant training to name a few".



Niki being trained on a .50 calibre machine gun with Darren Butler

PBS 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 (EEZ) and continental shelf including the Southern Ocean EEZ 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 (BPC). BPC is a standing multi-agency authority situated in ACBPS and staffed by officers from ACBPS, the Australian Defence Force (ADF), Australian Fisheries Management Authority and the Department of Agriculture, Fisheries and Forestry (DAFF).

We continue to take a lead in the civil maritime security role in detecting, reporting and responding to unlawful activity in our offshore maritime zones. This year, we continued to provide maritime surveillance and response capabilities to support BPC, utilising assigned assets from ACBPS and the ADF to respond to maritime domain risks on behalf of 26 client agencies.

The sustained high operational tempo in the civil maritime surveillance and response environment continues to absorb a significant proportion of our resources.

In response to the demands of our maritime operations, the first of the new *Cape Class* Patrol Boats, *Cape St George*, came into service in 2013. These new patrol boats provide a greater range, endurance and flexibility for improved response to maritime security threats. These boats also represent a significant investment in Australia's long-term security being the largest maritime acquisition project undertaken by the Service.

We also started the procurement of a purpose-built patrol vessel, Australian Customs and Border Protection Service Vessel (ACV) *Thaiyak*, which will provide the Service from 2014 with a new, near-permanent surveillance

and enforcement capability to protect the Ashmore Reef National Nature Reserve and Cartier Island Marine Reserve.

In further strengthening our civil maritime response, the Government provided the Service with over \$49 million to extend the leases of ACVs *Triton* and *Ashmore Guardian*, and two Reims surveillance aircraft, in the 2013–14 Budget.

This year, the Government also agreed we—ADF and ACBPS— would have shared use of the ACV *Ocean Shield* for Southern Ocean patrols from 1 July 2014 until 2016. A complete transfer from ADF to ACBPS is planned for 2016.

REPORT AGAINST THE PBS

The following tables summarise our performance against PBS targets for civil maritime surveillance and response this year.

Table 11: Program 1.4: Civil Maritime Surveillance and Response—performance against PBS targets

Deliverables	Target ^(a)	Actual	Target met
Aerial surveillance coverage (square nautical miles):			
ACBPS contracted aircraft and RAAF assets (square nautical miles) ^(b)	140 million	141.36 million	✓
Commercial contracted satellite (square nautical miles) ^(c)	9.6 million	10.98 million	✓
Southern Ocean vessel surveillance (patrol days)	120 ^(d)	229 ^(e)	✓
Northern waters surveillance ACV <i>Triton</i> (patrol days)	240 ^(f)	304	✓
Ashmore Guardian (station and steaming days) ^(g)	330	341	✓
ACBPS Marine unit (patrol days) ^(h)	2,400	2,108	✗
Key performance indicators	Target ^(a)	Actual	Target met
Number of illegal, unregulated and unreported (IUU) vessels sighted and identified in Australia's Exclusive Economic zone in the Southern Ocean	— ⁽ⁱ⁾	— ⁽ⁱ⁾	NA
Number of IUU vessels boarded in the Southern Ocean	— ⁽ⁱ⁾	—	NA
Number of IUU vessels apprehended in the Southern Ocean	— ⁽ⁱ⁾	—	NA
Trends in sightings of potentially irregular foreign vessels in Australian northern waters (including illegal foreign fishing vessels)^(k)	— ⁽ⁱ⁾		
+ 2009–10 to 2010–11		↓ 1.28%	NA
+ 2010–11 to 2011–12		↑ 53.89%	NA
+ 2011–12 to 2012–13		↓ 16.71%	NA
Number of detections and interceptions of suspect irregular entry vessels	— ⁽ⁱ⁾	403	NA
Number of suspect unlawful non-citizens ^(l) intercepted at sea (including ship's crew)	— ⁽ⁱ⁾	25,755	NA
Number of apprehensions of irregular foreign fishing vessels ^(m)	45	7	✗
Program budget	\$328.656⁽ⁿ⁾ million	\$317.970 million	

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 ACBPS, and ADF 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) As a result of additional funding provided at PAES, this was revised to 263 days.

(e) The Southern Ocean vessel conducted 229 patrol days in total. All of these were in northern waters.

(f) As a result of additional funding provided at PAES, this was revised to 325 days.

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

(h) ADF separately reports additional civil maritime patrol days.

(i) Performance targets cannot be reliably forecast.

(j) One IUU vessel was sighted outside of the Heard and McDonald Islands EEZ in February 2013, and one IUU vessel was apprehended inside the French Crozet Islands EEZ in May 2013 by French authorities with ACBPS assistance.

(k) Sightings are generated from reports by BPC surveillance aircraft (by both ACBPS and ADF). The number of sightings cannot be forecast through any reliable statistical or other method.

(l) Also known as potential irregular immigrants (PIIs).

(m) This is the total number of apprehensions by both ACBPS and ADF assets.

(n) Revised forecast provided at PAES.

Table 12: Explanation of shortfall against target in Program 1.4

Deliverable or key performance indicators not met	Explanation of shortfall
ACBPS Marine unit (patrol days)	The shortfall is due to a number of factors including: crews transitioning to the <i>Cape Class</i> ; the need to significantly increase the number of patrol days on larger vessels ACVs <i>Ocean Protector</i> and <i>Triton</i> crew shortages, particularly in relation to critical skills and maintenance issues.
Number of apprehensions of irregular foreign fishing vessels	There were seven apprehensions of irregular foreign fishing vessels in 2012–13, a decrease from 12 in 2011–12. The deterrent effect of our surveillance and enforcement efforts has seen illegal fishing activity in Australia's northern waters retreat beyond the EEZ.

Table 13: Detections of suspected irregular entry vessels and potential irregular immigrants, 2010–11 to 2012–13

SIEV Summary	2010–11	2011–12	2012–13
Undetected			
+ mainland unauthorised boat arrivals	—	—	2
+ offshore unauthorised boat arrivals ^(a)	3	1	8
Detected	86	110	393
Total	89	111	403
SIEV detection rate	96.63%	99.1%	97.5%
PII summary			
Undetected			
+ mainland PII arrivals	—	—	77
+ offshore PII arrivals	114 ^(b)	32	463
Detected	4,636	8,060 ^(c)	24,551 ^(d)
Total	4,750	8,093^(e)	25,092
Number of long hauls ^(f)	39	27	40
Number of people transferred by long haul ^(g)	1,828	1,472	2,035 ^(g)
Total crew intercepted	210	244	663

PII = potential irregular immigrant

SIEV = suspected irregular entry vessel

(a) Since the amendment to the *Migration Act 1958* on 20 May 2013, an offshore arrival no longer refers to an arrival at an offshore excised place as defined by the Act. Here the term is used to describe an arrival at a place other than the Australian mainland.

(b) This includes 50 people deceased at sea from SIEV 221. 20 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.

(c) This includes seventeen deceased from AUSSAR 2012/4106 and one deceased person from AUSSAR 2012/4259.

(d) This includes one deceased PII from SIEV 535, 2 deceased PIIs from AUSSAR 2013/2013 and one deceased PII from SIEV 749.

(e) This does not include 10 Chinese nationals from the yacht *Rahmani*, who subsequently sought asylum.

(f) A long haul is defined as the transportation by ACBPS or ADF 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). BPC-assigned assets (including contracted vessels) usually conduct long hauls. The figures show the number of SIEV arrivals that have resulted in long hauls.

(g) Due to a change in the methodology for calculating the number of people transferred by long haul, 2012–13 figures include both PII and crew. Figures in previous years only report PII numbers.

PROTECTING OUR VAST MARITIME DOMAIN

SURVEILLANCE AND RESPONSE AT CAPACITY

This year saw a significant proportion of our surveillance and response efforts applied to the IMA threat. While our intelligence-led, risk-based approach continued to direct our efforts across the eight maritime threats, our operations remained oriented towards the northern region of Australia's maritime domain.

The broadening of the approach corridor for SIEVs, an area that now spans from Cocos (Keeling) Islands in the west to the Torres Strait in the east, adds a significant complexity to the management of IMAs.

The increasing trend of SIEVs seeking assistance from Australian authorities resulted in our assets being required to transit significant distances in support of the Australian Maritime Safety Authority Rescue Coordination Centre and often times outside our civil maritime security patrol areas.

SUSTAINED OPERATIONAL TEMPO

Sustaining the high operational tempo asked of all our operational and supporting officers is a continuing challenge. The current tempo in response to the increased IMA threat and the associated increased numbers of SIEV detections and interceptions, results in a highly demanding environment in which our officers are required to perform their duties.

While we maintain our presence around Australia's vast coastline and are responsible for coordinating a response to reported and suspected border incidents and illegal activity, we have also maintained an awareness of the demanding nature of the work and its impact on our staff. Recognising the signs of fatigue and ensuring we continue to equip our staff with the necessary tools to successfully manage the operational tempo is critically important.

COOPERATIVE ARRANGEMENTS IN THE SOUTHERN OCEAN

Our Southern Ocean patrols form part of a continued effort involving diplomatic and international initiatives to combat illegal, unreported and unregulated (IUU) fishing in the Southern Ocean. While efforts in the Southern Ocean are supported by shared arrangements with our French counterparts, the reduction of our patrols undertaken in the Southern Ocean to adequately support sustained operational efforts in Australia's northern waters required greater reliance on cooperative arrangements and electronic surveillance.

We continue to work collaboratively with the Australian Fisheries Management Authority and international regional authorities to support the disruption of IUU fishing related activities. Maintaining and further strengthening this engagement with our partners both in Australia and internationally is a key priority. We will continue to pursue enhanced cooperation through information sharing, capacity building and operational engagement activities.

LOOKING AT RISK THROUGH A COMMON LENS

BPC acts in concert with other stakeholders to protect Australia's national interests by generating awareness of activity in Australia's maritime domain and by responding to mitigate, or eliminate, the risks posed by civil maritime security threats. As our approach is intelligence-led and risk-based, we need to make sure we share a common view with our stakeholders of the threats and the associated risks.

The development of this common view is one of the roles of the Joint Agencies Maritime Advisory Group, a group of 26 stakeholder organisations chaired by the Commander BPC. The risk methodology originally developed for the group is being refreshed to improve shared understanding and provide a more transparent link between risk and operational activities. The refresh has been heavily influenced by the approach to analysing national security risks (as outlined in the National Security Strategy) so outcomes can be lifted to this strategic level as required.

We have also completed international stakeholder engagement workshops and information exchanges with regional counterpart agencies to allow greater information sharing across all maritime threats, with particular emphasis on IUU fishing activities in the Southern Ocean, as well as piracy, robbery and violence at sea and maritime terrorism.

Domestically, we have partnered with other government departments and law enforcement agencies to share intelligence products and increase

information sharing. The BPC Intelligence Centre has also supported better relationships with national counter-terrorism key stakeholders to share additional information on threats affecting our operating environment.

AERIAL SURVEILLANCE AND MARITIME RESPONSE MODELLING

We have commissioned the Defence Science and Technology Organisation (DSTO) to analyse BPC aerial surveillance and maritime response operations. DSTO has been requested to scientifically estimate the optimum number of aerial surveillance hours and maritime response vessels required to meet current maritime threats.

These models allow planning staff to develop and test plans for a range of maritime threats.

We will continue to focus on this activity in 2013–14.

LEGISLATIVE REFORM IN THE MARITIME DOMAIN

Legislative reform is increasingly reflective of the central role we play in the security and protection of the maritime environment demonstrated by the development and implementation of three significant legislative measures to enable a ‘top down’ approach to civil maritime security operations.

- + *Navigation Act 2012*. Modernises the Act by providing a tailored and safer approach to safety regulation for ACVs and seafarers and is complemented by the ACBPS Vessel Management Plan, which is a critical feature of ACBPS’ legislative reform and is representative of our approach to future vessel management.

The *Navigation Act 2012* applies to all vessels that travel across the EEZ; domestic vessels will now be covered under the new *Marine Safety (Domestic Commercial Vessel) National Law Bill 2012* (The National Law). The changes commence in July 2013.

- + *Marine Safety (Domestic Commercial Vessel) National Law Bill 2012* (The National Law). Combines all state and territory maritime safety laws that currently apply to vessels, which undertake only domestic voyages. All ACBPS small vessels less than 24 metres will comply with the national law, other than those which operate as ships’ boats³ from the larger vessels mentioned above as they may operate across the EEZ. These will be regulated under an exemption from the *Navigation Act 2012*, the National Law commences in September 2013.

- + *Maritime Powers Bill 2012*. Consolidates all maritime powers into one piece of legislation and will commence on 27 March 2014. The *Maritime Powers Bill 2012* establishes a system of authorisations under which a maritime officer may exercise enforcement powers.

These legislative measures will strengthen Australia’s ability to effectively respond to existing and emerging maritime threats, placing the Service at the forefront of maritime enforcement.

AIR OPERABLE DOORS PROJECT

During the year, we installed inflight air operable doors on five of our Dash 8 aircraft to provide an enhanced capability as a first response to search and rescue situations in the vicinity of Christmas Island. This new capability reduces the risk of loss of life while other response vessels or aircraft are mobilised.

Although the primary function of the Dash 8 fleet is surveillance, the aircraft is often the first aerial platform to encounter search and rescue situations during border protection surveillance activities in northern waters.

Five of our Dash 8 aircraft are now able to deploy inflight, basic survival equipment while on a surveillance mission in the vicinity of Christmas Island. The Dash 8 crews will be able to deploy single or multiple life rafts and other survival equipment to those in the water.

³ A smaller vessel used to support the larger vessel’s operations.

ACV THAIYAK

The contract to provide the Service with a near-permanent surveillance and enforcement capability—a purpose built patrol vessel—to protect the Ashmore Reef National Nature Reserve and Cartier Island Marine Reserve was signed on 13 February 2013.



ACV *Thaiyak* expected to be operational in mid-2014

The new vessel will be named ACV *Thaiyak*.

The name was selected based on input from Marine Unit Indigenous and Torres Strait Island staff, and means 'spear'.

Perth based Gardline Australia has been awarded the \$15.3 million contract to build the vessel that will have a planned service life of at least 15 years.

The new ship will take over from the leased vessel ACV *Ashmore Guardian*, the contract for which will expire on 31 December 2013. The new vessel will be fully crewed by 12 of our Marine Unit officers and is expected to be operational in mid-2014.

NAMING OF THE CAPE CLASS PATROL BOATS

The first *Cape Class* patrol boat, *Cape St George*, was officially named on 15 March 2013 and was delivered in 2013.

The project to deliver the remaining seven new vessels remains on budget and schedule and will deliver a greatly enhanced capability for Australia's maritime border security. The total remaining contract value as of 30 June 2013 is approximately \$174.5 million. The *Cape Class* patrol boats are faster, bigger and have greater range and operational capability in comparison to the current *Bay Class* fleet.

Like the *Bay Class* vessels, the naming convention establishes a maritime link with each vessel named

after a geographical cape in every Australian state and territory. Naming the vessels after some of the furthest extremities of the Australian mainland and Tasmania also highlights the scope of our Marine Unit's operational areas and the magnitude of the work required to protect our borders.

Built in Western Australia by Austal, the eight vessels expected to be operational by September 2015 include:

- + Cape *St George* (ACT)
- + Cape *Byron* (NSW)
- + Cape *Nelson* (Victoria)
- + Cape *Sorell* (Tasmania)
- + Cape *Jervis* (SA)
- + Cape *Leveque* (WA)
- + Cape *Wessel* (NT)
- + Cape *York* (Queensland).

MODELLING OUR WORKFORCE PROFILE

The high tempo in response to our operational challenges has significantly increased the challenges of planning crew transition with modelling providing an integrated workforce perspective covering recruitment, training and rostering. We developed a modelling tool in-house, which allows for planning variables and uncertainties together with a complex series of business and modelling rules to reliably forecast a workforce profile covering the 2013–16 period.

The workforce modelling tool has greatly assisted in overcoming the challenge of balancing operational demand, workforce transition, recruitment, planning and training delivery.

CHRISTMAS ISLAND RADAR

Christmas Island has been central to the management of IMAs since 2010. Although planning for a radar trial had commenced prior to the SIEV 221 tragedy in December 2010. This event accelerated the need for an ongoing surveillance system.

In August 2010, DSTO was approached to assess the potential for a low cost, low maintenance, remotely controlled coastal surveillance radar system for Christmas Island to support BPC.

In May 2013, we established a permanent radar system with a 34-metre tower and an equipment shelter on the north eastern ridge of Christmas Island. The two S-Band radar heads used during last year's radar trial have been installed and provide surveillance to the northern approaches to Christmas Island. The new radar provides automatic track alerts to BPC and allows remote monitoring and control from the Australian mainland.

The radar tracking of vessels approaching Christmas Island is now an integral component of BPC's approach to managing maritime threats.

The project has broader benefits with DSTO increasing its appreciation of radar performance, particularly in adverse weather conditions. Knowledge learnt about detection and tracking software through the Christmas Island project has already been used to support a range of Defence projects.



ACBPS officers on patrol

CLAY SUTTON ACTING CHIEF OF STAFF, BORDER PROTECTION COMMAND

Colonel Clay Sutton is the Acting Chief of Staff (CoS) for BPC. Clay has spent the better part of his 30 year career in the ADF, but following a 13-month deployment to Iraq, in 2011 thought it would be interesting to work in a multi-agency environment with a strong operational focus and successfully applied for the role of Director Strategy Engagement and Counter-Terrorism.

Clay's busy role sees him involved in a lot of interdepartmental work, as well as being responsible for the overall budgetary and staffing arrangements for BPC. As a former infantryman, Clay has enjoyed seeing firsthand the differences between ADF and ACBPS—his biggest education came from exposure to the human resources and budgetary processes he has been charged with overseeing.

When asked what an average day as the CoS might consist of, Clay explains "I start at 7.30 am, linking in to the Joint Operations Command brief at Bungendore before speaking with staff from across all directorates of BPC Headquarters. I attend operational briefs and meetings and am constantly checking, clearing and drafting emails throughout the day. Maintaining a sense of humour is also important in such a busy headquarters."

Clay was clear that the main reason he enjoys BPC is because of the people. "They are a great

bunch, ACBPS and military alike, and led by some excellent officers. I will definitely miss BPC when I leave at the end of the year."



PBS 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.

The Service continues to play a significant role in supporting Australia's economic prosperity and protecting the community by providing assurance that border-related revenue is collected and correctly applied. Throughout the year, we have focused on further embedding and strengthening our intelligence-led, risk-based approach to respond to economic risk posed at the border.

Economic risk includes a wide range of potential impacts on our revenue collection role as well as our potential impact on economic prosperity. We have continued to develop a deeper understanding of this risk to better match our strategies to mitigate and respond to it.

To address economic risk, including revenue leakage, mid-way through the year the Government approved a proposal to fund increased compliance activity and a systematic targeted review of tariff concession orders to ensure they are still valid or appropriate. The measure is estimated to increase revenue by \$57.0 million resulting in an increase in GST payments to the states and territories of \$22.8 million over the forward estimates period. It will also increase our capacity to pursue prosecution and penalty action in cases of serious fraud.

This year, we utilised improved targeting to deliver a tougher stance on non-compliant behaviour, placing a positive obligation on licensed customs brokers to report false, misleading or incomplete information, an increase in voluntary disclosures and better targeting. As a result, our compliance activities identified \$191,925,594 in GST/Duty/Wine Equalisation Tax (WET)/Luxury Car Tax (LCT) understatements and \$39,902,374 in GST/Duty/WET/LCT overstatements with a net revenue effect of \$152,623,219. This is a significant increase of \$107,634,598 net when compared with 2011–12.

REPORT AGAINST THE PBS

The following tables summarise our performance against PBS targets for border-related revenue collection this year.

Table 14: Program 1.5: Border-Related Revenue Collection—performance against PBS targets

Deliverables	Target ^(a)	Actual	Target met
Collection of revenue associated with passenger movements	\$793.8 million	\$777.0 million	✗
Significant revenues collected (including customs duty, passenger movement charge (PMC), import processing charge and GST collected)	\$12,000.6 million ^(b)	\$12,236.7 million	✓
Duty concessions:			
+ Tariff Concessions System (range)	\$1,811 to \$2,001.7 million	\$1,804.2 million	✗
+ all other concession schemes ^(c) (range)	\$310.1 to \$342.8 million	\$288.8 million	✗
Administration of the Tourist Refund Scheme:			
+ number of processed claims	575,837	581,317	✓
+ value of processed claims	\$97.3 million	\$98.74 million	✓
+ number of approved claims	562,243	563,174	✓
+ value of refunds processed	\$89.9 million	\$95.29 million	✓
Administration of the Duty Drawback Scheme:			
+ number of processed claims	4,500	4,552	✓
+ value of processed claims	— ^(d)	\$69.5 million	NA
+ number of approved claims	— ^(d)	3,570	NA
+ value of approved claims	— ^(d)	\$70.3 million	NA
+ number of rejected claims	— ^(d)	55	NA
+ value of rejected claims	— ^(d)	\$521,357	NA
Customs broker licences:^(e)			
+ number of applications received	— ^(d)	74	NA
+ number issued	— ^(d)	53	NA
Customs depot licences:^(e)			
+ number of applications received	— ^(d)	81	NA
number issued	— ^(d)	40	NA

continued

Deliverables	Target ^(a)	Actual	Target met
Customs warehouse licences:^(e)			
+ number of applications received	— ^(d)	32	NA
+ number issued	— ^(d)	12	NA
Number of assessed refund declarations ^(f)	— ^(d)	103,429	NA
Compliance assurance activity:^(e)			
+ number of customs cargo control and compliance checks ^(g)	— ^(d)	81,384	NA
+ targeted import/export declaration lines assessed post-transaction ^(h)	7,500	32,313	✓
+ targeted import/export declarations assessed pre-clearance	— ^(d)	189,362	NA
+ import/export declarations assessed pre-clearance through general monitoring program	7,500	7,020	✓
+ import/export declarations assessed as a result of voluntary disclosures	— ^(d)	570,689	NA
Key performance indicators			
Proportion of drawbacks delivered in accordance with client service standards	90%	86.2%	✗
Proportion of Tariff Concession System applications processed in accordance with legislated timeframes	100%	100%	✓
Proportion of revenue targeted import audits where revenue was adjusted by \$1000 or more	55%	92.31%	✓
Number of infringement notices served ^(e)	— ^(d)	471	NA
Net value of revenue adjustments from compliance assurance activity	— ^(d)	\$152.6 million	NA
Number of approved refund declarations ^{(f)(i)}	— ^(d)	102,745	NA
Value of approved refund declarations ^{(f)(i)}	— ^(d)	\$195.7 million	NA
Proportion of refunds delivered in accordance with client service standards ^(f)	90%	98.18%	✓
Proportion of compliance activities identifying a significant control breach:^(e)			
+ customs cargo control and compliance checks ^(g)	— ^(d)	48.63%	NA
+ targeted import/export declaration lines assessed post transaction ^(h)	— ^(d)	86.95%	NA
+ targeted import/export declarations assessed pre-clearance	— ^(d)	7.93%	NA

continued

Key performance indicators	Target ^(a)	Actual	Target met
Proportion of customs broker, depot, warehouse licence applications processed in accordance with client service standards ^(e)	100%	93.71%	✖
Proportion of external merit and judicial review applications finalised during the performance period that overturned an ACBPS decision on refund or drawback claim	— ^(d)	—	NA
Number of external merit and judicial review applications on refund and drawback claims finalised during the performance period	— ^(d)	1	NA
Number of external merit and judicial review applications finalised that overturned a Customs and Border Protection decision on refund or drawback claims	— ^(d)	—	NA
Number of external merit and judicial review applications finalised during the performance period on an ACBPS decision made under Part XVA of the <i>Customs Act 1901</i>	— ^(d)	13	NA
Number of external merit and judicial review applications finalised that overturned a ACBPS decision made under Part XVA of the <i>Customs Act 1901</i>	— ^(d)	7	NA
Program budget	\$74.366 million	\$76.968 million	

GST = Goods and Services Tax

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

(b) Revised forecast provided at PAES.

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

(d) Performance cannot be estimated reliably.

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

(f) Does not include refund activity related to tobacco and tobacco related products that do not meet the retail packaging requirements of the *Tobacco Plain Packaging Act 2011*. These refunds for 2012–13 were approximately \$96.6 million.

(g) Customs cargo control and compliance activity conducted at wharves, airport, depots, warehouses and cargo terminal operators.

(h) This includes company audit activity.

(i) Methodology for calculating these statistics has been better aligned to financial disclosure requirements.

Table 15: Explanation of shortfall against target in Program 1.5

Note: this table is to be used in conjunction with the details provided in Table 16

Deliverable or key performance indicators not met	Explanation of shortfall
Collection of revenue associated with passenger movements	The \$777 million of PMC collections was 20% greater than the last period. The increase is partly due to the PMC rate rise from \$47 to \$55 introduced in July 2012, but the 5% growth in departures versus the 7.5% forecast resulted in an overall shortfall of \$16.9 million (2.1%) to the estimated revenue.
Tariff Concessions System (range)	The result was slightly lower than the target and can be attributed to a fall in imports, namely due to a decrease in mining investment.
Proportion of customs broker, depot, warehouse licence applications processed in accordance with client service standards	In 2012–13, licence applications were 6% below the 100% service standard. This is a result of the security vetting process taking longer than expected.

Table 16: Explanation of significant revenue variance—budget estimate to actual

	2012–13 Estimate (PAES) (\$ million)	2012–13 Actual (\$ million)	Variance	Explanation
GST (collected)	3,218.00	3,133.55	(84.45)	The estimate of GST collections is a component of the revenue collected from the importation of goods into Australia. While the Service is responsible for the collection of GST on behalf of, the Australian Taxation Office, that agency is responsible for forecasting GST collections.
Customs Duty	7,829.13	8,171.15	342.02	The collection of customs duty for 2012–13 was higher than estimated due to the net impact of higher than expected collections for the Excise Equivalent Goods (EEG) duty category offset by lower than estimated collections for the Passenger Movement Vehicle (PMV), Textile Clothing and Footwear and Other General revenue categories. The stronger than estimated EEG collections were due to higher than estimated tobacco and petroleum collections. The stronger than anticipated collections for tobacco was primarily due to the substitution away from domestic production to off shore production and the introduction of the Tobacco Plain Packaging reforms. The higher than estimated petroleum collections were due to declining domestic oil production resulting from the closure of oil refineries. Other economic factors such as the impact of the strong Australian dollar also contributed to the increased demand for imports.
Import Processing Charge (IPC)	152.68	149.79	(2.89)	Collections of IPC revenue were \$2.9 million lower than the estimate reported at 2012–13 as a result of the combined effect of a larger number of imports than forecast being valued at lower than \$1,000 combined with the effect of importers declaring greater volumes of imports per import declaration.
PMC	793.81	776.99	(16.81)w	PMC collections were \$16.8 million (2.1%) below the estimate reported at the 2012–13 PAES as a result of the lower than anticipated international passenger numbers leaving Australia. This decline in passenger numbers was due to the combined effect of a high Australian dollar, which made travel to Australia from international destinations generally more expensive and the effect of subdued US and European Union economies. In addition, a strong Australia dollar has the effect throughout the financial year.

continued

	2012–13 Estimate (PAES) (\$ million)	2012–13 Actual (\$ million)	Variance	Explanation
Non-tax revenue	7.00	5.26	(1.75)	Non-tax revenue is comprised of fines, penalties, licences, prosecutions and interest. Actual results were lower than the forecast estimate of \$7.0 million in collections for non-tax revenue but were equally on target. Future forecasts have been revised to better reflect actual results.
Significant revenue	12,000.61	12,236.73	236.12	Significant revenue is comprised of net duty (including refunds and drawbacks), other revenue, total cost recovery revenue (including IPC and Depot licensing charges), PMC, and GST collected. Revenue collections for the financial year were higher than estimated due the net impact associated with stronger collections for imports of Excise Equivalent goods (EEG), offset by the lower than expected collections for the in PMV, Textile, Clothing and Footware, and other general duty revenue categories as well as slightly lower than estimated collections for PMC, the IPC and GST. The stronger than estimated duty collections for EEG was due to higher than estimated collections for tobacco and petroleum as a result of the substitution away from domestic production of tobacco to overseas production, the introduction of the tobacco plain packaging reforms and the closure of oil refineries in Australia.

Table 17: Explanation of changes to PBS through PAES in Program 1.5

Targets differ from PBS to PAES	Explanation of changed targets
<p>Significant revenues collected (including customs duty, passenger movement charge, import processing charge and GST collected)</p> <p>— amended from \$12,124.9 million to \$12,000.6 million</p>	<p>The target of \$12,124.9 million in the 2012–13 PBS for significant revenues collected (including customs duty, passenger movement charge, import processing charge and GST) was reduced, by \$124.3 million in the 2012–13 PAES, to \$12,000.6 million. The reduction was due to adjustments made to the customs duty component of the revenue estimate. The primary changes to the estimates comprised of:</p> <ul style="list-style-type: none"> + a downward adjustment to the GST collected estimate of \$584 million (from \$3,802 million to \$3,218 million) to reflect lower-than-expected receipts <p>and were offset by:</p> <ul style="list-style-type: none"> + an increase to customs duty of \$460 million (from \$7,369 million to \$7,829 million) to reflect the impact of the transition to tobacco plain packaging, the transfer of production of some cigarettes overseas and increased demands for imports of alcohol and petroleum products.
<p>Proportion of external merit and judicial review applications during the performance period that overturned an ACBPS decision on concession eligibility under Schedule 4 of the <i>Customs Tariff Act 1995</i>—removed at PAES</p>	<p>Incorporated in the Program 1.2 KPI change (Number of external merit and judicial review applications on matters, including tariff classification under Schedule 4 of the <i>Customs Tariff Act 1995</i>, valuation or rules of origin finalised during the performance period where the duty was paid under protest under section 167 of the <i>Customs Act 1901</i>).</p>
<p>Proportion of external merit and judicial review applications finalised during the performance period that overturned an ACBPS decision on refund or drawback claim—moved from Program 1.2</p>	<p>Moved from Program 1.2 as it is better aligned with Program 1.5. This measure was expanded upon with the measures below.</p>
<p>Number of external merit and judicial review applications on refund and drawback claims finalised during the performance period—measure added at PAES</p>	<p>Moved from Program 1.2 as it is better aligned with Program 1.5. This measure was expanded upon with the measures below.</p>
<p>Number of external merit and judicial review applications finalised that overturned an ACBPS decision on refund or drawback claims—measure added at PAES</p>	<p>Moved from Program 1.2 as it is better aligned with Program 1.5. This measure was expanded upon with the measures below.</p>
<p>Number of external merit and judicial review applications finalised during the performance period on an ACBPS decision made under Part XVA of the <i>Customs Act 1901</i>—measure added at PAES</p>	<p>Moved from Program 1.2 as it is better aligned with Program 1.5. This measure was expanded upon with the measures below.</p> <p>This measure specifically refers to decisions under Part XVA of the Customs Act (Tariff Concession System); this was covered under the wording of the previous measures.</p> <p>(Part XVA concerns applications for Tariff Concession Orders).</p>
<p>Number of external merit and judicial review applications finalised that overturned an ACBPS decision made under Part XVA of the <i>Customs Act 1901</i>—measure added at PAES</p>	<p>Moved from Program 1.2 as it is better aligned with Program 1.5. This measure was expanded upon with the measures below.</p> <p>This measure specifically refers to decisions under Part XVA of the Customs Act (Tariff Concession System); this was covered under the wording of the previous measures.</p> <p>(Part XVA concerns applications for Tariff Concession Orders).</p>

COLLECTING REVENUE AT THE BORDER

TOBACCO PLAIN PACKAGING

In September 2012, we were required to assess the impact of the *Tobacco Plain Packaging Act 2011*. Significant risks to Australia's reputation, revenue and small business were identified. To mitigate these risks, a treatment strategy was formulated which involved amendments to the Customs Regulations 1926 and the establishment of a Tobacco Task Force.

The taskforce led the development and implementation of a more robust regulatory framework for duty drawbacks and a new temporary refund provision for imported and duty paid and branded tobacco products that did not meet plain packaging requirements. The temporary refund provision allowed importers of non-compliant tobacco products to apply for a refund of customs duty following the supervised destruction of these products until 30 April 2013.

These provisions effectively enabled more than 25,000 small businesses to return branded tobacco in exchange for plain packaged product rather than exporting them to neighbouring countries. In total, \$96.5 million of customs duty was refunded with an additional \$1.1 million repaid in duty drawbacks.

IMPLEMENTATION OF NEW TOBACCO DUTY-FREE LIMIT

The reduction in the duty-free tobacco concession for arriving international travellers—aged 18 years or over—began on 1 September 2012 and was reduced from 250 cigarettes or 250 grams of tobacco products to 50 cigarettes or 50 grams of tobacco.

The change to the concession limit was supported by a targeted communications campaign using a variety of print and electronic media within Australia and in key countries around the world.

Under the changes, a new option was introduced for travellers who declare they are carrying tobacco or alcohol products that exceed the duty-free limits. Travellers are now offered a choice to keep the goods—up to the allowance amount—and abandon the excess products. This change has simplified the concession arrangements and has helped to minimise traveller dissatisfaction, particularly where they are unaware of the new thresholds.

Between September 2012 and June 2013, approximately \$3.653 million in duty and GST was collected with 70,760 cartons of tobacco abandoned by travellers during the period.



Tobacco packaging prior to the introduction of plain packaging

LOW VALUE THRESHOLD

Volumes of imported low value goods are increasing rapidly, which is due in part to the ease of accessing international retailers through online shopping. Generally, goods that are imported into Australia valued below \$1,000 are currently exempt from GST and duty, unlike domestic goods. In recent years, there have been calls from retailers and states and territories to lower the \$1,000 threshold for imported goods.

In 2011, the Productivity Commission released its report *Economic Structure and Performance of the Australian Retail Industry*, which noted in principle that the low value threshold should only be lowered where cost-effective to do so. In 2012, an independent taskforce was commissioned by the Government to investigate options to improve the efficiency of processing low value imported parcels and subsequently provided high-level options for processing arrangements

to support a lower threshold.

It recommended that a business case be developed to outline the high-level options required for significant reforms to low value parcels processing.

In January 2013, an interdepartmental advisory committee—of which ACBPS is the lead—was formed from relevant departments across government to develop the business case. It is anticipated the business case will be provided to the Government in late 2013.

TOURIST REFUND SCHEME — MOVING ONLINE



Since it began in July 2000, the take-up rate of the Tourist Refund Scheme (TRS) has grown in line with increased passenger volumes. More recently, the TRS growth rate has accelerated at increases of 16 per cent per annum.

Legislative changes implemented in April 2013—extending eligible claim periods and removing requirements for the consolidation of invoices—have further increased the claims by travellers.

Core business processes for TRS claim lodgement and administration have not changed markedly since the scheme was implemented alongside the New Tax System Act in 1999. To meet its

obligations and responsibilities for management of the scheme, and to leverage technology and changes to shopping behaviour in recent years, we have begun to investigate suitable e-commerce solutions to improve access to the TRS. Improved online lodgement of claims would free up our officers to focus on risk assessment and compliance-related activities associated with the TRS.

Table 18: Summary of Tourist Refund Scheme claims

	2010–11	2011–12	2012–13
Number of claims made	483,992	536,943	581,249
Percentage of claims approved for payment	97.2%	97.0%	96.9%
Amount of GST/WET refunded	\$75.3 million	\$87.9 million	\$95.4 million



PART 3

OUR BORDER RISKS

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ILLICIT DRUGS AND PRECURSORS

The Service continued to protect the Australian community through detection of illicit drugs and precursor chemicals at the border. Countering the movement of illicit drugs and precursors across the Australian border is considered part of our core business and the risk remains high.

The Service continued to protect the Australian community through the detection of illicit drugs and precursor chemicals at the border. Countering the movement of illicit drugs and precursors across the Australian border is considered part of our core business and the risk remains high. The illicit drug market remains the principal source of profit for organised crime and is driven by a continuing demand by a proportion of the Australian community, lucrative drug markets, changing international trends and increased availability of new psychoactive substances⁴. Our intelligence-led, risk-based approach is critical to focusing our resources to where the risk is highest.

Our effort against this risk during the year has led to a record number of detections of illicit drug and precursors at the border, resulting in more than five tonnes seized in total.

Our collaborative partnerships—with domestic and international partner agencies—have been one of the key strategies to disrupt organised criminal groups involved in the importation of illicit drugs. These partnerships have contributed to some of our major successes during the year. For example, in February 2013 a joint intelligence-led operation between ACBPS, the Australian Federal Police (AFP), the Australian Crime Commission (ACC), the NSW Police Force and the NSW Crime Commission resulted in one of Australia's biggest illicit drug seizures, with the detection of 585 kilograms (kg) of crystalline methamphetamine (ice) with a street value of up to \$438 million.

This year, we detected a record amount of amphetamine-type stimulants (ATS), indicating that our approach is proving successful. However, there continues to be

a high demand for trafficking of finished ATS, as well as the precursors for the domestic manufacture of these illicit drugs.

Other trends noted during the year include the increasing use of international mail for the attempted importation of illicit drugs and precursors, with a record number of detections made in the post this year. This is likely to be a reflection of the increase in online trading of illicit drugs over the internet.

There was also a noted increase in detections of 3, 4-methylenedioxymethamphetamine (MDMA) at the border, predominately in international mail. The total weight of MDMA detections is the highest since 2007–08, with detection numbers also having increased by over 300 per cent from the previous year.

4 Comprising synthetic cannabinoids, substituted cathinones, ATS analogues, and novel/obscure research chemicals.

Table 19: Drug detections by mode of importation

	Detections			Weight (kg) ^(a)		
	2010–11	2011–12	2012–13	2010–11	2011–12	2012–13
Air passengers and crew						
Cannabis	42	31	31	11.76	1.65	2.30
Cocaine	20	25	25	33.70	58.91	41.29
Heroin	34	18	37	20.51	18.40	88.36
MDMA (ecstasy)	2	3	1	0.00	0.07	0.08
ATS ^(b)	12	40	72	6.50	19.45	79.26
Precursors ^(c)	110	158	173	93.18	262.02	215.63
PIEDs ^(d)	206	407	483	—	—	—
Other ^(e)	367	617	790	—	—	—
Cargo and postal^(f)						
Cannabis	2,092	2,629	3,597	57.81	15.29	19.25
Cocaine	465	952	1,978	267.21	420.41	358.40
Heroin	198	161	199	379.69	237.77	424.53
MDMA (ecstasy)	108	961	4,138	8.76	11.88	149.19
ATS ^(b)	1,063	1,038	1,929	97.77	328.14	2,075.68
Precursors ^(c)	675	868	987	3,377.29	1,817.20	1,713.94
PIEDs ^(d)	5,356	8,314	9,875	—	—	—
Other ^(e)	4,768	5,605	6,326	—	—	—
Shipping and aircraft^(g)						
Cannabis	3	—	1	0.01	—	0.00
Cocaine	1	2	—	400.88	306.40	—
Heroin	—	—	1	—	—	0.94
MDMA (ecstasy)	—	—	—	—	—	—
ATS ^(b)	2	—	—	0.95	—	—
Precursors ^(c)	—	—	—	—	—	—
PIEDs ^(d)	—	—	—	—	—	—
Other ^(e)	—	—	—	—	—	—

continued

	Detections			Weight (kg) ^(a)		
	2010–11	2011–12	2012–13	2010–11	2011–12	2012–13
Total number of detections by drug type						
Cannabis	2,137	2,660	3,629	69.59	16.95	21.55
Cocaine	486	979	2,003	701.80	785.72	399.69
Heroin	232	179	237	400.20	256.17	513.82
MDMA (ecstasy)	110	964	4,139	8.76	11.95	149.27
ATS ^(b)	1,077	1,078	2,001	105.23	347.59	2,154.94
Precursors ^(c)	785	1,026	1,160	3,470.47	2,079.22	1,929.57
PIEDs ^(d)	5,562	8,721	10,358	—	—	—
Other ^(e)	5,135	6,221	7,114	—	—	—

ATS = amphetamine-type stimulants

MDMA (ecstasy)=3,4-methylenedioxymethamphetamine (ecstasy)

PIEDs = performance- and image- enhancing drugs

(a) Weight shown may be the confirmed weight (if available) or the gross, net or estimated weight. Where the 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 that 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 AFP. Also, detections subject to ongoing investigation (including controlled deliveries) might not appear.

Table 20: Number and weight of amphetamine-type stimulants and crystalline methamphetamine (ice) detections

	Detections			Weight (kg) ^(a)		
	2010–11	2011–12	2012–13	2010–11	2011–12	2012–13
ATS ^(b)	917	907	917	41.45	187.39	698.71
Crystalline methamphetamine (ice) ^(c)	160	171	1,084	63.78	160.20	1,456.24

ATS = amphetamine-type stimulants

(a) Weight shown in the above table is an estimate. Weight is calculated using 0.29 grams per tablet where a weight was not available. Some small quantity shipments of ATS do not have weight recorded, so these weight figures are a slight under estimate.

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

(c) Crystalline methamphetamine is shown separately, but would usually be included in ATS figures.

Note: Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from the AFP. Also, detections subject to ongoing investigation (including controlled deliveries) might not appear.

Table 21: Number and weight of precursor-type drugs by mode of importation

	Detections			Weight (kg) ^(a)		
	2010–11	2011–12	2012–13	2010–11	2011–12	2012–13
Air passengers and crew						
Precursor for ATS ^(b)	105	155	172	93.17	261.98	215.51
Precursor for LSD ^(c)	—	1	—	—	0.03	—
Precursor for GHB (fantasy) ^(d)	1	—	—	—	—	—
Precursor for MDMA (ecstasy) ^(e)	2	2	1	—	0.01	0.12
Other	2	—	—	—	—	—
Cargo and postal^(f)						
Precursor for ATS ^(b)	621	805	886	687.58	1,485.87	1,485.49
Precursor for LSD ^(c)	4	1	4	0.09	—	0.80
Precursor for GHB (fantasy) ^(d)	40	47	74	92.49	88.57	219.97
Precursor for MDMA (ecstasy) ^(e)	6	7	11	2,572.12	240.17	7.86
Other	4	8	12	25.00	2.59	0.54
Total number of interceptions of precursor type drugs						
Precursor for ATS ^(b)	726	960	1,058	780.75	1,747.85	1,701.00
Precursor for LSD ^(c)	4	2	4	0.09	0.03	0.08
Precursor for GHB (fantasy) ^(d)	41	47	74	92.49	88.57	219.97
Precursor for MDMA (ecstasy) ^(e)	8	9	12	2,572.13	240.18	7.98
Other	6	8	12	25.00	2.59	0.54

ATS = amphetamine-type stimulants

GHB = gamma-hydroxybutyrate (fantasy)

LSD = lysergic acid diethylamide

MDMA (ecstasy)=3,4-methylenedioxyamphetamine (ecstasy)

(a) Weight may be confirmed weight (if available) or gross, net or estimated weight. Where the weight of detections of ATS 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, pseudoephedrine.

(c) Precursors for LSD includes 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 includes piperonal, safrole, isosafrole, and methylenedioxyphenyl-2-propanone (3,4-MDP-2-P).

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

Note: Precursor figures refer to detections of chemical substances that are prohibited imports/exports that 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 AFP. Also, detections subject to ongoing investigation (including controlled deliveries) might not appear.

Table 22: Interceptions of performance- and image- enhancing drugs

	2010–11	2011–12	2012–13
Air passengers and crew			
Steroids	184	373	415
Hormones ^(a)	22	34	68
Cargo and postal^(b)			
Steroids	4,340	5,753	6,399
Hormones ^(a)	1,016	2,561	3,476
Other^(c)			
Steroids	—	—	—
Hormones ^(a)	—	—	—
Total			
Steroids	4,524	6,126	6,814
Hormones^(a)	1,038	2,595	3,544

(a) Includes detections of erythropoietin, darbepoetin alpha 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, aircraft and detections arising from post-border operations.

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

Table 23: Drug detections and significance of offence

	Detections			Weight (kg) ^(a)		
	2010–11	2011–12	2012–13	2010–11	2011–12	2012–13
Commercial						
Cannabis	—	—	—	—	—	—
Cocaine	23	24	17	627.90	725.09	342.92
Heroin	18	22	24	329.37	217.58	476.10
MDMA (ecstasy)	6	3	1	7.52	4.20	117.00
ATS ^(b)	22	44	139	64.63	299.72	2,072.55
Marketable						
Cannabis	6	2	16	10.35	0.07	1.48
Cocaine	422	847	1,271	73.86	60.53	56.03
Heroin	213	136	144	70.83	38.57	37.66
MDMA (ecstasy)	103	929	4,051	1.25	7.75	32.25
ATS ^(b)	1,010	907	1,300	40.56	47.75	81.88
Less than marketable						
Cannabis	2,131	2,658	3,613	59.23	16.88	20.07
Cocaine	41	108	715	0.04	0.11	0.75
Heroin	1	21	69	0.00	0.02	0.06
MDMA (ecstasy)	1	32	87	0.00	0.01	0.02
ATS ^(b)	45	127	562	0.03	0.12	0.52
Total number drug detections						
Cannabis	2,137	2,660	3,629	69.59	16.95	21.55
Cocaine	486	979	2,003	701.80	785.72	399.69
Heroin	232	179	237	400.20	256.17	513.82
MDMA (ecstasy)	110	964	4,139	8.76	11.95	149.27
ATS ^(b)	1,077	1,078	2,001	105.23	347.59	2,154.94

ATS = amphetamine-type stimulants

MDMA (ecstasy)=3,4-methylenedioxymethamphetamine (ecstasy)

(a) Weight may be confirmed weight (if available) or gross, net or estimated weight. Where the weight of 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.

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

OPERATION SERRATA

In August 2011 information was received from the US Drug Enforcement Administration (DEA) relating to an international organised crime syndicate allegedly planning to import illicit drugs into Australia.

Operation Serrata commenced in January 2012 after several Hong Kong nationals arrived in Australia and were believed to be preparing to facilitate a large-scale drug importation.

In July 2012, two suspect sea cargo containers were targeted. X-ray images revealed anomalies consistent with a possible illicit drug concealment within the shipment of 3,200 terracotta pots. Our officers at the Port Botany Container Examination Facility further examined the containers and a total of 320kg of crystal methamphetamine (ice) and 252kg of heroin was concealed within 100 terracotta pots.

A joint operation in partnership with the AFP resulted in the arrest of four foreign nationals from Hong Kong as well as three Australia based syndicate members following eight search warrants in Sydney central business district and Western Sydney.

The investigation continued with assistance of the US DEA and the Royal Thai Police with a number

of additional search warrants executed in Bangkok and persons detained and questioned.

This is the second largest seizure of ice and the third largest seizure of heroin in Australia's history.



Significant quantities of heroin and ice concealed within terracotta pots

UNLAWFUL ACTIVITY IN OUR MARITIME ZONES—INSHORE AND ONSHORE

Our inshore and onshore maritime zones face continuing threats from organised crime syndicates. Increasing remote-area shipping movements, expanded use of new ports, increasing cruise ship traffic and a reliance on manual processing have placed increased pressure on our finite resources.

We continue to strengthen our participation in joint agency taskforces and operations, particularly focusing on vulnerabilities at the waterfront where we remain alert to the threat posed by organised criminal infiltration.

We have established joint agency taskforces in Sydney, Fremantle, Melbourne and Brisbane ports, and these partnerships have conducted a number of successful operations to disrupt criminal organisations. Working collaboratively has also helped to identify vulnerabilities in our systems, processes and risk approaches, which are being mitigated through procedural and legislative measures.

This year our strategies to combat unlawful activity in our inshore and onshore maritime zones included:

- + maintenance of waterfront and cargo security through joint taskforce operations—bringing together the unique capabilities of law enforcement partner agencies
- + land-based surveillance of the coastline, seaports and waterfronts
- + surveillance and patrol of Australian inshore coastal waters to deter and detect suspected breaches

- + risk assessment, boarding, compliance and search activities targeting travellers, crew, ships and craft arriving and departing Australia
- + operational activity responding to threats and suspected breaches
- + intelligence and targeting activities to identify people and goods of interest.

One example of the strategies used this year is the increase in targeted overt and covert patrols on the waterfront, which provides for increased intelligence collection and testing of target hardening measures so that we can better focus future patrols where we believe threats are highest.

We continue to focus on high-risk entities operating within our inshore and onshore maritime environments. We achieve this through targeting operations against identified high-risk threats and through monitoring the impact of our activity such as:

- + implementation of measures to address supply chain vulnerabilities identified by new joint agency taskforces operating in Melbourne and Brisbane
- + development and implementation of strategies including technology to support our operations at the waterfront.

In the previous financial year, our onshore response and processing of irregular maritime arrivals (IMAs) was centred on Christmas Island. This year, our onshore response has needed to be sustained across Christmas Island and Cocos (Keeling) Islands, as well as across the mainland at ports including Geraldton, Broome, Darwin and Thursday Island.

The increase in IMAs at locations such as Cocos (Keeling) Islands has meant that our inshore and onshore activities are increasingly being conducted in more varied remote locations. We deploy a range of methods to staffing these locations, including through fly-in, fly-out arrangements.

\$200 MILLION DRUG BUST

Operation Adanel—involving our officers in partnership with the AFP, ACC and Victoria Police—seized 365 litres of liquid methamphetamine concealed in a consignment of carpet stain cleaner.

Using intelligence data to verify the container was high-risk led to a detailed examination. This found a damaged carton with a crystallised substance around the lid of one bottle, our Detector Dog Unit returned a positive reaction.

After further sampling and testing was conducted, 96 bottles containing methamphetamine suspended in liquid were found, which equates to 280 kilograms of pure methamphetamine, with a street value of \$205 million.

With the drugs detected, the AFP conducted a controlled delivery of the consignment, resulting in the arrest of two people—a 45-year-old woman from Hong Kong and a 31-year-old man from Canada.

This seizure demonstrates the inventiveness of concealment methods and the need for us to

remain alert to them. In addition, intelligence—backed up by an effective examination and detection capability—was key to intercepting these shipments.



Cartons of bottles concealed as carpet stain cleaner

UNLAWFUL ACTIVITY IN OUR MARITIME ZONES—OFFSHORE

The offshore maritime zone includes a range of risks such as the exploitation of natural resources, illegal activity in protected areas, prohibited imports and exports, maritime terrorism, piracy, robbery or violence at sea, compromises to biosecurity and marine pollution. This diversity of risks coupled with the sheer size of Australia's offshore maritime domain present unique challenges in maintaining an effective operational response.

A significant proportion of our efforts continue to be directed towards the risk of irregular movement of people in the maritime domain. As such we are challenged in our capacity to address other maritime security threats and to maintain awareness across the entire domain.

Where possible, we will continue to conduct our offshore maritime enforcement activities against multiple risks rather than addressing individual threats in isolation. We will do this by utilising a whole-of-government layered surveillance strategy that targets our higher risk areas.

With a majority of our efforts directed towards the unlawful activity in our maritime zone focused on the northern waters, continuing to undertake an intelligence-led, risk-based approach to our maritime threats is paramount to delivering efficient and broad civil maritime security on behalf of other client agencies.

This year saw a decrease in illegal foreign fishing related activity within Australia's Exclusive Economic Zone compared to last year's figures. The deterrent effect of our surveillance and response activity is most evident with the persistent and high density of activity being sighted north of the established Provisional Fisheries Surveillance and Enforcement Line, an area where international fishing in the water column is legal.

Expansion of Australia's offshore oil and gas industry, the implementation of new Commonwealth marine reserves, increases in the volume of international trade and protest actions in the maritime domain, will all influence expectations of our performance.

Budgetary constraints and pressure on our assets and our people will require planning and risk management to mitigate the risks in the offshore maritime zone environment most effectively. We continue to evolve and improve our operational planning processes to support our existing requirements and to ensure we remain robust enough to meet future challenges.

Table 24: Border Protection Command surveillance of and response to foreign fishing vessel activity

	2010–11	2011–12	2012–13
Boardings^(a)			
+ Foreign fishing vessels	340	281	279
+ Other ^(b)	38	27	36
Apprehensions ^(c)	14	12	7
Legislative forfeiture ^(d)	—	—	—

(a) Includes boardings made by eight Bay Class vessels, one Cape Class vessel (from April 2013) and contracted vessels Australian Customs and Border Protection Service vessel (ACV) *Triton*, ACV *Ashmore Guardian* and ACV *Ocean Protector* (since October 2010).

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

(c) Figure includes those made by both ACBPS and Australian Defence Force vessels.

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

MANAGING CLIENT EXPECTATIONS

We respond to a variety of threats in the Australian maritime domain on behalf of a broad range of government agencies. With limited resources available, continuing to manage the expectations of our clients to ensure we provide satisfactory outcomes remains a challenge.

By applying an intelligence-led, risk-based approach, we continue to ensure our resources are directed to the areas of the highest risk to civil maritime security. We utilise a layered approach that incorporates strategic shaping of offshore relationships, intelligence gathering, surveillance and on-water patrol response capabilities to threats in our maritime domain.

While the nature of each civil maritime security threat will change and evolve over time, we will endeavour to meet these challenges into the future. Managing the expectations of our clients and the multiple maritime threats will require a careful and considered approach to ensure that an increase in surveillance and response in one threat area will not increase the risk in another.

CHALLENGES TO PERFORMANCE

ENGAGING WITH INDUSTRY TO PROTECT OUR OFFSHORE RESOURCES

The Inspector for Transport Security's review into the offshore oil and gas security sector—presented in June 2012—recommended that industry and government engage more collaboratively on security and safety issues. The Government's response to the report was tabled in Parliament on 14 May 2013.

Engagement with the offshore oil and gas industry plays a key role to ensure security of Australia's considerable offshore resources. Historically, we have done this through the Oil and Gas Security Forum to better understand the security challenges of the offshore oil industry operating in remote locations.

In 2013, we opened a dialogue with the Australian Petroleum Production and Exploration Association to better understand the concerns of facility

operators and improve industry's understanding of the breadth of our capabilities and responsibilities.

An outcome of our industry engagement was our participation in a high-level exercise with senior industry representatives, Commonwealth and state law enforcement and security agencies to examine security incident management arrangements in the north west of Australia and our role in managing these incidents.

FIGHTING PIRACY IN ASIA

The Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP), which first came into effect in 2006, is the only regional government-to-government agreement to promote and enhance cooperation against piracy and armed robbery in Asia.

A significant achievement towards enhancing our regional maritime cooperation occurred in June 2013, when Australia acceded as the 19th member of ReCAAP. ReCAAP is the only regional forum dedicated to discussing piracy issues and establishes a framework for cooperation amongst member nations—through information sharing, capacity building and cooperative arrangements—in combating the threat of piracy and armed robbery against ships in Asia.

Australia will benefit from our increased visibility and awareness in this space—and more broadly—the Service will be able to tap into the experience and expertise of other ReCAAP members. This will sharpen our focus on piracy, robbery and violence at sea which is one of Australia's eight civil maritime security threats.

ANDREW HUDSON MANAGER, BPC INTERNATIONAL ENGAGEMENT

Working in ACBPS has been an extremely rewarding career according to Andrew, particularly as he has been exposed to experiences and opportunities he had never previously thought possible.



Most recently Andrew had the privilege to see the realisation of Australia becoming the 19th member of ReCAAP. Andrew worked on a regional framework for combating piracy that required treaty obligations to be met, approval from the Australian Parliament and the implementation of mechanisms to ensure Australia was able to contribute in the region to eradicate the threat of piracy and sea robbery.

During his career in the Service, Andrew has been a Customs Liaison Officer and Training Facilitator with the AFP—qualifying as an AFP instructor in defensive tactics, operational safety and specialist firearms. He also worked in the Cargo Branch contributing to the introduction of the Integrated Cargo System.

Andrew identifies his career highlight as working as Regional Director in the Northern Territory. Here he worked closely with colleagues he describes as highly motivated, skilled and dedicated—to combat illegal foreign fishing, implement aviation security measures and respond to critical incidents. In this role, Andrew built close ties with key partners in the Australian and Territory Governments, which was enhanced in his time as convenor of the Australian Government Leadership Network.

ANGUS “GUS” HALL NAVIGATION OFFICER, ACV CAPE ST GEORGE

Gus Hall is the navigator on the starboard lead crew for the first Cape Class patrol boat, Cape St George. His role includes operational testing and evaluation before the remaining vessels are built and further crew are recruited and trained.

He joined Customs in Darwin in 1995 as a crewmember on the ACBPS Vessel *Sir Austin Chapman*, patrolling the Ashmore Islands. It was on this first assignment that Gus began his love affair with the sea, boats and working operationally within a small team.

Over the 17 years since then, Gus has served on many classes of vessels including *Minister* Class, *Bay* Class and now *Cape* Class. He has been exposed to a wide range of operational activities including narcotic importations, illegal foreign

fishing, search and rescue, illegal maritime arrivals and suspected piracy.

Gus has visited remote communities, worked with the Indonesian Navy and travelled from Cocos (Keeling) Islands to the Torres Straits.

This service provided Gus with a wonderful and rewarding career, which he recommends to anyone interested in the sea, ships and boats, and working operationally within a small team environment.



Colleague James Wilson-Mitchell (left) with Angus “Gus” Hall (right)

ILLICIT FIREARMS

Australia has some of the toughest firearms laws and regulations in the world. Importers must comply with a strict permit regime to legally bring firearms into Australia. The detection of illicit firearm importations and the identification of the entities seeking to smuggle firearms into Australia is a priority for the Service.

In February 2012, the Minister for Home Affairs commissioned the ACC to develop a national intelligence assessment of the illicit firearm market in Australia. The National Illicit Firearm Assessment informed federal, state and territory governments of the illicit firearm market in Australia. The findings were presented to the Standing Council of Police and Emergency Management in June 2012.

The assessment identified that the Australian illicit firearms market is predominantly comprised of firearms diverted from licit domestic sources. Firearms tracing found that less than one per cent of firearms traced were illegally imported, however, the risk of illicit importation was likely to continue to increase.

In response to the ACC's findings, the Service has continued to strengthen our targeting regime at the border by enhancing opportunities to detect illicit firearms. Measures include—the establishment of the Firearms Intelligence and Targeting Team (FITT) in April 2012, enhancing domestic and international law enforcement and regulatory relationships by focusing on

illicit firearm importation and improving firearms and firearm parts training for frontline officers.

Since its establishment, the FITT has actioned over 170 cases and worked collaboratively—with state, territory, federal and international law enforcement agencies—to identify high-risk targets and detect, disrupt and deter the importation of illicit firearms across the Australian border.

Of particular note, in late 2012, the FITT participated in a joint agency strike force with the NSW Police Force, the US Bureau of Alcohol, Tobacco and Firearms (ATF) and the US DEA. This multi-national investigation into illegal firearms supply culminated in the arrest of five people and the dismantling of an illicit firearms trafficking network operating between the US and Australia.

Next year, we will continue to target and harden the border against illicit firearms traffickers and will:

- + implement a new strategic partnership with the AFP to strengthen the approach to addressing illicit firearms trafficking

- + continue to undertake intelligence and investigative operations—with federal, state, territory and international counterparts—to identify, disrupt, deter and dismantle firearm trafficking networks targeting Australia's border
- + further embed arrangements with our law enforcement partners to enhance the flow of intelligence and support joint targeting activities
- + continue to improve our detection capabilities—further enhancing the ability of frontline officers to identify firearms and firearm parts
- + outpost an analyst to the Australian Gangs Intelligence Coordination Centre as part of our commitment to the national Anti-Gangs Task Force that was announced by the Prime Minister in March 2013
- + continue to target illicit digital commerce sites activity involved in trafficking of firearms and firearm parts.

Table 25: Number of undeclared detections of firearms and disposals

	Firearms, parts and accessories	Replicas, air guns, parts and accessories
Detections of undeclared items	2,403	4,084
Disposals	586	2,711

FIREARMS AND PARTS IDENTIFICATION TRAINING

On 16 July 2012, the Minister for Home Affairs announced that the US ATF would provide Australian law enforcement agencies, including the Service, with expert training in the identification and analysis of illicit firearms.

The funding to support this initiative was provided by the Proceeds of Crime Act legislation.

The four-day training course—facilitated by officers from the ATF—aimed to improve the skills of law enforcement officers in identifying firearms (including their markings, parts and components) and methods of concealment. Also covered by

the training were the recording and reporting requirements for imported firearms under Australia's commitment to United Nations resolutions. A hybrid version of this training course will form part of our future training courses—in particular the Firearms Safety Testing Officer qualification.



From left to right – Gareth Williams (ACT), Victor Ivanov (NSW), Matthew Thomson (ACT), Jake Johnston (NSW) and Gerard Hunt (WA)

THEO NIKITOPOULOS SUPERVISOR, NSW FIREARMS CELL

Theo joined the Service in 1997, working in a range of operational areas before moving into the NSW Firearms Cell.



AFT Instructor Richard Vazquez (left) with Theo Nikitopoulos, Supervisor Firearms Cell NSW (right)

This team is responsible for:

- + managing private and commercially imported firearms
- + ensuring their efficient storage
- + safety testing and identification
- + transport and release of private and commercially imported firearms within NSW
- + Custodial Firearms Safety and Handling training for customs officers.

Theo's firearms knowledge is well regarded and his expertise is highly sought after by both internal and external stakeholders. Theo has

delivered specialist training sessions across the country to law enforcement agencies as well as shooting and hunting clubs. Theo performs a key community engagement role by attending industry trade shows and conventions where he provides information on the import and export requirements for firearms and other associated goods.

Theo was instrumental in coordinating the exchange of officers from the US ATF for delivery of an Explosives Specialist Firearms Training Program to enhance the Australian and New Zealand law enforcement response to the threat of illicit firearms.

ECONOMIC

The Service recognises the potential of trade-related economic risk—including revenue-leakage—to have a significant effect on Australian traders and manufacturers. Our role is to ensure compliance with the rules of trade—consistent with the Government's economic objectives to minimise fraud and to monitor fairness—while supporting Australia's long-term economic growth and prosperity. It also requires the effective management of a number of industry assistance schemes including the anti-dumping and countervailing system, the Tariff Concession Scheme and the provision of technical advice to traders.

The Service has previously identified gaps in our control framework for economic risk and we are addressing those gaps through a range of measures. As a result, we now have a better pool of evidence to inform our assessments of economic risk.

A targeted review strategy to reduce potential economic harm associated with Tariff Concession Orders (TCOs) that are no longer appropriate was developed and piloted during the year.

An initial campaign targeting cookware and tableware led to the revocation of 16 TCOs and local manufacturers of substitutable goods applying for revocation of another 10 related TCOs. The customs value of goods that had claimed concessions under the revoked TCOs in the 12 months before they were revoked exceeded \$200 million. Incidental revenue benefits from the campaign are estimated to be more than \$10 million per annum.

We also identified a short-term revenue risk associated with the implementation of the Government's

tobacco plain packaging reforms. This was addressed through regulatory change and the establishment of a team to implement and administer the new, temporary refund and revised drawbacks provisions. A total of \$97.6 million (\$96.5 million and \$1.1 million duty drawbacks) was refunded. Claims for drawbacks and refunds for non-compliant tobacco for the equivalent of 287 million sticks were processed.

Our focus this year has been on improving our understanding of economic risk and implementing a tougher and smarter compliance approach, which is reflected in the paper *Streamlining Australia's anti-dumping system—Stronger Compliance*. For example, we initiated a 12-month operational project named Operation Salify to improve our understanding and treatment of economic risk, which will conclude in September 2013. Results to date have been positive with Operation Salify enhancing our capability to analyse domestic and foreign trade data for the purpose of identifying operational targets and treating non-compliance with trade rules.

In September 2012, we signed a trade data sharing agreement with the US Immigration and Customs Enforcement to allow our agencies to work together to combat a range of trade related offences. For further information on this agreement can be found in Partnering to combat trade crime on page 31 in PBS Program 1.2.

On 26 June 2013, we strengthened our commitment to working closely with international partner agencies by signing a memorandum of understanding with the European Anti-Fraud Office. Formalising the relationship through the agreement will increase both organisations' effectiveness in protecting revenue and responding to border risks.

As part of the 2012–13 Mid-Year Economic and Fiscal Outlook, the Government approved a proposal to fund increased compliance activity to address economic risk—including revenue leakage. The measure is estimated to increase revenue by \$57.0 million resulting in an increase in GST payments to the states and territories of \$22.8 million over the forward estimates period. It will also

increase our capacity to pursue prosecution and penalty action in cases of serious fraud and fund the continuation of the targeted review of TCOs.

The Service is implementing, a range of measures to address joint Task Force Polaris findings about vulnerabilities in the cargo supply chain, which should have positive implications for managing economic risk. For details of the measures, see Snapshot Strengthening the supply

chain against criminal infiltration on page 33 in PBS Program 1.2.

Further significant reform has been achieved through the successful implementation of a number of improvements to streamline and enhance accessibility to Australia's anti-dumping and countervailing system. These include the:

- + establishment of the independent statutory Anti-Dumping Commission from 1 July 2013

- + introduction of a new independent merit review mechanism with the establishment of the Anti-Dumping Review Panel on 10 June 2013—comprising three eminent members appointed by the Minister for Home Affairs
- + introduction of the new anti-circumvention framework to combat behaviour designed to avoid the payment of anti-dumping and countervailing duties.

Table 26: Revenue collected on behalf of other agencies

	2010–11 (\$ million)	2011–12 (\$ million)	2012–13 (\$ million)
Indirect taxes collected from importers^(a)			
+ GST collections ^(b)	3,009.9	3,149.3	3,133.5
+ LCT	4.4	3.4	4.0
+ WET	21.8	28.7	38.6
Total indirect taxes	3,036.1	3,181.4	3,176.2
Marine navigation levy ^(c)	37.6	13.6	0.7
Protection of the sea levy ^(c)	18.5	6.8	0.4
DAFF fees ^(d)	119.1	122.2	121.9
DAFF fines ^(e)	0.1	0.1	0.0
Wood levy	1.4	1.0	1.2
Total levies, fees and fines	3,212.8	3,325.1	3,300.3

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 on behalf of the Tourist Refund Scheme.

(b) Excludes the GST liability raised on imports, which is deferred rather than immediately collected. The Australian Tax Office acquires these liabilities in subsequent business activity statements from importers. In 2012–13, GST deferred was \$22.8 billion.

(c) The Marine navigation levy and Protection of the Sea levy are collected by the ACBPS on behalf of AMSA. There has been a reduction in the collection of these fees in 2012–13 by the ACBPS due to the interdiction by AMSA of an electronic payment facility.

(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 27: Significant revenues managed by ACBPS

	2010–11 (\$ million)	2011–12 (\$ million)	2012–13 (\$ million)
Duty	5,826.4	7,103.9	8,171.1
GST collected	3,009.9	3,149.3	3,133.5
GST deferred	19,891.8	22,398.4	22,847.5
Passenger Movement Charge	615.5	646.3	777.0
Import Processing Charge	144.1	148.3	149.8
Non Taxation Revenue	4.4	2.5	5.3
Total	29,492.1	33,448.7	35,084.2

GST = goods and services tax

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

TOBACCO TASK FORCE

The Tobacco Task Force was formed in late 2012, to verify and witness the destruction of imported and duty paid tobacco products that became non-compliant following implementation of the *Tobacco Plain Packaging Act 2011*.

The taskforce comprised key stakeholders from six agencies to measure the impact of the *Tobacco Plain Packaging Act 2011* and develop a number of risk mitigation strategies. As a result, amendments were made to the Customs Regulations 1926 to introduce a temporary refund provision for imported and duty paid branded tobacco products.

For a temporary period until 30 April 2013, tobacco suppliers within Australia—with non-compliant tobacco products—could choose to apply for a refund of customs duty already paid on imported tobacco products. The provisions enabled more than 25,000 small businesses to obtain refunds of duty paid on non-compliant tobacco products, by returning the products to importers for destruction rather than having to re-export these products to neighbouring countries.

The taskforce undertook 60 verifications on 284 million stick equivalent tobacco products amounting to customs duty refunds of \$96.5 million (with an additional \$1.1 million paid in duty drawbacks).



Supervised tobacco destruction

GEOFF GLEESON DIRECTOR, INTERNATIONAL TRADE REMEDIES BRANCH (ITRB) OPERATIONS

Geoff joined the Service in 1983 through the Assistant Customs Officer training program in Sydney. After completing the training, Geoff worked in a variety of roles and locations including shipping and postal operations, clearing cargo and airport operations.

In 1996, Geoff joined the Dumping Branch—more recently known as the International Trade Remedies Branch and from 1 July 2013, the Anti-Dumping Commission.

In July 2012, Geoff was seconded to the Attorney-General's Department as one of four Secretariat members supporting the Brumby Review into Australia's anti-dumping arrangements.



His primary role was to provide subject matter expertise, identify and engage with relevant stakeholders for consultation purposes and to contribute to the analysis and report writing for final report and recommendations to Government.

The Brumby Review resulted in all key recommendations—including the establishment of the Anti-Dumping Commission within ACBPS—being accepted by the Government in December 2012. Working on this review provided Geoff with a great opportunity to work with and learn from a small and diverse team of people and to work under the guidance of a highly knowledgeable, experienced and respected leader.

Geoff has been working in the Melbourne and Canberra offices since April 2013 and he will continue to play a key role in implementing key Brumby recommendations—particularly in relation to building relevant operational capability for the Anti-Dumping Commission.

TERRORISM

The Service works collaboratively with partner agencies to; detect, disrupt and deter terrorism and terrorist-related activity, and to protect Australia and Australian interests. In addition, Border Protection Command (BPC) is the Australian Government's lead agency for coordinating responses to maritime terrorism acts in Australia's offshore maritime domain.

Our strategies for managing the terrorism risk include:

- + sharing our intelligence capability with the national intelligence community
- + enhancing our intelligence picture by leveraging sources available to us through the national intelligence community
- + utilising identity and intent management by combining biometric and biographical information to confirm the identity and intent of individuals ahead of the border
- + adopting counter-radicalisation methods by monitoring the movement of people who may undertake terrorist training, or import terrorism-related materials
- + improving controls on chemical, biological, radiological and nuclear materials, helping to control goods of proliferation concern and goods that may have dual uses
- + reducing maritime vulnerability by employing risk-based, intelligence-led surveillance and patrolling of the maritime environment

- + working with international partners to collaborate and respond to terrorism—including through capacity building, counter proliferation and export controls.

This year, we continued to work with international partners to enhance our capacity to respond to terrorism. This work included managing risks ahead of the Australian border through the Southeast Asia Border Security Program, which funded the delivery of counter-terrorism capacity building activities in Southeast Asia from 2009–13. Activities delivered under the Program included:

- + in Malaysia, an Export Control Workshop focusing on the enforcement of United Nations and Autonomous sanctions to ensure export compliance with international obligations
- + in Indonesia and Malaysia, Real-Time Passenger Risk Assessment Workshops to build the operational capability of officers within the passengers stream

- + in Thailand, a Border Management Home Made Explosive and Precursor Workshop developed in collaboration with the AFP and Department of Foreign Affairs and Trade (DFAT).

The Service also contributed to whole-of-government efforts to combat maritime terrorism, by further increasing the response capability of the BPC-led, Augmented Multi-Agency Task Force (AMATF). Key activities included participating in exercises to build and test our counter-terrorism capability and delivering maritime counter-terrorism presentations to national and international partner agencies.

BPC continued to participate as an observer on the Australia New Zealand Counter-Terrorism Committee, which is responsible for providing government with strategic policy advice on developing an effective counter-terrorism capability.

PROLIFERATION SECURITY INITIATIVE 10 YEARS ON

In May 2013, Poland hosted meetings to commemorate the 10th anniversary of the Proliferation Security Initiative (PSI)—which is a global initiative to prevent the trafficking of weapons of mass destruction (WMD)—between state and non-state entities of proliferation concern.

The latest PSI exercise Leading Edge 2013 was held in Abu Dhabi in February 2013. The exercise was co-hosted by the US and the United Arab Emirates to focus on building national interdiction processes, forging international cooperation pathways and conducting outreach to non-endorsing nations. Twenty-nine nations attended the exercise with a large number of regional representatives also present.

Chris Waters, Counsellor New Delhi, represented ACBPS and joined the Australian delegation alongside representatives from DFAT and Defence.

The meeting provided an opportunity for PSI nations—including Australia—to share their experience and expertise in WMD interdiction. The meeting featured a desktop exercise as well as live air, land and maritime demonstrations.

Australia has been a member of PSI since the initial meeting in Madrid, Spain in June 2003. Since then, we have been an integral part of the whole-of-government approach to PSI.

COUNTER PROLIFERATION

One of the Service's challenging roles is to support national counter-proliferation efforts. In addition to the obligation to enforce resolutions passed by the United Nations Security Council, and sanctions imposed autonomously by the Australian Government, Australia is a signatory to international conventions and arrangements that aim to maximise global security and safety (such

as the Biological and Chemical Weapons Conventions and the Missile Technology Control Regime). As part of these arrangements, export controls serve to restrict the spread of strategic and dual use items and prevent their acquisition for use in illicit weapons programs.

The Service plays a key role in Australia's counter proliferation efforts by administering a series of border controls on a range of goods. This year, we focused on enhancing

the effectiveness of export control framework and building capacity with regional border agencies. The Service is committed to ensuring Australian exports comply with international obligations, as well as national security and strategic policy objectives. In our border enforcement role, we work closely with Defence, DFAT and other agencies to ensure Australia is not engaging in activities that may contribute to the proliferation of weapons of mass destruction.

STRENGTHENING OUR MARITIME COUNTER-TERRORISM RESPONSE

BPC is the lead government agency for offshore maritime terrorism response and recovery activities. In the event of a maritime terrorism incident, BPC would establish an AMATF to coordinate the operational activities of all relevant government agencies during the incident.

To increase our preparedness for this responsibility, BPC has initiated a project that will continue to refresh its procedures, staff skilling and collective training. The other agencies that contribute personnel and capabilities to the AMATF have been invited to join the project.

Significantly, BPC is seeking independent certification of its preparedness for

this responsibility. This certification will, for the first time, move the formal assessment from an internal process to an external process and will provide government confidence in BPC's preparedness to coordinate a whole-of-government response to a maritime terrorism incident.

This activity will continue into 2013–14.

IRREGULAR MOVEMENT OF PEOPLE—MARITIME

Maritime people smuggling to Australia is likely to remain a key border security issue into the foreseeable future and managing this border risk will continue to require a significant proportion of BPC resources. This year, we saw a sharp increase in the number of suspected irregular entry vessels (SIEVs) and irregular maritime arrivals (IMAs) to Australia facilitated by people smuggling syndicates.

Our strategies for managing this border risk included:

- + overseas communications activities to dissuade people from becoming involved in maritime people smuggling syndicates
- + leading a centralised intelligence analysis and assessment effort to support operational decision-making, targeting of people smuggling syndicates and whole-of-government policy development
- + leading a coordinated whole-of-government approach to engaging international counterparts—in source and transit countries—to promote operational cooperation, information sharing and appropriate legal and policy responses
- + providing coordinated whole-of-government policy support and advice to the Service Executive, the Minister for Home Affairs and other senior government decision-makers

- + delivering a whole-of government approach to the conduct of civil maritime surveillance and response, to identify and apprehend irregular maritime arrivals—before they reach Australia's outlying territories or mainland Australia.

Against this backdrop, the Service will need to continue to:

- + improve our whole-of-government coordination responsibilities
- + maintain a high level of intelligence analysis and assessment advice to support maritime surveillance and response operations
- + consolidate productive relationships with key overseas partner agencies.

Following the release of the Report of the Expert Panel on Asylum Seekers in August 2012, we assumed responsibility for managing a number of measures and activities aimed at preventing potential irregular immigrants (PIIs) from engaging the services of people smugglers and undertaking dangerous sea voyages to Australia. These measures included:

- + coordinating whole-of-government responses to maritime people smuggling
- + fostering bilateral relationships with regional partners including Pakistan, Malaysia, and Sri Lanka through joint working group arrangements
- + delivering anti-people smuggling information campaigns in source and transit countries
- + providing intelligence analysis and advice to support operational decision-making and whole-of-government policy development.

BILATERAL WORKING GROUP MEETINGS

This year we continued to foster a number of strong relationships through bilateral meetings.

The Pakistan-Australia Joint Working Group on Border Management and Transnational Crime met in September 2012 to discuss cooperation and

capacity-building activities including continued engagement on border control, money laundering and the financing of terrorism.

The Malaysia-Australia Joint Working Group on People Smuggling and Trafficking in Persons, met in December 2012 to focus on information sharing, legal cooperation and harmonisation

and capacity building activities between our two countries.

The Sri Lanka-Australia Joint Working Group on People Smuggling and Transnational Crime met for the first time in December 2012 to discuss a range of issues relating to cooperation, information-sharing and capacity-building activities planned for 2013.

COORDINATION OF COUNTER PEOPLE SMUGGLING OPERATIONS

The Service—through the Counter People Smuggling Task Force—undertook the lead role in coordinating the whole-of-government response to maritime people smuggling.

We did this by working closely with the Australian Intelligence Community, law enforcement agencies and relevant regulatory agencies to deliver strategies to address irregular maritime people smuggling ahead of the border.

One strategy was to deliver offshore anti-people smuggling public information campaigns in source countries—where PILs start their journeys—and in the transit countries they travel through on their way to join people smuggling ventures.

The Service has confirmed—through research and evaluation activities—that of the large number of people exposed to the information campaigns, there had been an increased awareness of Australia's irregular migration policies.

Another key function of the taskforce was to provide stakeholders with greater awareness and

assessment of border threats. This enhanced picture enables intelligence-led, decision-making—in relation to operational engagement—ahead of, and at, the border.

The taskforce promoted international cooperation as the most effective way to address irregular migration in the region. We enhanced relationships with Malaysia, Pakistan and Sri Lanka through our coordination of multi-agency bilateral joint working group meetings. These meetings facilitate continued cooperation in operational, legal, capacity-building and policy measures to combat people smuggling and other issues of mutual concern.

A key achievement this year, was the establishment of the Sri Lanka-Australia Joint Working Group on People Smuggling and Transnational Crime, which met for the first time in Colombo, Sri Lanka, in December 2012.

SRI LANKAN PUBLIC INFORMATION CAMPAIGN

This year, we delivered three public information campaigns in Sri Lanka, the:

- + ‘No Advantage’ campaign
- + ‘Say No’ campaign
- + ‘Don’t be Deceived by the Lies of People Smugglers’ campaign.

The ‘No Advantage’ campaign warned PILs against travelling by boat to Australia as there is no advantage to be gained—in terms of faster processing times or access to money

or work—if they reached Australia. The campaign used branded minivans, cinema advertising, leaflets and road show activity.

Building on the ‘No Advantage’ campaign, messaging for the ‘Say No’ campaign centred on raising awareness that PILs would receive no special treatment in Australia including having no opportunity for work and that they may be returned to Sri Lanka. A stall was set up at the Sri Lanka National Exhibition, receiving 102,000 visitors and distributing 110,000 leaflets. These leaflets contained information about Australia’s irregular migration policies and the danger of using people

smuggler’s to travel to Australia.

The final campaign—‘Don’t be Deceived by the Lies of People Smugglers’—used graphics to convey the message of being misled or deceived by the information they are told.

A large number of Sri Lankans have been exposed to these communication activities. This exposure has increased their awareness of Australia’s irregular migration policies and the danger associated with travelling irregularly to Australia by sea.



ACBPS officers on patrol

ENFORCEMENT OPERATIONS RESPONSE AT COCOS (KEELING) ISLANDS

This year has seen a significant increase in the arrivals of SIEVs at Cocos (Keeling) Islands with 20 SIEV arrivals in October 2012 alone.

Since May 2012, Enforcement Operations officers have been deployed to Cocos (Keeling) Islands to provide additional surveillance and response capability. The initial team comprised of eight officers—deployed at short notice after an unexpected arrival. The team later increased to an ongoing team of nine officers rostered on seven-day deployments to meet demand, with more than 100 officers from across the Service having been deployed to the island. The current team consists of five officers rostered on 10-day deployments.

The Enforcement Operations team provides a dual role on the island including onshore surveillance of the coastline as well as managing the reception of people arriving on SIEVs and assisting Department of Immigration and Citizenship (DIAC) with their care and custody. We work closely with our partner agencies represented at Cocos (Keeling) Islands to provide an integrated, whole-of-government response.

SHARYN PAYNE SUPERVISOR, ENFORCEMENT OPERATIONS

Sharyn has been an Enforcement Operations officer for several years, commencing as a Level 2 Supervisor.

In that role, Sharyn has led teams and deployed as an operative in a range of complex enforcement activities such as boarding vessels at sea, undertaking confined space entry as part of merchant vessel searches, deployed as part of a covert static surveillance team in observation posts in remote and rural areas as well as a range of other maritime security activities.

Sharyn has utilised these skills more recently as a Level 3, coordinating major operations in the Southern Region and for the joint agency waterfront Task Force Trident based in Melbourne. Sharyn has built a strong reputation with and earned recognition from our partner law enforcement agencies and across ACBPS as a capable and effective contributor to significant operational interventions. As a regular instructor on

the Basic Commanders Course conducted by the Enforcement Operations Operational Readiness unit, Sharyn is able to share her valuable operational knowledge with other ACBPS officers.



IRREGULAR MOVEMENT OF PEOPLE—AIR

The irregular movement of people by air is often motivated by escape from political, economic or security instability. Criminality is often, but not always, involved. This mode of entry into our borders is achieved through identity crime, which may include the lending of legitimate documents, or the use of fraudulent documents. The global dynamics—which generate the risk of irregular movement of people by air—are unlikely to change in the near future.

As such, we expect that the threat of irregular movement of people by air will be enduring. We will need to remain agile in dealing with the risks that arise from the increasing number of international air passengers with forecasts of more than 40 million travellers by 2017 and over 50 million by 2023.

The Service performs the primary immigration clearance function for all arriving and departing air travellers on behalf of DIAC. We also work collaboratively with other border law enforcement and intelligence agencies to identify and

respond to concerns about the risks that air travellers may present. This collaborative approach supports risk-based intervention and the efficient use of resources from a whole-of-government perspective.

The Service identified 51,327 arriving passengers and 8,789 departing passengers that necessitated manual referral to DIAC for further immigration verification (Table 28). These figures are reasonably consistent with previous periods and reinforce the enduring nature of the threat, albeit as a decreasing percentage of actual

travellers (0.31 per cent versus 0.33 per cent in the previous period). These outcomes are the result of the improved checks performed prior to the issuing of a visa.

The number of travellers denied entry to Australia continues to increase (Table 29). This year, the number of refusals increased by 12.9 per cent compared to the previous year, representing a higher percentage of the total number of international air passenger arrivals compared to the previous period (0.04 per cent over 0.03 per cent).

Table 28: Traveller referrals to the Department of Immigration and Citizenship

	2010–11	2011–12	2012–13
Inwards referrals	49,217	51,254	51,327
Outwards referrals	8,805	9,570	8,789
Total referrals	58,022	60,824	60,116

Table 29: Immigration clearance refused at airports

	2010–11	2011–12	2012–13
Traveller entry refusals	1,809	2,042	2,306

We continued to adapt and revise business processes to deal with the changing environment and maintain the effectiveness of controls at the border. Our strategies included:

- + Working closely with DIAC on monitoring and improving the effectiveness of our performance of the immigration clearance function. This resulted in improvement in system generated DIAC referrals and cessation of passport stamping for departing travellers—leading to a better allocation of staff resources.
- + Expanding SmartGate to better support identity management at the border through travel document authentication and verification based on facial recognition biometrics.

A trial for US Global Entry members to use SmartGate began in November 2012.

- + Expanding the trial of SmartGate to United Kingdom, Singaporean and Chinese ePassport holders starting in 2013–14.
- + Improving the ePassport document reader software to enhance our ability to detect fraudulent travel documents and provide identity verification.
- + Completing an Internal Body Scanner trial in partnership with the AFP. The scanner helps to better identify and manage passengers who are suspected of concealing drugs inside their bodies and decreases the number of referrals for medical examination.

Work has also continued with industry to improve the availability of information for our risk assessment processes. The airline passenger name record (PNR) body of work is a key strategy to counter serious transnational crime and terrorism. We have taken a leading role internationally to reach agreement with the airline industry on the global message standard for the transfer of PNR. This standard message format makes it easier for airlines to meet government requirements and reduces the costs of providing PNR data to multiple governments in different formats.

MICHAEL ODGERS DIRECTOR, INDUSTRY ENGAGEMENT INTELLIGENCE DIVISION

As the Director of the Industry Engagement section in Intelligence Division, Michael works closely with the 48 international airlines operating in Australia to ensure they meet our requirements for the provision of PNR data.

Australia is one of a number of countries that has adopted new global standards to require airlines to push the PNR data to governments in a newly adopted global message format or PNR Government.

Over the past two years, Michael has led the international effort in developing and implementing the PNR Government message and he was recently presented an award by the international airline industry in recognition of his leadership and initiative during his time as Chair on the International Air Transport Association PNR Government Working Group.



ENHANCED PASSENGER ASSESSMENT AND CLEARANCE PROGRAMS

The Service has undertaken significant work on the implementation of the Enhanced Passenger Assessment and Clearance Program Stage 2 (EPAC2). This program will provide an enhanced risk assessment and response capability within the traveller environment that will contribute to strengthening Australia's existing aviation security regime.

We have made significant progress in implementing the program to enable earlier and deeper assessment of traveller risk. This progress has yielded further improvements to data quality—as well as data fusion—within our risk assessment processes and end-to-end monitoring of the business process.

We have also worked closely with partner agencies to deliver an automated data collection solution for airlines. This will provide information about

travellers to the recently established global PNR Government standard. This initiative facilitates sharing of consistent data between airlines and government agencies worldwide, thereby increasing the level of certainty and timeliness about the risk travellers represent. This data enhancement enables border protection, intelligence and law enforcement agencies to make timely, well-placed, intelligence-led, risk-based responses and resource allocations.



SmartGate: Enhancing the traveller's experience

INITIATIVES CONTRIBUTING TO PERFORMANCE

BODY SCANNER TRIAL

We worked with the AFP to design and implement a revised approach to the identification and management of passengers arriving on international flights suspected of concealing drugs internally. This new approach evolved followed a 12-month pilot of an internal body scanner at an international airport.

This technology has enhanced our ability to identify potential offenders while reducing the impact on legitimate travellers. During the pilot period, more than 250 travellers were assessed through scanning. Previously, these suspect travellers would have been referred to the AFP for an internal medical examination at hospital, removing officers from the airport for several hours and

unnecessarily disrupting the travel of passengers later found to not to be concealing drugs.

During the 12-month pilot, more than 250 travellers were identified as showing indicators of possible internal concealment of drugs and were subject to scanning.

Eight of these travellers were positively identified as internal drug couriers resulting in the seizure of almost two kilograms of heroin and more than one kilogram of cocaine.

The additional assessment of the suspected internal couriers also resulted in seven detections of drugs in baggage, four currency detections, 19 people refused entry after being referred to DIAC and a number of referrals to other law enforcement agencies.

The scanner proved to be effective in ensuring that travellers who showed

indicators but were not concealing drugs could complete border clearance and depart the airport relatively quickly. This has resulted in no unnecessary referrals to hospitals and has freed up AFP resources that were previously committed to accompanying suspected internal couriers to medical examinations at hospitals. This has saved thousands of hours of valuable police time and reduced hospital medical imaging costs.

The internal body scanner pilot has delivered significant benefits to both the Service and the AFP by reducing the necessity to refer passengers to the public hospital system.

As a result of the successful trial, together with the AFP, we will extend the use of internal body scanners at Australian international airports.

TOBACCO SMUGGLING

Illicit tobacco remains a key risk focus for the Service and we are committed to combating tobacco smuggling through operational activity, including collaboration with government, industry and international partners.

The threat posed by tobacco smuggling remained relatively stable during the year. Detections through the sea cargo stream accounted for approximately 99 per cent of the revenue evaded. Accordingly, the sea cargo stream remained a priority risk focus for the Service.

Many of the existing control strategies for illicit tobacco have worked well in addressing risk levels including joint agency investigations and prosecution of high-risk entities.

To enhance our deterrence effect, legislative changes were introduced during the year to strengthen the penalties associated with illegally importing tobacco.

As part of our efforts to deter those involved in the illicit trade in tobacco, penalties for tobacco smuggling were strengthened in November 2012 when amendments to the *Customs Act 1901* came into effect. The maximum penalty for tobacco smuggling and conveying or possessing smuggled tobacco product is now ten years imprisonment, in addition to pecuniary penalties of up to five times the amount of duty evaded. These changes more accurately reflect the risks that illicit tobacco poses to the Australian community, the seriousness of tobacco smuggling as well as providing a strong deterrent to criminals.

Detection figures over this year, as well as the previous two years, indicate a gradual increase in

detections of illicit cigarettes and a corresponding decrease in detections of loose tobacco. This change appears to be due to a combination of reasons including seizures of illicit tobacco by law enforcement agencies, changes in the nature of the tobacco market and the more immediate return on investment available from illicit cigarettes in comparison to loose-leaf tobacco, which often requires further processing to produce a marketable product.

Throughout the year, we continued to make frequent and sizeable detections of undeclared tobacco and cigarettes. During the year—in the sea environment—we detected on average 11.4 tonnes of tobacco and 17 million sticks of cigarettes per month.

Table 30: Tobacco detections in sea cargo and amount of duty evaded

Year	Number of detections	Tobacco (tonnes)	Cigarettes (millions of sticks)	Duty evaded (\$ million)
2010–11	55	258	82	135
2011–12	45	177	141	125
2012–13	76	183	200	151

DISRUPTION OF CRIMINAL SYNDICATES

We were involved in several operations during the year to disrupt criminal syndicates involved with tobacco smuggling. In March 2013, our officers at the Sydney Container Examination Facility detected more than two tonnes of illicit tobacco concealed within bamboo blinds.



Detection of more than two tonnes of illicit tobacco concealed within bamboo blinds

As a result, four men were arrested in March 2013. One man was charged with importation and possession of tobacco products with the intent to defraud revenue, contrary to sections 233BABAD (1) and (2) of the *Customs Act 1901*. Three co-accused were charged with possession of smuggled goods, contrary to section 233(1)(d) of the *Customs Act 1901*.

Following these arrests, our officers arrested another man after further investigation and charged him with importing tobacco products with the intent to defraud revenue. The approximate import duty payable on the seized tobacco is \$996,997.50.

PROHIBITED, RESTRICTED AND REGULATED GOODS

The scope of prohibited, restricted and regulated goods is very broad ranging and includes objectionable material (such as child pornography), goods that present a significant threat to human health and safety as well as goods that people could use in weapons of mass destruction.

During the year, we pursued a range of measures to manage the prohibited, restricted and regulated goods risk including:

- + continued refinement of our intelligence-led, risk-based targeting to ensure resources are focused on higher risk, prohibited items
- + enhancing our capability to analyse domestic and foreign trade data for the purpose of identifying circumvention of import and export requirements. An example of this is the signed agreement with the US Immigration and Customs Enforcement to provide access to the US Data Analysis and Research for Trade Transparency System—a computer system that enables matching of domestic and foreign trade data
- + continuing our involvement in international bilateral and multilateral campaigns and operations. An example of this is the joint Australia-US operation targeting counterfeit computer parts and World Customs Organization coordinated activities such as Operation Pangea

- + increasing our engagement with industry stakeholders to obtain industry intelligence regarding behaviours in their sector, which may be indicative of non-compliance with Australian border laws
- + creating a class of restricted goods to enable ACBPS to seize and confiscate child pornography and child abuse material, even when such material was not being imported into Australia
- + continuing to develop Shared Responsibility Agreements with domestic partner agencies that will govern our combined efforts to detect and deter the import and export of regulated goods
- + implementing a range of measures to address Task Force Polaris findings on vulnerabilities in the cargo supply chain, which should have positive implications for the management of this risk.

ASBESTOS

We take the importation of asbestos seriously but we do not rely on prosecutions alone to ensure better compliance outcomes.

We work proactively with a range of federal, state and territory agencies to address concerns about the importation of goods containing asbestos, and our multi-layered approach includes education campaigns, outreach activities and refining our targeting activity to account for high-risk countries of origin and suppliers. We continue to work closely with a range of high-risk industry sectors to ensure that goods are asbestos free before exportation to Australia.

Our compliance activity has had a significant and positive impact on the importation of contaminated goods in some industry sectors such as mining and energy. Recent risk assessment activities have resulted in the Service turning its attention to other sectors including the automobile industry. This work has resulted in detections at the border of asbestos in imported vehicle spare parts, which subsequently led to recalls of passenger vehicles from China that were already in the Australian market.

STRENGTHENED BORDER MEASURES FOR INTELLECTUAL PROPERTY RIGHTS

The increasing number of counterfeit goods in international trade is a growing challenge for every government around the world.

Counterfeit goods can represent a risk to human health and safety and can compromise the reputation and economic viability of legitimate companies whose goods are being copied. Consumers are also often duped into purchasing sub-standard goods that they believed were genuine products.

Australia's Intellectual Property enforcement framework includes border enforcement and criminal sanctions for the importation of counterfeit, trademark and copyright infringing goods.

The Notice of Objection Scheme allows trademark and copyright owners to notify the Service of their rights and object to the importation of goods that infringe those rights.

Feedback from extensive consultation with industry groups identified that Australia needed stronger enforcement laws. As a result, improved border enforcement measures were introduced with effect from 15 April 2013 by the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012*.

The improvements simplify the seizure process and enable rights owners to effectively enforce their rights. More information is released to the rights holder, including details of importers, exporters and other players in the supply chain, who are suspected of importing counterfeit trade mark or pirated copyright goods. Access to this information will improve the ability of rights holder's to pursue legal action.

Previously, rights holders were often unable to initiate legal proceedings, serve papers or obtain forfeiture if the importer was deliberately unavailable during the statutory action period, or provided false details. Under the new laws, importers will no longer be able to avoid prosecution and receive the infringing goods or copies when the statutory period expires.

This year we made 1,694 seizures of counterfeit goods, involving 296,186 items, estimated to have a retail value of more than \$17 million.

ILLEGAL LOGGING

Globally, illegal logging costs around \$60 billion each year. It directly threatens the environment, timber industry jobs and businesses by undercutting the price of legally logged timber.

Following a commitment by the Government to clamp down on the import of products sourced from illegally logged timber, DAFF drafted the *Illegal Logging Prohibition Act 2012* (the Act), which came into effect on 29 November 2012.

Prepared in consultation with industry, the Act gives DAFF and the ACBPS the power to treat timber and timber products that have been illegally logged and imported to Australia as a prohibited import.

The new legislation was the culmination of a long and successful consultation process with DAFF to establish a new innovative and flexible control model for illegally logged timber and timber products. Consultation was critical due to the vast range of products potentially affected by this legislation and the potential for high administrative overheads and onerous reporting requirements.

Under the new control, each importer will be required to confirm at the time of importation that their timber products comply with the new law.

ILLEGAL MOVEMENT OF MONEY

The movement of undeclared cash across borders is a common money laundering method around the world. Efforts by the Service and our partner agencies—such as the AFP, ACC and the Australian Transaction Reports and Analysis Centre—to gauge the nature and extent of this money laundering method continues to be a priority in managing this risk at the border.

The Service monitors and detects the illegal movement of cash across our borders and is responsible for the prevention of unreported movements of both currency and bearer negotiable instruments. The Service refers cases to the AFP as the agency responsible for the prosecution of such offences.

We maintained our efforts throughout the year to identify and understand money laundering methodologies. We focused on trade-based money laundering, which is a means of disguising the proceeds of crime by

moving monetary value across the border, through the misrepresentation of the value, quantity, quality or description of imports and exports.

The Service worked cooperatively with partner agencies and contributed to several information and intelligence sharing arrangements including the US Immigration and Customs Enforcement for the exchange of trade data. The comparison of import and export data helps identify anomalies to mitigate the risk of cross-border trade fraud.

The capabilities of a financial targeting team also continue to develop and meaningfully contribute to identifying emerging targets, methodologies and risks relevant to the Service and its partner agencies.

This year, the Service detected 308 cases of undeclared currency at the border, predominantly international passengers arriving and departing Australia by air, amounting to \$7,656,212. There are a number of ongoing AFP investigations resulting from detections of undeclared cash at the border.



Movement of undeclared cash is a common money laundering method



PART 4

OUR ENABLING FUNCTIONS

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KNOWLEDGE AND SYSTEMS

Knowledge and systems capabilities are essential for effectively managing border risks and for supporting organisational and whole-of-government outcomes. This year, to better support our intelligence-led business model, we transferred our information management capability into our newly formed Intelligence Division. Our ICT delivery and infrastructure service moved into the new Support Division under the management of a newly created Chief Technology Officer role.

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 streamline our management of border transactions.

As technologies continue to rapidly advance, maintaining the efficiency and the effectiveness of our ICT services in the face of continuing fiscal constraint remains a significant challenge.

This year we have:

- + continued to improve ICT risk, governance, project and management practices
- + continued to improve supply-demand capability for ICT projects to ensure cost-effectiveness
- + relocated offsite records storage to the national repository at Mitchell saving on contracted offsite storage
- + renegotiated an extension of the IBM contract to achieve significant savings through to June 2016.

INFORMATION MANAGEMENT

The Service has continued to invest in enterprise information management capability projects and initiatives

to improve data integration and enhance profiling and reporting activities—further enhancing our information capability.

We have also developed an Enterprise Data Warehouse roadmap and have begun to improve the automation of collections as well as the cleansing of data to ensure the smooth transition to the data warehouse. We had success in:

- + reducing the time taken to produce reports and to undertake queries
- + increasing the breadth of the data holdings, particularly cargo data
- + improving the timing and frequency of data refresh
- + improving the speed of access to better quality data
- + enhancing data integration to improve profiling and targeting outcomes.

INFRASTRUCTURE AND IT SYSTEMS IMPROVEMENT

We have made significant improvements to our IT systems and infrastructure over the last year. These systems are critical to the effective operation of the Service, so it is imperative that they are stable, reliable and responsive.

This year, we implemented a series of technical improvements, including:

- + the national rollout of a new Windows desktop
- + a new Storage Area Network
- + new monitoring tools to allow proactive systems and infrastructure support.

We also continued to build business capability by:

- + improvements to SmartGate and passenger systems performance and reliability
- + expanding SmartGate deployment in Melbourne and Sydney, with SmartGate now capable of processing eligible US and UK passengers
- + sharing a Gateway service under the Commonwealth's Gateway reduction program—we took a lead role in providing secure internet gateway services to ten other agencies across the Commonwealth, with a contract signed with Telstra on 20 June 2013
- + implementing Corpnet on the *Cape Class Vessel Cape St George*.

TONY SMITH MANAGER, TRAVELLER PROCESSING OF THE FUTURE

A 24-year career in the ACBPS has provided Tony with the opportunity to develop skills across multiple regions, in operational and policy development roles and representational positions offshore.

Tony has coordinated teams during major operations across international boundaries, led a large workforce in two international airports and developed joint agency cooperation in an effort to tackle transnational crime while posted to Indonesia.

“Throughout my career the Service has supported my development through various means including academic studies through Australia’s National Security College and exposure to the operations of other border agencies both domestic and those around the world. The support I’ve been given to experience the broader perspective of ACBPS has helped me understand the need for change—when change is due—and has developed my ability to influence reform to improve our business.”

Tony commented “My time as Manager Airport Operations Gold Coast reinforced for me the power of engagement and the importance of connecting as a team in order to embrace and champion change. My current role as a Manager

in the Traveller Processing of Future team provides the opportunity to influence change on a much larger scale and in a way that will shape the future of our business and for our workforce. That is a challenge that I’m proud to be part of.”



IMPROVING SECURITY THROUGH THE GATEWAY REDUCTION PROGRAM

The Service was a lead agency of a key program under the Australian Government's 2009 Cyber Security Strategy—the Internet Gateway Reduction Program.

The Australian Government is reducing the number of its internet gateways from 124 to eight over the next four years to improve operational efficiency, reliability and security. A reduced number of gateways will provide improved security through a more consistent approach to gateway management, accreditation, monitoring and incident response.

We are responsible for acquiring, establishing and managing the shared internet gateways as the program lead for the following government agencies:

- + Attorney-General's Department
- + Department of Finance and Deregulation
- + Australian Commission for Law Enforcement Integrity

- + DIAC
- + Australian Institute of Criminology
- + Insolvency and Trustee Service Australia
- + Australian Law Reform Commission
- + Migration Review Tribunal and Refugee Review Tribunal
- + Australian Security Intelligence Organisation.

On behalf of these agencies, this year we undertook a Request for Tender for secure internet gateway services, with a contract with the successful, tenderer, Telstra being signed on 20 June 2013.

WORK HEALTH AND SAFETY

The Service is committed to:

- + providing a safe and healthy workplace for all workers, contractors and third parties
- + eliminating workplace hazards and their risks wherever possible
- + minimising and controlling the risks that cannot be eliminated
- + providing rehabilitation and support to ill or injured employees to enable an effective return to work.

Our work health and safety (WHS) activities focus on building a sustainable safety culture where:

- + all workers share responsibility for identifying and managing hazards and risks in the workplace
- + WHS incidents are reported, investigated and work improvements are identified and implemented
- + 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.

MAKING OUR WORKPLACE HEALTHIER AND SAFER

During the year, our WHS strategy focused on moving beyond compliance to nurturing a workforce culture that habitually seeks to improve performance and mitigates risk to the health and safety of our staff.

We have continued to strengthen our WHS governance arrangements and injury prevention strategies, as well as our WHS consultation processes, across the Service.

An increased focus on staff awareness of incident reporting processes has resulted in an improvement in data capture and analysis. There is also greater awareness by our staff of the strong linkages between efficient WHS systems and a strong and productive organisation.

In 2011, we undertook a gap analysis of our health and safety governance and systems against the requirements of the *Work Health and Safety Act 2011*. All actions and recommendations arising from the gap analysis have now been completed and implemented.

Our risk mitigation strategy has directed policy and procedural guidance development and

communication to improve hazardous substance management. We have also focused on promoting WHS training and awareness with key contract management personnel to embed a more sophisticated procurement process that acknowledges safety as a critical component of any procurement. We now reflect this in all contracts.

Across the Service, we have implemented a multi-level risk identification and review process through WHS committees at the national and regional level that is based on the analysis of statistics.

ADDRESSING WHS IN THE PASSENGERS DIVISION

In early 2012, our Passengers Division Executive committed to improving divisional communication by conducting a series of face-to-face discussions between all airports and central office three times a year. The aim was to lay a solid foundation for more effective engagement and communication at all levels within the division.

These sessions subsequently generated a list of the 'top ten' issues for staff, including a number of items relating to work, health and safety.

In response, we introduced a number of initiatives to reduce repetitive strain injuries. In partnership with DIAC, the sorting of Incoming Passenger Cards and stamping of passports at outwards has all but ceased. We are currently working with DIAC to further reduce the risk of injury to officers performing stamping at inwards primary line.

The division has also trialed a number of initiatives aimed at reducing repetitive strain injuries.

One example includes giving officers more time to setup their workstation before commencing duty at the primary line.

With an increased focus on WHS matters, we are pleased to see an overall reduction of 30 per cent of reported WHS incidents from 2011–12 to 2012–13.



An ACBPS officer processing passengers at one of our eight international airports

EARLY INTERVENTION TO PREVENT INJURY

This year, the Service rolled out an improved early intervention strategy to promote early assessment and rehabilitation for injured and ill workers. This strategy, in turn, aims to reduce the amount of time needed off work by providing a work environment that supports the rehabilitation of injured and ill employees.

We made enhancements to our rehabilitation management system to achieve better rehabilitation and injury management services and outcomes as well as improved governance and reporting concerning injury management. Examples of enhancements include:

- + the establishment of the injury management services panel
- + resourcing of compliance activity.

As the capability of our rehabilitation case managers is vital to the success of our rehabilitation and

return to work programs, we introduced mandatory training for both rehabilitation case managers and human resource managers. We also established an injury management network for peer support and review for our case managers.

Achievements and improvements made to WHS systems during the year have enhanced our WHS culture. We have integrated these attributes into our day-to-day work processes. Some examples include:

- + improved risk management in the maritime environment
- + improvements in the wellcheck contract management for officers who view objectionable material
- + improved management of hazardous substances
- + an enhanced rehabilitation case manager capability
- + refined early intervention processes.

HIGH OPERATIONAL TEMPO AND THE EFFECT ON OUR OFFICERS

Across a number of operational areas—particularly in the area of irregular maritime arrivals—our officers continue to respond to the ever-increasing pace of operational tempo in a dedicated and compassionate manner. The outside or casual observer sometimes overlooks the lasting effect that a safety of life at sea situation can, and does, have on our officers especially where Potential Irregular Immigrants lives are lost in tragic circumstances.

The Service takes its duty of care to these officers very seriously and we work with partners in Defence and other agencies to learn from their experiences and, in turn, adjust our management of staff welfare in these situations.

LEADERSHIP AND WORKFORCE

The Service delivered four key initiatives to strengthen leadership and build a more flexible and adaptable workforce. We also continue to build our capability by recruiting high quality trainees.

Some initiatives implemented this year include:

- + enhancement of the Listen, Respect, Lead staff engagement program to further embed the principles throughout the Service
- + better guidance and improvement to our mobility policy—a key instrument to mitigate integrity risk, as well as broaden the skills, capabilities and experiences of our staff throughout their career with the Service
- + centralisation and standardisation of trainee recruitment
- + a consultative review of performance management to encourage discussion as the cornerstone of workplace relationships and move to management of performance from being a transactional process to a continuous process.

The Performance Management Review consisted of three stages—inquiry, design and pilot. In consultation with stakeholders, and through following focus group activities, the inquiry stage found the need for our current Performance Agreement Framework system to be simplified as well as needing to encourage collaboration and accountability. This finding informed the development and pilot of the Performance Feedback and Recognition Program—piloted at five locations. Recommendations from this pilot will be considered during future Enterprise Agreement negotiations.

We worked closely with partner agencies throughout the year, such as the Australian Public Service Commission, to embed Australian Public Service (APS)-wide initiatives that would benefit the Service and liaised closely with like agencies such as the AFP to share best practice regarding mobility and integrity measures.

Our people and operating model will form a key track of our Reform Programme. To support this, we began a three-step people engagement plan, which included the 'Have your Say' campaign where officers have, and will, continue to provide ideas and input to how the Service should evolve.

We reviewed our honours, recognition and awards framework during the year and we will implement a new system from 1 July 2013. The new Awards and Recognition Framework will formally recognise officers in excellence, effort and service and those who display the values and culture of the Service.

DRESS AND APPEARANCE STANDARDS ROLLOUT

We have a long and proud history of wearing a uniform, helping to identify officers as Australian Government representatives responsible for protecting Australia's border.

The professional appearance of both uniformed and non-uniformed officers creates the first, and often, lasting impression of the Service and of the Australian Government.

Maintaining the respect and confidence of the Australian community and our law enforcement partners is central to our integrity and professionalism. Our new uniform policy plays an important role in ensuring we represents a uniformed, disciplined

Service to those we meet in the course of our daily work at the border.

Our dress and appearance standards were introduced in December 2012 following a uniform trial, and a number of months of consultation, with staff and their representatives. The standards provide our officers with details of the official uniform, how it must be worn as well as the standards of dress and appearance expected of the entire Service.

JIM BEACH DIRECTOR, AIRPORT OPERATIONS SYDNEY

Having joined ACBPS in 1983, Jim has had the opportunity to work in a wide range of work areas within the Sydney region. These include International Mail, Compliance, Enforcement Operations and Air Cargo and, more recently, Passengers.

According to Jim, each placement has been extremely rewarding with the exposure to different operating environments being just fantastic.

In his current role as Director Airport Operations Sydney, Jim is responsible for end-to-end passenger and crew processing at Sydney Airport to support legitimate travel and the necessary interventions to prevent illegal movement of people as well as the collection of associated revenue. The role has a strong emphasis on staff engagement, leadership and developing integrity and corruption awareness.

Jim says that this role is very different to his previous Director's position, which, while being Sydney based had national responsibilities.

"The contrasts are stark; moving from having two staff to managing in excess of 500 in an environment where we must harden ourselves against corruption has been challenging but very rewarding".



INTEGRITY AND ETHICS

This year, a number of our officers were investigated, and subsequently charged, with corruption and misconduct offences. These incidents highlighted the need to remain vigilant—not only against the threat of corruption but also to the criminal elements trying to infiltrate our Service. As a consequence, we have placed an even greater emphasis on our integrity and ethics regime. We are embedding a number of anti-corruption and ethical standards initiatives within the Service, with a key track of the Reform Programme focusing on integrity to deliver a disciplined Service culture and workforce that is hardened against corruption.

While the Service has been strong in its response to these integrity issues, the large majority of our professional, dedicated workforce, together with the senior leadership group, has unconditionally supported this approach.

Fraud control and anti-corruption capabilities are enhanced under the *ACBPS Fraud Control and Anti-Corruption Plan 2013* (the Plan), which aims to prevent fraud and corruption within the Service by identifying internal integrity risks. It also provides strategies to mitigate those risks. The Plan was developed to align with corruption risks across the Commonwealth which were identified through the Service's participation in an interdepartmental risk profiling exercise led by the Attorney-General's Department. The key threats relevant to the Service were identified as those linked to corruption and organised crime, corruption and law enforcement

and those associated with access to sensitive government information. The Plan also incorporates new integrity measures consistent with the *Law Enforcement Legislation Amendment Act 2012* (LEILA Act) and specifically, it:

- + identifies eight key risk themes across our functions and portfolios informed by a comprehensive program of integrity risk assessments that were conducted throughout 2011 and 2012
- + lists strategies to strengthen fraud and corruption resistance and proactively target potential weaknesses in our control environment
- + provides an overview of our fraud control and anti-corruption measures, especially in the areas of preparedness, prevention, detection and resolution
- + links to our Strategic Enterprise Risk Framework.

In support of the Plan, we conducted our annual Program Integrity Risk Assessments within business lines to examine integrity risks associated with the delivery of outcomes, allow reassessment of existing risk profiles and implement mitigation strategies.

We are also working to implement into our standard business practice the 33 mandatory requirements of the Australian Government's Protective Security Policy Framework within specified timeframes. We have been implementing the various requirements throughout the year.

OPERATION HERITAGE

In June 2013, Integrity Commissioner and head of the Australian Commission for Law Enforcement Integrity (ACLEI), Philip Moss provided an interim report on his investigation into the alleged corrupt conduct among some of our officers at Sydney International Airport.

The Integrity Commissioner's investigation followed initial concerns about corruption allegations—relating to the illegal importation of border controlled substances—which were raised with ACLEI in early January 2011 by the then CEO of ACBPS, Michael Carmody. This subsequently resulted in the Integrity Commissioner establishing Task Force Natio—a joint operations team made up of ACLEI, AFP and ACBPS officers, with assistance from the NSW Police Force—that he tasked to investigate this allegation and related information about the possible importation of border controlled substances.

Operation Heritage—the aspect of Task Force Natio that is the subject of the Integrity Commissioner's

interim report to the Government—investigated, and led to the arrest of four of our officers between August 2012 and February 2013 on charges of abuse of office and importation of border controlled substances.

While Operation Heritage is ongoing, the interim report is being considered by the Customs Reform Board as it continues to advise on integrity reforms in our Service.

To date the evidence gained through Operation Heritage has resulted in considerable changes to our integrity policy, practice and organisational arrangements.



ACBPS officers examining cargo

HARDENING OUR WORKFORCE AGAINST CORRUPTION

ANTI-CORRUPTION AND INTEGRITY REFORMS

The Service continues to implement the recommendations of our 2012 internal review of integrity and professional standards, including:

- + better engagement with internal and external stakeholders on integrity
- + infiltration and corruption prevention
- + bolstering expertise to facilitate the integrity strategic change program.

Further initiatives to reform our integrity and anti-corruption processes were realised on 27 November 2012 when the LEILA Act was passed by Parliament. The LEILA Act provides a framework for integrity testing of our officers and introduced provisions enabling:

- + random or targeted drug and alcohol testing of our ACBPS employees and workers
- + the CEO to make a declaration that a termination of an ACBPS officer is due to serious misconduct
- + the CEO to make orders with respect to the control of the Service, including in relation to mandatory reporting of serious misconduct, corrupt conduct or criminal activity involving ACBPS workers.

DRUG AND ALCOHOL MANAGEMENT PROGRAM

A pilot program for drug and alcohol testing ran from March until the end of May 2013, prior to the full program coming into effect in July 2013. During the pilot, over 550 officers were tested from a cross section of the Service, including all officers of the Senior Executive Service.

Independent testers conducted the drug and alcohol testing in the company of officers from our Drug and Alcohol Management Program Coordination Unit. Feedback from the pilot will inform the program's permanent implementation across the rest of the Service.

MANDATORY REPORTING AND INTEGRITY SUPPORT

Mandatory reporting provides better support to existing integrity mechanisms and brings the Service into line with AFP and Australian Crime Commission (ACC) processes.

In February, the CEO issued CEO Order 2 on Mandatory Reporting which made mandatory the reporting of serious misconduct, corrupt conduct and criminal behaviour involving our staff. The CEO also issued a Professional Standards order, which requires all those defined as ACBPS workers to conduct themselves in accordance with legally enforceable standards and to report the serious misconduct, corrupt conduct and criminal activity involving our staff. The failure of an officer to comply with this order will initiate a Code of Conduct inquiry.

An Integrity Support and Referral Network (ISRIN) has been established to support staff with their mandatory reporting requirements to assist our officers to understand their obligations to report suspect behaviour. The network also provides a confidential service on the options for reporting serious misconduct and corruption.

To complement the network, a number of Integrity Support Officers (ISO) has been assigned around Australia. These ISOs have undergone a rigorous integrity screening process and been trained with the skills and knowledge to help officers with their decisions.

These volunteers are taking an active responsibility to address behaviour that does not uphold the high standards required of our officers and of our Service.

INTEGRITY SUPPORT AND REFERRAL NETWORK

The Integrity Support and Referral Network Coordination team has been functional since February 2013 and has developed the framework to support the new network. The unit has recruited 30 Integrity Support Officers ranging from Customs Level 1 to Senior Executive Service Band 2.



Front Row (left to right): Linda Muir (AFP), Andrew Jeeves, Amanda Coppleman, Marion Grant, A/g CEO, Andrew Wood (COO, AFP), Dave Murphy (AFP), Donna Hall (AFP)

Middle Row (left to right): Brett Sillis, Dee Quigley (AFP), Tori Rosemond, Vanessa Ruff, Kath Chalmers, Phil Watt, Beverley Ratahi, Georgia Koblitz, Tracey Wall, Michelle Marks

Back Row (left to right): Dean Hogarth, James Braithwaite (AFP), Steve Howarth, Eric McCone, Chris Bongers, Nathan Matheson, Jo Prior, Adam Pyne (AFP), Tricia Bowden (AFP), Dana Chick

These ISOs have undergone a number of internal integrity checks. They work in strategically chosen locations across Australia to support areas where high volumes of our workforce are in operation.

The Service's first ISO Induction Workshop conducted in collaboration with the AFP Confidant Network was held in Canberra in late April, 16 ACBPS officers and five AFP officers participated in the two and a half day workshop. This workshop

signifies an important step for the Service in working to stamp out any behaviour that does not uphold the high standards required by officers of our Service.

ISOs will provide our officers with an alternative avenue to report serious misconduct, corruption or criminal activity or simply seek information, support and options to report serious misconduct, corrupt conduct and criminal activity involving ACBPS officers.

LEGAL

The Service operates in an increasingly complex legal environment. Professional legal services are essential to meet our administrative, legislative and policy objectives and we have further developed our in-house legal capacity since the Legal Services Branch was created in 2010.

The in-house Legal Services Branch:

- + advises on the exercise of our statutory powers and functions
- + assists with policy and legislative development
- + manages the Service's legislative program—including this year the passage of 16 Acts through Parliament, the making of numerous Regulations, including regulations for Drug and Alcohol testing and CEO Orders to implement new integrity measures
- + conducts Administrative Appeals Tribunal matters

- + instructs external lawyers in judicial review matters and other court matters
- + advises on employment law, disciplinary and integrity matters
- + provides commercial law advice, including the drafting of contracts—this year that included the drafting of an Internet Gateway contract on behalf of the Service and several other agencies
- + manages freedom of information applications
- + provides a General Counsel function.

The main areas of external legal expenditure are:

- + ACBPS prosecutions which are actions for the recovery of fines and condemnation of forfeited goods under the *Customs Act 1901*
- + other Court matters—including judicial review applications and common law claims
- + international and constitutional law issues
- + other complex Commonwealth law matters
- + WHS advice
- + some commercial law and conveyancing services.

Table 31: ACBPS expenditure on legal services to contracted service providers

	2010–11 (\$)	2011–12 (\$)	2012–13 (\$)
Australian Government Solicitor	4,339,790.27	3,329,475.05	2,682,230.98
Ashurst (formerly Blake Dawson)	—	10,719.19	16,423.73
Clayton Utz	90,721.29	74,130.21	299,375.20
Dibbs Barker	—	—	550.00
King & Wood Mallesons (formerly Malleson Stephen Jacques)	2,928.27	10,253.00	350.90
Middletons	191,066.24	—	—
Minter Ellison	254,027.97	53,411.16	—
Norton Rose	203,370.08	174,650.36	—
DLA Piper (previously DLA Phillips Fox)	95,056.30	28,961.21	—
Proximity Legal	—	192,604.98	34,452.00
Sparke Helmore	35,615.47	4,813.60	1
Total^(a)	5,212,575.89	3,879,018.76	3,021,244.12

(a) Recovered costs are reported exclusive of GST.

Table 32: ACBPS total expenditure on legal services, and number and value of briefs to counsel by gender

	2010–11 (\$)	2011–12 (\$)	2012–13 (\$)
Total external legal services expenditure	5,917,274.39	4,495,988.46	3,637,398.57
Total number of counsel briefed	33	34	25
+ Male counsel briefed	27	30	21
+ Female counsel briefed	6	4	4
Total number of counsel direct briefed	—	—	—
+ Male counsel direct briefed	—	—	—
+ Female counsel direct briefed	—	—	—
Total value of counsel briefs	406,874.47	407,214.64	479,422.88
+ Value of male counsel briefs	378,794.00	352,485.80	433,377.88
+ Value of female counsel briefs	28,080.50	54,728.84	46,045.00
Total disbursements (excluding counsel)	297,824.03	209,755.06	136,731.57
Total professional fees paid	5,212,575.89	3,879,018.76	3,021,244.12
Total internal legal services expenditure	1,897,319.59	2,536,831.70	3,920,379.81
Total costs recovered^(a)	570,839.00	426,329.00	271,131.19

(a) Recovered costs are recorded exclusive of GST.

FINANCIAL MANAGEMENT

Our financial management function is a core accountability mechanism for the Service 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 based on reliable data and analysis. This assists in managing operational or tactical activities to ensure 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.

This year, 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 as well as 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.

We have made significant progress by:

- + continuing to refine our Budget and Resource Management Framework to allocate enabling costs in line with effort
- + addressing and removing a number of ANAO findings
- + successfully implementing a new Expense Management System to support new whole-of-government travel arrangements
- + implementing a financial compliance management and survey system to improve the efficiency of the Certificate of Compliance process.

JOHN STEPHENSON MANAGER, CORPORATE PERFORMANCE AND REPORTING (RETIRED)

John started with ACBPS in Melbourne in 1978 as a Preventive Officer in Training. After 12 months he was put to work patrolling the Melbourne docks equipped with a torch and a radio on the search for pillaged cargo and crews smuggling the likes of transistor radios, a high value item at the time.

In his early years as a Customs Preventive Officer, John moved to Broome, where he joined the crew of *Jacana*, one of three Customs ocean going patrol boats. At this time, several boats with suspected unlawful citizens from Vietnam were arriving on the coastline requiring John to undertake land patrols to several Aboriginal missions, as well as air and sea patrols along with other regular Customs duties.

John worked his way to Captain and continued his marine career in Melbourne. While in Melbourne, John and his three crew were rescued from Port Philip bay after being on board the patrol boat *Sir Harry Wollaston* when it sank. John later moved to Darwin where he patrolled the northern waters, engaged in rescue of distressed vessels and injured crew, and concluded his 16 years of marine duties.

During his career, John has visited Customs organisations in the US and the UK to observe their operations in both the airport and marine areas. John invested in university studies and was awarded a scholarship by Customs. On completion of his degree, he earned a postgraduate scholarship from the Northern Territory University.

In 1997, John moved to office duties in Darwin Customs, which included time as Internal Auditor, Security Adviser, Finance Manager, Manager of Northern Territory Border Operations, Officer in charge of Darwin Airport Operations and Training Manager responsible for new Customs recruits. John moved to Canberra in 2001. Since then, he has spent time in Compliance Assurance Branch, the Ministerial

and Parliamentary Section—including working in the Minister's office over the time of the 2004 tsunami—and the Legislation Management Unit before joining the Corporate Performance Reporting section. In this role, John undertook the certification and executive endorsement of all PBS performance measures. He later undertook a significant project with local industry and the Australian Bureau of Statistics to develop publicly available information on imported containers.

John retired from the Service in June 2013 after 35 years of service and says, "I would not change any part of my challenging and exciting career."



INFRASTRUCTURE AND FACILITIES

We provide our people with high-quality, cost-effective, safe and sustainable accommodation and facilities to meet business needs, both now and into the future.

This year, we invested over \$6.27 million on capital improvements to properties that we occupy. Key capital projects delivered this year include:

- + alteration to the fit-out in Brisbane Customs House to accommodate the newly-established joint taskforce between ACBPS, AFP and the Queensland Police Service
- + alteration to the fit-out in the Melbourne Customs House to accommodate the new Anti-Dumping Commission, as well as the joint taskforce between ACBPS, AFP and Victoria Police
- + refurbishment of Darwin Customs House
- + fit-out of new operational support accommodation within the Melbourne International Airport

- + alteration to the fit-out at Tullamarine Customs House to increase space sub-leased by DAFF
- + fit-out of a new Chancery in Brussels
- + refurbishment of the fit-out of operational training facilities in Fyshwick.

The Service has undertaken a strategic examination of our longer-term accommodation requirements for the ACT and regions. Work will start in early 2013-14 to secure longer-term property solutions in the ACT beyond mid-2016. In major capital cities, work is underway to reduce the current space footprint (within existing buildings) in line with general staff reductions since leases were initiated. Planning and design activities are well advanced to achieve this in Customs House in both

Sydney and Brisbane, where sublet opportunities are permitted.

We continue to embed our 2020 Housing Strategy to support the business priorities and promote staff wellbeing in remote locations. This year we:

- + appointed a new residential property management service provider
- + ceased the leases on 18 Defence Housing Authority houses
- + listed for sale 10 properties that no longer met business requirements
- + purchased new houses in Broome (two), Eden (one), Geraldton (one), Gladstone (three)
- + constructed two new houses in Port Hedland.

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.

This year, we continued to refine and further embed the Service's risk-based strategic planning framework into our strategic and operational planning and resource allocation processes. We strengthened our forward planning process by explicitly incorporating an enterprise risk lens into our annual planning cycle. We did this to ensure identification of the Service's high-level strategic risks and the assignment of risk leads to oversee and coordinate them. Our risk-based strategic planning process is a large, complex undertaking that will be refined and embedded continuously, incorporating input from every area of the Service.

We further strengthened our approach to risk management in early 2013 with the appointment of a senior officer (SES Band 2) to the role of Chief Risk Officer (CRO).

The CRO's responsibilities include:

- + overseeing and advising the Executive on the functioning of the Service's risk and assurance systems
- + escalating issues of concern regarding risks.

The CRO is responsible for our overall approach to managing enterprise risk and escalates risk concerns through having a permanent position on the Executive Committee and through regular reporting to the Operations Committee. The CRO also has responsibility for reporting on risk and assurance related matters to the Audit Committee.

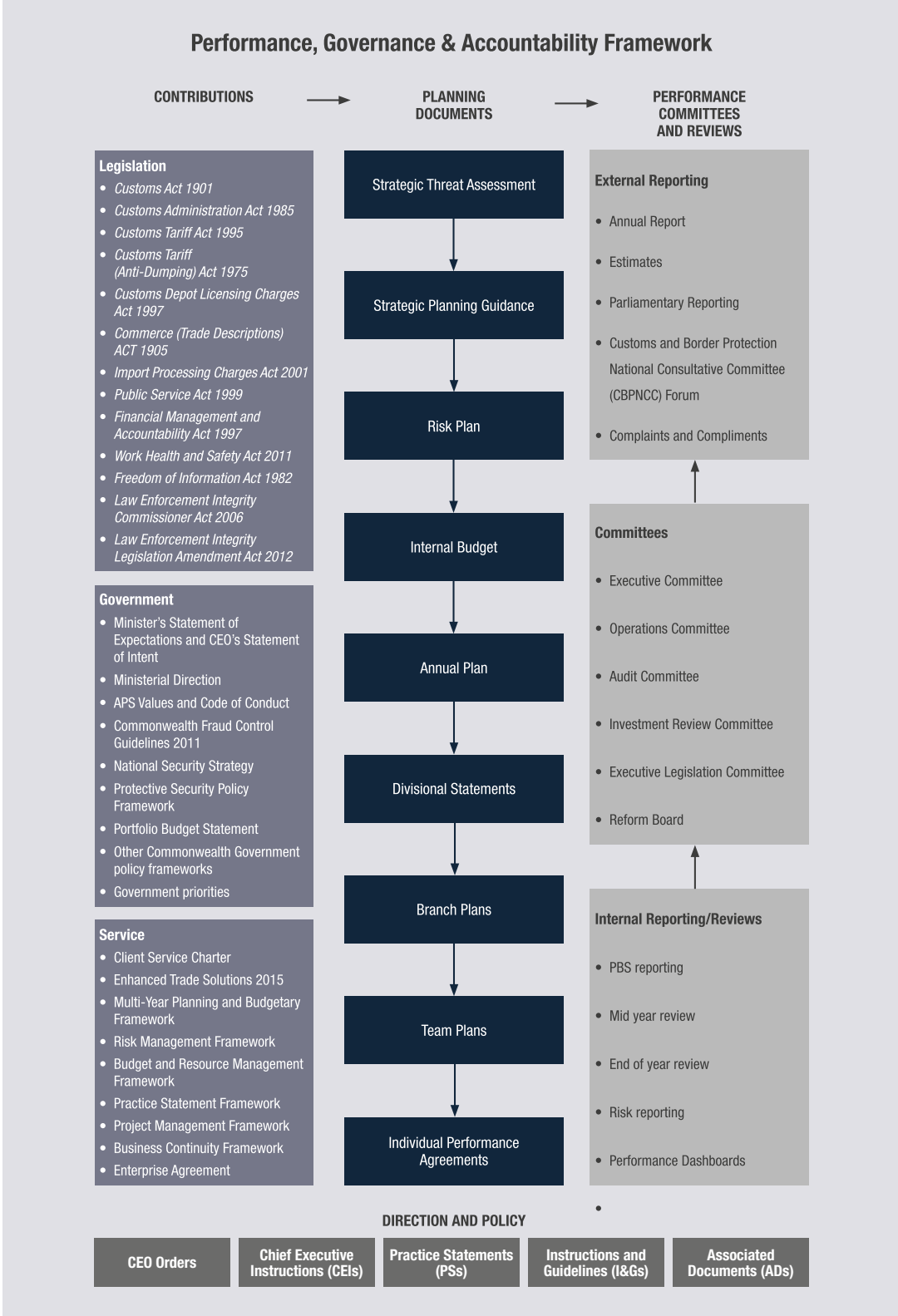
We continued to be supported during the year by internal audit services provided by an outsourced provider, KPMG. We worked closely with KPMG throughout the year to deliver on an extensive program of audit work focused on addressing identified

areas of significant enterprise and strategic risk, including integrity and professional standards, protective security, business continuity and maritime workforce planning. This included a move away from 'a study of enabling functions' toward the current and more holistic enterprise approach in January 2013.

The Corporate Governance Framework diagram below illustrates our overall approach to corporate governance and highlights the linkages between:

- + relevant legislation
- + internal and external inputs
- + corporate planning artefacts, which effectively translate and communicate our commitments in the Portfolio Budget Statement through to our different Service levels.
- + performance reporting, measurement and review, both internal and external.

Figure 7: Our approach to corporate governance



KEY CORPORATE GOVERNANCE INITIATIVES

MATURING OUR PROGRAM MANAGEMENT CAPABILITY

The Service has continued to enhance its capability in portfolio, program and project management. This has been achieved through a variety of initiatives designed to strengthen governance processes and ensure that the portfolio of programs and projects are delivered on time and within budget.

We have adopted a more program-focused management approach through a rigorous process of identification, prioritisation and integration of comprehensive strategic investment proposals, project proposals and business cases.

We have maintained a focus on strengthening internal governance arrangements required for the oversight and management of programs and projects. The initiatives outlined below are illustrative of the improvements to strengthen the Service's governance framework:

- + implementing the Service's Project Management 2012–2017 Capability Improvement Plan and Strategic Roadmap
- + progressing a prioritisation model to govern investment in change initiatives and ensure the right strategic intent and business outcomes are considered in the project prioritisation process
- + mapping existing and new change initiatives to program and project governance steering committees, consolidating these where possible and ensuring there is appropriate membership commensurate with the complexity and size of projects and programs
- + developing and delivering a tailored Project Management Steering Committee Training with assistance from external providers
- + targeting development of the existing project framework to incorporate program level policies, practices and procedures
- + developing an integrated view of project risk across the Service's portfolio of change initiatives.

PROJECT MANAGEMENT CAPABILITY REVIEW AND CAPABILITY IMPROVEMENT PLAN

A second external independent assessment of the Service's capability in Portfolio, Program and Project Management using the P3M3® methodology was conducted in mid-2012. The Service maintained its maturity rating and we have improved markedly in a number of assessed areas and have redefined our targeted maturity ratings.

Through the implementation of our five-year capability improvement plan, we have implemented a number of better defined processes for the delivery of our portfolio of programs and projects. The development of practices, policies and procedures has resulted in a stronger focus on benefit realisation through changes to monthly reporting and assurance processes. This has helped to facilitate a holistic view of benefits across the Service.

SENIOR MANAGEMENT COMMITTEES AND THEIR ROLES

This year, we revised our high-level governance and committee structures to better facilitate decision-making in support of our broader Reform Programme. All arrangements were revisited to improve accountability, decision-making authority and reporting arrangements. Some changes to committee structures have already occurred while others will be implemented during 2013-14.

There are two primary committees that support the CEO. The Executive Committee (EC) advises the CEO on matters relating to the positioning of the agency for the future while the Operations Committee (OC) is operationally focused, particularly around responding to the challenges of today. The list below represents the current picture of high-level committees:

EXECUTIVE COMMITTEE

Chair: *CEO*

Members: *Deputy CEO, Border Enforcement and Deputy CEO, Border Management and Chief Operating Officer, Chief Financial Officer, National Director Reform and National Director Integrity, Security and Assurance*

Other Attendee: *Chief of Staff*

The EC 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, Border Management and Chief Operating Officer*

Members: *Deputy CEO, Border Enforcement and all National Directors*

The OC is a forum to discuss our operational performance and issues that are facing our current operational environment. The Chief Operating Officer chairs the committee. The OC provides a line of sight to the EC so that key decision makers understand how and to what extent key inputs are enabling progress towards ACBPS outputs and outcomes.

The committee meets every month and may refer matters to the EC or the CEO for decision or information.

The OC agenda comprises of work health and safety, project assurance, enterprise assurance, integrity and security, finance and workforce.

OTHER KEY COMMITTEES

Several other committees support the work of the EC and OC:

AUDIT COMMITTEE

Chair: *Deputy CEO, Border Management and Chief Operating Officer*

Members: *National Director, Cargo and Trade; 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 service's risk, control and compliance framework and on the service'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, and
- + obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at ACBPS' expense.

The Internal Audit Section of the agency, which reports to and derives its authority from the committee, supports the Audit 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.

In 2013–14, the Audit Committee will be refocusing attention to include more explicit consideration around risk assurance. This will not change the core function of the Committee, but rather is reflective of the enhanced emphasis within ACBPS on enterprise risk as a core governance function.

EXECUTIVE LEGISLATION COMMITTEE (NOW ABOLISHED)

Chair: *CEO*

Members: *Deputy CEO, Border Enforcement; Deputy CEO, Border Management and Chief Operating Officer; National Directors; and General Counsel*

The role of the Executive Legislation Committee was to establish strategic priorities to support effective management and governance of our legislation program. The committee played a role in monitoring agency risk processes to ensure that legislative options were considered when dealing with risks that posed a threat to the agency. This Committee was abolished in December 2012 and the legislation program now sits within EC.

INVESTMENT REVIEW COMMITTEE

Chair: *Chief Financial Officer*

Members: *All National Directors and National Manager, Property, Procurement and Project Assurance*

The Investment Review Committee (IRC) is a whole-of-agency advisory board to the Executive and makes funding recommendations to both the EC and OC on the ACBPS investment (both capital and operating) budget across its portfolio of projects. While not a formal governance board, the committee complements various project governance boards that primarily focus on project delivery.

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. These forums include:

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.

BORDER MANAGEMENT GROUP

We have 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 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 16 border agencies. Our Deputy CEO, Border Management and Chief Operating Officer is the chair of the group and the Service provides secretariat support. The Border Management Group is the interdepartmental committee for our Reform Programme.

AUSTRALIAN CRIME COMMISSION BOARD

The ACC was established under the *Australian Crime Commission Act 2002* as a statutory authority to combat serious and organised crime. The ACC Board is one of the main mechanisms responsible for scrutiny of the ACC, as is the Parliamentary Joint Committee on Law Enforcement. The ACC Board assists in ensuring the appropriate use of ACC powers and provides general oversight of, and direction to, ACC activities.

Through membership of the ACC 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, Border Enforcement are representatives.

DEPUTY SECRETARIES STEERING COMMITTEE

The Deputy Secretaries Steering Committee is a bilateral committee between the Service and DIAC. The Committee was established in 2007 and operates to formalise and strengthen the strategic relationship between the two agencies. It is used as a forum to discuss and progress matters of interest to both agencies and activities covered by the memorandum of understanding between the two agencies. The Department Secretaries Steering Committee reports to our CEO and the Secretary of DIAC.

STRATEGIC WORKING GROUP

The Strategic Working Group of ACBPS and DAFF was established in 2010 to formalise the strategic relationship between the two agencies. The primary role of the Strategic Working Group is to formalise and strengthen the strategic relationship between the two agencies and coordinate activities—covered by the memorandum of understanding—

to deliver greater efficiencies and improvements to Australia's operations at the border.

INTERNATIONAL ENGAGEMENT

The Service engages with international counterparts in the delivery of its three key functions: enforcement, facilitation and industry support. Our engagement covers a broad range of issues and capacity building initiatives. The Service has developed an International Engagement Strategy to guide collaboration and connectivity with international counterparts, including taking a leading role in customs-specific multilateral forums such as:

- + World Customs Organization Vice-Chair of the Asia Pacific Region
- + Asia-Pacific Economic Cooperation Sub-Committee on Customs Procedures
- + Asia-Europe Meeting Working Group on Customs Matters
- + Border Five (Australia, Canada, UK, US and New Zealand).

Our relationship with global multilateral organisations provides the opportunity to understand emerging risks and influences on the development of international regulations, standards and cooperative frameworks.

The Service also actively contributes to Australia's whole-of-government multilateral negotiations, including United Nations Arms Trade Treaty and the Anti-Counterfeiting Trade Agreement.

The Service's overseas posts are at the forefront of our engagement with international partner agencies and representation in relevant fora.

LEIGHTON MORVELL MANAGER, INTERNATIONAL COORDINATION

Having worked in a variety of roles within ACBPS, including positions in Compliance, Trade and Airport Operations, Leighton took the opportunity in 2010 to fulfil a career ambition to work overseas.

The role of team leader for the Customs Modernisation Program saw him pack up his belongings and head to Honiara, the capital of the Solomon Islands.

The Service also sent Leighton on a week-long familiarisation visit to Honiara—an opportunity to get his bearings and confirm that a posting to a country offering the challenges of basic infrastructure, a climate where humidity regularly hits 99 per cent and a constant state of heightened security awareness, was something he was willing to undertake.

Despite the challenges of the working environment, the experience of living and working in the Solomon Islands has been an overwhelmingly positive, albeit humbling one.

“This opportunity completely removed me from my comfort zone. Living in a developing country meant that I could never take anything for granted,” Leighton said.

“Life was simple but came with restrictions. I have a new found respect for the working conditions we have in Australia—we are very fortunate by comparison.”

The focus of his work was on developing and improving local governance frameworks—these included conducting a legislative review and the modernisation of information and communication technology practices used in the Solomon Islands Customs and Excise Division.

The process of effecting change was not always a speedy one. Although the results were satisfying, it could take months to work through what might appear to be relatively straightforward issues by Australian standards.

Leighton describes the process of adjusting the way he had worked in Australia, as “recalibrating my expectations”.

When trying to achieve a particular outcome, Leighton found there was an enormous amount to learn by adapting any preconceived views or expectations he might have had.





PART 5

ACCOUNTABILITY AND RESOURCE MANAGEMENT

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ACCOUNTABILITY

The Service is accountable to the Australian Government—through the Minister for Home Affairs—and to the Australian National Audit Office (ANAO), Parliamentary Committees and the Commonwealth Ombudsman. We also have a Client Service Charter and standards that establish benchmarks for service delivery to the community, industry and other stakeholders.

EXTERNAL SCRUTINY

AUSTRALIAN INFORMATION COMMISSIONER

The Service was notified of one complaint made to the Australian Information Commissioner during the year. The complaint was made by an officer of ACBPS who was concerned with the Service’s collection of

his personal information from his medical practitioner. The Information Commissioner is currently investigating the complaint.

JUDICIAL DECISIONS OR DECISIONS OF ADMINISTRATIVE TRIBUNALS

This year, we were 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 number of applications and requests for reasons under the *Administrative Decisions (Judicial Review) Act 1977* and Federal Court judicial review matters from 2010–11 to 2012–13 are shown below.

Table 33: Federal Court judicial review applications and *Administrative Decisions (Judicial Review) Act 1977* requests for reasons

	2010–11	2011–12	2012–13
Federal Court applications for review	1	5	1
Requests for statement of reasons	—	2	5
Matters settled during the year	—	—	—
Matters withdrawn during the year	—	2	—

Table 34: Federal Court decisions in judicial review matters

	2010–11	2011–12	2012–13
Matters resolved in favour of ACBPS	2	—	—
Matters resolved against ACBPS	1	—	—
Total	3	—	—

ADMINISTRATIVE APPEALS TRIBUNAL CASES

Table 35: Administrative Appeals Tribunal applications for review (s37)

	2010–11	2011–12	2012–13
Tariff classification and Schedule 4 items	12	4	10
Valuation and origin	4	—	1
Tariff Concessions	5	15	25
Refunds	—	—	2
Freedom of information	—	—	—
Other	—	1	1

Table 36: Administrative Appeals Tribunal decisions handed down

	2010–11	2011–12	2012–13
ACBPS decisions set aside	2	2	3
ACBPS decisions affirmed	4	1	5
Tariff classification and schedule 4 items	3	2	3
Valuation and origin	—	—	—
Tariff concessions	2	1	4
Freedom of information	1	—	—
Other	—	—	1
Total decisions affirmed and set aside	6	3	8

Table 37: Federal Court appeals from decisions by the Administrative Appeals Tribunal

	2010–11	2011–12	2012–13
Appeals resolved in favour of ACBPS	1	2	—
Appeals resolved against ACBPS	—	—	—
Tariff Classification and Schedule 4 items	—	—	—
Valuation and origin	—	—	—
Tariff concessions	—	2	—
Other	—	—	—
Total appeals in favour and against	1	2	—

Table 38: Matters resolved before being heard by the Administrative Appeals Tribunal

	2010–11	2011–12	2012–13
Matters withdrawn/dismissed (section 42A)	12	9	9
Matters settled by consent (section 42C)	1	5	11
Tariff Classification and Schedule 4 items	4	4	3
Valuation and origin	—	2	—
Tariff concessions	9	5	15
Refunds	—	1	2
Freedom of information	—	—	—
Other	—	2	—
Total matters dismissed and settled	13	14	20

Table 39: Administrative Appeals Tribunal requests for reasons (s28)

	2010–11	2011–12	2012–13
Tariff classification and Schedule 4 items	1	—	—
Valuation and origin	—	—	—
Tariff concessions	—	—	—
Refunds	—	—	—
Freedom of information	—	—	—
Other	—	—	—
Total requests for reasons	1	—	—

Thiess v Collector of Customs and Ors [2013] QCA 54

Mr Thiess paid duty and consequential GST on the importation of a yacht due to the wrong tariff classification being declared in the import entry for the yacht. The yacht should have been entered under a duty free classification. The mistake was not discovered until after the period to apply for a refund had expired, and for that reason, we

refused to pay any refund. Mr Thiess sued for recovery of the customs duty and GST. The Queensland Court of Appeal held that:

- + s.167(4) of the *Customs Act 1901* acted as a bar for common law actions for the recovery of overpaid customs duty
- + the refund provisions of the *Taxation Administration Act 1953* prevented common law actions for the recovery overpaid GST

- + those provisions did not amount to “an acquisition of property otherwise than on just terms” contrary to s.51(xxxi) of the Constitution.

Mr Thiess has filed an application for special leave to appeal to the High Court.

MAJOR LEGISLATIVE AMENDMENTS

Sixteen ACBPS-related Acts were passed in parliament during the year. The significant Acts are listed below:

- + *Customs Amendment (Anti-Dumping Commission) Act 2013*—established the Anti-Dumping Commission within the ACBPS Portfolio, more information on the Commission can be found in Part 2—PBS Program 1.2: Trade Facilitation on page 24.
- + *Customs Amendment (Malaysia-Australia Free Trade Agreement Implementation) Act 2012* and *Customs Tariff Amendment (Malaysia-Australia Free Trade Agreement implementation) Act 2012*—made the necessary legislative amendments to implement the Malaysia-Australia Free Trade Agreement.
- + *Customs Amendment (Smuggled Tobacco) Act 2012*—introduced a new criminal offence for smuggling tobacco or tobacco products.
- + *Customs and AusCheck Legislation Amendment (Organised Crime and Other Measures) Act 2013*—made a number of amendments including placing obligations on cargo terminal operators and handlers and introducing a new criminal offence for using restricted information held by ACBPS to aid a criminal organisation.
- + *Law Enforcement Integrity Act 2013*—introduced a drug and alcohol testing regime and the power of the CEO to make orders in relation to the conduct of the Service, including in relation to the mandatory reporting of corrupt conduct or serious misconduct within the Service. These new powers have strengthened the

integrity measures available to the Service and the ability to detect and fight corruption.

PARLIAMENTARY COMMITTEE REPORTS

There were no parliamentary committee reports into the operations of the Service during 2012–13.

COMMONWEALTH OMBUDSMAN

The Service received eight approaches from the Commonwealth Ombudsman this year. The Ombudsman complaints and issues table provides information on ACBPS-related approaches and complaints to the Commonwealth Ombudsman in 2012–13 and the previous two years.

Table 40: Ombudsman complaints and issues, 2010–11 to 2012–13

	2010–11	2011–12	2012–13
Number of approaches received	12	6	8
Number of approaches finalised	11	5	7 ^(a)
Findings of administrative deficiency following investigation	2	—	1
Decided not to investigate, or not to investigate further	8	4	7
Own motion investigations	1	—	—

(a) Two of these approaches were received in 2011–12.

REPORTS BY THE AUDITOR-GENERAL

The Auditor General completed one audit of our operations during the year – *Management of Detained Goods*.

On 1 May 2013, the ANAO tabled an audit into our management of detained goods, assessing the effectiveness of our arrangements for managing their safe and secure storage and disposal.

The ANAO concluded that our administrative and control framework is generally sound and noted a 44 per

cent increase in the number of items detained at the border since 2007–08.

The ANAO noted the proactive work we are doing to address matters raised during the audit, with three recommendations required to improve the management and administration of detained goods further. We have accepted and implemented these recommendations, as follows:

- + developed improved reporting on the performance of Temporary Storage Facilities through inclusion of information on their performance in monthly reports

- + conducted a risk assessment of the Detained Goods Management System, resulting in increased training regimes for staff to maintain consistent data entry and system access review
- + assessing the cost of enhancing the CCTV coverage of armouries contained in detained goods management. Further work to enhance CCTV coverage of armouries in detained goods management is required and a proposal is underway to action this.

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 we are open and accountable to the public.

We welcome feedback on the range of services we provide and we monitor that feedback to identify areas

for improvement. Members of the community and industry can provide feedback through a detachable portion of our Complaints and Compliments brochure, available on our website, by telephone, mail or email, or by speaking directly to one of our officers. The tables below outline the compliments and complaints received this year.

We aim to respond to all complaints and compliments within 15 working days. Our average response time

this year for complaint cases was 20 working days with our average response time for compliments being two days.

We received and investigated 1,371 complaints this year, compared to 1,154 complaints received and investigated in the last year. This represents a 15.8 per cent increase overall from 2011–12.

Table 41: Our top five complaint sentiments

Sentiment	2012–13
Hold not removed	289
Officer was rude	130
Queue delay	125
Goods were damaged	69
SmartGate	64

Table 42: Our top five compliment sentiments

Sentiment	2012–13
Appreciated assistance	100
Officer was helpful	93
Officer/s was professional	39
Process was efficient	20
Officer/s was friendly	19

Table 43: Ratio of complaints to cargo, passenger and client service volumes, 2010–11 to 2012–13

	Ratio 2010–11	Ratio 2011–12	Ratio 2012–13
Complaints to compliments	3:1	3.2:1	4.18:1
Complaints to air and sea passengers movements ^(a)	1:61,720	1:68,574	1:58,814
Complaints to TEU inspected at Container Examination Facility ^(b)	1:1,922	1:881	1:1,227
Complaints to ACBPS Information and Support Centre contacts ^(c)	1:7,081	1:14,171	1:19,033

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 Twenty-foot Equivalent Units sea cargo containers (TEU) inspected at Container Examination Facilities (CEF).

(c) All ACBPS Information and Support Centre (CI&SC) related complaints made to CI&SC contacts.

MINISTERIAL REPRESENTATIONS

This year, the Minister for Home Affairs received 1,639 items of correspondence related to ACBPS operations. We provided the

Minister with advice on the 1,448 items that required a response.

We also supplied the Minister with 709 briefings on ACBPS related matters, as detailed in the tables below.

Table 44: Ministerial correspondence and briefings

	2010–11	2011–12	2012–13
Ministerial correspondence received on ACBPS related matters	3,166	2,225	1,639
Ministerial briefings provided by ACBPS	397	460	709

Table 45: Questions on notice directed to ACBPS

	2010–11	2011–12	2012–13
Questions on notice received from the House of Representatives	2	43	19
Questions on notice received from the Senate	8	14	17
Questions on notice received from Senate Estimates	53	147	203

RESOURCE MANAGEMENT

We place a strong focus on ensuring that mechanisms are in place to facilitate the most efficient and effective deployment of the Service's resources to where they are needed. By implementing sound financial governance arrangements to support the management of our asset and procurement arrangements, we have been able to optimise the delivery of its core activities while minimising resource use.

The ongoing review and refinement of our governance framework has resulted in continued improvements to the Service's financial systems, our policies and procedures, business processes as well as the quality of advice provided – all of which have contributed to a robust controls environment.

This controls environment has ensured a high-level of compliance with our financial and resource management responsibilities. In addition, the governance framework has enabled us to maximise performance by taking a more risk-based approach to establishing internal controls by eliminating unnecessary processes, focusing on automating processes wherever possible. This has ensured that timely and targeted information is available to assist the better management and monitoring of performance.

The key processes in place that support the effective and efficient resource within the Service include:

- + coordinating the contribution into the Commonwealth's budget processes
- + actively managing the internal budget and allocations in line with our strategic direction and priorities
- + actively managing the capital investment program by aligning capital investment with key ACBPS and government priorities. This ensures all investment proposals are considered by the Investment Review Committee, with final investment decisions made by the CEO
- + 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 (DoFD)
- + continually reviewing Chief Executive Instructions and other financial policies and delegations to ensure compliance with financial and procurement policies without compromising the efficient and effective delivery of functions.

ACHIEVEMENTS AND CHALLENGES

IMPLEMENTATION OF NEW WHOLE-OF-AUSTRALIAN-GOVERNMENT TRAVEL ARRANGEMENT

The Whole-of-Australian-Government travel arrangements are coordinated procurements established by the DoFD covering all travel services including data requirements and payment method. These arrangements provide the government with greater purchasing power to obtain better pricing and value for money outcomes. They also reduce the administrative cost of procurement activities for agencies and suppliers and promote simplicity and efficiency for official travel.

We have successfully implemented phase two of these arrangements this financial year in accordance with transition deadlines set by DoFD. This included entering new arrangements for accommodation, car rental and travel card facilities and the transition of two current vendors that provide travel management services and car rental. In addition, introducing the mandatory travel card necessitated the implementation of an expense management system. We sourced this through an open tender process and integrated it into our existing financial systems.

STREAMLINED ELECTRONIC PROCUREMENT AND CONTRACT MANAGEMENT SYSTEM

In September 2011, we approached the market to purchase a commercial off-the-shelf product to deliver a configurable procurement and contract management solution.

In January 2012, we entered into a contract with Eclipse Computing Pty Ltd to deliver a product named Proactis (since rebranded as Value for Money Vendor Management (V2M2)).

We have since released two functionalities of the modules, with the remaining to be released in 2013–14.

V2M2 will deliver an end-to-end solution to replace the current manual procurement and contracting process, currently facilitated by the national procurement and contracting section, with a system initiated electronic workflow.

The product includes various scenarios involved with the procurement and contract management functionalities such as approval, sourcing and evaluation, contract award, tender recommendation and supplier relationship management.

ASSET MANAGEMENT

Asset management continued to be an area of focus. During the year, the ANAO recognised the ongoing improvements made in our Asset Management Framework, all audit findings from previous years were resolved and closed. We continue to refine and strengthen our asset management practices to ensure continued compliance with accounting standards and better practice.

As at 30 June 2013, we held non-financial assets with a value of \$606.1 million. This compares to \$590.7 million at 30 June 2012. The rise reflects the net addition of a number of assets acquired during the year—the most significant being new *Cape Class* vessels.

PURCHASING

We operate within the Commonwealth's financial management framework, of which the procurement policy framework is a subset. We have Chief Executive Instructions to assist our staff to interpret the procurement policy and management frameworks and to meet their procurement obligations.

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 Rules (CPRs)*.

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 CPRs. 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

We engage consultants where we require 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 our decision-making.

Before engaging consultants, we take 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 CPRs and relevant Chief Executive Instructions and supporting documents.

The majority of our consultancies are sourced from the Service's Consultancy and Business Panel; however, open tender, select tender and direct source procurement methods are also used.

This year, 24 new consultancy contracts were entered into totalling actual expenditure of \$3,298,073.40. In addition, 24 ongoing consultancy contracts were active in 2012–13, involving total actual expenditure of \$2,347,477.24.

Table 46 shows the number and value of consultancy contracts entered into during 2012–13 as well as the previous two years.

Table 46: Number and value of consultancy contracts entered into, 2010–11 to 2012–13

Financial Year	2010–11	2011–12	2012–13
Number of consultancy contracts	47	42	24 ^(a)
Actual expenditure	\$3,639,413	\$4,450,981	\$10,063,203 ^(a)

(a) For 2012–13, one new consultancy (contract value of \$7.8 million) was for the engagement of a Reform partner, responsible for working with the Reform Task Force to develop a major transformation program including change management aspects and a first and second pass business case.

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 website⁵.

ANAO ACCESS CLAUSES

Our officials only enter into arrangements that represent proper use of Commonwealth resources and, in particular, are

not inconsistent with the policies of the Commonwealth. ACBPS standard contract terms provide the Auditor-General access to contractor's premises and records as part of the arrangements.

EXEMPT CONTRACTS

The Service did not enter into any contracts that were exempt from being published on AusTender in 2012–13.

GRANTS PROGRAMS

Information on grants awarded by ACBPS during the period 1 July 2011 to 30 June 2012 is available on our website⁶. We made four grant payments during the year.



A wharf at one of our Australian locations

⁵ www.tenders.gov.au/?event=public.home

⁶ <http://www.customs.gov.au/site/grants.asp>

HUMAN RESOURCE MANAGEMENT

Our workforce spans over 50 locations around Australia and internationally. At 30 June 2013, we employed 5,516 ongoing and non-ongoing employees under the *Public Service Act 1999*.

IMPROVING PRODUCTIVITY

TRAINING AND DEVELOPMENT INITIATIVES

Our focus this year has been to strengthen staff engagement, communication and leadership capability across the Service. Strategies have included:

- + development of our Induction Program for new starters to introduce them to our priorities and values so they can quickly become a productive member of the Service
- + rollout and refinement of a number of leadership programs, such as Listen Respect Lead, to improve staff engagement, set a common framework for behaviours and build skills in guiding, coaching and leading others
- + divisional process improvements such as the removal of unnecessary manual activities.

In addition to these strategies, there was focus on the improvement of practices to support future training requirements by the:

- + establishment of the Training Governance Committee, formed with representatives from across the Service to provide specialist support and guidance for training initiatives
- + continuous improvement of training materials and enhancement of delivery methods for the ACBPS Trainee Program
- + updating and improving mandatory e-learning packages to assist staff knowledge and development.

OUR WORKFORCE

Compared to our workforce of 2011–12, we:

- + increased the number of staff working on a part-time basis (an increase of 34)
- + increased the proportion of women employed in our workforce by 0.1 per cent to 42.7 per cent of our workforce
- + increased the number of staff posted to overseas offices by 3 to a total of 17
- + decreased the number of ACBPS trainees to a total of 32
- + reduced our total headcount across the Service by 155.

The decrease in headcount was spread across most state and regional offices. The largest percentage decrease was in Tasmania (a decrease of 38 per cent) and the largest percentage increase was in South Australia (an increase of 8.5 per cent).

Tables 47 to 50 provide statistics on staffing by gender, classification, location and employment status and comparisons with figures for 2010–11 and 2011–12.

WORKFORCE STATISTICS

Table 47: Staff numbers by gender, 2010–11 to 2012–13

	2010–11	2011–12	2012–13
Female	2,389	2,415	2,357
Male	3,285	3,256	3,159
Total	5,674	5,671	5,516

Table 48: Staff numbers by classification and gender from 30 June 2011 to 30 June 2013

	30 June 2011		30 June 2012		30 June 2013	
	Male	Female	Male	Female	Male	Female
Indigenous Cadets	1	6	2	3	1	2
ACBPS Trainees	33	27	31	31	10	7
ACBPS Graduate Trainees	8	11	15	16	9	23
Customs Level 1 (Customs Officers)	1,351	1,043	1,306	1,030	1,288	1,007
Customs Level 2 (Senior Customs Officers)	777	612	779	610	771	585
Customs Level 3 (Customs Supervisors)	616	376	596	420	569	406
Customs Level 4 (Customs Managers)	321	203	346	210	342	231
Customs Level 5 (Customs Directors)	140	86	149	75	131	75
Senior Executive Service (SES) ^(a)	38	25	32	20	38	21
Total	3,285	2,389	3,256	2,415	3,159	2,357

(a) Includes ongoing SES employed under the *Public Service Act 1999*, non-SES employees on higher duties and the CEO.

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 ACBPS human resource information systems). Financial statements report on staff numbers by average staffing levels.

PLANNING FOR OUR FUTURE WORKFORCE

The ability to attract and retain a workforce that will enable the Service to deliver on future border outcomes is essential. This issue has been a significant priority over the past year,

as evidenced by the identification of the first track of reform, our people and operating model.

There are two workforce related transformations in the Blueprint, 'culture, leadership and integrity' and 'workforce'.

Over the past year the Service has focused on research, analysis, early concept development and planning stages relating to our future workforce. We will now enter a more detailed design and consultation phase.

Table 49: Staff numbers by location and classification as at 30 June 2013

	ACT	NSW	VIC	QLD	SA	WA	TAS	NT	Overseas
Indigenous Cadets	1	1	—	1	—	—	—	—	—
ACBPS Trainees	17	—	—	—	—	—	—	—	—
ACBPS Graduate Trainees	—	—	—	—	19	—	—	13	—
Customs Level 1 (Customs Officers)	270	704	495	425	75	258	7	61	—
Customs Level 2 (Senior Customs Officers)	379	326	274	183	52	98	7	37	—
Customs Level 3 (Customs Supervisors)	505	144	148	78	22	59	3	16	—
Customs Level 4 (Customs Managers)	412	50	42	33	10	15	1	4	6
Customs Level 5 (Customs Directors)	152	14	14	10	1	4	—	1	10
Senior Executive Service ^(a)	50	2	3	2	—	1	—	—	1
Total	1,786	1,241	976	732	179	435	18	132	17

Note: Figures include staff employed under the Public Service Act 1999, staff on leave, higher duties and staff on loan from other agencies. Figures do not include contractors. Numbers reflect the actual occupancy (headcount derived from ACBPS Human Resource Information Systems). Financial statements report on staff numbers by average staffing levels.

(a) Includes ongoing SES employed under the Public Service Act 1999, and includes non-SES staff on higher duties and the CEO.

Table 50: Staff numbers by full-time and part-time status and classification as at 30 June 2011, 30 June 2012 and 30 June 2013

	30 June 2011		30 June 2012		30 June 2013	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Indigenous Cadets	7	—	5	—	3	—
ACBPS Trainees	50	10	41	21	—	32
ACBPS Graduate Trainees	19	—	31	—	17	—
Customs Level 1 (Customs Officers)	1,949	445	1,880	456	1,814	481
Customs Level 2 (Senior Customs Officers)	1,270	119	1,257	132	1,228	128
Customs Level 3 (Customs Supervisors)	917	78	929	87	888	87
Customs Level 4 (Customs Managers)	484	40	510	46	529	44
Customs Level 5 (Customs Directors)	202	6	220	4	198	8
Senior Executive Service ^(a)	63	—	52	—	59	—
Total	4,976	698	4,925	746	4,736	780

(a) Includes ongoing SES employed under the Public Service Act 1999, non-SES staff on higher duties and the CEO.

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 ACBPS Human Resource Information Systems). Financial statements report on staff numbers by average staffing levels.

STAFF ATTRITION AND RETENTION

Our attrition rate this year was 6.85 per cent compared to 6.71 per cent for the previous year.

Workforce adjustment in 2012–13 was facilitated through consultation and planning across all divisions of the Service to ensure that employee and business capability, particularly in frontline areas, continued to be maintained. Adjustments were achieved largely through natural attrition. Some voluntary redundancies were offered and accepted. There were no involuntary redundancies.

The Service processed 168 employee commencements and 142 promotions this year. Workforce separations comprised:

- + 186 resignations
- + 51 transfers to other Australian Public Service agencies
- + 68 retirements
- + 78 voluntary redundancies
- + no dismissals⁷
- + 16 contract expirations
- + 4 separations for other reasons.

EMPLOYMENT AGREEMENTS

ENTERPRISE AGREEMENT

The Enterprise Agreement 2011–2014 has been in place since 23 December 2011. The agreement has a nominal expiry date of 30 June 2014. It covers pay and conditions for all non-SES employees, of which there were 5,446 as at 30 June 2013. Table 51 shows the current salary ranges for employees covered by the agreement.

As provided for in the agreement, a number of Reviews of Conditions were conducted in 2012–13 and included the Primary Line Function Activity Assessment, Performance Assessment and Feedback, Computer Forensic Officers and Marine Unit sea-going Engineers Review.

Joint working parties that included management, staff and union representatives conducted the Reviews. Where Reviews have been finalised, we have implemented endorsed outcomes where they have not required a change to the agreement. Where endorsed outcomes would require a change to the agreement, we will consider these as part of the negotiations for the next enterprise agreement.

A Marine Unit Engineer Cadet Program, which also formed part of the current Agreement, has been developed and implemented this year.

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.

As at 30 June 2013, there were no non-SES employees covered by an Australian Workplace Agreement or by a Determination under s.24(3) of the *Public Service Act 1999*.

As at 30 June 2013, 15 of our substantive SES employees had Australian Workplace Agreements. There is no intention—at this time—to replace the 15 existing Australian Workplace Agreements as the terms and conditions contained in them are the same as the terms and conditions in the s.24(1) Determinations.

The remaining 29 substantive SES employees had their terms and conditions covered by a determination under section 24 of the *Public Service Act 1999*.

As at 30 June 2013, there are no supplementary arrangements via s.24(1) Determinations.

⁷ Some of the officers arrested following operations at Sydney Airport chose to resign before formal code of conduct inquiries were completed.

INDIVIDUAL FLEXIBILITY ARRANGEMENTS

The 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 arrangements about when work is performed, allowances, remuneration and leave. As at 30 June 2013, 75 non-SES employees had agreed individual flexibility arrangements in place.

COMMON LAW CONTRACTS

As at 30 June 2013, there are no Common Law Contracts in place.

REMUNERATION

Our remuneration policy operates in accordance with the government policy framework that applies to the Australian Public Service.

SENIOR EXECUTIVE REMUNERATION

The Remuneration Tribunal sets remuneration and conditions for our CEO. 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/Deputy Chief Executive

Officer Border Management and the Deputy Chief Executive Officer Border Enforcement.

The base salary ranges for senior executives this year were as follows:

- + SES Band 1:
\$143,126 – \$193,412
- + SES Band 2:
\$179,515 – \$242,214
- + SES Band 3:
\$227,786 – \$275,000

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 or higher performance.

Table 51: Staff classification, Australian Public Service–equivalent level and salary range as at 30 June 2013

Customs Classification	APS Level	Salary range (\$)
Indigenous Cadets	NA	42,025 – 47,379
ACBPS Trainees	NA	42,025 – 47,379
ACBPS Graduate Trainees	NA	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 – 106,699
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 the year, out of a possible 52 substantive SES employees, 48 received performance pay. The total amount of performance pay for senior executives was \$733,119.

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 this year are provided in the tables 52 and 53.

Table 52: Number of staff who rated as 'performed above agreed requirements', by classification, 2012–13

	CL 1	CL 2	CL 3	CL 4	CL 5	Total
Number of staff who rated as 'performed above agreed requirements'	24	50	100	89	44	307

CL = Customs Level

Table 53: Performance pay outcomes (enterprise agreement), 2011–14

	CL 1	CL 2	CL 3	CL 4	CL 5	Total
Number of staff receiving bonus	1,134	955	626	376	110	3201
Total amount paid (\$)	1,425,143	1,420,721	1,217,365	985,212	392,924	5,441,365
Bonus amount average (\$)	1,257	1,488	1,945	2,620	3,572	NA
Minimum bonus paid (\$)	244	79	61	9	56	NA
Maximum bonus paid (\$)	3,038	3,709	4,261	5,335	7,014	NA

NON-SALARY BENEFITS

A range of non-salary benefits is 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.

WORKFORCE DIVERSITY

The Service is committed to a diverse workforce and seeks to embed the principles of equity and diversity in our day-to-day business and people management. We value and harness the diversity of our workforce and promote awareness of our policies on workplace diversity, respect and courtesy at work.

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 a Harassment Contact Officer Network.

We are further enhancing our workplace diversity reference documentation as required by government through the development of an Agency Multicultural Plan. This Plan will ensure we meet the whole of government standards when dealing with people from culturally and linguistically diverse backgrounds. The Agency Multicultural Plan will be available on our website in July 2013.

The recently established Disability Advisory Committee has developed the Disability Action Plan 2013–2016, which will also complement existing workplace diversity policies.

We continue to participate in celebrating Indigenous events with particular emphasis on National Aboriginal and Islander Day Observance Committee Week.

A revised ACBPS Reconciliation Action Plan 2013–16 will be finalised in July 2013. This Plan is our commitment to “closing the gap”, between Indigenous and non-Indigenous Australians.

The Reconciliation Action Plan Working Group was instrumental in completing the plan.

Table 54 shows representation of staff within workplace diversity groups.

Table 54: Representation of equity and diversity groups by staff classification as at 30 June 2013^(a)

	Female		Non-English-speaking background ^(b)		People with disabilities		Indigenous	
	No.	%	No.	%	No.	%	No.	%
Indigenous Cadets	2	66.67	—	—	—	—	3	100.0
ACBPS Trainees	23	71.88	1	3.13	—	—	—	—
ACBPS Graduate Trainees	7	41.18	3	17.65	—	—	2	11.76
Customs Level 1 (Customs Officers)	1,007	43.88	137	5.97	26	1.13	38	1.66
Customs Level 2 (Senior Customs Officers)	585	43.14	74	5.46	23	1.70	15	1.11
Customs Level 3 (Customs Supervisors)	406	41.64	58	5.95	20	2.05	7	0.72
Customs Level 4 (Customs Managers)	231	40.31	30	5.24	5	0.87	2	0.35
Customs Level 5 (Customs Directors)	75	36.59	6	2.93	2	0.98	—	—
Senior Executive Service	21	35.00	1	1.67	—	—	1	1.67
Total	2,357	42.73	310	5.62	76	1.38	68	1.23

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

(b) Number of staff from a non-English speaking background.

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



PART 6

FINANCIAL STATEMENTS

Financial statements

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FINANCIAL STATEMENTS

Our financial statements incorporate the ACBPS 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 ACBPS with an unmodified independent audit report for the financial statements and this report has been included.

ACBPS STATEMENTS

We reported a net operating deficit of \$115.7 million for 2012–13, compared with a net operating deficit of \$79.9 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 reports a \$12.0 million deficit for 2012–13 compared to a \$10.9 million surplus for 2011–12.

ACBPS had approval from the Minister for Finance and Deregulation for a deficit of \$5.0 million. A primary factor influencing the additional deficit was voluntary redundancy costs of around \$6.7 million. The result for both financial years reflects the scrutiny we apply over our financial management with very slight variations from an otherwise balanced result.

Our total operating income for this year was \$1,024.7 million, compared to \$1,021.3 million in 2011–12.

This operating income consisted of:

- + revenue from Government of \$951.3 million
- + sale of goods and services income of \$63.0 million
- + rental income of \$2.5 million
- + other revenue of \$4.2 million
- + other gains of \$3.6 million.

Our total operating expenses for this year were \$1,138.4 million, compared to \$1,135.4 million last year. They comprised:

- + employee expenses of \$549.3 million
- + supplier expenses of \$484.3 million
- + depreciation and amortisation expenses of \$103.7 million
- + other expenses of \$1.1 million.

As at 30 June 2013, we held non-financial assets of \$606.1 million, compared to \$590.7 million at 30 June 2012. 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 totaling \$180.9 million as at 30 June 2013, down from \$193.3 million at the end of 2011–12.

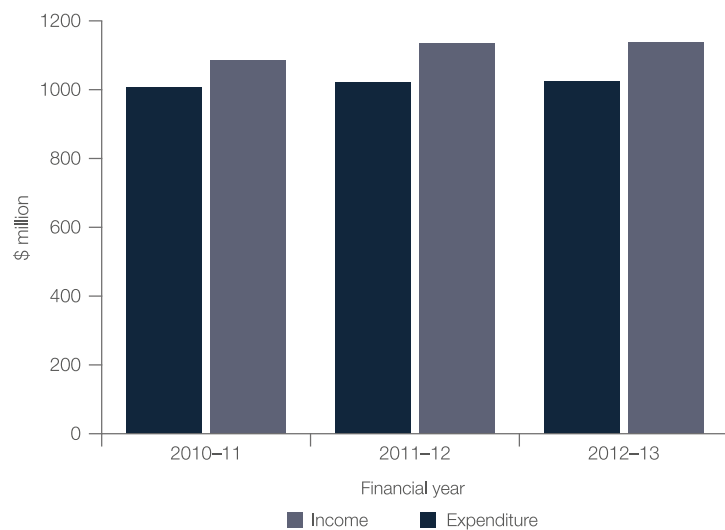
Total equity is reported as \$493.2 million this year, compared with \$484.3 million at the end of 2011–12. The increase of \$8.9 million reflects:

- + equity injections of \$64.9million
- + Departmental Capital Budget funding of \$59.8 million in Appropriation Act 1
- + offset by the operating deficit for 2012–13 of \$115.7 million.

Figure 8 outlines our income and expenses over a three-year period.

Table 55: Departmental income and expenditure

	2010–11 (\$'000)	2011–12 (\$'000)	2012–13 (\$'000)
Income	1,006,763	1,021,272	1,024,678
Expenditure	1,086,467	1,135,359	1,138,362

Figure 8: Departmental income and expenditure

ADMINISTERED SCHEDULE

A schedule of administered items is presented in Tables 56 and 57 and Figure 9, with the financial statements disclosing all revenues, expenses, assets, liabilities, cash flows, commitments, contingent assets and liabilities.

Table 56: Administered revenue

	2010-11 (\$000)	2011-12 (\$000)	2012-13 (\$000)
Income	6,590,364	7,901,009	9,103,184

Figure 9: Administered revenue

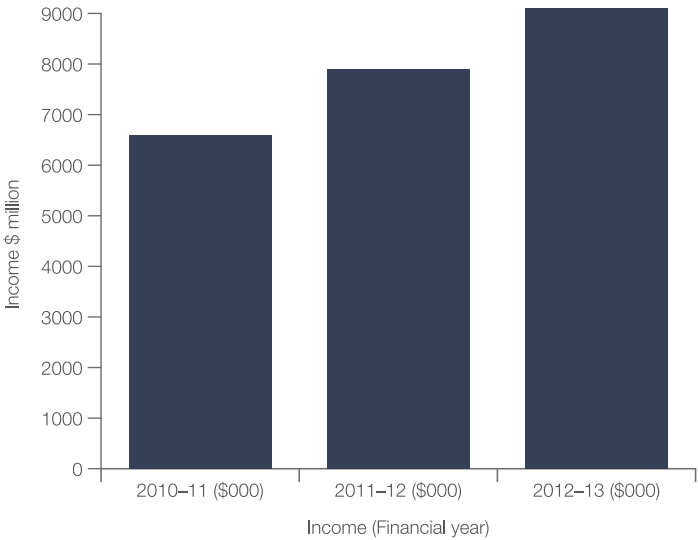


Table 57: Components of administered revenue

	2010–11 (\$'000)	2011–12 (\$'000)	2012–13 (\$'000)
Taxation revenue			
Customs duty	5,826,426	7,103,848	8,171,146
Passenger Movement Charge	615,469	646,343	776,991
Suppliers import processing and depot charges	144,101	148,337	149,793
Total taxation revenue	6,585,996	7,898,528	9,097,930
Non-Taxation revenue			
Fees, fines and prosecutions	1,882	538	1,696
Interest	76	231	22
Other revenue	2,410	1,712	3,536
Total non taxation revenue	4,368	2,481	5,254
Total administered revenue	6,590,364	7,901,009	9,103,184

Collections of Customs Duty have increased by \$1.1 billion or 15 per cent when compared to 2011–12. The continued strength of the Australian dollar throughout 2012–13 has continued to be one of the major drivers of the increased revenue collections across the majority of income streams that the Service administers on behalf of the Government. However, the positive 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. A strong Australian dollar increases the volume of goods being imported into Australia as imports are cheaper to acquire than equivalent

goods purchased domestically particularly in the area of tobacco products. The continued strength of the Australian dollar has also seen a continuation of Australian goods being substituted for similar imported goods, particularly in the areas of alcoholic beverages, petroleum products and passenger movement vehicles — the strongest areas of revenue collections in 2012–13.

In 2012–13, collections of Passenger Movement Charge were \$130.6 million or 20.2 per cent higher than collections in 2011–12 reflecting the combined impact of the growth in international passenger numbers and the increase in the Passenger Movement Charge. The Passenger

Movement Charge was increased on 1 July 2012 from \$47 to \$55 per eligible overseas passenger. The strong result for Passenger Movement Charge was achieved despite Australia remaining a more expensive destination for overseas tourists as a result of the ongoing strength in the Australian dollar.

There was an increase in revenue collected from the Import Processing Charge of \$1.5 million or one per cent in 2012–13 when compared to 2011–12. This result reflects the ongoing increase in the volume of goods being imported although the Import Processing Charge is only levied on imported goods valued at greater than \$1,000.



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 2013, which comprise: a Statement by the Chief Executive and Chief Finance Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; 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 comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer 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 also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer of the Australian Customs and Border Protection Service, as well as evaluating the overall presentation of the financial statements.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

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 2013 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 payments. 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, 2012-13 payments in breach of section 83 of the Constitution, total \$844,270 under the *Financial Management and Accountability Act 1997* - Section 28, \$20,130 under the *Financial Management and Accountability Act 1997* - Section 20 and \$360 under the *Long Service Leave (Commonwealth Employees) Act 1976*.

Australian National Audit Office



John Jones

Executive Director

Delegate of the Auditor-General

Canberra

6 September 2013

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 2013 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 Pezzullo
Chief Executive Officer

5 September 2013

Signed.....

Steven Groves
Chief Finance Officer

5 September 2013

Australian Customs and Border Protection Service
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
EXPENSES			
Employee benefits	3A	549,337	564,286
Supplier expenses	3B	484,284	477,525
Grants	3C	14	158
Depreciation and amortisation	3D	103,665	90,759
Finance costs	3E	734	713
Write-down and impairment of assets	3F	209	1,735
Losses from asset sales	3G	119	178
Other expenses	3H	-	5
Total expenses		1,138,362	1,135,359
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	62,985	63,736
Rental income	4B	2,542	2,769
Other revenue	4C	4,248	5,037
Total own-source revenue		69,775	71,542
Gains			
Sale of assets	4D	22	392
Other gains	4E	3,559	13,952
Total gains		3,581	14,344
Total own-source income		73,356	85,886
Net cost of (contribution by) services		1,065,006	1,049,473
Revenue from Government	4F	951,322	935,386
Surplus (Deficit) attributable to the Australian Government		(113,684)	(114,087)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to profit or loss			
Changes in asset revaluation surplus		(2,028)	34,211
Total other comprehensive income		(2,028)	34,211
Total comprehensive income (loss) attributable to the Australian Government		(115,712)	(79,876)

The above statement should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service

BALANCE SHEET

as at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	7,383	7,423
Trade and other receivables	5B	186,181	199,832
Other financial assets	5C	856	814
Total financial assets		194,420	208,069
Non-Financial Assets			
Land and buildings	6A	157,910	174,929
Property, plant and equipment	6B	239,742	180,783
Intangibles	6D	192,723	218,278
Inventories	6F	2,474	2,362
Other non-financial assets	6G	13,214	14,355
Total non-financial assets		606,063	590,707
Total assets		800,483	798,776
LIABILITIES			
Payables			
Suppliers	7A	76,260	77,938
Other payables	7B	36,309	36,270
Total payables		112,569	114,208
Provisions			
Employee provisions	8A	168,094	176,446
Other provisions	8B	26,614	23,852
Total provisions		194,708	200,298
Total liabilities		307,277	314,506
Net assets		493,206	484,270
EQUITY			
Contributed equity		700,586	575,938
Reserves		78,074	80,102
Retained surplus (accumulated deficit)		(285,454)	(171,770)
Total equity		493,206	484,270

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 2013

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance								
Balance carried forward from previous period	(171,770)	(61,253)	80,102	45,891	575,938	440,160	484,270	424,798
Adjustment for errors	-	3,570	-	-	-	-	-	3,570
Adjusted opening balance	(171,770)	(57,683)	80,102	45,891	575,938	440,160	484,270	428,368
Comprehensive income								
Other comprehensive income	-	-	(2,028)	34,211	-	-	(2,028)	34,211
Surplus (Deficit) for the period	(113,684)	(114,087)					(113,684)	(114,087)
Total comprehensive income	(113,684)	(114,087)	(2,028)	34,211	-	-	(115,712)	(79,876)
of which:								
Attributable to the Australian Government	(113,684)	(114,087)	(2,028)	34,211	-	-	(115,712)	(79,876)
Transactions with owners								
Contributions by owners								
Equity injection - Appropriation	-	-	-	-	64,882	56,537	64,882	56,537
Departmental Capital Budget (DCB)	-	-	-	-	59,766	79,241	59,766	79,241
Sub-total transactions with owners	-	-	-	-	124,648	135,778	124,648	135,778
Transfers between equity components	-	-	-	-	-	-	-	-
Closing balance attributable to the Australian Government	(285,454)	(171,770)	78,074	80,102	700,586	575,938	493,206	484,270

The above statement should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service

CASH FLOW STATEMENT

for the period ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services		66,503	69,970
Appropriations		1,038,435	1,004,951
Net GST received		56,534	58,153
Other		200	380
Total cash received		1,161,672	1,133,454
Cash used			
Employees		554,484	526,695
Suppliers		483,340	471,490
Net GST paid		56,002	58,337
Section 31 receipts transferred to OPA		66,221	78,101
Tax paid		2,135	2,157
Other		-	5
Total cash used		1,162,182	1,136,785
Net cash from (used by) operating activities	9	(510)	(3,331)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		470	3,648
Total cash received		470	3,648
Cash used			
Purchase of property, plant and equipment		101,825	105,363
Purchase of intangibles		14,310	29,075
Total cash used		116,135	134,438
Net cash from (used by) investing activities		(115,665)	(130,790)
FINANCING ACTIVITIES			
Cash received			
Contributed equity		116,135	134,154
Total cash received		116,135	134,154
Net cash from (used by) financing activities		116,135	134,154
Net increase (decrease) in cash held		(40)	33
Cash and cash equivalents at the beginning of the reporting period		7,423	7,390
Cash and cash equivalents at the end of the reporting period	5A	7,383	7,423

The above statement should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
SCHEDULE OF COMMITMENTS
as at 30 June 2013

	2013	2012
	\$'000	\$'000
BY TYPE		
Commitments receivable		
Sublease rental income	(1,361)	(2,181)
Net GST recoverable on commitments	<u>(172,455)</u>	<u>(205,701)</u>
Total commitments receivable	<u>(173,816)</u>	<u>(207,882)</u>
Commitments payable		
Capital commitments		
Land and buildings	1,573	1,370
Property, plant & equipment	418,016	506,778
Intangibles	<u>380</u>	<u>11,250</u>
Total capital commitments	<u>419,969</u>	<u>519,398</u>
Other commitments		
Operating leases ¹	1,216,605	1,322,512
Other	<u>264,183</u>	<u>422,521</u>
Total other commitments	<u>1,480,788</u>	<u>1,745,033</u>
Net commitments by type	<u>1,726,941</u>	<u>2,056,549</u>
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	(957)	(1,620)
From one to five years	(404)	(561)
Over five years	<u>-</u>	<u>-</u>
Total operating lease income	<u>(1,361)</u>	<u>(2,181)</u>
Other commitments receivable		
One year or less	(40,963)	(45,391)
From one to five years	(85,416)	(99,220)
Over five years	<u>(46,076)</u>	<u>(61,090)</u>
Total other commitments receivable	<u>(172,455)</u>	<u>(205,701)</u>
Commitments payable		
Capital commitments		
One year or less	95,416	115,236
From one to five years	272,302	305,052
Over five years	<u>52,251</u>	<u>99,110</u>
Total capital commitments	<u>419,969</u>	<u>519,398</u>
Operating lease commitments		
One year or less	184,392	175,975
From one to five years	577,634	573,661
Over five years	<u>454,579</u>	<u>572,876</u>
Total operating lease commitments	<u>1,216,605</u>	<u>1,322,512</u>

Australian Customs and Border Protection Service

SCHEDULE OF COMMITMENTS

as at 30 June 2013

	2013	2012
	\$'000	\$'000
Other Commitments		
One year or less	172,134	209,077
From one to five years	92,047	213,441
Over five years	2	3
Total other commitments	264,183	422,521
Net commitments by maturity	1,726,941	2,056,549

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.

Note: During the reporting period, the disclosure of Commitments has been reviewed. In order to more closely align Australian Customs and Border Protection Service (ACBPS) with other Agency's disclosures, a change in the process for compiling the schedule has been adopted. Previously, for contracts with a termination clause, ACBPS recognised a commitment equal to the cost incurred between balance date and the termination period end date. This effectively disclosed the maximum expenditure the agency would legally incur if a Machinery of Government change took effect at year end and required the termination of all existing agreements entered into by ACBPS. ACBPS now includes the total value of all future payments in the schedule, regardless of the existence and detail of a termination clause within the contracts.

In accordance with AASB 108 this change is considered a change in accounting policy and as such the prior period comparatives have been restated.

The above schedule should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
SCHEDULE OF CONTINGENCIES
as at 30 June 2013

	2013	2012
	\$'000	\$'000
Contingent assets		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	-	-
Total contingent assets	-	-
Contingent liabilities		
Guarantees	-	-
Indemnities	100,000	-
Claims for damages or costs	-	-
Total contingent liabilities	100,000	-
Net contingent assets (liabilities)	(100,000)	-

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 2013

	Notes	2013 \$'000	2012 \$'000
EXPENSES			
Supplier expenses	16A	916	862
Write-down and impairment of assets	16B	5,798	6,758
Total expenses administered on behalf of government		6,714	7,620
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Taxation revenue			
Customs duty	17A	8,171,146	7,103,848
Passenger movement charge	17B	776,991	646,343
Import processing and depot charges	17C	149,793	148,337
Total taxation revenue		9,097,930	7,898,528
Non-taxation revenue			
Fees, fines and prosecutions	17D	1,696	538
Interest	17E	22	231
Other	17F	3,536	1,712
Total non-taxation revenue		5,254	2,481
Total own-source revenue administered on behalf of government		9,103,184	7,901,009
Total own-source income administered on behalf of government		9,103,184	7,901,009
Net cost of (contribution by) services		(9,096,470)	(7,893,389)
Surplus (Deficit)		9,096,470	7,893,389
Total comprehensive income (loss)		9,096,470	7,893,389

The above schedule 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 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	18A	891	1,146
Total financial assets		891	1,146
Non-Financial Assets			
Taxation receivables	18B	232,601	175,244
Non-taxation receivables	18C	2,356	553
Total non-financial assets		234,957	175,797
Total assets administered on behalf of government		235,848	176,943
LIABILITIES			
Payables			
Unearned revenue	19A	3,237	3,701
Other	19B	8,216	3,462
Total payables		11,453	7,163
Non-interest bearing liabilities			
Security deposits	20A	2,304	2,839
Total non-interest bearing liabilities		2,304	2,839
Total liabilities administered on behalf of government		13,757	10,002
Net assets / (liabilities)		222,091	166,941

The above schedule should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service ADMINISTERED RECONCILIATION SCHEDULE

	2013 \$'000	2012 \$'000
Opening administered assets less administered liabilities as at 1 July	166,941	100,969
Adjusted opening administered assets less administered liabilities	166,941	100,969
Surplus (deficit) items:		
Plus: Administered income	9,103,184	7,901,009
Less: Administered expenses (non CAC)	(6,714)	(7,620)
Other comprehensive income:		
Administered revaluations taken to / from reserves	-	-
Administered transfers to / from Australian Government:		
Appropriation transfers from OPA		
Appropriation Act No.1	916	862
Special account	3,012	3,398
Special appropriations (unlimited) (non CAC)	349,068	227,603
Transfers to OPA	(9,394,316)	(7,960,714)
Transfers to other entities*	-	(98,567)
Net drawings from OPA on behalf of the ATO**	109,397	101,465
Net payments on behalf of the ATO out of Special Appropriations**	(109,397)	(101,465)
Closing administered assets less administered liabilities as at 30 June	222,091	166,941

* The then Department of Innovation, Industry, Science and Research (now the Department of Innovation, Industry, Science, Research, Technology and Education) was the responsible entity for these transfers relating to the Automotive Competitiveness and Investment Scheme (ACIS). This scheme ceased 31 December 2010 with credits able to be utilised up until 31 December 2011.

** The Australian Tax Office is the responsible entity for these appropriations and the subsequent returns.

The above schedule should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
OPERATING ACTIVITIES			
Cash received			
Customs duty		8,489,959	7,178,295
Passenger movement charge		744,513	639,410
Import processing and depot charges		149,544	148,926
Interest		22	231
Tourist Refund Scheme drawings		1,827	527
Other non-taxation revenue		7,554	4,317
Special accounts		2,477	1,924
Total cash received		9,395,896	7,973,630
Cash used			
Refunds of duty and other taxes		349,091	229,136
Refunds of GST ¹ (on imports), WET ² & LCT ³		15,881	14,483
Tourist Refund Scheme		95,343	87,509
Special account		3,012	3,398
Suppliers		916	862
Total cash used		464,243	335,388
Net cash from (used by) operating activities	21	8,931,653	7,638,242
Net increase (decrease) in cash held			
		8,931,653	7,638,242
Cash and cash equivalents at the beginning of the reporting period		1,146	49
Cash from Official Public Account for:			
- Appropriations		349,068	227,603
- Refunds of GST ¹ (on imports), WET ² & LCT ³		15,896	14,483
- Tourist Refund Scheme		95,343	87,509
- Special accounts		3,012	3,398
- Supplier expenses		916	862
		464,235	333,855
Cash to Official Public Account for:			
- Administered receipts		(9,391,877)	(7,968,497)
- Return of Tourist Refund Scheme drawings		(1,827)	(527)
- Special accounts		(2,439)	(1,976)
		(9,396,143)	(7,971,000)
Cash and cash equivalents at the end of the reporting period	18A	891	1,146
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 2013

Administered contingent assets

As at 30 June 2013 ACBPS estimates the value of contingent assets to be \$nil (2011-12: \$nil).

Administered contingent liabilities

As at 30 June 2013 ACBPS estimates the value of contingent liabilities to be \$nil (2011-12: \$nil).

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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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 (ACBPS) is an Australian Government controlled entity. ACBPS 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. ACBPS 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 ACBPS 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.

ACBPS is an agency within the Attorney-General's portfolio. ACBPS 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.

ACBPS 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 ACBPS in its own right.

Administered activities involve the management or oversight by ACBPS, 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

ACBPS 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:

- a) Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- b) 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 executor 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.

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2012) 288 ALR 410, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

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, ACBPS has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

(a) Land and Buildings

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, ACBPS buildings are purpose built and may in fact realise more or less in the market.

(b) Fuel Tax Credits

During the reporting period, ACBPS had sought a decision from the Australian Taxation Office (ATO) as to whether the fuel used on the Bay Class, Ashmore Guardian and ACV Triton could be considered to be used for the purposes of 'marine transport'. If so, ACBPS was entitled to a full Fuel Tax Credit (FTC) for the period 1 July 2008 to 30 June 2012. In the prior reporting period, a liability of \$1,552,278 was recorded to represent what had previously been considered as "over-claimed" fuel tax credits. On 6 May 2013, the ATO released a Private Binding Ruling (PBR) in relation to Fuel Tax Credits which confirmed that the fuel is considered to be used for the purposes of 'marine transport'. Consequently the liability was de-recognised during the reporting period.

(c) Cape Class Vessels

Assets under construction (AUC) are carried at cost and are separately identified as 'work in progress' in Note 6. They include expenditure to date on various capital projects, such as the Cape Class Patrol Boat project. AUC projects are reviewed annually for indicators of impairment. Prior to rollout into service, the accumulated AUC balance is reviewed to ensure accurate capitalisation.

Major assets, such as vessels and internally developed software, are componentised if it is likely that the components will have useful lives that differ significantly from the other parts of the asset. The useful lives of components may be determined with reference to the individual component or the related primary asset.

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, revised standards, interpretations and amendments to standards were issued prior to the sign-off date, were applicable to the current reporting period and had a financial impact on the operations of ACBPS:

AASB 7	<i>Financial Instruments: Disclosures - September 2011 (Compilation)</i>
AASB 101	<i>Presentation of Financial Statements - September 2011 (Compilation)</i>
AASB 132	<i>Financial Instruments: Presentation - September 2011 (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 new standards, revised standards, interpretations and 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 ACBPS for future reporting periods:

AASB 7 (NFP)	<i>Financial Instruments: Disclosures [for not-for-profit entities] - December 2012 (Compilation)</i>
AASB 9	<i>Financial Instruments - September 2012 (Compilation)</i>
AASB 13	<i>Fair Value Measurement - December 2012 (Principal)</i>
AASB 101 (NFP)	<i>Presentation of Financial Statements [for not-for-profit entities] - December 2012 (Compilation)</i>
AASB 102	<i>Inventories - December 2012 (Compilation)</i>
AASB 107 (NFP)	<i>Statement of Cash Flows [for not-for-profit entities] - December 2012 (Compilation)</i>
AASB 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors - December 2012 (Compilation)</i>
AASB 110	<i>Events after the Reporting Period - September 2012 (Compilation)</i>
AASB 116	<i>Property, Plant and Equipment - September 2012 (Compilation)</i>
AASB 117	<i>Leases - September 2012 (Compilation)</i>
AASB 118 (NFP)	<i>Revenue [for not-for-profit entities] - December 2012 (Compilation)</i>

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AASB 119	<i>Employee Benefits - September 2011 (Principal)</i>
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 2011-4	<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 2011-10	<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 2012-2	<i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]</i>
AASB 2012-3	<i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i>
AASB 2012-5	<i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]</i>
AASB 2012-10	<i>Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]</i>
AASB 2013-3	<i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>
AASB 1055	<i>Budgetary Reporting - March 2013 (Principal)</i>

Other new standards, revised standards, interpretations and amendments to standards 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;
- ACBPS 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 ACBPS.

Revenue from 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 with flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to:

- services performed to date as a percentage of total services to be performed; or
- 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

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recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

Revenue from Government

Amounts appropriated for Departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when ACBPS 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. Appropriations receivable are recognised at their nominal amounts.

Funding received or receivable from agencies (appropriated to the agency as a CAC Act body payment item for payment to this entity) is recognised as Revenue from Government by the CAC Act Body unless the funding is in the nature of an equity injection or a loan.

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

The FMOs require that distributions to owners be debited to contributed equity unless it is in the nature of a dividend. There was no distribution to owners in 2012-13 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 the end 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 ACBPS 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 ACBPS employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for annual and long service leave has been determined by reference to the work of an actuary as at 30 June 2012 and additional management assessment at 30 June 2013. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

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Separation and Redundancy

Provision is made for separation and redundancy benefit payments. ACBPS recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

ACBPS staff 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.

ACBPS 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. ACBPS accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is 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

ACBPS 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.

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;

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- b) are derivatives that are not designated and effective as a hedging instrument; or
- c) are parts of an identified portfolio of financial instruments that the entity 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. ACBPS has no such interest earned on financial assets.

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. ACBPS 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. ACBPS has no such investments.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Available for sale financial assets - if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

Financial assets held at cost - if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

1.13 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).

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1.14 Commitments

During the reporting period, the disclosure of Commitments has been reviewed. In order to more closely align ACBPS with other Agency's disclosures, a change in the process for compiling the schedule has been adopted. Previously, for contracts with a termination clause, ACBPS recognised a commitment equal to the cost incurred between balance date and the termination period end date. This effectively disclosed the maximum expenditure the agency would legally incur if a Machinery of Government change took effect at year end and required the termination of all existing agreements entered into by ACBPS. ACBPS now includes the total value of all future payments in the schedule, regardless of the existence and detail of a termination clause within the contracts.

In accordance with AASB 108 this change is considered a change in accounting policy and as such the prior period comparatives have been restated.

1.15 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.

1.16 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*.

1.17 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.

1.18 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 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 ACBPS where there exists an obligation to restore the property to its original condition. These costs are included in the value of ACBPS'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)

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	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 reversed 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 off to their estimated residual values over their estimated useful lives to ACBPS using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. All new assets are generally assigned useful lives as identified in the table below. In some limited cases, specific management advice may result in a useful life, for a particular asset, being assigned outside the ranges specified below.

When 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:

	2013	2012
Buildings on freehold land	Up to 40 years	Up to 40 years
Leasehold improvements	Useful life of the fit out or lease term	Useful life of the fit out or lease term
Plant and equipment	3 to 7 years	3 to 7 years
ACBPS vessels	3 to 20 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

The change in useful life range of Customs and Border Protection vessels reflects the acquisition of Cape class vessels during current financial year and did not have an impact on existing assets.

Impairment

All assets were assessed for impairment at 30 June 2013. 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 ACBPS 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.

1.19 Intangibles

ACBPS'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 life of ACBPS software is 3 to 10 years (2013: 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 2013.

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1.20 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 conditions are assigned as follows:

- 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 considerations are initially measured at current replacement cost at the date of acquisition.

1.21 Taxation / Competitive Neutrality

ACBPS 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;
- b) for receivables and payables.

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1.22 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Administered Schedule 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

Revenue collected by ACBPS for use by the Government rather than the entity is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by ACBPS on behalf of the Government and reported as such in the schedule of administered cash flows in the administered reconciliation schedule.

1.23 Statement of Activities Administered on Behalf of the Government

The major Administered activities of the Australian Customs and Border Protection Service (ACBPS) 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 2012-13 financial year which have been tabled in the Parliament.

1.24 Administered Revenue

ACBPS recognises Administered taxation and non-taxation revenues in the Administered schedules 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 ACBPS 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 and broker licence fees which are recognised in the appropriate reporting period to which the licences relate.

In relation to the PMC, this charge is the administrative responsibility of ACBPS 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 ACBPS is paid into the OPA and therefore is not a cost recovery arrangement. Arrangements exist to monitor and verify the accuracy of the PMC revenue remitted to ACBPS by carriers and remediation action is undertaken when necessary.

ACBPS 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. ACBPS'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:

- Reporting of all cargo and vessels entering and leaving Australia is accurate and timely allowing ACBPS to fulfil its regulatory role;
- Licence and permit requirements, prohibitions and restrictions in relation to imported and exported goods are complied with;

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- Community protection programs related to imported and exported goods are effectively implemented;
- The correct amount of revenue is paid or identified for collection or consideration; and
- Accurate and reliable data on trade statistics is provided to ACBPS.

A PMC compliance program has been developed and was implemented in 2012-13 and is now undertaken as part of normal business activity.

1.25 Administered Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this Note, ACBPS has applied the following to the way that estimates are calculated that have a significant impact on the amounts recorded in the financial statements.

Customs Duty Revenue Recognition

ACBPS includes an estimate of revenue in each financial year 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.

Passenger Movement Charge

From 1 July 2012, the rate of PMC was increased from \$47 to \$55. The new rate applied for all international tickets purchased on or after 1 July 2012. As the PMC is not recognised until a passenger departs Australia, the increase to the PMC has resulted in PMC revenue collections in 2012-13 being comprised of PMC levied at both \$47 and \$55, depending on when the ticket was purchased. To account for this, the ACBPS has estimated an accrual for PMC revenue for 2012-13 on the basis of the ratio of receipts paid to the Commonwealth throughout the 2012-13 financial year. ACBPS has included an estimate for those eligible passengers whom have departed Australia for which PMC amounts had not yet been received. From 1 July 2012, this charge increased from \$47 to \$55 for tickets purchased after this date. In 2012-13, PMC revenue included an estimate of amounts to be received in the period based on the ratio of receipts received at 30 June 2013.

1.26 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.

1.27 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

ACBPS 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.

1.28 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. ACBPS 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 the reporting period

Departmental

No events occurred after the reporting period.

Administered

No events occurred after the reporting period.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3: Expenses

	2013 \$'000	2012 \$'000
Note 3A. Employee Benefits		
Wages and salaries	344,538	336,252
Superannuation:		
Defined contribution plans	22,451	19,646
Defined benefit plans	53,103	50,319
Leave and other entitlements	112,454	143,245
Separations and redundancies	6,695	4,842
Other employee expenses	10,096	9,982
Total employee benefits	549,337	564,286

Note 3B. Supplier Expenses

Goods and services

Vessels and coastal surveillance (excludes operating leases)	54,169	49,991
Contractors & consultants	40,360	42,704
IT (excludes operating leases)	43,328	40,519
Property (includes overseas posts and excludes operating leases)	16,581	18,512
Travel	20,778	23,191
HR related expenses	12,088	14,695
Legal & insurance	5,337	7,070
General operational	52,593	52,501
Other	12,370	14,033
Total goods and services	257,604	263,216

Goods and services are made up of:

Provision of goods – related entities	992	545
Provision of goods – external parties	18,578	17,605
Rendering of services – related entities	13,548	13,231
Rendering of services - external parties	224,486	231,835
Total goods and services	257,604	263,216

Other supplier expenses

Operating lease rentals – external parties:

Minimum lease payments	213,629	200,793
Workers compensation expenses	13,051	13,516
Total other supplier expenses	226,680	214,309
Total supplier expenses	484,284	477,525

Note 3C. Grants

Public sector:

Overseas government	14	158
Total grants	14	158

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000
<u>Note 3D. Depreciation and Amortisation</u>		
Depreciation:		
Property, plant and equipment	39,307	31,990
Buildings	26,693	19,025
Total depreciation	66,000	51,015
Amortisation:		
Intangibles	37,665	39,744
Total amortisation	37,665	39,744
Total depreciation and amortisation	103,665	90,759
<u>Note 3E. Finance Costs</u>		
Unwinding of discount for makegood provision	734	713
Total finance costs	734	713
<u>Note 3F. Write-Down and Impairment of Assets</u>		
Asset write-downs and impairments from:		
Impairment on financial instruments	32	90
Impairment of property, plant and equipment	7	1,207
Write off bad debts	170	438
Total write-down and impairment of assets	209	1,735
<u>Note 3G. Losses from Asset Sales</u>		
Land and buildings:		
Proceeds from sale	(442)	(1,049)
Carrying value of assets sold/disposed	470	1,127
Selling expense	-	78
Property, plant and equipment:		
Proceeds from sale	(9)	(1)
Carrying value of assets sold/disposed	97	22
Selling expense	3	1
Total losses from asset sales	119	178
<u>Note 3H. Other Expenses</u>		
Defective administration claims	-	5
Total other expenses	-	5

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Income

	2013	2012
	\$'000	\$'000

OWN SOURCE REVENUE

Note 4A. Sale of Goods and Rendering of Services

Provision of goods - related entities	150	148
Provision of goods - external parties	243	252
Rendering of services - related entities	58,427	55,750
Rendering of services - external parties	4,165	7,586
Total sale of goods and rendering of services	62,985	63,736

Note 4B. Rental Income

Operating lease	2,542	2,769
Total rental income	2,542	2,769

Note 4C. Other Revenue

Resources received free of charge	4,048	4,211
Other non-tax revenues	200	826
Total other revenue	4,248	5,037

GAINS

Note 4D. Sale of Assets

Land and buildings:		
Proceeds from sale	-	2,767
Carrying value of assets sold	-	(2,285)
Selling expense	-	(157)
Property, plant and equipment:		
Proceeds from sale	26	78
Carrying value of assets sold	-	-
Selling expense	(4)	(11)
Intangibles:		
Proceeds from sale	-	-
Carrying value of assets sold	-	-
Selling expense	-	-
Net gain from sale of assets	22	392

Note 4E. Other Gains

Resources received free of charge	750	740
Other - Fuel tax credit	1,553	4,767
Other - CCTV Assets	1,256	-
Other - Melbourne Container Examination Facility	-	8,445
Total other gains	3,559	13,952

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013	2012
	\$'000	\$'000
REVENUE FROM GOVERNMENT		

Note 4F. Revenue from Government

Appropriations:

Departmental appropriations	<u>951,322</u>	<u>935,386</u>
Total revenue from Government	<u>951,322</u>	<u>935,386</u>

Note 5: Financial Assets

	2013	2012
	\$'000	\$'000
<u>Note 5A. Cash and Cash Equivalents</u>		
Cash on hand or on deposit	4,842	4,883
Cash held by outsiders	<u>2,541</u>	<u>2,540</u>
Total cash and cash equivalents	<u>7,383</u>	<u>7,423</u>

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000
Note 5B. Trade and Other Receivables		
Good and Services:		
Goods and services - related entities	409	577
Goods and services - external parties	2,125	2,200
Total receivables for goods and services	2,534	2,777
Appropriations receivable:		
For existing programs	173,500	185,879
For departmental supplementations	-	-
Total appropriations receivable	173,500	185,879
Other receivables:		
GST receivable from the Australian Taxation Office	5,646	6,381
Other	6,347	6,609
Total other receivables	11,993	12,990
Total trade and other receivables (gross)	188,027	201,646
Less impairment allowance account:		
Goods and services	(1,846)	(1,814)
Other	-	-
Total impairment allowance account	(1,846)	(1,814)
Total trade and other receivables (net)	186,181	199,832
Receivables are expected to be recovered in:		
No more than 12 months	186,181	199,832
More than 12 months	-	-
Total trade and other receivables (net)	186,181	199,832
Receivables are aged as follows:		
Not overdue	185,904	199,439
Overdue by:		
0 to 30 days	170	178
31 to 60 days	42	50
61 to 90 days	30	34
More than 90 days	1,881	1,945
Total receivables (gross)	188,027	201,646
The impairment allowance account is aged as follows:		
Not overdue	-	-
Overdue by:		
More than 90 days	(1,846)	(1,814)
Total impairment allowance account	(1,846)	(1,814)

Credit terms for goods and services were within 30 days.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2013

	Goods and services \$'000	Other receivables \$'000	Total \$'000
Opening balance	(1,814)	-	(1,814)
Amounts written off	170	-	170
Amounts recovered and reversed		-	-
Increase/decrease recognised in net surplus	(202)	-	(202)
Closing balance	(1,846)	-	(1,846)

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
Increase/decrease recognised in net surplus	(570)	123	(447)
Closing balance	(1,814)	-	(1,814)

2013
\$'000

2012
\$'000

Note 5C. Other Financial Assets

Accrued Revenue	856	814
Total other financial assets	856	814

Total other financial assets - are expected to be recovered in:

No more than 12 months	856	814
More than 12 months	-	-
Total other financial assets	856	814

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Non-Financial Assets

	2013	2012
	\$'000	\$'000
<u>Note 6A. Land and Buildings</u>		
Land:		
Land at fair value	28,915	27,670
Total land	28,915	27,670
Buildings on freehold land:		
Fair value	51,780	45,726
Accumulated depreciation	(2,551)	-
Total buildings on freehold land	49,229	45,726
Leasehold improvements:		
Work in progress	3,576	12,396
Fair value	99,878	89,137
Accumulated depreciation	(23,688)	-
Total leasehold improvements	79,766	101,533
Total land and buildings	157,910	174,929

No indicators of impairment were found for land and buildings.

Note 6B. Property Plant and Equipment

Vessels:		
Work in progress	79,031	51,692
Fair value	51,161	4,041
Accumulated depreciation	(5,624)	-
Total Vessels	124,568	55,733
Other property, plant and equipment:		
Work in progress	11,934	15,986
Fair value	135,369	109,064
Accumulated depreciation	(32,129)	-
Total other property, plant and equipment	115,174	125,050
Total property, plant and equipment	239,742	180,783

No indicators of impairment were found for property, plant and equipment assets.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6C. Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2013)

	Land \$'000	Buildings \$'000	Total land and buildings \$'000	Property, plant & equipment \$'000	Total \$'000
As at 1 July 2012					
Gross book value	27,670	147,259	174,929	180,783	355,712
Accumulated depreciation and impairment	-	-	-	-	-
Net book value 1 July 2012	27,670	147,259	174,929	180,783	355,712
Additions:					
By Purchase or internally developed	1,385	9,258	10,643	93,039	103,682
By donation/gift	-	-	-	-	-
Other additions	-	-	-	-	-
Revaluations and impairments recognised in other comprehensive income	-	-	-	-	-
Revaluations recognised in the operating result	-	-	-	-	-
Impairments recognised in the operating result	-	-	-	(7)	(7)
Reversals of impairments recognised in the operating result	-	-	-	-	-
Depreciation expense	-	(26,693)	(26,693)	(39,307)	(66,000)
Reclassifications [#]	-	(499)	(499)	5,331	4,832
Other movements	-	-	-	-	-
Disposals:					
From disposal of entities or operations (including restructuring)	-	-	-	-	-
Other	(140)	(330)	(470)	(97)	(567)
Net book value 30 June 2013	28,915	128,995	157,910	239,742	397,652
Net book value as of 30 June 2013 represented by:					
Gross book value	28,915	155,234	184,149	277,495	461,644
Accumulated depreciation and impairment	-	(26,239)	(26,239)	(37,753)	(63,992)
Net book value 30 June 2013	28,915	128,995	157,910	239,742	397,652

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 (2012)

	Land \$'000	Buildings \$'000	Total land and buildings \$'000	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	19,288	19,983	99,204	119,187
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	2,755	18,996	21,751	12,460	34,211
Revaluations recognised in the operating result	-	-	-	447	447
Impairments recognised in the operating result	-	-	-	-	-
Reversal of impairments recognised in the operating result	-	-	-	-	-
Depreciation expense	-	(19,025)	(19,025)	(31,990)	(51,015)
Reclassifications	-	3,879	3,879	(47,500)	(43,621)
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

During the current reporting period some prior reporting period asset addition movements were reclassified.

* Other movements – reclassification of asset category

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013	2012
	\$'000	\$'000
<u>Note 6D. Intangibles</u>		
Computer software:		
Internally developed – in progress	19,347	28,178
Internally developed – in use	417,996	400,044
Purchased	27,703	25,189
Accumulated amortisation	(255,095)	(217,905)
Accumulated impairment losses	(17,228)	(17,228)
<i>Total computer software</i>	192,723	218,278
<i>Total intangibles</i>	192,723	218,278

No indicators of impairment were found 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 (2013)

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2012			
Gross book value	428,222	25,189	453,411
Accumulated amortisation and impairment	(220,402)	(14,731)	(235,133)
Net book value 1 July 2012	207,820	10,458	218,278
Additions:			
By purchase or internally developed	14,428	2,514	16,942
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	-	-	-
Reversal of impairments recognised in the operating result	-	-	-
Amortisation	(32,928)	(4,737)	(37,665)
Reclassifications [#]	(4,832)	-	(4,832)
Other movements	-	-	-
Disposals:			
From disposal of entities or operations (including restructuring)	-	-	-
Other	-	-	-
Net book value 30 June 2013	184,488	8,235	192,723
Net book value as of 30 June 2013 represented by:			
Gross book value	437,343	27,703	465,046
Accumulated amortisation and impairment	(252,855)	(19,468)	(272,323)
Net book value 30 June 2013	184,488	8,235	192,723

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 (2012)

	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	22,506	6,951	29,457
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	(1,207)	-	(1,207)
Reversal of impairments recognised in the operating result	-	-	-
Amortisation	(34,520)	(5,224)	(39,744)
Reclassifications	43,621	-	43,621
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

During the current reporting period some prior reporting period asset addition movements were reclassified.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013	2012
	\$'000	\$'000

Note 6F. Inventories

Inventories held for distribution	<u>2,474</u>	<u>2,362</u>
Total inventories	<u>2,474</u>	<u>2,362</u>

During 2012-13 \$4,714,797 of inventory held for distribution was recognised as an expense (2011-12: \$5,675,064). All inventories are expected to be distributed in the next 12 months.

Note 6G. Other Non-Financial Assets

Prepayments	<u>13,214</u>	<u>14,355</u>
Total other non-financial assets	<u>13,214</u>	<u>14,355</u>

Total other non-financial assets - are expected to be recovered in:

No more than 12 months	<u>9,156</u>	<u>13,172</u>
More than 12 months	<u>4,058</u>	<u>1,183</u>
Total other non-financial assets	<u>13,214</u>	<u>14,355</u>

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

	2013 \$'000	2012 \$'000
<u>Note 7A. Suppliers</u>		
Trade creditors and accruals	60,542	66,576
Operating lease rentals	15,718	11,362
Total supplier payables	76,260	77,938
Supplier payables expected to be settled within 12 months:		
Related entities	1,549	3,444
External parties	74,711	74,494
Total	76,260	77,938
Supplier payables expected to be settled in greater than 12 months:		
Related entities	-	-
External parties	-	-
Total	-	-
Total supplier payables	76,260	77,938

Settlement is usually made within 30 days.

Note 7B. Other Payables

Salaries and wages	19,068	18,344
Superannuation	2,382	1,931
Other employee entitlements	2,101	2,089
Prepayments received/unearned revenue	1,055	1,418
Fringe Benefits Tax	403	520
Lease incentive	1,913	2,555
Deferred rental	6,003	4,431
GST payable	34	124
Other payables	3,350	4,858
Total other payables	36,309	36,270
Total other payables are expected to be settled in:		
No more than 12 months	27,963	31,107
More than 12 months	8,346	5,163
Total other payables	36,309	36,270

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Provisions

2013	2012
\$'000	\$'000

Note 8A. Employee Provisions

Leave	168,094	176,446
Total employee provisions	168,094	176,446

Employee provisions are expected to be settled in:

No more than 12 months	45,814	48,202
More than 12 months	122,280	128,244
Total employee provisions	168,094	176,446

Note 8B. Other Provisions

Provision for restoration obligations (makegood)	26,614	23,852
Total other provisions	26,614	23,852

Other provisions are expected to be settled in:

No more than 12 months	3,002	2,400
More than 12 months	23,612	21,452
Total other provisions	26,614	23,852

	Provision for restoration	Total
	\$'000	\$'000
Carrying amount 1 July 2012	23,852	23,852
Additional provisions made	3,658	3,658
Amounts reversed	(1,630)	(1,630)
Amounts used	-	-
Unwinding of discount or change in discount rate	734	734
Closing balance 30 June 2013	26,614	26,614

ACBPS currently has a number of agreements for the leasing of premises which have provisions requiring the restoration (makegood) of the premises to their original condition at the conclusion of the lease. ACBPS 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

	2013	2012
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	7,383	7,423
Balance sheet	7,383	7,423
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(1,065,006)	(1,049,473)
Add revenue from Government	951,322	935,386
Adjustments for non-cash items		
Other gains - CCTV	(1,256)	-
Other gains - Fuel Tax Credit	(1,553)	(4,767)
Other gains - Melbourne Container Examination Facility	-	(8,445)
Asset first found	-	(446)
Depreciation / amortisation	103,665	90,759
Net write down of assets	209	1,735
Gain on disposal of assets	(22)	(392)
Unwinding of discount	734	713
Loss on disposal of assets	119	178
Changes in assets / liabilities		
(Increase) / decrease in net receivables	21,920	(6,779)
(Increase) / decrease in inventories	(112)	97
(Increase) / decrease in other non-financial assets	1,141	2,886
Increase / (decrease) in employee provisions	(8,352)	29,113
Increase / (decrease) in supplier / other payables	(2,956)	(520)
Increase / (decrease) in other provisions	-	6,200
Increase / (decrease) in other liabilities	(363)	424
Net cash from (used by) operating activities	(510)	(3,331)

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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Contingent assets								
Balance from previous period	-	-	-	-	-	-	-	-
New contingent assets recognised	-	-	-	-	-	-	-	-
Re-measurement	-	-	-	-	-	-	-	-
Assets recognised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-	-
Total contingent assets	-	-	-	-	-	-	-	-
Contingent liabilities								
Balance from previous period	-	-	-	288	-	273	-	561
New	-	-	-	-	-	-	-	-
Re-measurement	-	-	100,000	-	-	-	100,000	-
Liabilities recognised	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	(288)	-	(273)	-	(561)
Total contingent liabilities	-	-	100,000	-	-	-	100,000	-
Net contingent assets (liabilities)	-	-	(100,000)	-	-	-	(100,000)	-

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Quantifiable Contingencies

ACBPS had no quantifiable contingent assets in 2011-12 and 2012-13.

ACBPS had a quantifiable contingent liability of \$100,000,000 in 2012-13 (2011-12: Nil). The Australian Government has entered into a contractual arrangement with Gardline Australia Pty Ltd until 31 December 2013 for the provision of a vessel to patrol and respond to incursions in the Ashmore Reef National Nature Reserve and the Cartier Island Marine Reserve. The contract with Gardline Australia contains an indemnity clause relating to the use or other operations of armaments and the presence of armaments on the vessel. The indemnity is limited to three times the total amount or otherwise due under the contract.

While a claim on the Commonwealth is unlikely to occur, the maximum potential claim is estimated to be approximately \$100,000,000 in 2013-14 only.

Unquantifiable Contingencies

As at 30 June 2013, ACBPS had a number of legal claims lodged against it for damages and costs. ACBPS has denied liability and is defending the claims. In addition, ACBPS 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.

In 2011-12, a software audit led to a discovery of the possible use of a particular software product utilised by ACBPS without a software licence. As at 30 June 2013, the software provider involved has not established a final position on these findings or initiated legal proceedings and as such there is no clear understanding as to the impact of this issue.

The Australian Government has entered into a contractual arrangement with Gardline Australia Pty Ltd until 30 June 2014 for the provision of a vessel to strengthen enforcement activities in Australia's northern waters. The contract with Gardline Australia contains unquantifiable indemnities relating to the use, or other operations, of armaments and the presence of armaments on the vessel. It also contains unquantifiable indemnities relating to damage to any property or injury to any person caused by the apprehended or escorted persons or their vessel.

The Australian Government has entered into a contract with dmaa Seaforce Pty Ltd to provide a Civil Charter Vessel to conduct patrols in the Southern Ocean and northern waters to undertake law enforcement activities in relation to illegal, unregulated and unreported fishing as well as counter people smuggling activities. This agreement will remain in force until 30 June 2014. The Australian Government's contract contains unquantifiable indemnities relating to the use or other operations of armaments and ammunition and the presence of armaments and ammunition on the vessel. It also contains unquantifiable indemnities relating to damage to any property or injury to any person caused by the apprehended or escorted persons or their vessels.

Significant Remote Contingencies

As at 30 June 2013, ACBPS 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 ACBPS 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 Expenses for the Reporting Period

	2013	2012
	\$	\$
Short-term employee benefits:		
Salary	8,525,455	8,060,586
Annual leave accrued	667,733	840,929
Performance bonuses	698,400	692,275
Other	1,124,890	1,291,908
Total short-term employee benefits	11,016,478	10,885,698
Post-employment benefits:		
Superannuation	1,408,302	1,457,252
Total post-employment benefits	1,408,302	1,457,252
Other long-term employee benefits:		
Long-service leave	218,015	378,418
Total other long-term employee benefits	218,015	378,418
Termination benefits:		
Voluntary redundancy payments	235,054	568,044
Total termination benefits	235,054	568,044
Total senior executive remuneration expenses	12,877,849	13,289,412

Notes:

- 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).
- Note 11A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$180,000.
- "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 paid to substantive senior executives in 2013						
Average annual reportable remuneration ¹	Substantive Senior Executives		Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Total reportable remuneration
	No.					
Total reportable remuneration (including part-time arrangements):						
less than \$180,000	8		45,452	7,288	-	55,040
\$180,000 to \$209,999	3		170,636	22,854	93	198,759
\$210,000 to \$239,999	22		186,758	28,322	177	228,134
\$240,000 to \$269,999	11		209,339	28,369	108	253,109
\$270,000 to \$299,000	2		240,860	32,390	-	296,538
\$300,000 to \$329,999	4		243,217	37,381	-	304,312
\$330,000 to \$359,999	1		305,403	51,644	-	365,226
\$390,000 to \$419,999	1		331,412	48,531	-	407,510
\$510,000 to \$539,999	1		518,085	14,490	-	532,575
\$540,000 to \$569,999	1		480,891	51,910	-	568,551
Total number of substantive senior executives		54				

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 paid to substantive senior executives in 2012

	Substantive Senior Executives		Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
Average annual reportable remuneration ¹	No.		\$	\$	\$	\$	\$
Total reportable remuneration (including part-time arrangements):							
less than \$180,000	3		78,834	9,631	246	2,582	91,293
\$180,000 to \$209,999	9		164,502	23,787	332	9,246	197,867
\$210,000 to \$239,999	26		185,125	25,662	622	11,325	222,734
\$240,000 to \$269,999	3		227,168	20,925	68	8,259	256,420
\$270,000 to \$299,000	7		229,369	33,057	185	18,500	281,110
\$300,000 to \$329,999	4		277,450	23,565	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		466,779	72,061	-	-	538,840
Total number of substantive senior executives	55						

Notes:

1. 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.
2. 'Reportable salary' includes the following:
 - a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
 - c) exempt foreign employment income; and
 - d) salary sacrificed benefits.
3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, excluding any salary sacrificed amounts.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. '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.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11C. Average Annual Reportable Remuneration Paid to Other Highly Paid Staff during the Reporting Period

Average annual reportable remuneration paid to other highly paid staff in 2013

Average annual reportable remuneration ¹	Other highly paid staff	No.	Reportable salary ²	Contributed super-annuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
			\$	\$	\$	\$	\$
Total reportable remuneration (including part-time arrangements):							
\$180,000 to \$209,999		16	162,456	22,185	80	2,919	187,639
\$210,000 to \$239,999		2	192,590	17,871	65	1,704	212,230
Total number of other highly paid staff		18					

Average annual reportable remuneration paid to other highly paid staff in 2012

Average annual reportable remuneration ¹	Other highly paid staff	No.	Reportable salary ²	Contributed super-annuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
			\$	\$	\$	\$	\$
Total reportable remuneration (including part-time arrangements):							
\$180,000 to \$209,999		10	167,560	19,437	100	-	187,097
\$210,000 to \$239,999		1	189,806	25,195	-	-	215,001
\$240,000 to \$269,999		2	216,847	18,347	194	5,368	240,756
Total number of other highly paid staff		13					

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Notes:

1. This table reports staff:
 - a) who were employed by the entity during the reporting period;
 - b) who were not deployed overseas;
 - c) whose reportable remuneration was \$180,000 or more for the financial period; and
 - d) were not required to be disclosed in Table B or director disclosures.Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
 - a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
 - c) exempt foreign employment income; and
 - d) salary sacrificed benefits.
3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period, excluding any salary sacrificed amounts.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. '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.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12: Remuneration of Auditors

	2013	2012
	\$	\$

Financial statement audit services were provided free of charge to the ACBPS by the Australian National Audit Office (ANAO).

Fair value of the service provided

Financial statement audit services	740,000	740,000
Other paid services*	10,000	24,896
Total	750,000	764,896

*Other paid services are related to 2009-10 Special Purpose Audit of GST Administration and Import Processing Cost Recovery charges.

Note 13: Average Staffing Levels

	2013	2012
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The average staffing levels for ACBPS during the year were	5,118	5,222
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Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14: Financial Instruments

2013
\$'000

2012
\$'000

Note 14A. Categories of Financial Instruments

Financial Assets

Loans and receivables:

Cash and cash equivalents	7,383	7,423
Trade receivables	2,534	2,777
Other receivables	6,347	6,609
Accrued revenue	856	814
Total	17,120	17,623

Carrying amount of financial assets

17,120

17,623

Financial Liabilities

At amortised cost:

Trade creditors	76,260	77,938
Other payables	3,350	4,858
Total	79,610	82,796

Carrying amount of financial liabilities

79,610

82,796

Note 14B. Fair Value of Financial Instruments

	Carrying amount 2013 \$'000	Fair value 2013 \$'000	Carrying amount 2012 \$'000	Fair value 2012 \$'000
Financial Assets				
Cash and cash equivalents	7,383	7,383	7,423	7,423
Trade receivables	2,534	2,534	2,777	2,777
Other receivables	6,347	6,347	6,609	6,609
Accrued revenue	856	856	814	814
Total	17,120	17,120	17,623	17,623
Financial Liabilities				
Trade creditors	76,260	76,260	77,938	77,938
Other payables	3,350	3,350	4,858	4,858
Total	79,610	79,610	82,796	82,796

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14C. Credit Risk

ACBPS 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 (2013: \$9,737,000 and 2012: \$10,200,000). ACBPS has assessed the risk of the default on payment and has allocated \$1,846,000 in 2013 (2012: \$1,814,000) towards an allowance for the impairment of receivables.

ACBPS manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, ACBPS has policies and procedures that guide employee's debt recovery techniques that are to be applied.

ACBPS holds no collateral to mitigate against credit risk.

ACBPS 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	Not past due nor impaired	Past due or impaired	Past due or impaired
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	7,383	7,423	-	-
Trade receivables	411	609	2,123	2,168
Other receivables	6,347	6,570	-	39
Accrued revenue	856	814	-	-
Total	14,997	15,416	2,123	2,207

Ageing of financial assets that were past due but not impaired for 2013

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	170	42	30	35	277
Other receivables	-	-	-	-	-
Accrued revenue	-	-	-	-	-
Total	170	42	30	35	277

Ageing of financial assets that were past due but not impaired for 2012

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	138	50	34	132	354
Other receivables	39	-	-	-	39
Accrued revenue	-	-	-	-	-
Total	177	50	34	132	393

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

ACBPS receives appropriation funding from the Australian Government. ACBPS manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, ACBPS has policies in place to ensure timely payments are made when due and has no past experience of default.

ACBPS has no derivative financial liabilities in both the current and prior year.

Note 14D. Liquidity Risk

ACBPS's financial liabilities are payables. The exposure to liquidity risk is based on the notion that ACBPS will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to ACBPS (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 2013

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Trade creditors	-	76,260	-	-	-	76,260
Other payables	-	3,350	-	-	-	3,350
Total	-	79,610	-	-	-	79,610

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

Note 14E. Market Risk

ACBPS 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

		2013 \$'000	2012 \$'000
<u>Financial assets</u>	Notes		
Total financial assets as per balance sheet		194,420	208,069
Less: non-financial instrument components			
Appropriation receivables		173,500	185,879
GST receivable from the ATO		5,646	6,381
Impairment allowance account		(1,846)	(1,814)
Total non-financial instrument components		177,300	190,446
Total financial assets as per financial instruments note	14A	17,120	17,623

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16: Administered Expenses

	June 2013 \$'000	2012 \$'000
<u>Note 16A. Suppliers</u>		
Consultants / Market Research	916	862
<i>Total supplier expenses</i>	916	862
<u>Note 16B. Write-Down and Impairment of Assets</u>		
Impairment expense	874	(5,013)
Write-offs	4,924	11,771
<i>Total write-down and impairment of assets</i>	5,798	6,758

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Administered Income

	2013 \$'000	2012 \$'000
Taxation revenue		
<u>Note 17A. Customs Duty</u>		
Customs Duty	8,171,146	7,103,848
<i>Total Customs Duty</i>	8,171,146	7,103,848
<u>Note 17B. Passenger Movement Charge</u>		
Passenger Movement Charge	776,991	646,343
<i>Total Passenger Movement Charges</i>	776,991	646,343
<u>Note 17C. Import Processing and Depot Charges</u>		
Import Processing and Depot Charges	149,793	148,337
<i>Total Import Processing and Depot Charges</i>	149,793	148,337
Non-Taxation revenue		
<u>Note 17D. Fees, Fines and Prosecutions</u>		
Fees, Fines, and Prosecutions	1,696	538
<i>Total Fees, Fines and Prosecutions</i>	1,696	538
<u>Note 17E. Interest</u>		
Interest received	22	231
<i>Total Interest</i>	22	231
<u>Note 17F. Other Revenue</u>		
Other revenue	3,536	1,712
<i>Total Other Revenue</i>	3,536	1,712

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Administered Assets

<u>Financial Assets</u>		
	2013	2012
	\$'000	\$'000
<u>Note 18A. Cash and Cash Equivalents</u>		
Cash at bank	891	1,146
<i>Total cash and cash equivalents</i>	891	1,146
<u>Non-Financial Assets</u>		
-		
<u>Note 18B. Taxation Receivables</u>		
Customs duty	122,876	96,424
Passenger Movement Charge	127,031	94,553
Import Processing and Depot Charges	1,143	894
<i>Total taxation receivables (gross)</i>	251,050	191,871
Less: impairment allowance account	(18,449)	(16,627)
<i>Total Taxation receivables (net)</i>	232,601	175,244
Taxation receivables were aged as follows:		
Not overdue	226,033	172,201
Overdue by:		
0 to 30 days	4,626	1,958
31 to 60 days	1,000	331
61 to 90 days	159	754
More than 90 days	19,232	16,627
<i>Total receivables (gross)</i>	251,050	191,871
The impairment allowance is aged as follows:		
Not overdue	-	-
Overdue by:		
More than 90 days	(18,449)	(16,627)
<i>Total impairment allowance account</i>	(18,449)	(16,627)
Note:		
Refer to Administered Note 1 paragraph 1.24 for further explanation for further explanation relating to the crystallisation points of the various classes of Administered receivables.		

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 \$'000	2012 \$'000	
Note 18C. Non-Taxation Receivables			
Fees, fines and prosecutions	30,113	29,259	
Total non-taxation receivables (gross)	30,113	29,259	
Less: impairment allowance account	(27,757)	(28,706)	
Total non-taxation receivables (net)	2,356	553	
Receivables are aged as follows:			
Not overdue	1,103	373	
Overdue by:			
0 to 30 days	323	73	
31 to 60 days	66	47	
61 to 90 days	864	60	
More than 90 days	27,757	28,706	
Total non-taxation receivables (gross)	30,113	29,259	
The impairment allowance account is aged as follows:			
Not overdue	-	-	
Overdue by:			
More than 90 days	(27,757)	(28,706)	
Total impairment allowance account	(27,757)	(28,706)	
Reconciliation of the Impairment Allowance Account:			
Movements in relation to 2013			
	Taxation receivables \$'000	Non- taxation receivables \$'000	Total \$'000
Opening balance	(16,627)	(28,706)	(45,333)
Amounts written off	3,891	1,033	4,924
Amounts recovered and reversed	4,790	5,898	10,688
Increase recognised in net surplus	(10,503)	(5,982)	(16,485)
Closing balance	(18,449)	(27,757)	(46,206)
Movements in relation to 2012			
	Taxation receivables \$'000	Non-taxation receivables \$'000	Total \$'000
Opening balance	(15,305)	(35,041)	(50,346)
Amounts written off	465	11,306	11,771
Amounts recovered and reversed	3,099	4,642	7,741
Increase recognised in net surplus	(4,886)	(9,612)	(14,499)
Closing balance	(16,627)	(28,706)	(45,333)

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Administered Payables

	2013	2012
	\$'000	\$'000
<u>Note 19A. Unearned Revenue</u>		
Unearned revenue	3,237	3,701
<i>Total unearned Revenue</i>	3,237	3,701
Total unearned revenue are expected to be settled in:		
No more than 12 months	2,966	2,888
More than 12 months	271	813
<i>Total unearned revenue</i>	3,237	3,701
<u>Note 19B. Other Payables</u>		
Other payables	8,216	3,462
<i>Total other payables</i>	8,216	3,462
Total other payables are expected to be settled in:		
No more than 12 months	8,216	3,462
<i>Total other payables</i>	8,216	3,462

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 20: Administered Non-Interest Bearing Liabilities

	2013	2012
	\$'000	\$'000
<u>Note 20A. Security deposits</u>		
Security deposits	2,304	2,839
Total deposits	2,304	2,839
Total security deposits are expected to be settled in:		
On demand	2,304	2,839
Total security deposits	2,304	2,839

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 21: Administered Cash Flow Reconciliation

	2013 \$'000	2012 \$'000
Reconciliation of cash and cash equivalents as per Schedule of Administered Assets and Liabilities to Administered Cash Flow Statement		
Cash and cash equivalents as per:		
Schedule of administered cash flows	891	1,146
Schedule of administered assets and liabilities	891	1,146
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(9,096,470)	(7,893,389)
Refunds of duty and indirect taxes on behalf of other entities	(109,397)	(190,273)
Changes in assets / liabilities		
(Increase) / decrease in taxation receivables	(57,357)	(72,278)
(Increase) / decrease in non-taxation receivables	(1,803)	5,148
Increase / (decrease) in unearned revenue	(464)	1,425
Increase / (decrease) in other payables	4,753	2,304
Increase / (decrease) in security deposits	(535)	(1,474)
(Increase) / decrease in liabilities administered on behalf of other entities	(14)	-
Net cash from (used by) operating activities	8,931,653	7,638,242

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
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contingent assets								
Balance from previous period	-	-	-	-	-	1,894	-	1,894
New	-	-	-	-	-	-	-	-
Assets recognised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	(1,894)	-	(1,894)
Total contingent assets	-	-	-	-	-	-	-	-
Contingent liabilities								
Balance from previous period	-	-	-	-	-	-	-	-
New	-	-	-	-	-	-	-	-
Re-measurement	-	-	-	-	-	-	-	-
Liabilities recognised	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-
Total contingent liabilities	-	-	-	-	-	-	-	-
Net contingent assets (liabilities)	-	-	-	-	-	-	-	-

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Quantifiable Administered Contingencies

Quantifiable administered contingencies that are not remote are disclosed in the Schedule of Administered Items as quantifiable administered contingencies. As at 30 June 2013, ACBPS had no quantifiable contingencies (30 June 2012: Nil).

Unquantifiable Administered Contingent Liabilities

As at 30 June 2013, ACBPS had a number of legal claims lodged against it for damages and costs. ACBPS has denied liability and is defending the claims. In addition, ACBPS has lodged a number of claims to recover costs which are being pursued. It is not possible to estimate the amount of any eventual payments or receipts in relation to these claims.

At any point in time, ACBPS is involved in a range of dispute resolution processes, including litigation, relating to Customs Duty disputes. Details of the outcome of dispute resolution processes are uncertain until a final Court or Tribunal ruling is made and / or an agreement is reached with the importer at some future date. In some cases, the decision in relation to the cases above will be precedential. Furthermore, a negative Court or Tribunal ruling may result in refund claims being made by other importers. As a result, in most cases it is not possible to estimate with any reliability the likely financial impact of current disputes.

Unquantifiable Administered Contingent Assets

As at 30 June 2013, ACBPS 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.

Significant Remote Administered Contingencies

As at 30 June 2013, ACBPS 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.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23: Administered Financial Instruments

	2013 \$'000	2012 \$'000		
<u>Note 23A. Categories of Financial Instruments</u>				
Financial Assets				
Loans and receivables:				
Cash at bank	891	1,146		
Total	891	1,146		
Carrying amount of financial assets				
	891	1,146		
Financial Liabilities				
At amortised cost:				
Other security deposits	2,304	2,839		
Total	2,304	2,839		
Carrying amount of financial liabilities				
	2,304	2,839		
<u>Note 23B. Fair Value of Financial Instruments</u>				
	Carrying amount 2013 \$'000	Fair value 2013 \$'000	Carrying amount 2012 \$'000	Fair value 2012 \$'000
Financial Assets				
Cash at bank	891	891	1,146	1,146
Total	891	891	1,146	1,146
Financial Liabilities				
Security deposits	2,304	2,304	2,839	2,839
Total	2,304	2,304	2,839	2,839
<u>Note 23C. Credit Risk</u>				
ACBPS 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

Administered financial Instruments

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 2013

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Security deposits	2,304	-	-	-	-	2,304
Total	2,304	-	-	-	-	2,304

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

Note 23E. Market Risk

As at 30 June 2013, ACBPS 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

		2013 \$'000	2012 \$'000
<u>Financial assets</u>	Notes		
Total financial assets as per schedule of administered assets and liabilities		891	1,146
<i>Total financial assets as per financial instruments note</i>	23A	<u>891</u>	<u>1,146</u>

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')

	2013 Appropriations						Appropriation applied in 2013 (current and prior years) \$'000	Variance ^(a) \$'000	
	Appropriation Act		FMA Act						
			Section 30 \$'000	Section 31 \$'000	Section 32 \$'000	Total appropriation \$'000			
	Annual Appropriation \$'000	s reduced \$'000	AFM \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000	Total appropriation \$'000		
DEPARTMENTAL									
Ordinary annual services	1,010,206	-	-	-	66,221	-	1,076,427	1,093,489	(17,062)
Other services									
Equity	64,882	-	-	-	-	-	64,882	61,081	3,801
Loans	-	-	-	-	-	-	-	-	-
Total departmental	1,075,088	-	-	-	66,221	-	1,141,309	1,154,570	(13,261)
ADMINISTERED									
Ordinary annual services									
Administered items	916	-	-	-	-	-	916	916	-
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	916	-	-	-	-	-	916	916	-

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012 Appropriations							Appropriation applied in 2012 (current and prior years) \$'000	Variance \$'000
	Appropriation Act		FMA Act				Total appropriation \$'000		
			Section 30 \$'000	Section 31 \$'000	Section 32 \$'000				
	Annual Appropriation \$'000	Appropriations reduced ^(b) \$'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									
Equity	56,537	-	-	-	-	-	56,537	61,374	(4,837)
Loans	-	-	-	-	-	-	-	-	-
Total departmental	1,071,164	-	-	-	78,101	-	1,149,265	1,139,133	10,132
ADMINISTERED									
Ordinary annual services									
Administered items	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) Variance is due to the operating deficit in 2012-13 and appropriations applied in 2013 from prior years.

(b) 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.

In 2012-13 there was a formal addition of \$982,000 in relation to the Passenger Workload Growth Agreement. The formal addition was reflected in revenue from government in the Statement of Comprehensive Income. At law the appropriation had not been amended before the end of the reporting period. As such the formal addition has not been disclosed in Table A.

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')

	2013 Capital Budget Appropriations		Capital Budget Appropriations applied in 2013 (current and prior years)			
	Appropriation Act	FMA Act	Total Capital Budget Appropriations	Payments for non-financial assets ^(b)	Payments for other purposes	Total payments
	Annual Capital Budget \$'000	Appropriations reduced \$'000	Section 32 \$'000	\$'000	\$'000	\$'000
DEPARTMENTAL Ordinary annual services - Departmental Capital Budget ^(a)	59,766	-	-	59,766	55,054	55,054
						4,712

Notes:

^(a) Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No. 1, 3 and 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

	2012 Capital Budget Appropriations		Capital Budget Appropriations applied in 2012 (current and prior years)			
	Appropriation Act	FMA Act	Total Capital Budget Appropriations \$'000	Payments for non-financial assets ^(b) \$'000	Payments for other purposes \$'000	Total payments
	Annual Capital Budget \$'000	Appropriations reduced \$'000				
DEPARTMENTAL Ordinary annual services - Departmental Capital Budget ^(a)	79,241	-	79,241	72,780	-	72,780
						Variance \$'000
						6,461

Notes:

^(a) Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No. 1, 3 and 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')

	2013	2012
Authority	\$'000	\$'000
DEPARTMENTAL		
<i>Appropriation Act (No. 1) 2010-11</i>	-	147,415
<i>Appropriation Act (No. 2) 2010-11</i>	2,707	2,707
<i>Appropriation Act (No. 3) 2010-11</i>	-	5,044
<i>Appropriation Act (No. 1) 2011-12</i>	-	36,033
<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
<i>Appropriation Act (No. 1) 2012-13</i>	173,433	-
<i>Appropriation Act (No. 2) 2012-13</i>	3,861	-
<i>Appropriation Act (No. 3) 2012-13</i>	-	-
Total	180,001	193,302
ADMINISTERED		
<i>Appropriation Act (No. 1) 2011-12</i>	-	32
Total	-	32

Note 25D. Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2013 \$'000	2012 \$'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	364,972	243,619
<i>Taxation Administration Act 1953 - Section 16 (Administered)</i>	Refund	Refunds of receipts to individuals under the Tourist Refund Scheme	93,516	86,982
Total			458,488	330,601

* The Australian Taxation Office is responsible for \$15,880,619 for 2012-13 (2011-12: \$14,482,967) 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 nil (2011-12: \$9,757,897) 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 \$'000s
2013	
Total receipts	93,516
Total payments	(93,516)
	Australian Taxation Office '000s
2012	
Total receipts	86,982
Total payments	(86,982)

Notes:

^(a) ACBPS 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')

2013	Amount required - by Appropriation Act			Total amount required ^(a)	Total amount appropriated ^(b)	Total reduction
	Act (No.1)	Act (No.3)	Act (No. 5)			
Ordinary Annual Services						
Outcome 1	916,000.00	0.00	0.00	916,000.00	916,000.00	0.00
Total Ordinary Annual Services	916,000.00	0.00	0.00	916,000.00	916,000.00	0.00

Notes:

^(a) Amount required as per Appropriation Act (Act 1 section 11; Act 2 section 12).

^(b) Total amount appropriated in 2012-13.

2012	Amount required - by Appropriation Act			Total amount required ^(a)	Total amount appropriated ^(b)	Total reduction ^(c)
	Act (No.1)	Act (No.3)	Act (No. 5)			
Ordinary Annual Services						
Outcome 1	862,181.82	0.00	0.00	862,181.82	894,000.00	31,818.18
Total Ordinary Annual Services	862,181.82	0.00	0.00	862,181.82	894,000.00	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 was 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.

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 Moneys Special Account ¹		Other Trust Reserve ¹		Security Deposits Reserve ²	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Balance brought forward from previous period	374	-	-	363	2,465	3,950
Increases:						
Other receipts	1	-	-	11	2,476	1,913
Amounts transferred	-	374	-	-	-	-
Total increases	1	374	-	11	2,476	1,913
Available for payments	375	374	-	374	4,941	5,863
Decreases:						
Administered						
Payments made to suppliers	-	-	-	-	(3,012)	(3,398)
Amounts transferred	(375)	-	-	(374)	(1,929)	-
Total administered decrease	(375)	-	-	(374)	(4,941)	(3,398)
Total balance carried to the next period	-	374	-	-	-	2,465

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*.

The Other Trust Reserve was established by the determination: Financial Management and Accountability Act 1997 – Initial Determination to Establish Components of the Reserved Money Fund (31/12/1997).

²Appropriation: Financial Management and Accountability Act 1997; section 21.

Establishing Instrument: Financial Management and Accountability Act 1997; section 20. Determination: Financial Management and Accountability Determination 2006/74 – Security Deposits Special Account Establishment 2006.

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 ACBPS was first reported in the notes to the 2010-11 financial statements and has been considered annually in the preparation of subsequent financial statements.

ACBPS draws on five (5) appropriations involving statutory conditions for payment, comprising:

- one special appropriation;
- two special accounts;
- one annual appropriation (Administered)¹; and
- one annual appropriation (Departmental)².

During 2012-13 further work was undertaken in relation to identifying and addressing the risk of contravention of Section 83. This included the development of an ongoing structured risk assessment with a view to providing stakeholders with assurance that the requirements of Section 83 are being complied with. As part of this risk assessment:

- a) formal advice was sent to the relevant delegates reminding them of their obligation to ensure that statutory conditions for payment are met prior to authorising payments.
- b) Internal Audit were engaged to consider changes in processes, legislation and controls related to the in-scope special accounts and special appropriations. Where changes were identified, Internal Audit assessed whether the associated controls were appropriate to ensure that payments were made in accordance with the legislation.
- c) Internal Audit were engaged to undertake sample testing and report on ACBPS's compliance with the requirements relating to the management of the special account and special appropriations.
- d) A targeted survey was undertaken. This survey served a dual purpose:
 - i. to raise awareness of the provisions of Section 83 within the agency; and
 - ii. identify any breaches of Section 83.

During 2012-13 additional legal advice was received that indicated there could be breaches of Section 83 under certain circumstances associated with payments for long service leave, goods and services tax, and payments under determinations of the Remuneration Tribunal. ACBPS will review its processes and controls over payments for these items to minimise the possibility for future breaches as a result of these payments. ACBPS has determined that there is a low risk of the circumstances mentioned in the legal advice applying to ACBPS but one breach of the requirements surrounding long service leave payments was identified in 2012-13. ACBPS has reviewed the circumstances under which the payment was made and has made process changes to prevent future breaches of Section 83 in relation to payments of long service leave.

ACBPS operates under a self-assessment regime for its Customs Duty collection and refunds, 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.

The self-assessment regime increases the risk that a payment may be made that does not comply with the statutory conditions of payment. The next step to be taken to address the risk of non-compliance with Section 83 is to consider legislative amendments to the *Customs Act 1901* to provide a mechanism, called a 'recoverable payment', which will provide legislative authority for the inadvertent overpayment of some claims for payment, and for their recovery in line with the duty to pursue recovery of a debt under section 47 of the *Financial Management and Accountability Act 1997*.

¹ ACBPS 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.

² Statutory conditions of payment apply only to payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Summary

Appropriations identified as subject to conditions	Payments in 2012-13 \$000	Review complete? (Yes/No)	Breaches identified during 2012-13				Breaches to date yet to be resolved		Remedial action taken or proposed
			Number.	Total \$000	Incorrect \$000	Recovered/offset As at 30/06/2013 \$000	Yes/No	Indicative extent	
SPECIAL APPNS									
Section 28 Refunds and Drawbacks (Duty and GST)	364,972	Yes	23	844.27	844.27	782.32	No	N/A	LP
SPECIAL ACCOUNTS									
Security Deposits Reserve (Administered)	3,012	Yes	4	20.13	20.13	Nil	No	N/A	SM
Other Trust Reserve (Administered)		Yes	Nil	N/A	N/A	N/A	No	N/A	N/A
ANNUAL APPROPRIATIONS									
People Smuggling Communications Campaign ³	916	Yes	Nil	N/A	N/A	N/A	No	N/A	N/A
Departmental Appropriation Act 14	1,175,194	No	1	0.36	0.36	0.36	No	N/A	SM

L= legislative change; S= systems change and P=planned; M=made (eg SM, or LP)

³ ACBPS 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.

⁴ Statutory conditions of payment apply only to payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 28: Compensation and Debt Relief

	2013	2012
	\$	\$
Compensation and Debt Relief - Departmental		
No 'Act of Grace payments' were expensed during the reporting period (2012: No payments)	<u>Nil</u>	<u>Nil</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> (2012: No waiver).	<u>Nil</u>	<u>Nil</u>
No payment was provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2012: Two payments).	<u>Nil</u>	<u>16,096</u>
No ex-gratia payments were provided for during the reporting period (2012: No payments).	<u>Nil</u>	<u>Nil</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 (2012: No payments).	<u>Nil</u>	<u>Nil</u>

Administered

No 'Act of Grace' expenses were incurred during the reporting period (2012: No 'Act of Grace' expenses incurred).	<u>Nil</u>	<u>Nil</u>
No payment was provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2012: Two payments).	<u>Nil</u>	<u>Nil</u>
One waiver of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> (2012: No waivers).	<u>2,235,473</u>	<u>Nil</u>
No ex-gratia payments were provided for during the reporting period (2012: No ex-gratia payments were provided).	<u>Nil</u>	<u>Nil</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 (2012: No payments).	<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 ¹		Total	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Departmental				
Expenses	1,138,362	1,135,359	1,138,362	1,135,359
Own-source income	73,356	85,886	73,356	85,886
Administered				
Expenses	6,714	7,620	6,714	7,620
Own-source income	9,103,184	7,901,009	9,103,184	7,901,009
Net cost/(contribution) of outcome delivery	(8,031,464)	(6,843,916)	(8,031,464)	(6,843,916)

¹. Outcome 1 is described in Note 1.1. Net cost shown included intra-government costs that were eliminated in calculating the actual Budget Outcome.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 29B. Major Classes of Departmental Expense Income Assets and Liabilities by Outcome

	Outcome 1		Total	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Expenses:				
Employees	549,337	564,286	549,337	564,286
Suppliers	484,284	477,525	484,284	477,525
Grants	14	158	14	158
Depreciation and amortisation	103,665	90,759	103,665	90,759
Finance costs	734	713	734	713
Write-down and impairment of assets	209	1,735	209	1,735
Losses from asset sales	119	178	119	178
Other expenses	-	5	-	5
Total	1,138,362	1,135,359	1,138,362	1,135,359
Income:				
Revenue from Government	951,322	935,386	951,322	935,386
Sale of goods and services	62,985	63,736	62,985	63,736
Other non-taxation revenue	6,790	7,806	6,790	7,806
Gains	3,581	14,344	3,581	14,344
Total	1,024,678	1,021,272	1,024,678	1,021,272
Assets:				
Financial assets	194,420	208,069	194,420	208,069
Non-financial assets	606,063	590,707	606,063	590,707
Total	800,483	798,776	800,483	798,776
Liabilities:				
Payables	112,569	114,208	112,569	114,208
Provisions	194,708	200,298	194,708	200,298
Total	307,277	314,506	307,277	314,506

Note 29C. Major Classes of Administered Expenses, Income, Assets, and Liabilities by Outcomes

	Outcome 1		Total	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Expenses:				
Supplier expenses	916	862	916	862
Write-down and impairment of assets	5,798	6,758	5,798	6,758
Total	6,714	7,620	6,714	7,620
Income:				
Taxation revenue	9,097,930	7,898,528	9,097,930	7,898,528
Non-taxation revenue	5,254	2,481	5,254	2,481
Total	9,103,184	7,901,009	9,103,184	7,901,009

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Assets:				
Financial assets	891	1,146	891	1,146
Non-financial assets	234,957	175,797	234,957	175,797
Total	235,848	176,943	235,848	176,943
Liabilities:				
Payables	11,452	7,163	11,452	7,163
Non-interest bearing liabilities	2,304	2,839	2,304	2,839
Total	13,756	10,002	13,756	10,002

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 30: Competitive Neutrality and Cost Recovery

	2013	2012
	\$'000	\$'000
<u>Note 30A. Administered Receipts Subject to Cost Recovery Policy</u>		
Significant cost recovery arrangements		
Import Processing Charge ¹	151,797	149,564
Total administered receipts subject to cost recovery policy	151,797	149,564

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

	2013 \$'000	2012 \$'000
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations¹	(12,047)	10,883
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>(103,665)</u>	<u>(90,759)</u>
Total comprehensive income (loss) - as per the Statement of Comprehensive Income	<u>(115,712)</u>	<u>(79,876)</u>

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.



PART 7

APPENDIXES

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APPENDIX A:

AGENCY RESOURCE STATEMENT AND RESOURCES FOR OUTCOME

Table A1: Agency resource statement 2012–13

Agency Resource Statement 2012–13	Actual available appropriation for 2012–13 ^(a) (\$000) {A}	Payments made for 2012–13 ^(b) (\$000) {B}	Balance remaining 2012–13 (\$000) ={A}–{B}
Ordinary annual services^(c)			
Appropriation receivable	185,879	173,500	12,379
Departmental appropriation ^{(d)(e)}	1,010,206	866,459	143,747
Section 31 receipts	71,750	66,221	5,529
Total	1,267,835	1,106,180	161,655
Administered expenses			
Outcome 1	916	916	NA
Total	916	916	NA
Total ordinary annual services [A]	1,268,751	1,107,096	NA
Departmental non-operating			
Equity injections ^(f)	64,882	61,081	3,801
Total	64,882	61,081	3,801
Total other services [B]	64,882	61,081	NA
Total available annual appropriations and payments	1,333,633	1,168,177	NA
Special appropriations			
Special appropriation (section 28 FMA Act)		364,972	NA
Total special appropriations [C]	N/A	364,972	NA
Special accounts			
Opening balance	2,465		
Special accounts	4,000		
Payments made		3,012	
Total special amounts [D]	6,465	3,012	3,453
Total resourcing and payments			
[A]+[B]+[C]+[D]	1,340,098	1,536,161	NA

FMA Act = Financial Management and Accountability Act 1997

(a) Data sourced from 2013–14 Portfolio Budget Statements.

(b) Data sourced from 2012–13 Financial Statements, Cash Flow Statement, but excludes Net GST paid.

(c) Appropriation Bill (No. 1) 2012–13.

(d) This includes amounts for Appropriation Bill (No. 3) 2012–13 and Appropriation Bill (No. 5) 2012–13.

(e) This includes \$59.77 million for the Departmental Capital Budget in 2012–13. For accounting purposes this amount has been designated as 'contributed by owners'.

(f) Appropriation Bill (No.2) 2012–13.

Table A2: Resources for outcome

	Budget^(a) 2012–13 (\$000) {A}	Actual expenses 2012–13 (\$000) {B}	Variation 2012–13 (\$000) ={A}–{B}
Program 1.1: Passenger Facilitation			
Departmental expenses	235,069	234,490	579
Subtotal for Program 1.1	235,069	234,490	579
Program 1.2: Trade Facilitation			
Departmental expenses	218,856	227,238	(8,382)
Subtotal for Program 1.2	218,856	227,238	(8,382)
Program 1.3: Border Enforcement			
Departmental expenses	273,629	281,696	(8,067)
Subtotal for Program 1.3	273,629	281,696	(8,067)
Program 1.4: Civil Maritime Surveillance and Response			
Departmental expenses	328,656	317,970	10,686
Subtotal for Program 1.4	328,656	317,970	10,686
Program 1.5: Border-Related Revenue Collection			
Departmental expenses	74,366	76,968	(2,602)
Subtotal for Program 1.5	74,366	76,968	(2,602)
Total departmental expenses	1,130,576	1,138,362	(7,786)
Administered expenses	916	916	—
Special appropriations			
FMA Act s28—repayments required or permitted by law	260,000	364,972	(104,972)
Special accounts	—	—	—
Services for other entities and trust moneys special account	—	—	—
Other trust moneys—FMA Act s20	—	—	—
Security deposits—FMA Act s20	4,000	3,012	988
Total for outcome	1,395,492	1,507,262	(111,770)
Department expenses	1,130,576	1,138,362	(7,786)
Administered expenses	916	916	—
Administered refunds (FMA Act s28)	260,000	364,972	(104,972)
Special accounts	4,000	3,012	988
Average staffing level (number)	5,100	5,118	(18)

FMA Act = Financial Management and Accountability Act 1997

(a) Budget relates to the revised budget estimate reported in the Portfolio Additional Estimates Statements 2012–13.

APPENDIX B:

WORK HEALTH AND SAFETY STATISTICS

This appendix provides information on work health and safety (WHS) incidents, investigations and notices in accordance with the requirements of Schedule 2, Part 4 of the *Work Health and Safety Act 2011*.

Table B1: Comcare claim data and unscheduled absences, 2010–11 to 2012–13

	2010–11	2011–12	2012–13
Accepted compensation incident claims	118	118	98
Claims per 100 staff (headcount)	2.08	2.38	1.77
Accepted compensation incident claims with time off work	83	106	98
Accepted compensation incident claims resulting in 5 or more days incapacity	101	84	85
Claims of five or more days incapacity per 100 staff (headcount)	1.78	1.48	1.54
Quality of return to work outcomes ^(a)	86%	87%	84%
Annual absenteeism (days per full-time equivalent)	13.25	13.10	12.85

(a) Number of staff that successfully returned to employment following the implementation of a return to work plan.

INVESTIGATIONS AND NOTICES

COMCARE INVESTIGATIONS

- + At an Elements of Shipboard Safety course in September 2012, a worker became trapped under water with the life raft ropes around their neck. Comcare initiated an investigation into this incident. The Inspectors report was received on 20 December 2012. Comcare will take no action against ACBPS. Recommendations were circulated to relevant areas for consideration.
- + On 25 March 2013, ACBPS responded to a foreign vessel near Christmas Island. Upon boarding, the vessel capsized with the subsequent drowning of one female and one child. Comcare sought information on this notifiable incident and subsequently issued a Section 155 Notice. The Comcare Inspector's report stated 'that it appears that ACBPS has done everything reasonably practicable

to control the risks to the health and safety of workers at the workplace' Comcare closed the matter on 20 June 2013.

- + On 19 April 2013, Comcare issued a Section 155 Notice in relation to full name badges; requiring ACBPS to provide detailed WHS information and evidence of consultation. This matter was not resolved before the end of the reporting period.
- + A Comcare investigation was initiated on 21 May 2013 into allegations of bullying and harassment at Perth Airport. Comcare closed the matter on 1 July 2013, advising that no further intervention from Comcare was required.

NOTICES

During 2012–13, Comcare did not issue any prohibition notices, non-disturbance notices or improvement notices to the Service.

A Provisional Improvement Notice (PIN) was issued by a Health and Safety Representative (HSR) on 18

April 2013 at Melbourne Airport that related to shredding SmartGate tickets. The matter was resolved by a change of procedure.

Another PIN was issued for a HSR on 27 June 2013 at Melbourne Airport regarding exposure of staff to asbestos. This matter was not resolved before the end of the reporting period.

IMPLEMENTATION OF THE ENFORCEABLE UNDERTAKING

In 2011, ACBPS entered into an enforceable undertaking with Comcare following an incident that had occurred in December 2008.

The enforceable undertaking was completed by ACBPS on 21 May 2013. All deliverables under Schedule 1 of the enforceable undertaking were completed within the legislative timeframes.

The Service is awaiting the final report from Comcare to close the matter. This matter was not resolved before the end of the reporting period.

NOTIFIABLE INCIDENTS

We have an obligation to notify Comcare of notifiable events under the *Work Health and Safety Act 2011*. The categories prescribed in section 35, in order of severity, are:

- + death
- + dangerous incident
- + serious injury or illness.

In 2012–13, we notified Comcare of 30 incidents, a reduction on the number of incidents reported

in 2011–12. We continue to liaise with the regulator, Comcare, regarding the altered definition of a notifiable incident with the amended work health and safety legislation introduced in 2012.

Table B2: Notifiable incidents, 2010–11 to 2012–13

	2010–11	2011–12	2012–13
Death	0	0	1 ^(a)
Dangerous occurrence	22	22	16
Serious personal injury	21	31	13
Incapacity	10	0	0
Total	53	53	30

(a) Irregular Maritime Arrival (IMA)

Table B3: Notifiable incidents—mechanism of injury, 2010–11 to 2012–13

Mechanism of injury	2010–11		2011–12		2012–13	
	Number	%	Number	%	Number	%
Falls, trips and slips	9	16.98	8	15.09	2	6.67
Hitting objects with body	—	—	8	15.09	1	3.33
Being hit by moving objects	5	9.43	5	9.43	11	36.67
Sound and pressure	2	3.77	—	—	—	—
Body stressing	6	11.32	5	9.43	1	3.33
Heat, electricity and other environmental factors	5	9.43	1	1.88	6	20
Chemical and other substances	6	11.32	8	15.09	4	13.33
Biological factors	1	1.89	2	3.77	1	3.33
Mental stress	3	5.66	—	—	—	—
Hazard	—	—	11	20.75	2	6.67
Vehicle accidents and other	—	—	5	9.43	2	6.67
Other and unspecified	16	30.19	—	—	—	NA
Total	53	100	53	100	30	100

APPENDIX C:

NATIONAL DISABILITY STRATEGY

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the APSC's State of the Service Report and the APS Statistical Bulletin. These reports are available at www.apsc.gov.au. From 2010–11, departments and agencies have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy 2010–2020, which sets out a ten-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level two yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring. The first of these reports will be available in 2014 and will be available at www.fahcsia.gov.au

The Social Inclusion Measurement and Reporting Strategy agreed by the Government in December 2009 will also include some reporting on disability matters in its regular *How Australia is Faring* report and, if appropriate, in strategic change indicators in agency annual reports. More details on social inclusion matters can be found at www.socialinclusion.gov.au

APPENDIX D:

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

Under Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), Commonwealth organisations have a statutory requirement to report on their environmental performance and how they accord with, and advance the principles of, ecologically sustainable development.

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 Resources, Energy and Tourism, 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 by:

- + educating staff through the intranet page, internal news articles and signage to reinforce environmentally friendly practices
- + procuring ICT equipment with improved energy savers
- + providing recycling facilities for paper, aluminium, glass, plastics, toner cartridges, batteries, mobile phones and fluorescent lighting tubes
- + including contract clauses for recycling services and environmentally friendly products
- + increasing the consumption of paper with a recycled content

- + 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
- + continuing to provide a call centre for staff to report on building faults
- + increasing the ratio of fuel-efficient vehicles in the national fleet
- + increasing staff-to-printer ratios
- + entering into Green Lease Schedules with quarterly Building Management Committee meetings with building owners to discuss building performance
- + conducting energy audits at key locations.

We measure performance against set energy targets and energy audit requirement. We 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 2012–13 will be reported to the Department of Resources, Energy and Tourism on 31 October 2013. Therefore, figures were not available at the time of publication and figures from 2011–12 have been used.

Overall energy consumption in 2011–12 decreased by 5.88 per cent

to 811,619 gigajoules compared to the previous year's 862,357 gigajoules (see Table D1). This was mainly due to the overall reduction in electricity consumption under the three major categories of Tenant Light and Power, Other Buildings and Other Uses. Other factors included the reduced consumption of diesel fuel (7.26 per cent) and aviation fuel (6.76 per cent) reported under Other Transport.

To remain consistent with 2010–11 reporting period, the amalgamation of the Central Services category (consisting of lifts, lobby lights, security and hot-water systems) continued to be reported under Tenant Light and Power as these areas are not separately metered.

Table D1: Direct energy use—tenant light and power, 2009–10 to 2011–12

	2009–10	2010–11	2011–12
Office—Tenant light and power			
Electricity (kWh)	14,819,642	16,105,684	15,974,736
Green power (kWh)	(630,095)	(693,203)	(655,950)
Total GJ	53,351	57,980	57,509
Occupancy (people) (FTE)	4,494	4,769	4,987
Area (m2)	99,274	98,909	106,326
MJ / Occupancy (people) / annum	11,872	12,158	11,532
MJ / Area (m2) / annum	537	586	541
m2 / Person	22	21	21
Office—Central services			
Electricity (kWh)	513,688	—(a)	—(a)
Natural gas (MJ)	2,219,996	—(a)	—(a)
Green power (kWh)	—	—(a)	—(a)
Total GJ	4,069	—(a)	—(a)
Area (m2)	3,489	—(a)	—(a)
MJ / Area (m2) / annum	1,166	—(a)	—(a)
Other buildings			
Electricity (kWh)	3,241,157	3,205,829	3,013,252
Green power (kWh)	(196,177)	(185,384)	(244,965)
Total GJ	11,668	11,541	10,848
Area (m2)	116,733	112,143	126,001
MJ / Area (m2) / annum	100	103	86
Other uses			
Electricity (kWh)	1,303,919	1,071,883	1,003,187
Green power (kWh)	(14,144)	(16,823)	(61,900)
Total GJ	4,694	3,859	3,896
Area (m2)	49,757	49,765	52,191
KPI (MJ / m2)	94	78	75
Entity totals	2009–10	2010–11	2011–12
Total GJ	958,541	862,357	811,620

GJ = gigajoule; KPI =key performance indicator; kWh = kilowatt/hour; m=metre, MJ = megajoule

Note: 2012–13 figures were not available at the time of publication.

(a) The data for these categories have been amalgamated under 'Office—tenant light and power'.

TRANSPORT USE

We recorded a decrease in overall transport use in 2011–12 compared to the previous year (see Table D2 below). The Passenger Vehicles consumption decreased by 5.95 per cent from 16,855 to 15,853 gigajoules and Other Transport consumption decreased by 6.75 per cent from 772,121 to 720,027 gigajoules, primarily due to an overall decrease in use of fuel usage and distance travelled.

Officers are maintaining the use of ethanol-blended fuel (E10); in 2011–12, 76,589 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 46.3 per cent in 2010–11 to 51.5 per cent in 2011–12.

Fleet vehicles are represented under Passenger Vehicles and larger 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 D3 shows the direct conversion into greenhouse gas emissions of the energy consumption captured in Tables D1 and D2. The Clean Energy Regulator's Online System provides the calculations for Comprehensive Activity Reporting.

Table D2: Direct energy use—transport, 2009–10 to 2011–12

	2009–10	2010–11	2011–12
Passenger vehicles			
LPG (L)	1,564	8,000	4,041
Automotive Diesel (L)	103,819	120,068	130,431
Petrol (L)	350,540	276,350	239,111
E10 biofuel (L)	56,856	77,342	76,589
Total GJ	17,919	16,855	15,853
Distance Travelled (km) / annum	4,339,511	4,056,876	3,834,144
MJ / Distance Travelled (km) / annum	4.13	4.15	4.13
Other transport			
LPG(L)	4,275	1,996	1,120
Automotive Diesel (L)	11,756,604	10,001,148	9,275,118
Automotive Petrol (L)	61,996	17,879	76,346
Aviation (Avgas) (L)	12,410,956	11,643,899	10,857,015
Total GJ	866,840	772,121	720,027

Table D3: Greenhouse gas emissions, 2009–10 to 2011–12

	2009–10	2010–11	2011–12
Office — tenant light and power			
CO ₂ / person / annum (tonnes)	2.93	3.38	3.31
CO ₂ / m2 / annum (tonnes)	0.13	0.16	0.16
Total CO₂ / annum (tonnes)	13,164.59	16 124.24	16,486.53
Office — central services			
CO ₂ / m2 / annum (tonnes)	0.15	— (a)	— (a)
Total CO ₂ / annum (tonnes)	528.75	— (a)	— (a)
Other buildings			
CO ₂ / m2 / annum (tonnes)	0.03	0.03	0.026
Total CO₂ / annum (tonnes)	3,040.97	3,503.85	3,253.87
Passenger vehicles^(b)			
CO ₂ / annum (tonnes) — LPG	2.49	13.79	6.97
CO ₂ / annum (tonnes) — diesel	282.05	348.52	378.60
CO ₂ / annum (tonnes) — petrol	834.40	707.89	612.50
CO ₂ / annum (tonnes) — biofuel	71.52	187.43	185.61
Total CO ₂ / annum (tonnes)	1,190.46	1,257.63	1,183.68
Total CO2 emissions / annum (tonnes) (not including other transport and other uses)^(c)	17,924.77	20,885.72	20,924.08
Other transport^(d)			
CO ₂ / annum (tonnes) — LPG	6.81	3.44	1.93
CO ₂ / annum (tonnes) — diesel	31,720.96	29,030.53	26,923.07
CO ₂ / annum (tonnes) — petrol	147.57	45.80	195.57
CO ₂ / annum (tonnes) — Avgas	27,540.21	27,880.78	25,996.63
Total CO ₂ / annum (tonnes)	59,415.55	56,960.55	53,117.20
Other uses			
Total CO ₂ / annum (tonnes)	1,155.91	1,025.83	972.59
Total CO₂ emissions (including other transport and other uses)^(e)	78,496.23	78,872.10	75,013.87

Note: 2012–13 figures were not available at the time of publication.

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 aircraft, x-ray vans, motorcycles, gas bottles and forklifts.

(e) Includes 'other transport' and 'other uses' categories.

ENVIRONMENTAL GOALS

We continued with various environmental initiatives throughout 2012–13 (see Table D4 below).

In June 2010, we 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 (2009–10), the electricity consumption reflects the initial drops and remains consistent with the following years (2010–11 and 2011–12) as shown in Figure D1.

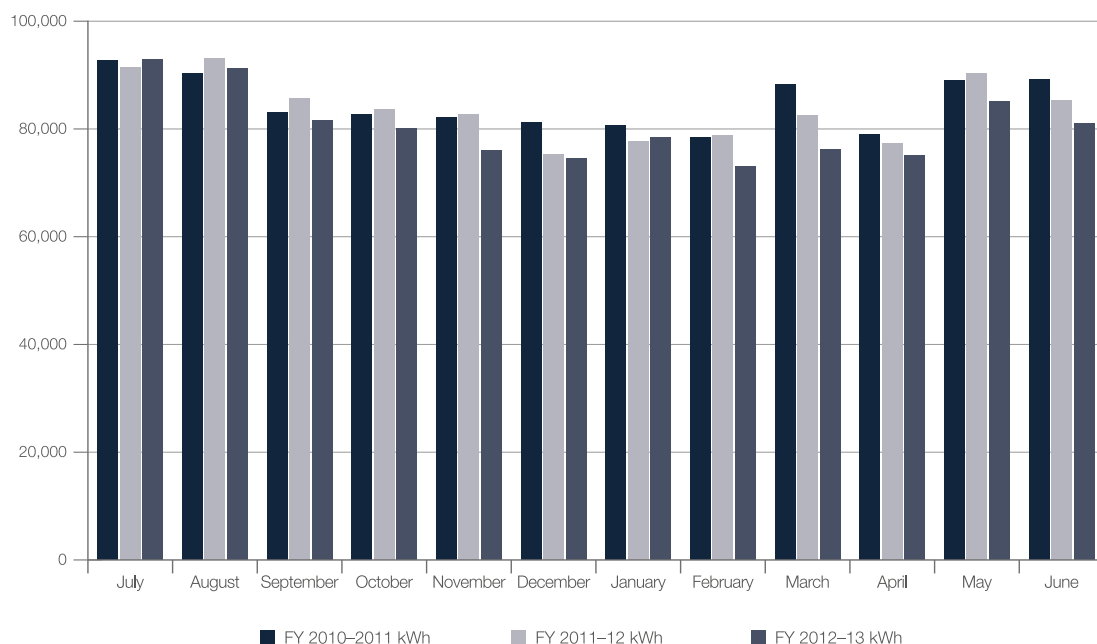
Figure D1 table shows electricity usage remains consistent with the previous years where the largest drop of energy was seen due to energy upgrades that were implemented. The site remains on target to meet the payback period prior to the lease end date.

Table D4: Environmental initiatives and performance

Environmental goals 2012–13	Result	Ongoing environmental goals 2013–14
Maintain 80% recycled paper content.	Individual sections are now responsible for purchasing office paper. The recommended minimum recycled content is 80% or carbon neutral paper.	Sections will continue to purchase recycled paper as recommended in the Environmental Practice Statement.
Monitor and report on the energy savings from the completed upgrades over nine sites, providing an average three-year payback period and expected savings.	Monitoring is ongoing. Overall reductions at the nine sites are estimated to meet the payback periods by lease end dates.	Monitoring and reporting on energy savings will continue. Undertaking new energy audits at key locations.
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. Motion detection sensors will be installed at key locations to ensure lights are turned off when not in use.
Introduce energy-saving solutions for computers and office equipment.	Support Division continues to revise practices in accordance with the Australian Government Data Centre Strategy 2010–2025 and the ICT Sustainability Plan 2010–2015.	Support 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 with automatic power saving options will continue.
Practice Statements with Instruction and Guidelines are in place covering a range of preferred environmental practices.	Practice Statements with Instruction and Guidelines are available on the intranet.	Biannual review of Practice Statements continues.

continued

Environmental goals 2012–13	Result	Ongoing environmental goals 2013–14
Where Green Lease Schedules (GLS) are present continue to improve building energy performance and National Australian Built Environment Ratings System (NABERS) via Building Management Committee meetings with building owners.	Four major offices contain GLS: <ol style="list-style-type: none"> 1. 2 Constitution Ave, Canberra 2. 1010 La Trobe Street, Melbourne 3. 220 Commercial Road, Adelaide and 4. The Circuit in Brisbane. 	Continue to seek improvements in building energy performance and National Australian Built Environment Ratings System (NABERS) via Building Management Committee meetings.
Establish an Environmental Management intranet page containing information on expected practices and guidelines for staff and contractors.	The Environmental Management intranet pages are available to all staff and contain informative advice on mandatory practices and guidelines expected of staff and contractors.	Continued updates of the Environmental Management pages as required. Customs News articles for Earth Hour contains links to the intranet pages for greater staff awareness.

Figure D1: Electricity consumption for 5 Constitution Avenue, Canberra

GOVERNMENT POLICY

The Service complies with Government policies contributing to sustainable development, including environmental policies as outlined in the Energy Efficiency in Government Operations Policy, the Australian Government Data Centre Strategy 2010–2025, ICT Sustainability Plan 2010–2015 and Commonwealth Property Management Guidelines.

We comply with these policies by working within set guidelines and include 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.

The Service 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 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 2012–13.

APPENDIX E:

INFORMATION PUBLICATION SCHEME STATEMENT

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.

The Service's plan shows the information we publish in accordance with the Information Publication Scheme requirements, and is available on the Service's website.

FREEDOM OF INFORMATION STATISTICS

From 1 July 2012 to 30 June 2013, we received 165 requests under section 15 of the FOI Act, up from 133 requests last year.

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 including maritime people smuggling
- + staffing matters.

APPENDIX F:

LEGISLATIVE AUTHORITY AND POWER

On 10 June 1985, subsection 4(1) of the *Customs Administration Act 1985* established the Service in its current form. ACBPS primarily derives its powers from the *Customs Act 1901* and related legislation.

STATUTORY POWERS CONFERRED ON THE CEO

The *Customs Administration Act 1985* also provides for the appointment of a CEO, who, reporting to the Minister, controls the Service. The Governor-General appoints the CEO. Certain statutory functions and powers are vested in the Minister but most decisions made under ACBPS legislation are the responsibility of the CEO. The CEO may delegate (by signed instrument) to an officer of the Service, 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 ACBPS 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 s331A of *Commonwealth Electoral Act 1918*, any payments made for advertising or market research greater than \$12,100 (exclusive of GST) must be reported in the annual report. In accordance with this legislation, we paid a total of \$7,530,405.01 (exclusive of GST) paid to these organisations. The services they provided are as follows.

During 2012–13, ACBPS conducted the following advertising campaigns: the Duty Free (tobacco) campaign as well as counter people smuggling campaigns including 'No Advantage',

'Say No' and 'Don't be deceived by the lies of People Smugglers'. Further information on those advertising campaigns is available at www.customs.gov.au and

in the reports prepared by the Department of Deregulation. Those reports are available at www.finance.gov.au/advertising

Table G1: Payments over \$12,100 to advertising and market research organisations (Amount inclusive of GST)

Organisation	Result	
ADCORP Australian Limited	Online and newspaper advertising for Recruitment advertising Advertising Public notices	\$376,338.00
Statt Consulting Ltd*	Research Public Relations Advertising	\$2,557,962.00
International Organisation for Migration*	Public Relations Advertising	\$928,000.00
Thompson Associates (PVT) Ltd*	Public Relations Advertising	\$54,950.00
TAL Group*	Public Relations Advertising	\$1,120,035.00
Ipsos Asi*	Public Relations Advertising	\$175,000.00
Total Media Direction (PVT) Ltd*	Public Relations Advertising	\$262,365.00
Universal McCann*	Advertising	\$1,292,176.58
Trinity P3*	Research	\$28,800.00
Red Elephant Projects*	Research Evaluation	\$550,066.51
ORC International Pty Ltd	Surveys	\$134 711.92
QLD University of Technology	Surveys	\$50,000.00
TOTAL		\$7,530,405.01

* International campaigns undertaken to counter people smuggling

APPENDIX H:

PURCHASER-PROVIDER ARRANGEMENTS

The Service faces an operating environment characterised by exponentially increasing volumes of trade and travel and increasing complexity in global routes and supply chains. The challenge is to keep pace with the accelerating evolution of the border environment while meeting Government and community expectations around border management and protection. A large part of successfully meeting that challenge lies in the Service's operating model, its business processes, its culture and the capability of its officers.

Accenture—with a consortium of partners that includes Ernst & Young, ThinkPlace and St James Ethics Centre—was engaged to assist in the Service's Reform Programme. Accenture will analyse and evaluate all future-focused strategies and outcomes of work undertaken across the Service and will identify key strategies, opportunities, actions and interdependencies required to implement the required transformation of the Service.

The Service's civil maritime surveillance and response program is delivered with the assistance of a number of providers. A number of ACBPS vessels are contracted vessels (the ACV *Ocean Protector*, the ACV *Triton* and the ACV *Ashmore Guardian*) with both contracted crew and ACBPS officers embarked, and the Service's aerial and satellite

surveillance programs are both delivered by contracted providers.

Each of the vessel contracts is performing to expectations and 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 the Government's priorities.

The Service's aerial surveillance providers are similarly performing to expectations. In particular, the contracted aircrews have performed professionally in relation to the many search and rescue operations with which they have been involved.

ACBPS 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 2012–13, the facilities inspected 101,840 twenty-foot equivalent units and physically examined 14,215 twenty-foot equivalent units.

The arrangements for these services have worked effectively. Throughout 2012–13, services were delivered to the cost and standard required by ACBPS and this is reflected in the achievement of the annual Portfolio Budget Statements targets.

We also have 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 remove the potential for duplication of services and support an efficient, whole-of-government use of resources overseas. The Service Level Agreements detail the provision of services, agency responsibilities, performance indicators and cost recovery arrangements.

The management services fees are based on the Service's portion of the cost of DFAT providing locally engaged staff, incidental costs and the administrative costs of implementing ACBPS programs. For 2013–14, DFAT have proposed changes to the provision of payroll services, which are under negotiation.

The Service's internal audit function was delivered through an outsourcing arrangement with KPMG, an arrangement that ceased on 30 June 2013. The Internal Audit Section supports the Audit Committee, which meets five times a year to approve, administer and oversee the delivery of the Annual Internal Audit Plan and Financial Statements requirements.

In 2012–13, the Internal Audit Section completed 22 internal audit reports, which were considered 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 the Service. The Internal Audit Section also undertook extensive follow-up to monitor progress of open recommendations and verify activities

undertaken to fully implement those recommendations.

Reporting to an ACBPS 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 of control, risk and assurance matters.

From 1 July 2013, the Service commences an outsourcing arrangement with Ernst & Young for the provision of the internal audit function over the next three years.

APPENDIX I:

CORRECTION OF ERRORS IN THE 2011–12 ANNUAL REPORT

Page 30—Program 1.2 Trade Facilitation—performance against PBS targets, 2011–12

Under deliverables for the volume of cargo subject to inspection and examination; air cargo; number of consignments examined is reported as 80,592. The correct figure is 80,707.

Page 39—Part 2: Our program performance: Complexity and increase in number of cases

The number of dumping or subsidisation investigations, reviews, resumptions and continuation inquiries was incorrectly reported as 30 in 2011–12 compared to 11 in 2010–11. The 2010–11 figure did not include reviews and continuation inquiries.

The correct number of dumping or subsidisation investigations, resumptions reviews and continuation inquiries for 2011–12 was 30 compared with 22 in 2010–11.

For clarification, the number of new investigations initiated in 2010–11 was 6, while the number of new investigations initiated in 2011–12 was 24.

Page 68— Table 15 - Detections of suspected irregular entry vessels and potential irregular immigrants

The numbers of PII and crew arrivals in 2011–12 has changed due to a revision of numbers by the Department of Immigration and Citizenship.

PII detected	PII total	Total crew intercepted
8,061 ^(a)	8,093 ^(b)	244 ^(c)

(a) Reported as 8,060 in the 2011–12 Annual Report.

(b) Reported as 8,092 in the 2011–12 Annual Report.

(c) Reported as 345 in the 2011–12 Annual Report.

The number of long hauls and people transferred by long haul were calculated incorrectly for the years 2010–11 and 2011–12. The methodology for calculating the number of people transferred by long haul has also changed. The figure now includes PIIIs and crew rather than just PIIIs.

	Number of long hauls	Number of people transferred by long haul
2010–11	39 ^(a)	1,828 ^(c)
2011–12	27 ^(b)	1,472 ^(d)

(a) Reported as 42 in the 2011–12 Annual Report.

(b) Reported as 29 in the 2011–12 Annual Report.

(c) Reported as 2,013 in the 2011–12 Annual Report (PIIs only).

(d) Reported as 1,514 in the 2011–12 Annual Report (PIIs only).

Page 110— Table 29: Tobacco detections in sea cargo and amount of duty evaded

Table 29 of the 2011–12 Annual Report that reported on tobacco detection has changed. The number of cigarettes detected in the 2011–12 financial year has increased as a result of a single detection that had not previously been reported due to ongoing operational activity.

The duty evaded during the 2011–12 financial year has also decreased due to the correction of a calculation error. The correct data is included in the table below.

Year	Number of detections	Tobacco (tonnes)	Cigarettes (millions of sticks)	Duty evaded (\$ million)
2011–12	45	177	141	125

Page 181— Table 53: Questions on notice directed to ACBPS

The number of questions on notice received from the House of Representatives in 2011–12 was incorrectly reported as 14. The correct figure is 43. The number of questions on notice received from the Senate in 2011–12 was incorrectly reported as 143. The correct figure is 14.

Page 285— Table B1: Comcare claim data and unscheduled absences, 2009–10 to 2011–12

The number of accepted compensation incident claims with time off work in 2010–11 was incorrectly reported as 129. The correct figure is 83.



PART 8

END MATTER

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ABBREVIATIONS AND ACRONYMS

ACBPS	Australian Customs and Border Protection Service
ACC	Australian Crime Commission
ACLEI	Australian Commission of Law Enforcement Integrity
ACV	Australian Customs and Border Protection Service Vessel
ADF	Australian Defence Force
AFP	Australian Federal Police
AMATF	Augmented Multi-Agency Task Force
ANAO	Australian National Audit Office
APS	Australian Public Service
APSC	Australian Public Service Commission
ATF	US Bureau of Alcohol, Tobacco and Firearms
ATS	amphetamine-type stimulants
BPC	Border Protection Command
CCTV	Closed-circuit television
CEO	Chief Executive Officer
CPR	Commonwealth Procurement Rules
CRO	Chief Risk Officer
DAFF	Department of Agriculture, Fisheries and Forestry
DARTTS	US Analysis and Research for Trade Transparency System
DEA	Drug Enforcement Administration
DFAT	Department of Foreign Affairs and Trade
DHEA	dehydroepiandrosterone/prasterone
DIAC	Department of Immigration and Citizenship
DoFD	Department of Finance and Deregulation
DSTO	Defence Science and Technology Organisation
E10	ethanol-blended fuel
EC	Executive Committee
EEG	Excise Equivalent Goods
EEZ	Exclusive Economic Zone

ACBPS	Australian Customs and Border Protection Service
EPAC2	Enhanced Passenger Assessment and Clearance Program Stage 2
FITT	Firearms Intelligence and Targeting Team
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FOI Act	<i>Freedom of Information Act 1982</i>
GBL	gammabutyrolactone
GHB	gamma-hydroxybutyrate (fantasy)
GJ	Gigajoule
GST	goods and services tax
ICS	Integrated Cargo System
ICT	information and communications technology
IMA	irregular maritime arrivals
IPC	import processing charge
ISO	Integrity Support Officers
IUU	illegal, unregulated and unreported
km	Kilometre
kg	Kilograms
KPI	Key performance Indicator
kWh	Kilowatt/hour
(L)	Litres
LCT	Luxury Car Tax
LPG	liquefied petroleum gas
LSD	lysergic acid diethylamide
m	metre
MDA	3,4-methylenedioxymphetamine
MDEA	3,4-methylenedioxy-N-ethylamphetamine
MDMA	3,4-methylenedioxymethamphetamine (ecstasy)
MDP-2-P	3,4 methylenedioxyphenyl-2-propanone
MJ	Megajoule
MP	member of parliament
OC	Operations Committee
P3M3	portfolio, program and project management maturity model
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements

ACBPS	Australian Customs and Border Protection Service
PIEDs	performance- and image-enhancing drugs
PII	potential irregular immigrant
PMC	passenger movement charge
PMV	passenger movement vehicle
PNR	passenger name record
PSI	Proliferation Security Initiative
RAAF	Royal Australian Air Force
ReCAAP	Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia
SES	Senior Executive Service
SIEV	suspected irregular entry vessel
TEU	twenty-foot (container) equivalent units
TCO	Tariff Concession Order
TRS	Tourist Refund Scheme
UK	United Kingdom
US	United States of America
WET	Wine Equalisation Tax
WHS	Work Health and Safety
WMD	weapons of mass destruction
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
AusTender	Australian Government's tendering system
Central Services	Energy used in the provision of services in office buildings common to all tenants including building air conditioning, lifts, security and lobby lights, domestic hot water etc (If not directly measured, energy Consumption is approx. equal to 30% of electricity and 100% of gas)
Comcare	Commonwealth work health and safety regulator
COMPASS	A human resources system
ecstasy	Colloquial 3,4-methylenedioxymethamphetamine (MDMA)
ePassport	Passport with an embedded chip
examination	examination of cargo by a ACBPS 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	Colloquial gamma-hydroxybutyrate
ice	Colloquial crystalline methamphetamine
inspection	May include use of non-intrusive examination through x-ray technology (static or mobile), trace particle detection, detector dogs or physical examination of cargo
intelligence-led, risk-based approach	ACBPS' strategic planning model whereby the agency collects of data from an extensive range of sources, conducts comprehensive analysis, and generates informed judgements to direct and shape the agency's operational, investment, and resourcing decisions

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
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
Other buildings	This category is for facility types that do not fit the Tenant Light & Power or Central Services categories, e.g. simple storage shed, radio transmitters sites
Other uses	Consists of CCTV, camera poles, communication sites etc
Other transport	Consists of ACBPS leased shipping fleet and surveillance aircraft, plus all owned vehicles not included in Passenger vehicles report, including, TRV's, small craft, x-ray vans, generators, motorbikes
Passenger vehicles	ACBPS fleet vehicles as reported by the fleet service provider includes all passenger vehicles, SES, pool and light commercial (fit for purpose) vehicles
potential irregular immigrant	Non-Australian citizen who attempts to arrive or arrives in Australia's migration zone by sea
SmartGate	Automated border processing system
Sodium metabisulphite	a disinfectant and food preservative agent
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
Tenant Light & Power	Energy used for tenant operations in building whose primary function is office space including tenancy lighting, office equipment, supplementary air conditioners, boiling water units etc
Water column	P11, unlawful activity in our maritime zones-offshore — border risks

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 2013.

Items not applicable to Australian Customs and Border Protection Service have been noted as such.

Any items referred to as 'not applicable' have been assessed against the requirements.

Description	Requirement	Location
Letter of transmittal	Mandatory	V
Table of contents	Mandatory	VIII–IX
Index	Mandatory	266–272
Glossary	Mandatory	260–261
Contact officer(s)	Mandatory	IV
Internet home page address and Internet address for report	Mandatory	IV
Review by agency head		
Review by Chief Executive Officer	Mandatory	XI–XIII
Summary of significant issues and developments	Suggested	XI–XIII
Overview of department's performance and financial results	Suggested	XIII
Outlook for following year	Suggested	XIII
Significant issues and developments — portfolio	Portfolio departments – suggested	Not Applicable
Departmental Overview		
Role and functions	Mandatory	2–5
Organisational structure	Mandatory	7–9
Outcome and program structure	Mandatory	10
Where outcome and program structures differ from PB Statements/ PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	Not Applicable
Portfolio structure	Portfolio departments – mandatory	Not Applicable

Description	Requirement	Location
Report on Performance		
Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	14–57
Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	14–57
Where performance targets differ from the PBS/ PAES, details of both former and new targets, and reasons for the change	Mandatory	14–57
Narrative discussion and analysis of performance	Mandatory	14–57
Trend information	Mandatory	14–57
Significant changes in nature of principal functions/ services	Suggested	Not Applicable
Performance of purchaser/provider arrangements	If applicable, suggested	248–249
Factors, events or trends influencing departmental performance	Suggested	14–57
Contribution of risk management in achieving objectives	Suggested	60–95
Social inclusion outcomes	If applicable, mandatory	Not Applicable
Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	128
Discussion and analysis of the department's financial performance	Mandatory	XIII, 142–145
Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations.	Mandatory	XIII, 142–145
Agency resource statement and summary resource tables by outcomes	Mandatory	232–233
Management and Accountability		
Corporate Governance		
Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines	Mandatory	V
Statement of the main corporate governance practices in place	Mandatory	115–117
Names of the senior executive and their responsibilities	Suggested	7–8
Senior management committees and their roles	Suggested	118–120
Corporate and operational planning and associated performance reporting and review	Suggested	115, 117
Approach adopted to identifying areas of significant financial or operational risk	Suggested	98–121
Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	4–5, 106–109
How nature and amount of remuneration for SES officers is determined	Suggested	137

Description	Requirement	Location
External Scrutiny		
Significant developments in external scrutiny	Mandatory	124–127
Judicial decisions and decisions of administrative tribunals	Mandatory	124–127
Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	126–127
Management of Human Resources		
Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	104, 133–134
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Training and development undertaken and its impact	Suggested	133
Work health and safety performance	Suggested	101–103, 234–236
Productivity gains	Suggested	—
Statistics on staffing	Mandatory	133–139
Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	136–137
Performance pay	Mandatory	138
Assets management		
Assessment of effectiveness of assets management	If applicable, mandatory	130–131
Purchasing		
Assessment of purchasing against core policies and principles	Mandatory	131
Consultants		
The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	131–132
Australian National Audit Office Access Clauses		
Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	132

Description	Requirement	Location
Exempt contracts		
Contracts exempt from the AusTender	Mandatory	132
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Financial Statements	Mandatory	142–229
Other Mandatory Information		
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Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory	247
Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	238–244
Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	Not Applicable
Grant programs	Mandatory	132
Disability reporting – explicit and transparent reference to agency level information available through other reporting mechanisms	Mandatory	237
Information Publication Scheme statement	Mandatory	245
Spatial reporting – expenditure by program between regional and non regional Australia	If applicable, mandatory	Not Applicable
Correction of material errors in previous annual report	If applicable, mandatory	250–251
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